

Accounting Standards Advisory Forum meeting

March 2026

Agenda Paper 3

SAICA Cash Flow Statements working group presentation to ASAF

30 March 2026



DIFFERENCE
MAKERS

Introduction of SAICA and the work to date

The Accounting Practices Committee is the technical accounting committee of SAICA. In order to fulfil its purpose, the APC intends to play a leadership and influential role by keeping informed of developing trends, developing guidance where necessary, making proactive and reactive submissions on all relevant pronouncements and legislation that affect financial reporting, communicating to and educating SAICA members and business leaders and working with relevant stakeholders to address financial reporting issues in South Africa, Africa and globally.

From time-to-time, the APC will establish a Project Working Group on an IFRS Foundation Structure project or to address any local or other financial reporting-related agenda projects. These may include, but are not restricted to, investigating the practicality of specific financial reporting matters, setting of, and providing guidance to members on specific financial reporting topics.

During 2024, the SAICA **Accounting Practices Committee (APC) Cash Flow Statements (CFS)** working group was established which comprises of:

- Auditors
- IFRS specialists
- Academics
- Preparers
- Other

The working group's key focus is monitoring the IASB's research-phase project on IAS 7 and to identify potential topics that are likely to be relevant for South Africa environment.



SAICA CFS working group



Why the need for a SAICA working group?

Johannesburg Stock Exchange focus area

In the JSE's combined findings report from October 2025, it notes that 33 Cash flow statement related matters have been identified in the JSE's review between 2012 and 2024. A new matter was also discussed in the 2025 proactive monitoring report.

Auditor focus area

Input from the working group suggests that this is a focus area during the audit and that this continues to be a challenging area for preparers of financial statements

IASB project ongoing

Track discussions and have had an initial meeting with staff in 2025.

What is the ask of you today?

We'll share key themes noted at the working group.
Not only bring problems, also potential solutions

Significant theme 1 – Determining whether or not a cash flow has taken place

Topics	Published guidance	IASB staff papers and IASB tentative decisions
Factoring Supplier finance Entities with no bank accounts Treasury entities Reinvested dividends Movements in and out of the definition of Cash and cash equivalents	<p>IAS 7 does not contain guidance about whether a cash flow has taken place</p> <p>Agenda decision Supply Chain Financing arrangements-reverse factoring (December 2020)</p> <p>“Investing and financing transactions that do not require the use of cash or cash equivalents are excluded from an entity’s statement of cash flows (paragraph 43 of IAS 7). Consequently, if a cash inflow and cash outflow occur for an entity when an invoice is factored as part of a reverse factoring arrangement, the entity presents those cash flows in its statement of cash flows”</p> <p>Firm 1 – substance assessment using factors Firm 2 – accounting policy choice Firm 3 – notes that the committee in the 2020 agenda decision did not provide any further guidance on how an entity might determine whether the cash flows occur for the entity when an invoice is factored by a supplier as part of a reverse factoring arrangement Firm 4 – Judgement assessment using factors</p>	<p>IASB meeting October 2025, Agenda paper 20A par 36, “...If we determine that, after developing potential solutions to improve the reporting of information on non-cash transactions, the question of whether a cash flow has occurred continues to affect investors’ ability to understand and compare cash and non-cash transactions, we will bring an analysis of this topic to a future IASB meeting.”</p> <p>The IASB tentatively decided to develop potential requirements:</p> <ul style="list-style-type: none"> (a) that would specify the content and location of information an entity discloses about non-cash transactions that are within the scope of paragraphs 43–44 of IAS 7; (b) that would require an entity to disclose information about specified types of non-cash changes other than the non-cash transactions in (a) for assets and liabilities that make up the components of working capital; and (c) that would 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. <p>Discussed in the December 2025 IASB meeting – No notional cash flows in CFS</p>

Significant theme 1 – Determining whether or not a cash flow has taken place

Concerns if not addressed	Potential solution
<p>Diversity likely to continue Types of arrangements where notional cash flows are included likely to expand Disclosures Disclosures to develop additional information about non-cash flow information may not consider the notional cash flows that are currently included in the CFS</p>	<p>An entity should be able to point to a cash flow in their banking statements making up cash and cash equivalents for the cash flow to be in the statement of cash flows Notional cash flows should be excluded from the financial statements</p>

Significant theme 2 – Manner appropriate in the business vs definitions in IAS 7 and link to other statements

Topics	Published guidance	IASB staff papers and IASB tentative decisions
Inventory purchased on credit Deferred payment terms Instalment sales Payments in a business combination Government grants Derivatives	<p>IAS 7 par 44 (a) “Examples of non-cash transaction are the acquisition of assets by either assuming directly related liabilities or by means of a lease.”</p> <p>IAS 7 par 11 “An entity presents its cash flows from operating, investing and financing activities in a manner which is most appropriate to its business.”</p> <p>Agenda decision Supply Chain Financing arrangements-reverse factoring (December 2020) “The Committee observed that an entity’s assessment of the nature of the liabilities that are part of the arrangement may help in determining whether the related cash flows arise from operating or financing activities. For example, if the entity considers the related liability to be a trade or other payable that is part of the working capital used in the entity’s principal revenue-producing activities, the entity presents cash outflows to settle the liability as arising from operating activities in its statement of cash flows. In contrast, if the entity considers that the related liability is not a trade or other payable because the liability represents borrowings of the entity, the entity presents cash outflows to settle the liability as arising from financing activities in its statement of cash flows.”</p> <p>This agenda decision was withdrawn by the IASB at its January 2026 meeting. Updates to agenda decisions</p>	<p>Discussed in the December 2025 IASB meeting</p> <p>The IASB tentatively decided:</p> <p>a) to explore:</p> <ul style="list-style-type: none"> • developing requirements for the classification of acquisition-related payments in a business combination; • developing requirements for the classification and presentation of cash flows from derivatives; • developing requirements for the classification and presentation of receipts of government grants; and ...

Significant theme 2 – Manner appropriate in the business vs definitions in IAS 7 and/or link to other primary statements

Topics	Published guidance	IASB staff papers and IASB tentative decisions
Inventory purchased on credit Deferred payment terms Instalment sales Payments in a business combination Government grants Derivatives	IAS 7 par 16 “...Only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities” IAS 7 amendment as a result of the 2007-2009 Annual improvement project.	... <ul style="list-style-type: none"> amending the principle for classifying cash flows in paragraph 11 of IAS 7 to help entities apply the principle more consistently; and b) to revisit two issues after the IASB has concluded its discussions on strengthening the disclosure requirements on non-cash transactions and other non-cash changes, namely: <ul style="list-style-type: none"> classification of deferred payments; and classification and presentation of cash flows involving third-party finance providers.

Concerns if not addressed	Potential solution
Disclosures to develop additional information about non-cash flow information may not consider the notional cash flows that are currently included in the CFS Addressing only deferred payments in a business combination, government grants and derivatives might give rise to unintended consequences if the principle question is not addressed	Suggest IAS 7 is clear about which principle is the overriding principle.

Significant theme 3 – Working capital

Topics	Published guidance	IASB staff papers and IASB tentative decisions
<p>Operating Activities Supplier finance Bank overdrafts that do not meet the definition of cash and cash equivalents</p>	<p>No definition for working capital.</p> <p>Agenda decision Supply Chain Financing arrangements-reverse factoring (December 2020) “The Committee observed that an entity’s assessment of the nature of the liabilities that are part of the arrangement may help in determining whether the related cash flows arise from operating or financing activities. For example, if the entity considers the related liability to be a trade or other payable that is part of the working capital used in the entity’s principal revenue-producing activities, the entity presents cash outflows to settle the liability as arising from operating activities in its statement of cash flows. In contrast, if the entity considers that the related liability is not a trade or other payable because the liability represents borrowings of the entity, the entity presents cash outflows to settle the liability as arising from financing activities in its statement of cash flows.”</p> <p>This agenda decision was withdrawn by the IASB at its January 2026 meeting. Updates to agenda decisions</p>	<p>IASB meeting October 2025</p> <p>The IASB tentatively decided to develop potential requirements:</p> <ul style="list-style-type: none"> • that would specify the content and location of information an entity discloses about non-cash transactions that are within the scope of paragraphs 43–44 of IAS 7 <i>Statement of Cash Flows</i>; • that would require an entity to disclose information about specified types of non-cash changes other than the non-cash transactions in (a) for assets and liabilities that make up the components of working capital; ...

Significant theme 3 – Working capital

Concerns if not addressed	Potential solution
<p>Disclosure about specific types of non-cash transactions in working capital, without a definition or guidance to determine working capital, may not meet the objectives</p> <p>The Agenda decision Supply Chain Financing arrangements-reverse factoring was withdrawn in January 2026, therefore questions about whether the principles remain or are removed are likely to arise</p>	<p>Suggest IAS 7 defines or provide guidance on how to determine working capital.</p>

Significant theme 4 – When a cash flow is part of the principle revenue producing activities and the link to IFRS 18

Topics	Published guidance	IASB staff papers and IASB tentative decisions
<p>Intercompany loans in treasury entities Long-term type assets in a long-term assets business (leasing)</p>	<p>IAS 7 paras 14 and 15 state “Some transactions, such as the sale of an item of plant, may give rise to a gain or loss that is included in recognised profit or loss. The cash flows relating to such transactions are cash flows from investing activities. However, cash payments to manufacture or acquire assets held for rental to others and subsequently held for sale as described in paragraph 68A of IAS 16 Property, Plant and Equipment are cash flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also cash flows from operating activities. An entity may hold securities and loans for dealing or trading purposes, in which case they are similar to inventory acquired specifically for resale. Therefore, cash flows arising from the purchase and sale of dealing or trading securities are classified as operating activities. Similarly, cash advances and loans made by financial institutions are usually classified as operating activities since they relate to the main revenue producing activity of that entity.”</p>	<p>IASB staff discussion December 2025, Agenda paper 20B indicates that there might be a tension between IAS 7 par 11 sentence 1 and sentence 2. i.e., manner appropriate to the business vs classification by activity.</p> <p>Discussed in the December 2025 IASB meeting <i>Classification and presentation of cash flows (Agenda Paper 20B)</i> The IASB 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; and ...</p>
Concerns if not addressed		Potential solution
<p>Inconsistent application within the CFS</p>		<p>Clarity on the overriding principle</p>

Significant theme 5 – Link to the IFRS 18 categories

Topics	Published guidance	IASB staff papers and IASB tentative decisions
Operating, investing and financing	<p>IFRS 18 contains definitions for the operating, investing and financing categories.</p> <p>IAS 7 contains definitions for the operating, investing and financing activities.</p>	<p>IFRS IC September 2025, does not seem the wording will be updated or aligned.</p> <p>IASB staff discussion December 2025, Agenda paper 20B – is this considered part of the “cohesiveness principle” “A few ASAF and IC members said the principle for classifying cash flows should be made more explicit in IAS 7, questioning whether: (a) the classification of cash flows should generally follow the entity’s main business activities; or (b) (b) a ‘cohesiveness principle’ should be applied if IAS 7 does not include specific guidance on a particular transaction (that is, whether the classification in the statement of cash flows should follow the classification in the statement of financial position)</p>

Concerns if not addressed	Potential solution
The words are the same, but are used by applying different definitions in different statements.	Clarity on the overriding principle

**THANK
YOU**

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