
Global Preparers Forum

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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 payments and receipts 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	<u>1,725</u>	<u>815</u>	<u>2,540</u>	<u>-190</u>	<u>2,350</u>

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 2435 708">1. Do either of the possible disclosures of information about cash and non-cash changes in liabilities from financing activities (slides 6–7) provide a better link between the disclosures and the company’s balance sheet and statement of cash flows?<li data-bbox="733 751 2435 1262">2. Keeping in mind that companies might already prepare similar, but not identical, information (incl. information companies provide outside of financial statements):<ol style="list-style-type: none"><li data-bbox="810 958 2333 1058">a) do you foresee any practical difficulties to prepare the information in either of these formats?<li data-bbox="810 1100 2333 1262">b) do you think more needs to be done to link information in the reconciliation between the balance sheet and the statement of cash flow? If so, what could be done?

Thank you!

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