
Emerging Economies Group

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Project	Statement of Cash Flows and Related Matters
Topic	Project update
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Purpose of this session and question for EEG members

The purpose of this meeting is to provide an update on the IASB's tentative decisions in the statement of cash flows and related matters project

Question for EEG members

Do EEG members have any comments or questions on the IASB's tentative decisions and discussion on targeted improvements to the statement of cash flows as outlined in slides 8–20?

Background of the project

- In its September 2024 meeting, the IASB moved the project on Statement of Cash Flows and Related Matters from the research pipeline to the research work plan
- The IASB began the project with initial research to gather evidence on the nature and extent of perceived deficiencies in current reporting and the likely benefits of developing new financial reporting requirements
- Research included meetings with consultative groups and individual stakeholders and review of financial statements of entities and existing academic studies
- In May 2025, the IASB decided the topics to further explore in the project (slide 4) and those to exclude from the project (slide 5) based on the initial research findings
- The IASB decided in January 2026 to move the project to its standard-setting work plan based on key decisions being tentatively taken for each area of the project outlined in slides 8–20

Topics the project is exploring

Based on the initial research identifying three topics as clear investor priorities, the IASB decided to explore potential ways to improve:

- the **disaggregation** of cash flow information in financial statements;
- the reporting of information about **non-cash transactions**; and
- the transparency of information about **cash flow measures not specified in IFRS Accounting Standards**

In response to initial research findings indicating diversity in application—which might not be apparent to investors and was a priority of other stakeholders—the IASB decided to explore potential ways to improve:

- the consistent application of requirements to **classify cash flows** as operating, investing, or financing; and
- the consistent application of the **definition of cash equivalents**.

Topics the IASB decided not to explore in this project

- × Defining growth and maintenance capex—evidence not feasible
- × Define the measures ‘free cash flows’ or ‘net debt’—evidence not feasible
- × Cash flow information by segment—feedback better considered in a holistic project on segment reporting
- × Develop specific offsetting guidance (separate from principal or agent)—not a priority for any stakeholder group
- × Aim to re-define operating, investing, financing—feedback suggests these are useful categories
- × Aim to align classification with IFRS 18—not a priority for investors
- × Expand the definition of cash and cash equivalents—investor feedback is comparability more important and prefer not expanding to include more investments
- × Alternative presentations of the statement of cash flows (e.g. statement of net debt)—feedback suggests the presentation required by IAS 7 provides useful information and more targeted improvements are a stakeholder priority
- × Explore alternatives to statement of cash flows—low priority for many investors and beyond the scope of statement of cash flows

IASB approach to financial institutions

Based on the feedback in the initial research the IASB decided there was not sufficient demand to reconsider the form of the statement of cash flows for financial institutions

However, because there might be useful enhancements arising from the work on other areas of the project the IASB decided to approach the statement of cash flows for financial institutions by considering:

- improvements to the statement of cash flows generally before deciding how changes might apply to financial institutions (the IASB will consider a specific cost-benefit analysis to making any changes);
- any possible exemptions from the requirements; and
- presentation or supplementary disclosure requirements that might enhance the usefulness of information about cash flows

Disaggregation of cash flow information



Disaggregation

The IASB has tentatively decided to explore strengthening the link between the statement of cash flows and information **presented or disclosed in other parts of the financial statements**, this might include requirements to improve ([see AP20A of May 2026 IASB meeting](#)):

- disclosure of how line items in the statement of cash flows relate to items in the statement of financial position
- consistency in labelling of related items presented in the statement of cash flows or disclosed in related notes
- cross-referencing of cash flow information between notes and primary financial statements
- disaggregation of specific items when material

The IASB has also tentatively decided to propose an entity be required to **present cash flows from discontinued operations** in a **separate category** of the statement of cash flows providing consistency in presentation

Changes in liabilities from financing activities

IAS 7 *Statement of Cash Flows* requires an entity to **disclose information about changes in liabilities arising from financing activities**. One way for entities to provide this information is in a reconciliation table

The IASB has tentatively decided to develop requirements to better enable investors to understand the **link between the disclosure and cash receipts and payments** in the statement of cash flows

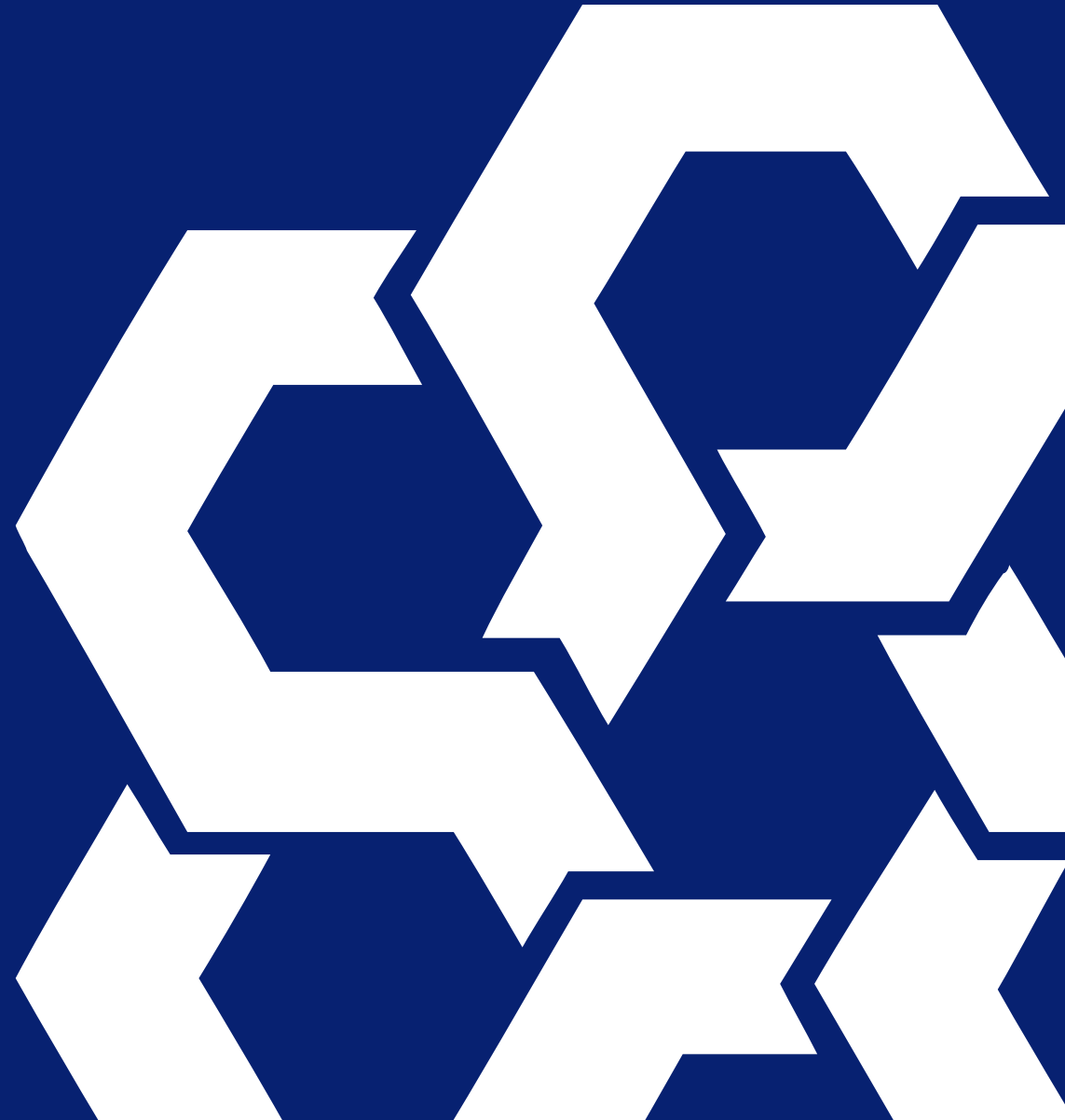
The IASB has been exploring possible requirements (see [AP20B of May 2026 IASB meeting](#)):

- to **reconcile** opening to closing balances;
- **disaggregate** balances considering the **line items of related liabilities** in the statement of financial position; and
- **disaggregate** major classes of **gross cash receipts** and **gross cash payments** presented in the statement of cash flows

Reconciliation of liabilities arising from financing activities

	Borrowings	Lease liabilities	Total liabilities
Opening balance	1,140		1,140
Cash flows from operating activities			
Cash flows from investing activities			
Cash flows from financing activities, which consist of:	250	-90	160
Proceeds from borrowings	250		250
Payment of lease liabilities		-90	-90
Proceeds from issue of share capital			
Dividends paid			
Adjustment for cost of net liabilities	35	5	40
Assumed as part of business combinations (Note X)	290		290
Non-cash transactions (Note Y)	10	900	910
Closing balance	<u>1,725</u>	<u>815</u>	<u>2,540</u>

The reporting of non-cash information



Non-cash transactions possible new disclosures

IAS 7 **requires an entity to disclose** all the relevant information about non-cash transactions but **isn't specific about where and how** the information is disclosed

The IASB has tentatively decided to develop requirements to specify **the content and location** of information an entity discloses about **non-cash transactions**

The IASB has been exploring possible forms of disclosure that:

- include non-cash transactions in a single location; and
- include them beside similar cash transactions

- include non-cash transactions in the context of related notes

Line items presented in the statement of cash flows	Cash transactions	Non-cash transactions
Cash flows from operating activities		
Adjustments for non-cash items	150	-50
Decrease in trade and other payables (Note B)	-1,740	-800
<i>Net cash from operating activities</i>	<i>1,650</i>	<i>-850</i>
Cash flows from investing activities		
Purchase of property, plant and equipment (Note C)	-350	-900
<i>Net cash used in investing activities</i>	<i>-520</i>	<i>-900</i>
Cash flows from financing activities		
Proceeds from issue of share capital	250	50
Proceeds from borrowings	250	1,700
<i>Net cash used in financing activities</i>	<i>-1,060</i>	<i>1,750</i>

C. Property, plant and equipment

[Paragraph 73(e) of IAS 16 and paragraph 53(a) of IFRS 16]

	Owned plant	Right-of-use property	Total
Opening balance	350		350
Additions	350	900	1,250
Cash transactions	350		350
Non-cash transactions		900	900
Obtaining control of subsidiaries	650		650
Disposals	-20		-20
Depreciation	-98	-252	-350
Closing balance	1,232	648	1,880

Non-cash changes possible new disclosures

IFRS Accounting Standards cover non-cash changes in working capital assets and liabilities, but the information is often **too aggregated** for investors to use effectively. Additionally, entities are **not required to link** these disclosures to other related information in the financial statements. The IASB has tentatively decided to develop requirements to disclose information about **specific types of non-cash changes** in specified assets and liabilities that make up **working capital**

The IASB has been exploring possible forms of disclosure that:

- reconciles changes in specific assets and liabilities reported in the statement of cash flows to the related carrying amounts in the balance sheet; and
- discloses specific non-cash changes in those assets and liabilities

Increase / (decrease)	Trade and other receivables	Inventories	Trade and other payables
Change reported in the statement of cash flows	1,500	-1,050	-1,740
Non-cash transactions (Note A)			-800
Obtaining control of subsidiaries	100	90	100
Impairment	-10	-140	-
Translation adjustments	15	-	-180
Other (unexplained differences)	-	10	-
Change reported in the statement of financial position	1,605	-1,090	-2,620

Mixed feedback on initial non-cash transactions solutions

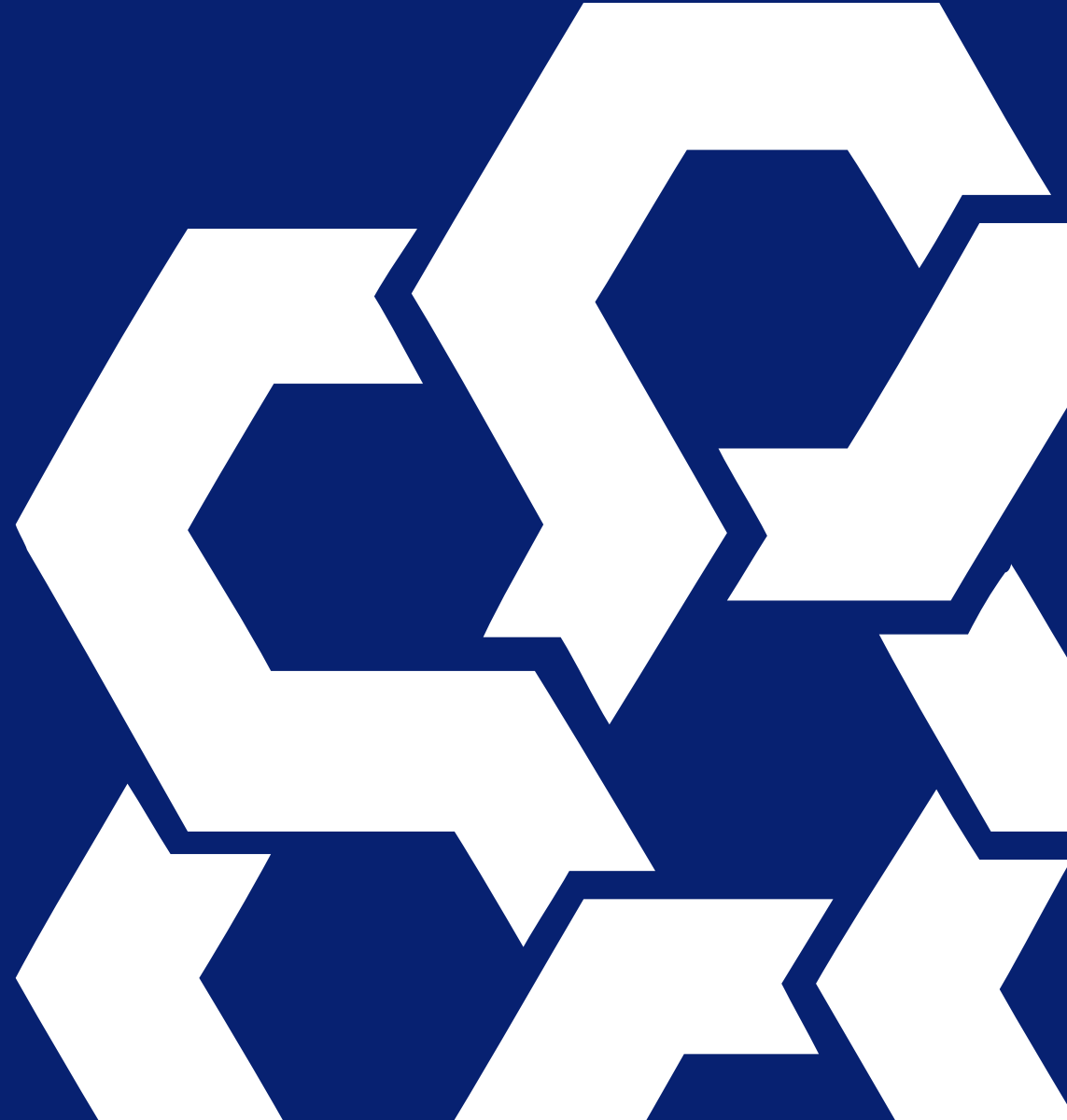
Investor feedback suggests they might benefit from:

- improved accessibility to information about non-cash transactions disclosed in single location
- potential to compare cash and economically similar non-cash transactions, including possible effects on future cash flows
- improved understanding of how specific assets and liabilities have changed over the period
- better contextual information provided by disaggregation of specific non-cash information in individual note disclosures

Preparers identified concerns about:

- potential for duplication of information
- manual effort required to gather some information
- detailed disclosure resulting in higher preparation and audit cost
- relevance of comparing cash and economically similar non-cash transactions
- limited opportunity for entity-specific information

Extending MPMs to also
include cash flow measures



Management-defined performance measures

The IASB has tentatively decided to **extend the management-defined performance** measure requirements in IFRS 18 *Presentation and Disclosure in Financial Statements* to also **include cash flow measures**, which is expected to:

- provide investors with consistent set of disclosure requirements in the financial statements providing transparency over adjusted cash flow measures
- align the requirements for adjusted measures of cash flows with requirements for adjusted measures of profit or loss

For entities that do not communicate adjusted measures in public communications additional disclosures would not be required

Updates to MPMs to include cash flow measures

The IASB's tentative decisions on MPMs include:

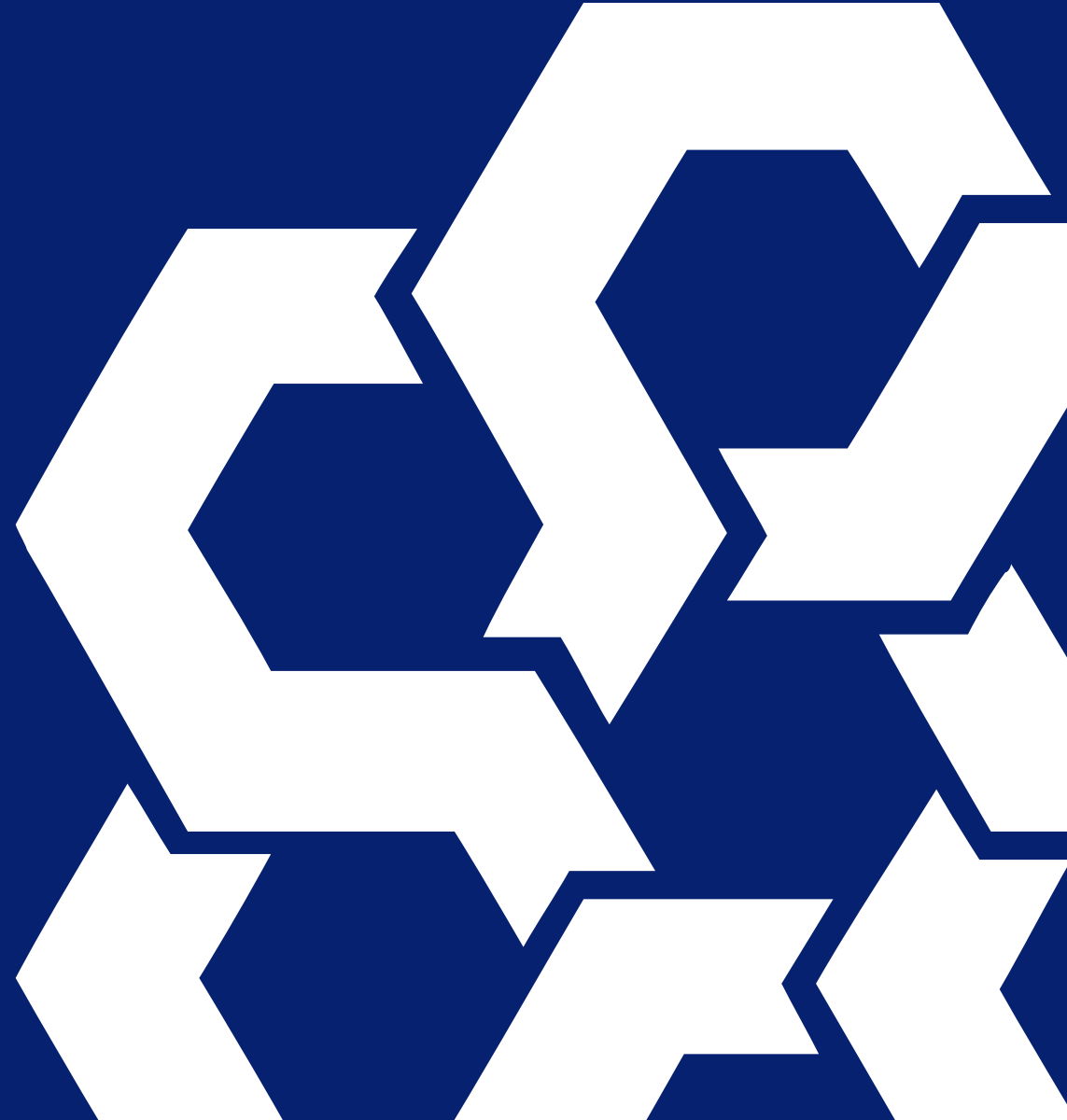
- Updating the definition of MPMs to subtotals of income and expenses **or subtotals of cash inflows and outflows** not required or specifically exempted by IFRS Accounting Standards (subtotals for categories of the statement of cash flows are specifically exempted)
- Adding **application guidance** clarifying that:
 - subtotals combining income and expenses and cash inflows and outflows are MPMs
 - the disclosure of the **income tax effect and the effect on non-controlling interests** for each item in the MPM reconciliation will **not apply to cash flow measures**
 - an entity is required to disclose the effects of **tax and non-controlling interest for an MPM** that is a subtotal of income and expenses or is **reconciled to a subtotal in the statement of profit or loss**

Other MPM requirements are unchanged

No changes to IFRS 18 disclosure objective and requirements to **disclose in a single note:**

- **Reconciliation** back to IFRS-defined subtotal
- Explanation of **why** the MPM is reported
- Explanation of **how** the MPM is calculated
- Explanation of any **changes** to the MPM

Consistent application



Classifying cash flows as operating, investing, and financing

The IASB has tentatively decided to explore developing requirements to improve the consistent application of the classification requirements, including exploring requirements:

- to classify **acquisition-related payments in a business combination**;
- to classify and present **cash flows from derivatives**; and
- to classify and present **receipts of government grants**

The requirements are expected to improve consistency in classification of transactions which lack specific guidance and for which many stakeholders identified diversity

The IASB has also tentatively decided to explore amending the principle for classifying cash flows in paragraph 11 of IAS 7 to help entities apply the principle more consistently

After the IASB has concluded its discussions on strengthening the disclosure requirements on **non-cash transactions** and **other non-cash changes**, the IASB will revisit whether requirements are necessary for:

- classifying **deferred payments**; and
- classifying and presenting cash flows **involving a third-party finance provider**

Definition of ‘cash equivalents’

The IASB tentatively decided to improve the consistent application of the **definition of ‘cash equivalents’**, including clarifying that a cash equivalent be **held for the purpose of meeting short term cash commitments** rather than for investment purposes

The IASB is exploring alternatives to clarifying reference in IAS 7 to an investment with a **maturity of three months or less**

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