Staff paper

Agenda reference: 20A

IASB® meeting

Date	**January 2026**
Project	**Statement of Cash Flows and Related Matters**
Topic	**Moving to the standard-setting agenda**
Contacts	Nick Barlow (nbarlow@ifrs.org) Aida Vatrenjak (avatrenjak@ifrs.org)

Purpose and structure

1. The purpose of this paper is to ask the International Accounting Standards Board (IASB) whether it agrees with our recommendation to move the project on Statement of Cash Flows and Related Matters from the research programme to its standard-setting work plan.

2. If the IASB decides to add a standard-setting project to its work plan, it also needs to decide whether to set up a consultative group for the project.

3. This paper is structured as follows:

    (a) summary of staff recommendations; (paragraph 4);

    (b) background (paragraphs 5–11);

    (c) staff analysis:

        (i) moving to the standard-setting work plan (paragraphs 12–34); and

        (ii) consultative group (paragraphs 35–36); and

    (d) questions for the IASB.

Summary of staff recommendations

4. We recommend the IASB:
   (a) add the project on Statement of Cash Flows and Related Matters to its standard-setting work plan; and
   (b) not establish a dedicated consultative group for the project.

Background

5. The IASB added the Statement of Cash Flows and Related Matters project to its research programme in response to feedback to its Request for Information Third Agenda Consultation. Many users of financial statements (users) rated the project as a high priority in their responses.

6. The project started in September 2024 with a review of academic literature (see Agenda Paper 20A Academic literature review) followed by an initial research phase to provide the IASB evidence for deciding the scope of the project.

7. The IASB discussed the initial research findings at its March 2025 meeting. Research included:
   (a) meetings with individuals and groups of users and preparers (see Agenda Paper 20A Outreach feedback);
   (b) research performed by national standard setters (see Agenda Paper 20B National standard-setter outreach and research); and
   (c) an analysis of a sample of financial statements (see Agenda Paper 20C Analysis of financial statements).

8. At its May 2025 meeting the IASB discussed topics to include in the project plan (see Agenda Paper 20 Cover paper and questions for the IASB and Agenda Paper 20A Project plan). Based on the research findings, the IASB decided to assess potential ways to improve:

(a) the disaggregation of cash flow information in the financial statements;

(b) the reporting of information about non-cash transactions in the financial statements;

(c) the transparency of information communicated about cash flow measures not specified in IFRS Accounting Standards;

(d) the consistent application of requirements to classify cash flows as operating, investing or financing; and

(e) the consistent application of the definition of 'cash equivalents'.

9. The IASB also decided at its May 2025 meeting it will approach the statement of cash flows for financial institutions by considering:

(a) improvements to the statement of cash flows generally before deciding how any changes might apply to the requirements for financial institutions;

(b) exemptions for financial institutions from some or all of the requirements for presenting a statement of cash flows; and

(c) any presentation or supplementary disclosure requirements specific to financial institutions that might enhance the usefulness of information about cash flows for such entities.

10. The IASB has since been discussing potential ways to improve financial reporting for the selected topics. Its discussion has focussed on identifying the underlying financial reporting problems and possible ways the IASB could resolve them. Based on these discussions, the IASB has made tentative decisions regarding requirements that it could propose or that it will develop further. The IASB has tentatively decided:

(a) to improve the disaggregation of cash flow information by:

(i) developing potential requirements that strengthen the link between the statement of cash flows and information presented or disclosed in other parts of the financial statements (see September 2025 Agenda paper 20A Approach to disaggregation); and

(ii) proposing that an entity be required to present cash flows from discontinued operations in a separate category of the statement of cash flows (see December 2025 Agenda paper 20C Presentation of cash flows from continuing and discontinued operations);

(b) to improve the reporting of information about non-cash transactions in the financial statements by developing potential requirements that would (see October 2025 Agenda paper 20A Approach to non-cash transactions and other changes in balances and October 2025 Agenda paper 20B Examples of potential solutions):

(i) specify the content and location of information an entity discloses about non-cash transactions that are in the scope of paragraphs 43–44 of IAS 7 *Statement of Cash Flows*;

(ii) require an entity to disclose information about specified types of non-cash changes other than the non-cash transactions in (i) for assets and liabilities that make up the components of working capital; and

(iii) require an entity to disclose cash receipts, cash payments and related line items in the statement of cash flows as part of the reconciliation of changes in liabilities arising from financing activities;

(c) to improve the transparency of information communicated about cash flow measures not specified in IFRS Accounting Standards by proposing to extend the requirements for management-defined performance measures in IFRS 18 *Presentation and Disclosure in Financial Statements* to cash flow measures (see July 2025 Agenda paper 20A Improving the transparency of information about cash flow measures and December 2025 Agenda paper 20A Improving the transparency of information about cash flow measures); and

(d) to improve the consistent application of requirements to classify cash flows as operating, investing or financing by exploring amending the principle for classifying cash flows in paragraph 11 of IAS 7 and exploring developing requirements (see December 2025 Agenda paper 20B Classification and presentation of cash flows):

(i) for the classification of acquisition-related payments in a business combination;

(ii) for the classification and presentation of cash flows from derivatives; and

(iii) for the classification and presentation of receipts of government grants.

11. Considering the work performed while the project has been on the research programme and the tentative decisions the IASB has made, we think the IASB has sufficient information to decide on whether to move this project to its standard-setting work plan.

Staff analysis

Moving to the standard-setting work plan

Criteria for adding a project to the standard-setting work plan

12. Paragraph 5.1 of the *Due Process Handbook* states:

> In considering whether to add a standard-setting project to the work plan, the IASB or Interpretations Committee requires the development of a specific project proposal and an assessment against the project criteria outlined in paragraph 5.4…

13. Paragraph 5.4 of the *Due Process Handbook* states the IASB evaluates the merits of adding a potential project to the work plan primarily on the basis of the needs of users of financial reports, while also taking into account the costs of preparing the information in financial reports. When deciding whether a proposed agenda item will address users' needs, the IASB considers:

(a) whether there is a deficiency in the way particular types of transactions or activities are reported in financial reports (see paragraphs 17–20);

(b) the importance of the matter to those who use financial reports (see paragraphs 21–24);

(c) the types of entities likely to be affected by any proposals, including whether the matter is more prevalent in some jurisdictions than others (see paragraphs 25–26); and

(d) how pervasive or acute a particular financial reporting issue is likely to be for entities (see paragraphs 25–26).

14. Paragraph 5.5 of the *Due Process Handbook* states the IASB considers adding a standard-setting project to the work plan after considering any research it has undertaken on the topic. The IASB would normally propose to develop a new IFRS Standard or to make major amendments to a Standard only after it has published a discussion paper and considered the comments it receives from that consultation. Publishing a discussion paper before adding a major standard-setting project to the work plan is not a requirement. However, to proceed without a discussion paper, the IASB needs to be satisfied that it has sufficient information and understands the solutions well enough. The IASB might conclude that a discussion paper is not necessary because it has sufficient input from a research paper, request for information or other research to proceed directly to an exposure draft. The reasons for not publishing a discussion paper need to be set out by the IASB and reported to the Due Process Oversight Committee (DPOC) (see paragraphs 27–28).

15. Paragraph 5.7 of the *Due Process Handbook* also states the IASB adds a project to the work plan only if it concludes that the benefits of the improvements to financial reporting will outweigh the costs (see paragraphs 29–34).

16. The following sections discuss how these criteria have been met.

Whether there is a deficiency

17. We think there are deficiencies in reporting of cash flow related information evidenced by our initial research findings and the feedback to the IASB's Request for Information Third Agenda Consultation.

18. Most respondents to the Request for Information Third Agenda Consultation commented on a project on the statement of cash flows and related matters and many of them rated it as a high priority. Stakeholders identified several specific areas of deficiency which were consistent with comments made in previous projects.

19. As part of its *Financial Statement Presentation* project in response to similar feedback the IASB developed potential requirements to improve information in the statement of cash flows. However, that project was never completed. Some of the feedback from the Third Agenda Consultation was also consistent with feedback to the IASB's project on *Primary Financial Statements* which only partially considered the statement of cash flows.

20. The objective of the initial research phase of the project was to better understand the nature and extent of these perceived deficiencies. Those research findings provided evidence of deficiencies in financial reporting and the IASB decided to develop potential improvements for the specific areas outlined in paragraph 8.

Importance of deficiency to users

21. We think the deficiencies in reporting of cash flow information are important to users evidenced by our initial research findings. Most users that responded to the Third Agenda Consultation rated a project on the statement of cash flows and related matters as a high priority. This was consistent with feedback from users in the initial research.

22. Users said that cash flow information is important to the process of forecasting future cash flows and evaluating an entity's financial performance. They identified three specific matters of high priority for the project:

(a) improving disaggregation of cash flow information;

(b) improving information about non-cash transactions; and

(c) improving transparency of information about cash flow measures used outside financial statements.

23. Many preparers and other stakeholders identified inconsistencies in the application of requirements to classify cash flows as operating, investing and financing and the definition of 'cash equivalents' as priorities. Inconsistent classification of cash flows and application of the definition of 'cash equivalents' have a direct impact on the quality of information received by users, affecting the comparability of cash flow information of different entities.

24. All of the research conducted by national standard-setters we reviewed reported that improving cash flow information is important to users, and other stakeholders, in those jurisdictions.

Entities likely to be affected and pervasiveness of deficiencies

25. All entities applying IFRS Accounting Standards are required to apply IAS 7. Consequently, any improvements to its requirements will impact many different types of entities. For example:

(a) our research identifies many entities present cash flow related measures such as 'free cash flow' outside the financial statements. IAS 7 does not include requirements for such measures. Any new requirements to improve the transparency of information communicated about cash flow measures not specified in IFRS Accounting Standards would affect entities presenting these measures.

(b) due to the nature of accrual accounting nearly all entities will have non-cash changes in assets and liabilities and most entities will have non-cash transactions. These entities would be affected by any new requirements to improve the reporting of information about non-cash transactions in the financial statements.

(c) All entities applying IAS 7 need to consider the classification and disaggregation of cash flows presented in the statement of cash flows and disclosed in the notes. These entities would be affected by any new requirements to improve the disaggregation of cash flow information in the financial statements and the consistent application of requirements to classify cash flows as operating, investing or financing.

26. Financial institutions are likely to be affected differently from other types of entities. The IASB decided to specifically consider possible exemptions for financial institutions from some or all of the requirements for presenting a statement of cash flows and possible supplementary disclosure requirements specific to these types of entities. Consequently, the extent financial institutions are affected will depend on the extent of any exemptions or supplementary disclosures. (see paragraph 9).

Proceeding directly to an exposure draft

27. As required, before publishing an exposure draft, by paragraph 5.5 of the *Due Process Handbook*, we think that the initial research findings and analysis supporting the IASB's tentative decisions provide sufficient information for the IASB to be satisfied that it understands the financial reporting problems and solutions well enough to proceed directly to an exposure draft (see paragraph 14). The initial research phase of the project provided sufficient information about the problems with the statement of cash flows and related matters, resulting in the topics being explored. The IASB's discussions and tentative decisions have provided sufficient information about potential solutions to each of the specific topics the IASB decided to assess for potential ways to improve (see paragraph 8)—the IASB tentatively deciding on either specific requirements to propose or possible requirements to further develop to resolve those problems (see paragraph 10).

28. We think the IASB understands potential solutions well enough for the scope of potential requirements for financial institutions, because:

    (a) the IASB agreed a methodology for financial institutions related work, including to specifically consider whether to exempt them from some or all proposed requirements, once they are sufficiently developed, and some or all of the requirements of IAS 7 (see paragraph 9); and

    (b) the IASB has a toolbox of potential approaches for scoping any exemptions relating to financial institutions it can use in developing any proposals in this project, including:

        (i) activity-based approaches—for example, the use of specified main business activities to specify classification requirements developed in IFRS 18;

        (ii) threshold-based approaches—for example, the use of the significance of liabilities from insurance contracts in IFRS 4 *Insurance Contracts* to identify insurers in the scope of an exemption from applying IFRS 9 *Financial Instruments*; and

        (iii) other approaches used by the board in the past—for example, the combination of activity, objective and relevant legislation in IAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*.

Costs and benefits of improvements to financial reporting

29. In this project the IASB is exploring potential requirements to improve the presentation and disclosure of cash flow information in financial statements which is intended to benefit both users and preparers (see paragraph 8). In our initial research, of the five areas being explored, three were identified by users as priority topics and the potential requirements being explored are intended to provide information that is of direct benefit to the analysis performed by these stakeholders (see paragraph 22). The remaining two areas were identified by preparers as priorities and are intended to

result in more consistent application of the standards which also results in improved comparability of information, further benefiting users (see paragraph 23).

30. The IASB's proposals could result in some additional costs for entities, for example from having to disclose additional information about cash flow related information in the financial statements. However, the IASB is considering the costs of the potential proposed requirements in their development by engaging with stakeholders to understand the potential costs and to leverage the requirements in IFRS Accounting Standards.

31. In responding to feedback from preparers about improving the consistent application of the definition of 'cash equivalents' and the classification of cash flows as operating, investing and financing we think there is an opportunity to reduce costs for preparers by reducing the amount of effort required to make judgements required to apply these requirements.

32. The potential requirements being explored to improve information about non-cash information are based on improving the structure and connection of information required by other IFRS Accounting Standards. Consequently, the possible requirements are not expected to result in significant additional costs. The requirements the IASB has tentatively decided to propose to improve transparency of cash measures not specified by IFRS Accounting Standards adapts the requirements of IFRS 18. This approach minimises the amount of change, and related costs, that would be involved in implementing the additional requirements.

33. The approach to financial institutions recognises that the potential benefits of any proposed requirements will be different for financial institutions and the IASB will specifically consider this in deciding on the balance of costs and benefits for these entities and whether such entities should be exempt from some or all of the requirements (see paragraph 9).

34. The IASB will continue to consider the expected benefits and cost of the package of proposals throughout the project.

Consultative group

35. Paragraphs 3.59–3.60 of the *Due Process Handbook* require the IASB to consider whether it should establish a consultative group for each major project it adds to its standard-setting work plan. The objective of the consultative groups is to give the IASB access to additional practical experience and expertise. The *Due Process Handbook* states that it is not mandatory to have such a group, but if the IASB decides not to have a consultative group for a project, the IASB explains why on the project page and informs the DPOC.

36. We think it is unnecessary to have a specific consultative group for the project on Statement of Cash Flows and Related Matters because:

    (a) The topic is general and affects many entities rather than being industry specific or requiring specialist knowledge. The IASB's existing consultative groups have the necessary practical experience and expertise to advise on this project. We have consulted with the Accounting Standards Advisory Forum, Global Preparers Forum, Capital Markets Advisory Committee, and the IFRS Interpretations Committee during the research phase of the project and plan to continue to use these groups. We also plan to consult with the newly formed Financial Instruments Consultative Group on matters specific to financial institutions.

    (b) If specific expertise or experience is required, we think it will be possible to undertake targeted outreach without the need for a specific consultative group.

Questions for the IASB

Question for the IASB
1. Does the IASB agree to add the project on Statement of Cash Flows and Related Matters to its standard-setting work plan? 2. Does the IASB agree not to establish a dedicated consultative group for the project?