
FASB | IASB Education Meeting

Date	5 June 2026
Project	Statement of cash flows and related matters
Topic	Project update
Contacts	Nick Barlow (nbarlow@ifrs.org) Aida Vatrenejak (avatrenejak@ifrs.org)

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Reminder of topics the IASB is exploring in the project

Based on 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**.

Reminder of 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 of 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

Progress and next steps

- Since the last joint FASB-IASB meeting in October 2025, the IASB has made several tentative decisions on each of the topics being explored in the project (key decisions for each topic are outlined in slides 6–17)
- The IASB decided in January 2026 to move the project to its standard-setting work plan based on the tentative decisions to that date
- In May 2026 the IASB started consultation with its financial instruments consultative group (FICG) on the approach to financial institutions (feedback outlined in slide 19). The IASB will seek further feedback from its Accounting Standards Advisory Forum consultative group in July 2026 and discuss the feedback and next steps at its July 2026 meeting
- The IASB is also developing proposals for information about non-cash transactions and classification of cash flows for which it will seek feedback at its joint Global Preparers Forum (GPF) and Capital Markets Advisory Committee (CMAC) in July 2026

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 includes tentatively deciding to propose adding **application guidance**:

- on aggregating line items in the statement of cash flows, using disaggregation of related line items in the statement of financial position as a basis for disaggregation and requiring **disclosure** of how **related items are disaggregated differently** in those statements, when applicable;
- on **labelling and describing line items** that requires an entity to use similar labels for items with similar characteristics and different labels for items with different characteristics; and
- on **cross-referencing information** in a note to more than one primary financial statement, when the information relates to more than one of those statements

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

The IASB is continuing to explore possible disaggregation requirements for specific items

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 propose 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 tentatively decided to propose requirements:

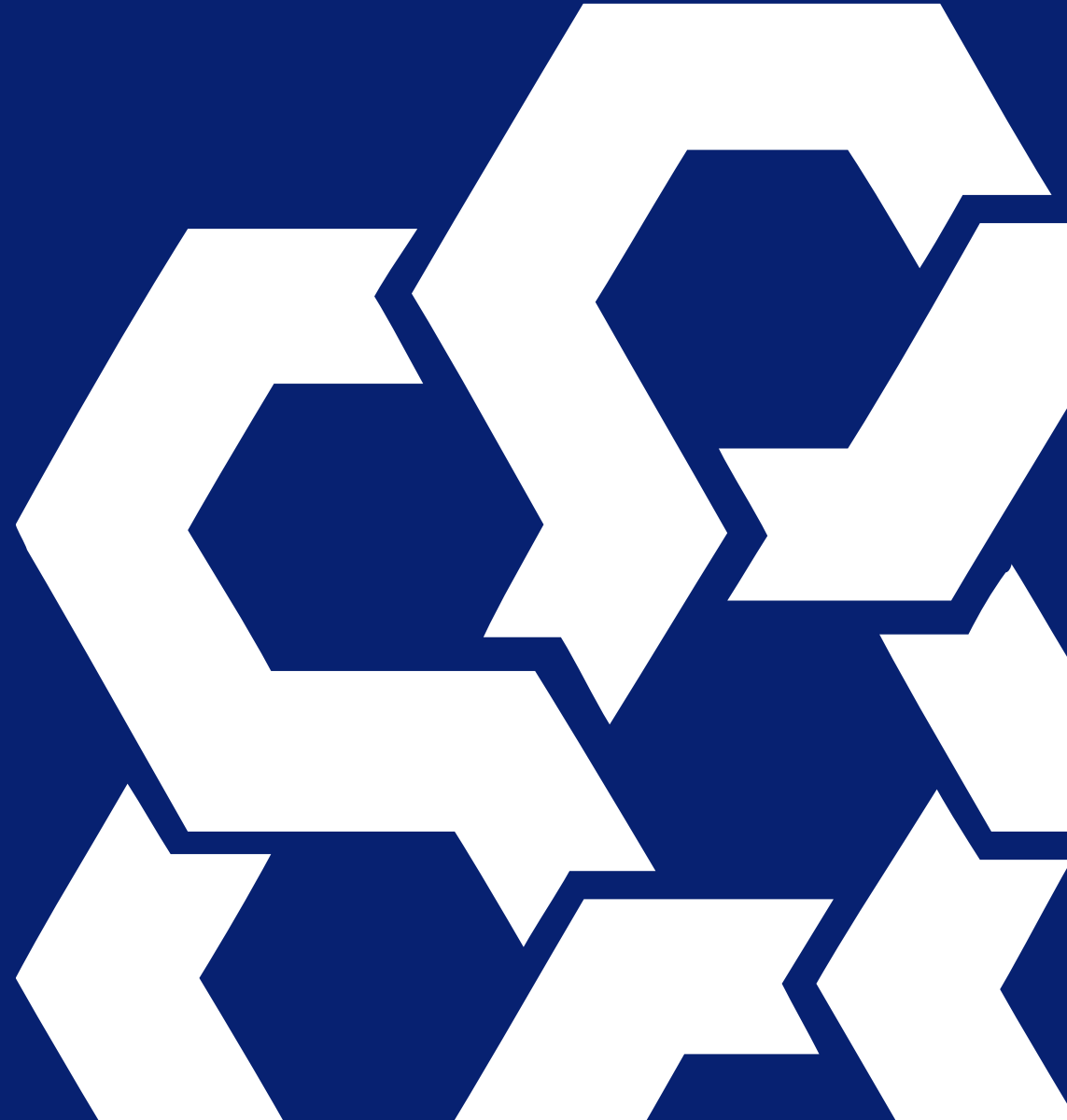
- to **reconcile** opening to closing balances;
- **disaggregate** balances considering the **line items of related liabilities** in the statement of financial position; and
- **disaggregate** major classes of **gross cash receipts** and **gross cash payments** presented in the statement of cash flows

An example of what applying the proposed requirements might look like:

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**

IFRS Accounting Standards also 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**

Mixed feedback on initial non-cash transactions solutions

Investor feedback suggests they might benefit from:

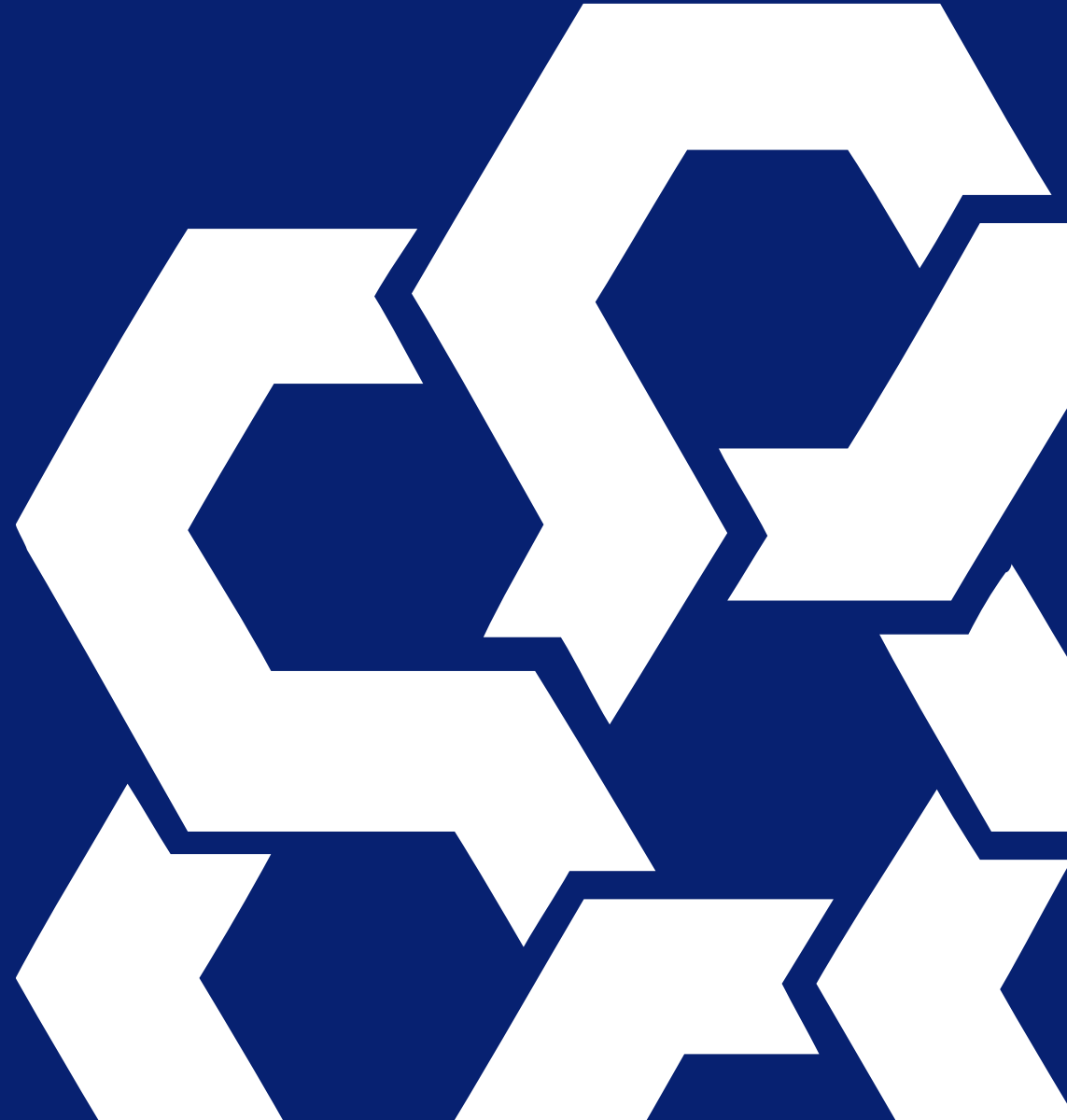
- improved accessibility to information about non-cash transactions disclosed in a single location
- potential to compare cash and economically similar non-cash transactions
- improved understanding of how specific assets and liabilities have changed over the period
- better contextual information provided 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

The IASB will seek feedback on revised proposals at the June 2026 joint CMAC-GPF meeting

Extending Management-
defined Performance
Measures to also include
cash flow measures



Management-defined performance measures (MPMs)

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

- provide investors with a 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 the 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**

Approach to financial institutions



Feedback received at the May 2026 FICG meeting

Members confirmed previous feedback that the statement of cash flows has limited usefulness for financial institutions

- investor members said they do not use the statement directly and seek related information in other disclosures (for example, IFRS 7 disclosures) and regulatory reports

Members provided limited feedback on whether the improvements to the statement of cash flows currently being considered for non-financial institutions would improve its usefulness for financial institutions

Suggestions of alternative approaches for financial institutions were shared, including:

- exemption from some, or all of the requirements for presenting a statement of cash flows
- disclosure requirements based on the information in regulatory reports (for example, liquidity ratios)
- extending concepts from IFRS 18 into IAS 7

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