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## Capital Markets Advisory Committee

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Project	<b>Statement of Cash Flows and Related Matters</b>
Topic	<b>Non-cash transactions and other non-cash changes</b>
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## Purpose of our meeting

- Ask CMAC members for views on our [staff] ideas for some potential new disclosure requirements about non-cash transactions and non-cash changes in specified assets.
- We plan to use your input to further develop our ideas that we plan to discuss with the IASB at a future meeting.

## Meeting materials

- The meeting materials are divided into 2 sections, each addressing a specific reporting problem

Financial reporting problem	Scope of Balance Sheet items	Structure of discussion in each section
A. information about non-cash transactions	All items that are affected by such transactions	i. background information; ii. staff rationale when developing the illustrative disclosures;
B. information about non-cash changes in specified assets and liabilities	Limited to only some specified items (those related to operating assets and liabilities).	iii. illustrative disclosure; and iv. questions about our illustrations.

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## A. Information about non-cash transactions

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## i. Background information

- At its October 2025 meeting, the IASB tentatively decided to develop potential requirements that would specify the content and location of information an entity discloses about non-cash transactions. IAS 7 *Statement of Cash Flows* requires companies to disclose all the relevant information about non-cash transactions but isn't specific about where and how the information is disclosed.
- Non-cash transactions are investing and financing transactions that do not require the use of cash or cash equivalents and that are excluded from the statement of cash flows. Even though these transactions do not have a direct impact on current cash flows, they do affect the capital and asset structure of an entity. Examples of non-cash transactions are:
  - (a) purchasing an asset by borrowing directly from the seller or by entering into a lease;
  - (b) purchasing an asset by issuing shares to the seller; and
  - (c) the conversion of debt to equity.
- Non-cash transactions are different from other non-cash changes in assets or liabilities, like changes in value (e.g. impairment) or exchange differences. We consider other non-cash changes for some specified assets and liabilities in the next section of the document.

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## ii. Staff rationale when developing the illustrative disclosure

- We developed two alternatives of illustrative disclosures (slides 8–9) with the aim of enabling investors to understand:
  - a) a company’s non-cash transactions that arise from its investing and financing activities; and
  - b) how these transactions affect the company’s balance sheet and income statement.
- We do this by:
  - i. disclosing information about non-cash transactions in a single location—Note A.
  - ii. including narrative descriptions of these transactions that include cross-references to additional information provided elsewhere in the financial statements.
  - iii. showing the effect of non-cash transactions either: (i) in the context of cash transactions (slide 8); or (ii) in the context of the notes about the applicable items (slide 9).
  - iv. under both alternatives, presenting figures that sum the effect of cash and non-cash transactions to reveal how amounts in the statement of cash flows would appear if the non-cash transactions were treated as cash transactions.
  - v. assuming a note (or notes) containing the information on slide 15 also exist.

### iii. Illustrative disclosures—Alternative 1

#### A. Non-cash transactions **[POTENTIAL NEW NOTE]**

Apart from changes in assets and liabilities due to business combinations, the group had the following non-cash transactions that arise from its investing and financing activities:

The group reclassified CU800 of trade payables to borrowings due to the group's supplier finance arrangements. Note X includes more information about these arrangements.

The group also acquired CU900 of property by means of leases. Note Y includes more information about right-of-use assets.

The group expensed CU50 from its equity-settled share-based payment arrangement. Note Z includes more information the group's share-based payment arrangements.

The effect of these transactions can be illustrated as follows:

<b>Line items presented in the statement of cash flows</b>	<b>Cash transactions</b>	<b>Non-cash transactions</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Adjustments for non-cash items	150	-50	100
Decrease in trade and other payables (Note B)	-1,740	-800	-2,540
<i>Net cash from operating activities</i>	<i>1,650</i>	<i>-850</i>	<i>800</i>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment (Note C)	-350	-900	-1,250
<i>Net cash used in investing activities</i>	<i>-520</i>	<i>-900</i>	<i>-1,420</i>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	250	50	300
Proceeds from borrowings	250	1,700	1,950
<i>Net cash used in financing activities</i>	<i>-1,060</i>	<i>1,750</i>	<i>690</i>

### iii. Illustrative disclosures—Alternative 2<sup>1</sup>

#### A. Non-cash transactions **[POTENTIAL NEW NOTE]**

Apart from changes in assets and liabilities due to business combinations, the group had the following non-cash transactions that arise from its investing and financing activities:

The group reclassified CU800 of trade payables to borrowings due to the group's supplier finance arrangements. Note B includes more information about these arrangements.

The group also acquired CU900 of property by means of leases. Note C includes more information about right-of-use assets.

The group expensed CU50 from its equity-settled share-based payment arrangement. Note Z includes more information the group's share-based payment arrangements.

#### B. Changes in...trade and other payables

**[EXTRACT FROM POTENTIAL NEW NOTE - see slide 15]**

Increase / (decrease)

Change reported in the statement of cash flows	-1,740
Change from non-cash transactions (Note A)	-800
Change after non-cash transactions	-2,540
Obtaining control of subsidiaries	100
Impairment	-
Translation adjustments	-180
Change reported in balance sheet	-2,620

The group is party to a supplier finance arrangement that...

[Paragraph 44H of IAS 7]

#### 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

<sup>1</sup>For simplicity we do not also illustrate Note Z regarding the share-based payment expense recognised for the period or notes supporting changes in equity and borrowings. Although our idea would equally apply to those notes.

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#### iv. Questions about our illustrative disclosures (1/2)

Topic	Questions
Location of information	<ol style="list-style-type: none"><li>1. Which of the possible disclosures of information about non-cash transactions best suits the way you would access and use this information:<ol style="list-style-type: none"><li>a) disclose the information all together (as in slide 8); or</li><li>b) disclose the effect of non-cash transactions with the related information about the balance sheet items (as in slide 9)?<ul style="list-style-type: none"><li>• If so, for what reason?</li></ul></li></ol></li></ol>

## iv. Questions about our illustrative disclosures (2/2)

Topic	Questions
<p>Use of narrative descriptions and a table</p>	<ol style="list-style-type: none"> <li data-bbox="733 494 2410 876"> <p>2. In addition to narrative information, is it also useful information to show in a table (illustrated on slide 8) the effect of non-cash transactions alongside (in the context of) cash transactions?</p> <ul style="list-style-type: none"> <li data-bbox="830 668 1786 711">• If so, how would you use this information?</li> <li data-bbox="830 722 2410 876">• If the table included all line items in the statement of cash flows, even if there were no related non-cash transactions, would it provide better context to the information?</li> </ul> </li> <li data-bbox="733 951 2423 1282"> <p>3. In the table on slide 8, is it useful to have subtotals for operating, investing and financing activities, keeping in mind that the non-cash transactions will exclude transactions that arise only from operating activities—for example, a transaction that results in a reclassification between line items in operating activities would not be included?</p> <ul style="list-style-type: none"> <li data-bbox="830 1236 1403 1279">• If so, for what purpose?</li> </ul> </li> </ol>

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## B. Information about non-cash changes in specified assets and liabilities

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## i. Background information

- At its October 2025 meeting, the IASB tentatively decided to develop potential requirements that would require an entity to disclose information about specified types of non-cash changes for assets and liabilities that typically make up the components of working capital.
- The specified non-cash changes are those in addition to changes that result from non-cash transactions covered in the first section of this document.
- IFRS Accounting Standards include requirements related to these types of other non-cash changes that, specifically or generally, apply to assets and liabilities that make up the components of working capital.
- However:
  - (a) the level of aggregation of the information provided to satisfy these requirements might not always enable investors to identify the effect of these changes on the assets and liabilities that make up components of working capital; and
  - (b) IFRS Accounting Standards do not specifically require an entity to provide a link to related information disclosed elsewhere in the financial statements.

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## ii. Staff rationale when developing the illustrative disclosures

- We developed the illustrative disclosures in this section (slide 15) with the aim of enabling investors to understand the effect of some, but possibly not all, non-cash changes other than non-cash transactions in the assets and liabilities that make up the following line items in a companies balance sheet:
  - trade and other receivables;
  - inventories; and
  - trade and other payables.<sup>1</sup>
- We do this by:
  - a) disclosing a reconciliation from changes reported in the statement of cash flows to the change in the carrying amounts in the balance sheet;
  - b) listing specific non-cash changes;
  - c) allowing for an unexplained difference that we call ‘other’; and
  - d) assuming a note (or notes) containing the information on slide 8 (alternative 1) also exist.

<sup>1</sup> Paragraph 103 of IFRS18 lists these as line items presented in the balance sheet.

### iii. Illustrative disclosures (Figure 1 of 1)

#### B. Changes in trade and other receivables, inventories and trade and other payables

**[POTENTIAL NEW NOTE]**

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	<u>1,605</u>	<u>-1,090</u>	<u>-2,620</u>

The group is party to a supplier finance arrangement that...

[Paragraph 44H of IAS 7]

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#### iv. Questions about our illustrative disclosures (1/2)

Topic	Questions
Usefulness of the table	<ol style="list-style-type: none"><li data-bbox="733 462 2435 1025">1. Does the reconciliation on slide 15 enable you to better understand the non-cash changes in trade and other receivables, inventories and trade and other payables?<ul style="list-style-type: none"><li data-bbox="830 636 2372 739">• To what extent would it reduce the usefulness of the information if the reconciliation includes unexplained differences?</li><li data-bbox="830 751 2435 1025">• To what extent would it reduce the usefulness if the reconciliation is not located in a single note supporting the statement of cash flows but located in different notes, e.g. the notes that support the line items in the balance sheet of trade and other receivables, inventories and trade and other payables?</li></ul></li></ol>

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#### iv. Questions about our illustrative disclosures (2/2)

Topic	Questions
Completeness of information	<ol style="list-style-type: none"><li data-bbox="733 465 2402 793">2. Do you think the population of assets and liabilities (columns in the table on slide 15) is sufficient for you to perform your analysis of the company's operating cash flows?<ul style="list-style-type: none"><li data-bbox="830 636 2402 793">• Under what circumstances, if any, do you think companies need to provide this type of reconciliation for other operating assets or liabilities included in the balance sheet but not illustrated on slide 15?</li></ul></li><li data-bbox="733 865 2402 1079">3. Do you think the population of non-cash changes (rows in the table on slide 15) included in the table is complete?<ul style="list-style-type: none"><li data-bbox="830 979 2402 1079">• If not, which other non-cash changes have you come across that you would like included in such a table?</li></ul></li></ol>

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# Thank you!

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