



Statement of Cash Flows

FASB—IASB Education Meeting

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Stakeholder Feedback

- **2025 Invitation to Comment (ITC):** The Board received mixed feedback regarding the prioritization of the statement of cash flows and the future direction of the technical project* to reorganize the statement of cash flows for financial institutions.
 - Investors identified the statement of cash flows as a top priority; other stakeholder groups had varied perspectives on whether to prioritize a statement of cash flows project.
 - Supporters of a project expressed preference for targeted improvements to address implementation issues and diversity in practice over a broader overhaul of the existing Topic 230 framework.
 - Recommendations emphasized a strengthening of the inter-statement linkage and improved disaggregation of cash flow information.
 - Some stakeholders supported moving away from the technical project and supporting a new project targeting a wider array of entities.
 - Some stakeholder groups recommended eliminating the requirement for financial institutions to prepare a cash flow statement and replace it with relevant disclosures.

Stakeholder Feedback – Targeted Improvements

- Among the broader feedback, stakeholders proposed targeted improvements including:
 - **Disclosure of cash interest received:** Requiring disclosure of cash interest received, similar to existing disclosure of cash interest paid.
 - **Operating leases presentation:** Determining if changes in the right-of-use assets and the operating lease liability should be presented separately or netted in the operating section.
 - **Eliminating wording on “encouraging” the direct method:** The word *encouraged* could indicate that a preferability assessment is required if an entity wants to switch from the direct to the indirect method.
 - **Free cash flow:** Standardizing a free cash flow measure to improve consistency and reduce investor effort in reconciling differences among entities.
 - **Additional disaggregation:**
 - Disaggregation of capital expenditures between expansion and maintenance
 - Disaggregation of depreciation and amortization

Stakeholder Feedback – Targeted Improvements

- Among the broader feedback, stakeholders proposed targeted improvements including:
 - **Share-based payments:** Some investors maintain that share-based payments are an operating cash activity (i.e., repurchase of shares) and should not be a noncash adjustment in operating.
 - **Supplier finance programs:** Some investors stated that the Board should provide prescriptive guidance on the cash flow presentation of supplier finance arrangements.
 - **Non-cash disclosures:** Investors noted that they would like more information about noncash operating disclosures (not required by GAAP) and additional information about non-cash investing and financing activities.
 - **Other stakeholder feedback:**
 - Consider presentation of interest cash flows not solely in the operating section – to align with the related the balance sheet line item
 - Develop guidance on the presentation of constructive receipts and payments (e.g. loan refinancing from one lender to another)
 - Develop guidance on cash collected on behalf of third parties (e.g. payment processors)
 - Revisit the cash flow statement classification of derivatives (e.g. derivatives with a significant financing component)
 - Revisit the definition of *cash equivalents*.

Staff Research

- While conducting recent outreach, some stakeholders questioned the overall usefulness of the statement of cash flows for financial institutions:
 - Multiple investors commented that the statement of cash flows is not very useful and some rarely use it in their analysis
 - One investor explicitly mentioned the idea of removing the statement of cash flows entirely
 - Multiple preparers commented that they are not getting comments or questions from investors about the statement indicating that it is not a focus of analysis
 - One preparer proposed a reconciliation of GAAP-basis net interest income to cash-basis net interest income to replace the current statement of cash flows

The staff will conduct further research to better understand the feasibility of replacing the statement of cash flows for financial institutions

Next Steps

- Perform additional research and outreach.
- Present further ITC and other feedback to the Board in the coming weeks.

Thank You