
Capital Markets Advisory Committee

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| Date | March 2026 |
| Project | Statement of Cash Flows and Related Matters |
| Topic | Changes in liabilities from financing activities |
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Purpose of our meeting

- Ask for your views on our [staff] ideas for some potential new disclosure requirements about changes in liabilities from financing activities.
- We plan to use your input to further develop our ideas that we want to discuss with the IASB at a future meeting.

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Background information

- IAS 7 *Statement of Cash Flows* requires companies to disclose information about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes. One way for companies to provide this information is in a reconciliation table.
- We find that companies do the following:
 - disclose a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.
 - disclose the reconciliation by type of liability. For example, we illustrate the reconciliation of borrowings and lease liabilities separately.
 - on a voluntary basis, include in the reconciliation changes in cash and cash equivalents (and other liquid assets).
- At its [October 2025](#) meeting, the IASB tentatively decided to develop potential requirements 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. **Note:** at its [May 2025](#) meeting, the IASB tentatively decided it will not define ‘net debt’ or develop alternatives to a statement of cash flows.

Staff rationale when developing the illustrative disclosure

- We developed two alternatives of illustrative disclosures (slides 6–7) with the aim of enabling investors to better understand the link between the disclosure of information about changes in liabilities from financing activities and cash receipts and cash payments in the statement of cash flows.
- We do this by:
 - a) showing information about cash and non-cash changes in these liabilities either:
 - i. in a reconciliation of the opening to closing balances (slide 6); or
 - ii. in a reconciliation from cash flows from operating activities to the change in these liabilities (slide 7); and
 - b) incorporating information about changes in cash and cash equivalents as reported in the statement of cash flows to improve the linkage between the disclosure and the statement of cash flows.

Illustrative disclosures—Alternative 1

Reconciliation of liabilities arising from financing activities

| | Borrowings | Lease liabilities | Total liabilities | Cash and cash eqv. | Net liabilities |
|---|------------|-------------------|-------------------|--------------------|-----------------|
| Opening balance | 1,140 | | 1,140 | -120 | 1,020 |
| Cash flows from operating activities | | | | -1,650 | -1,650 |
| Cash flows from investing activities | | | | 520 | 520 |
| Cash flows from financing activities, which consist of: | 250 | -90 | 160 | 790 | 950 |
| Proceeds from borrowings | 250 | | 250 | -250 | 0 |
| Payment of lease liabilities | | -90 | -90 | 90 | 0 |
| Proceeds from issue of share capital | | | | -250 | -250 |
| Dividends paid | | | | 1,200 | 1,200 |
| Adjustment for cost of net liabilities | 35 | 5 | 40 | 270 | 310 |
| Assumed as part of business combinations (Note X) | 290 | | 290 | | 290 |
| Non-cash transactions (Note Y) | 10 | 900 | 910 | | 910 |
| Closing balance | 1,725 | 815 | 2,540 | -190 | 2,350 |

Illustrative disclosures—Alternative 2

Reconciliation of liabilities arising from financing activities

| | 20X2 | 20X1 |
|---|--------------|--------------|
| Current liabilities | | |
| Borrowings | 185 | 100 |
| Lease liabilities | 160 | - |
| Non-current liabilities | | |
| Borrowings | 1,540 | 1,040 |
| Lease liabilities | 655 | - |
| Liabilities from financing activities | <u>2,540</u> | <u>1,140</u> |
| Cash and cash equivalents | 190 | 120 |
| Liabilities from financing activities after cash and cash equivalents | <u>2,350</u> | <u>1,020</u> |

| | 20X2 |
|---|---------------|
| Cash inflow from operating activities | 1,650 |
| Cash outflow from investing activities | -520 |
| Cash flows before financing activities | <u>1,130</u> |
| Proceeds from issue of share capital | 250 |
| Dividends paid | <u>-1,200</u> |
| Cash flows before non-cash changes in liabilities from financing activities | 180 |
| Adjustment for cost of liabilities after cash and cash equivalents | -310 |
| Liabilities assumed as part of business combinations (Note X) | -290 |
| Effect of non-cash transactions on liabilities (Note Y) | <u>-910</u> |
| Change in liabilities from financing activities after cash and cash equivalents | <u>-1,330</u> |

Questions about our illustrative disclosures

| Topic | Questions |
|--|---|
| Linking information in the reconciliation to the balance sheet and the statement of cash flows | <ol style="list-style-type: none"><li data-bbox="733 494 2433 711">1. Do either of the possible disclosures of information about cash and non-cash changes in liabilities from financing activities enable you to better understand how the disclosure links to the company's balance sheet and statement of cash flows? If not, what can be improved?<li data-bbox="733 753 2390 853">2. Do you think more needs to be done to link information in the reconciliation between the balance sheet and the statement of cash flow?<li data-bbox="733 896 2423 1058">3. Considering how you access and use this information, do either of the possible disclosures make it easy to find the information? If not, what can be improved? |

Thank you!

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