
IASB[®] meeting

Date **October 2026**
Project **Statement of Cash Flows and Related Matters**
Topic **Disaggregation of specific cash flow information**
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Objective

1. In [May 2026](#), the IASB tentatively decided to propose adding application guidance that would strengthen the link between the statement of cash flows and information presented or disclosed in other parts of the financial statements in accordance with IFRS Accounting Standards other than IAS 7 *Statement of Cash Flows*. During development of that application guidance, some IASB members asked the staff to consider possible requirements to separately present or disclose items of cash flow as specific line items as we identify potential needs in the course of our work in this project.
2. In the course of our work, we have identified the possible need for specific items to be presented or disclosed as follows:
 - (a) cash flows from derivatives and government grants, identified in our work on consistent application in classification; and
 - (b) dividends received from associates and joint ventures, identified in the initial outreach.
3. In addition, in the Post-implementation Review of IFRS 16 *Leases* (PIR), the IASB tentatively decided to explore requiring lessees to disclose the components of the total

cash outflow for leases together with the line item in the statement of cash flows in which each component is presented, in its project on the Statement of Cash Flows and Related Matters.

4. The objective of this paper is to discuss whether and how to require disaggregation of specific cash flow information, in addition to what the IASB has tentatively decided to propose.

Summary of staff recommendations

5. We recommend the IASB propose amending paragraph 53(g) of IFRS 16 to require lessees to disclose:
 - (a) the total cash outflow for payments made by a lessee to a lessor relating to the right to use an underlying asset during the lease term; and
 - (b) the amounts of the payments in (a):
 - (i) classified as operating activities in the statement of cash flows, and
 - (ii) included in each related line item presented in the statement of cash flows as investing or financing activities.

Structure of this paper

6. This paper is structured as follows:
 - (a) background (paragraphs 7–22); and
 - (b) staff analysis and questions for the IASB (paragraphs 23–54):
 - (i) cash outflows for leases (paragraphs 24–37);
 - (ii) cash flows from derivatives (paragraphs 38–44);
 - (iii) cash flows from government grants (paragraphs 45–50); and
 - (iv) dividends received from associates and joint ventures (paragraphs 51–54);

- (c) Appendix A—Financial statement analysis on government grants; and
- (d) Appendix B—Definitions of lease payments and variable lease payments in IFRS 16.

Background

7. This background is structured as follows:
- (a) summary of the discussion in IASB meetings related to the potential disaggregation of specific cash flow items (paragraphs 8–18):
 - (i) September 2025 IASB meeting on dividends received from associates and joint ventures (paragraphs 8–9);
 - (ii) April 2026 IASB meeting on cash outflow for leases (paragraphs 10–13); and
 - (iii) June 2026 IASB meeting on derivatives and government grants (paragraphs 14–18);
 - (b) summary of meetings with Capital Markets Advisory Committee (CMAC) and Global Preparers Forum (GPF) in March 2026 on derivatives and government grants (paragraphs 19–21); and
 - (c) financial statement analysis on government grants (paragraph 22).

Summary of the discussion in IASB meetings

September 2025 IASB meeting on dividends received from associates and joint ventures

8. In September 2025 when the IASB tentatively decided to develop potential requirements to strengthen the link between the statement of cash flows and information presented or disclosed in other parts of the financial statements, we did not recommend including dividends received from associates and joint ventures as a specific line item to be presented or disclosed. This was because we observed entities

typically provide the information voluntarily and making it easier to locate the information in the related notes, such as by cross-reference, might improve the accessibility of the information rather than including a specific line item (paragraphs 41–44 of [Agenda Paper 20A](#) in the September 2025 IASB meeting).

9. While all the IASB members agreed with our recommendation to strengthen the link, some IASB members said that requirements to present or disclose dividends received from associates and joint ventures as a specific line item might be better than a cross-reference to solve the information needs.

April 2026 IASB meeting on cash outflow for leases

10. In [April 2026](#), the IASB discussed how to respond to stakeholder feedback on the Request for Information *Post-implementation Review of IFRS 16 Leases* (RFI) about the usefulness of information relating to lessees' lease-related cash flows.
11. The PIR project team identified the following concerns from stakeholders on cash outflows for leases (paragraphs 38–40 of [Agenda Paper 7](#) in the April 2026 IASB meeting):
 - (a) fragmented presentation of lease-related cash flows across multiple categories and line items because various lease-related cash flows are classified in operating or financing categories and a single fixed lease payment is split between principal and interest components, obscuring the total cash outflow related to leases;
 - (b) inconsistent (incomplete) disclosure of information about the total cash outflow for leases in accordance with paragraph 53(g) of IFRS 16, such as whether to include payments for low value assets, short-term leases and variable lease payments that do not depend on an index or a rate, and whether to provide the detail about components of total cash outflows—the PIR project team observed that the inconsistent (incomplete) disclosure of the 'total cash outflows for leases' undermines the usefulness of the disclosure that was

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- meant to address the problem of fragmented presentation in (a) above (paragraph 46 of [Agenda Paper 7](#) in the April 2026 IASB meeting);
- (c) hindered comparability of information about cash flows across entities because fixed lease payments are presented as financing cash flows whereas variable lease payments (that do not depend on an index or a rate) are presented as operating cash flows; and
 - (d) insufficient information to link lease-related information between the statement of financial position, the statement of profit or loss and the statement of cash flows.
12. Based on the research and analysis the IASB tentatively decided to explore requiring lessees to disclose the components of the total cash outflow for leases together with which line item in the statement of cash flows each component of the total cash outflow is presented. The IASB expected the tentative decision would resolve the concerns in paragraph 11, and that the information about the components of the total cash outflow for leases and their location in the statement of cash flows would be readily available limiting the additional cost by preparers (paragraphs 44–52 of [Agenda Paper 7](#) in the April 2026 IASB meeting).
13. Related to the recommendation above, the PIR project team noted that the IASB could also clarify whether lease prepayments (advance payments to lessors) should be included in the total cash outflow for leases, which might also address some of the concerns raised by a few stakeholders about diversity in classification and presentation of such cash flows (paragraph 50 of [Agenda Paper 7](#) in the April 2026 IASB meeting). The PIR project team also received feedback by a few stakeholders on concerns about diversity in classification and presentation for lease incentives (paragraph 22 of [Agenda Paper 7](#) in the April 2026 IASB meeting).

*June 2026 IASB meeting on derivatives and government grants***Derivatives**

14. At its June 2026 meeting, the IASB tentatively decided to propose requiring an entity to classify cash flows from derivatives used to manage identified risks (not designated in a hedging relationship applying IFRS 9 *Financial Instruments*) in the same manner as the cash flows from the item(s) whose identified risks are being managed, unless such classification would involve undue cost or effort in which case the cash flows would be classified as operating activities. Because the IASB did not make a tentative decision on cash flows from derivatives not used to manage identified risks, such cash flows would continue to be classified as investing activities unless they are held for dealing or trading purposes or are classified as financing activities (paragraphs 16(g) and 16(h) of IAS 7).
15. At the meeting, a few IASB members provided views on whether cash flows from derivatives should be included when calculating free cash flows:
- (a) two members said it would be determined by the purpose of the use of derivatives, that is, if the derivatives are used to manage risks related to the activities captured in free cash flows, the cash flows from the derivatives should also be included in free cash flows;
 - (b) one member said cash flows from derivatives should be included in free cash flows, but would also like to understand the nature of such cash flows if the amount is large; and
 - (c) one member said free cash flows should first be analysed by excluding cash flows from derivatives and then they should be assessed considering only those derivatives that are relevant to free cash flows, depending on their nature.

Government grants

16. At its June 2026 meeting, the IASB tentatively decided to propose classifying receipts of grants related to assets as investing activities, and receipts of grants related to

income as operating activities. The IASB also tentatively decided to propose presenting receipts of grants related to assets on a gross basis.

17. IASB members acknowledged that the tentative decision would not result in the classification of grants related to income in the same manner as the cash flows of the related items when the related cash flows are not included in the operating category (such as a grant that compensates an entity for finance costs, as discussed in paragraph 57 of [Agenda Paper 20A](#) in the June 2026 IASB meeting). However, they supported the approach because it is simpler to apply, and it would avoid being unintentionally interpreted as providing additional guidance on IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* which is outside the scope of this project.
18. One IASB member objected to the approach because the tentative decision would result in the receipts of grants related to income not being presented in the statement of cash flows under the indirect method, which the member does not view as transparent. The member expressed the view that the nature of government grants is financing to an entity rather than part of genuine performance of the entity.

Summary of meetings with CMAC and GPF in March 2026 on derivatives and government grants

Derivatives

19. In March 2026, at the meetings with [CMAC](#) and [GPF](#), we asked members for their views about the approach to improving the consistency of classifying cash flows from derivatives used to manage identified risks (not designated in a hedging relationship applying IFRS 9). Most CMAC and GPF members who offered thoughts expressed support for the approach to classify cash flows from derivatives in the same manner as the cash flows of the related items because it would better follow the economics of the risk management relationship. The IASB later tentatively decided on the classification of cash flows from derivatives generally consistent with this approach (paragraph 14).

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20. During the discussion, a few CMAC members said disaggregation of cash flows from derivatives such as by class or portfolio might be helpful, but the IASB would need to consider the costs for preparers of providing the information. A GPF member objected to requiring disaggregation of cash flows from derivatives because doing so might be arbitrary, and users might want to see the cash flows presented in one line.

Government grants

21. In March 2026, at the meetings with CMAC and GPF, we also asked members for their views about the approach to improve consistency in classifying receipts of government grants highlighting the diversity in practice for grants related to assets. During the discussion, a few CMAC members said they view government grants as non-recurring items and, therefore, they would like to see those items disaggregated in the statement of cash flows.

Financial statement analysis on government grants

22. There is no specific disaggregation requirement for items related to government grants. To better understand how entities disaggregate information about government grants in practice, we analysed financial statements of a sample of non-financial entities. The result of the analysis suggested diversity for both grants related to income and grants related to assets in whether the items related to government grants are disaggregated, and what items (item of income in the statement of profit or loss, item of assets or liabilities in the statement of financial position, or item of cash flows in the statement of cash flows) are disaggregated:
- (a) out of 8 entities that provided information about grants related to income, no entity disaggregated items of cash flows or items of assets or liabilities, and 3 entities disaggregated items of income (paragraphs A1–A3 of Appendix A).
 - (b) out of 8 entities that provided the information about grants related to assets, 4 entities disaggregated items of cash flows, 3 entities disaggregated items of

assets or liabilities, and 1 entity disaggregated items of income (paragraphs A5–A6 of Appendix A).

Staff analysis and questions for the IASB

23. The staff analysis is structured as follows:
- (a) cash outflows for leases (paragraphs 24–37);
 - (b) cash flows from derivatives (paragraphs 38–44);
 - (c) cash flows from government grants (paragraphs 45–50); and
 - (d) dividends received from associates and joint ventures (paragraphs 51–54).

Cash outflows for leases

24. Based on the IASB’s tentative decision to explore requiring lessees to disclose the components of the total cash outflow for leases together with which line item in the statement of cash flows each component of the total cash outflow is presented, in this section we consider:
- (a) how a requirement to disclose information on each component of lessees’ lease-related cash flows fits with the direction of the project of the Statement of Cash Flows and Related Matters; and
 - (b) the specific details of a potential requirement.

How the potential requirement fits with the direction of the project of the Statement of Cash Flows and Related Matters

25. We understand from the PIR feedback described in paragraph 11 that users need more detailed information in the disclosure of cash outflows from leases to better understand how it links to the information in the statement of cash flows. This is consistent with our initial research findings that users need information to understand the link between items presented in the statement of cash flows and related

information presented or disclosed in other parts of the financial statements. Exploring more detailed disclosure of the components of the total cash outflow and how it links to the statement of cash flows would be consistent with the IASB's tentative decisions in other areas of the project to propose requirements to improve information about such links. For example, the IASB's tentative decisions to propose requirements that would provide a better link between the statement of cash flows and statement of financial position, more detailed information about specified changes in specific assets and liabilities, and disclosures to specify the structure and content of disclosures of non-cash transactions.

26. We also understand from our work of developing requirements for cash flow related management-defined performance measures that many users construct free cash flow measures and use them in various analyses such as valuing assets, analysing growth potential and assessing the ability of an entity to generate shareholder returns or repay debt. Because the definitions of free cash flows and their uses are diverse some users seek more detailed information to allow them to perform these analyses. More detailed information about how total cash outflows for leases links to the statement of cash flows would help facilitate such analyses.

Specific details of a potential requirement

27. In exploring a requirement to disclose the components of the total cash outflow for leases together with which line item in the statement of cash flows each component of the total cash outflow is presented, we identified two questions raised in the PIR feedback:
- (a) what information about total cash outflows should be disaggregated; and
 - (b) what cash flows are included in total cash outflows.
28. We first consider what cash flows are included in total cash outflows as this represents the scope of a possible disclosure requirement and then we analyse the information that should be disaggregated.

Cash flows included in total cash outflows

29. As explained in paragraph 46 of [Agenda Paper 7](#) in the April 2026 IASB meeting, in developing IFRS 16 the IASB had decided to require disclosure of a single figure for lease cash outflows because the classification of lease-related cash flows would be fragmented across different categories in the statement of cash flows.
30. Effectively resolving fragmented cash flows for leases would require including all related cash flows. In this context, although there is no further guidance on the composition of total cash outflow in IFRS 16 we think ‘total’ is meant to capture all lease-related cash outflows including the following lease-related payments that feedback in the PIR project suggested were unclear:
- (a) payments for low-value assets, short-term leases, and variable lease payments that do not depend on an index or a rate (paragraph 11(b)); and
 - (b) lease prepayments and lease incentives (paragraph 13).
31. Because IFRS 16 defines ‘lease payments’ for the purpose of measurement of lease liability and right-of-use asset, ‘lease payments’ as defined in IFRS 16 does not include variable lease payments that do not depend on an index or a rate. However, we note the phrase ‘payments made by a lessee to a lessor relating to the right to use an underlying asset during the lease term’ is included as part of both of the definition of ‘lease payments’ and ‘variable lease payments’. Therefore, by using this phrase to describe the scope of ‘total’, the cash outflows subject to the disclosure would appropriately capture ‘all’ lease-related cash outflows including the payments in (a) and (b) of paragraph 30 and remove any ambiguity. See Appendix B for a detailed analysis of the definitions in IFRS 16.

What information about total cash outflows should be disaggregated

32. The most direct way to provide the link between the disclosure of total lease cash outflows and the statement of cash flows is to require disclosing the amount of the cash flows included in each line item in the statement of cash flows. This will enable

users to directly link the disclosure to the statement at a level that would allow for individual line-item analysis.

33. For cash flows classified as financing and investing activities there is expected to be a direct link between the types of lease payment and line items in the statement of cash flows. For example, cash payments for the principal portion of the lease liability and cash payments for the interest portion of lease liability are expected to be included in different line items in financing activities of the statement of cash flows because of the requirements in IAS 7 to separately present interest paid (paragraph 31 of IAS 7).
34. For the cash outflows classified as investing or financing activities, we think the cost for preparers to provide the information would be limited, because preparers likely already gather the information. For example, an entity would already gather information about the payment for the principal portion and interest portion to comply with the requirements in IAS 7 to separately disclose these amounts.
35. However, for the cash outflows classified as operating activities, we think disclosure of the amount of the cash outflows classified as operating activities in total, rather than the amount included in each line item in operating activities, would provide more useful information. Under the indirect method, disclosure by line item in operating activities would result in separately disclosing the amounts included in operating profit or loss and the amounts included in changes in accruals. We think such disaggregation is not useful to users because they would only need the total amount for the cash flows in operating activities when assessing performance and future cash flows. For example, users would understand the link with the statement of cash flows by category and adjust metrics such as free cash flows without the information on each of the line items in the operating category. Requiring disaggregation that is not useful would not justify the cost incurred by preparers.
36. We think disclosure of the line items (when presented as investing or financing activities) or the amount classified as operating activities in the statement of cash flows for components of cash outflows would also contribute to improving the link between the statement of financial position and the statement of profit or loss because

users would generally be able to understand whether the payments are applied to reduce the lease liability or are expensed, and in which category the expenses are classified in the statement of profit or loss (for example, the expense related to interest paid would be classified in the financing category).

Staff recommendation

37. As a result of the analysis above, we recommend the IASB propose amending paragraph 53(g) of IFRS 16 to require lessees to disclose:
- (a) the total cash outflow for payments made by a lessee to a lessor relating to the right to use an underlying asset during the lease term; and
 - (b) the amounts of the payments in (a):
 - (i) classified as operating activities in the statement of cash flows; and
 - (ii) included in each related line item presented in the statement of cash flows as investing or financing activities.

Question for the IASB

Question for the IASB

1. Does the IASB agree with the staff recommendation in paragraph 37?

Cash flows from derivatives

38. In response to comments made by CMAC members regarding the potential usefulness of disaggregated information about cash flows from derivatives, in this section we consider whether there is:
- (a) a need for specified line item(s) in the statement of cash flows; and
 - (b) a need for specific requirements to disclose disaggregated information.

Need for specified line items

39. Although a few CMAC members said that some disaggregated information about cash flows from derivatives might be useful (paragraph 20), we think including a specified line item(s) in the statement of cash flows would have limited benefits. Only a few CMAC members said such information might be useful and the nature of the information they suggested was different from a specified line item for cash flows from derivatives, for example, disaggregation by class of instrument or portfolio. Presenting a line item in the statement of cash flows would also be unlikely to facilitate understanding links to related information in the financial statements because there are no specific requirements for similar disaggregation for gains and losses on derivatives in the statement of financial performance or derivative assets and liabilities in the statement of financial position.
40. Further, requiring disaggregation of a specified line item(s) for cash flows from derivatives could require system and process changes, creating implementation cost for preparers. Such cost concerns were also raised at the meeting with GPF (paragraph 20).
41. Therefore, we do not recommend the IASB specify a line item in the statement of cash flows for cash flows from derivatives.

Need for specific disaggregated information

42. A few CMAC members said information about cash flows from derivatives disaggregated by class or portfolio might provide useful information (see paragraph 20). Comments made at the IASB meeting also suggested some information about cash flows from derivatives might be useful for calculating a measure of free cash flow (see paragraph 15).
43. However, we again think the benefits of requiring specific disclosures would be limited compared to the costs because:

- (a) only a few CMAC members said such disclosure might be useful (paragraph 20).
 - (b) there are no specific disaggregation requirements for disclosure of information about derivatives. Although there are disclosure requirements for information about hedging instruments (paragraph 24A of IFRS 7 *Financial Instruments: Disclosures*), the related disaggregation is not specific to derivatives. Any cash flow specific requirements would require wider consideration of these requirements which is likely to be challenging.
 - (c) requiring disclosure of the amount of cash flows from derivatives disaggregated by class or portfolio would be disproportionate to the treatment of gains and losses on derivatives which do not have similar requirements.
44. Therefore, we do not recommend the IASB develop specific requirements to disclose disaggregated information of cash flows from derivatives.

Question for the IASB

Question for the IASB

2. Does the IASB agree with the staff conclusion in paragraphs 41 and 44?

Cash flows from government grants

45. Following the IASB's tentative decision on the classification of government grants:
- (a) gross cash receipts from grants related to assets would be classified as investing activities in the statement of cash flows. Because the cash flows are required to be presented separately from cash outflows for the related asset, these cash flows will likely be disaggregated when material.
 - (b) cash receipts from grants related to income would be classified as operating activities in the statement of cash flows. When an entity presents operating activities using the direct method the cash inflows might be disaggregated

depending on an entity's judgement about a useful structured summary, while considering the requirement in paragraph 18(a) of IAS 7 to disclose major classes of gross cash receipts and payments. However, when an entity presents operating activities using the indirect method, the portion of the cash inflow from grants related to income recognised in profit or loss within operating category will be included as part of the line item for operating profit.

46. Consequently, disclosure of the amount of cash inflows from grants related to income would make the cash flows more transparent.
47. Based on the feedback from a few CMAC members and an IASB member, we understand some users might want the information of the amount of cash flows from government grants because:
- (a) they view government grants as financing rather than part of an entity's operating performance, and therefore would want to isolate the effect of those cash flows in their analysis (paragraph 18); or
 - (b) they view government grants as tending to be non-recurring and therefore would want to analyse them separately from recurring cash flows (paragraph 21).
48. However, we think the benefit of requiring the disclosure would be limited. Only a few CMAC members requested such information (paragraph 21), and we did not identify it as priority in the initial research in this project.
49. Furthermore, developing a requirement only for cash flows from receipts of grants related to income could result in an incomplete and potentially unbalanced outcome, and a broader assessment of the reporting of government grants might also be necessary. We think that such work would go beyond the scope of this project. Below are the aspects that suggest a broader assessment might be necessary:
- (a) our financial statement analysis suggests diversity in what items are disaggregated for what type of grants, broader than just disaggregation of cash

flows for grants related to income (paragraph 22). Accordingly, we might need to assess whether specific disaggregation requirements are necessary for:

- (i) the items other than the item of cash flows for grants related to income, such as income recognised for grants related to income; and
 - (ii) the items of asset, liability, or income for grants related to assets¹.
- (b) users might want to understand the relationship between government grants and the related expenditures rather than the cash inflows from the grants in isolation, we might also need to assess whether the information of the cash flows for the related items (that is, the cash flows for the cost the grant compensate for), such as the line item the cash flows are included in, should also be provided.

Staff conclusion

50. Therefore, we do not recommend the IASB develop specific disaggregation requirements for cash flows from government grants.

Question for the IASB

Question for the IASB

3. Does the IASB agree with the staff conclusion in paragraph 50?

Dividends received from associates and joint ventures

51. In the analysis in [Agenda Paper 20A](#) in September 2025, we did not recommend requiring presentation or disclosure of specific line items for cash flows from

¹ Grants related to assets are presented either as deferred income or deduction to the carrying amount of the asset. If presented as deferred income, potential disaggregation requirement might be for deferred income as an item of liability and the income recognised. On the other hand, if presented as deduction to the asset, the equivalent potential requirement would be for the effect of the grant on the related asset and the effect of the grant on the depreciation or amortisation expenses, which is expected to be challenging for preparers as they might not track the amount of grants once deducted to the assets.

dividends from associates and joint ventures because we concluded that improvements to cross-referencing might be more effective to address user information needs (paragraph 8).

52. In principle, specifying disclosure for the information users need might be helpful even though it is unlikely to significantly change the practice. However, we have received no further evidence of the need for such disclosure, and in the absence of any other line items being specified in this project, we think it would be disproportionate to create a requirement only for this item when the expected benefit is limited.
53. We note that the [*Exposure Draft Equity Method of Accounting—IAS 28 Investments in Associates and Joint Ventures \(revised 202x\)*](#) proposes, among other things, requiring an entity to disclose a reconciliation between the opening and closing carrying amount of investments accounted for using the equity method including ‘distributions received from the associate or joint venture’ (proposed paragraph 23B of IFRS 12 *Disclosure of Interests in Other Entities* in the Exposure Draft). If this aspect of the amendment is finalised as proposed², the amendment would even further reduce the already limited benefits of the potential specific disaggregation requirements because we expect the amendment would reinforce the practice of disclosing dividends from associates and joint ventures as the principal, and usually the only, component of the distributions required to be disclosed under the amendment.
54. Therefore, we do not recommend the IASB propose specific disaggregation requirements for cash flows from dividends received from associates and joint ventures.

² In June 2026, the IASB tentatively decided to confirm the proposal to require disclosing a reconciliation between the opening and closing carrying amount for its associates.

Question for the IASB

Question for the IASB

4. Does the IASB agree with the staff conclusion in paragraph 54?

Appendix A—Financial statement analysis on government grants

- A1. For the sample of 25 non-financial institutions selected for the initial analysis of financial statements (see [Agenda Paper 20C of the March 2025 IASB meeting](#)), we analysed whether the items related to government grants are disaggregated, and if so, what items (items of income in the statement of profit or loss (P&L), items of assets or liabilities³ in the statement of financial position (SFP), or items of cash flows in the statement of cash flows (SCF)) are disaggregated.
- A2. Table 1 below summarises the result of the analysis on grants related to income.

Table 1—Grants related to income

		Number of entities	Disaggregated for items in:		
			SFP	P&L	SCF
Information provided in financial statements	Item(s) disaggregated	3	0	3	0
	Accounting policy only	5	-	-	-
Information not in financial statements		17	-	-	-
Total		25	0	3	0

- A3. Five entities only disclosed accounting policy of the grants related to income. Three entities provided disaggregated information on items in P&L related to the grants related to income.
- A4. Two entities disclosed what costs the grants related to, with one related to research and development expenses and another to staff re-training cost.

³ For grants related to assets, the related item in the SFP could be asset or liability depending on the accounting policy (to set up the grant as deferred income, or to deduct the grant in arriving at the carrying amount of the asset).

A5. Table 2 below summarises the result of the analysis on grants related to assets.

Table 2—Grants related to assets

		Number of entities	Disaggregated for items in:		
			SFP	P&L	SCF
Information provided in financial statements	Item(s) disaggregated	7	3	1	4 ⁴
	Accounting policy only	1	-	-	-
Information not in financial statements		17	-	-	-
Total		25	3	1	4

A6. One entity only disclosed accounting policy of the grants related to assets. Out of the 7 entities that disaggregated items related to the grants related to asset:

- (a) 1 entity disaggregated items in both SFP and P&L;
- (b) 2 entities disaggregated items in SFP only; and
- (c) 4 entities disaggregated items in SCF only.

⁴ Because they presented receipt with government grant in SCF as investing activity, we assumed the receipt is for grants related to assets although it is not clear from the label of the line item.

Appendix B—Definitions of lease payments and variable lease payments in IFRS 16

B1. As discussed in paragraphs 30 and 31, we considered how clarification of ‘total cash outflow for leases’ would appropriately capture ‘all’ lease-related cash outflows as the scope of paragraph 53(g) of IFRS 16 *Leases*. Specifically, we think the term should include all the following payments:

- (a) lease payments included in the measurement of the lease liability (paragraph 27 of IFRS 16);
- (b) lease payments for short-term leases and leases for low-value assets subject to recognition exemptions (paragraphs 5 and 6 of IFRS 16);
- (c) variable lease payments that do not depend on an index or a rate, and therefore are not included in the measurement of the lease liability (paragraph 38(b) of IFRS 16); and
- (d) any lease payments made at or before the commencement date (including lease prepayments), less any lease incentives received (paragraph 24(b) of IFRS 16).

B2. IFRS 16 defines ‘lease payments’ for the purpose of measurement of a lease liability and right-of-use asset. Specifically, in Appendix A of IFRS 16 lease payments are defined as follows (emphasis added):

Payments made by a lessee to a lessor relating to the right to use an underlying asset during the lease term, comprising the following:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives;
- (b) variable lease payments that depend on an index or a rate;
- (c) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- (d) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

For the lessee, lease payments also include amounts expected to be payable by the lessee under residual value guarantees. Lease

payments do not include payments allocated to non-lease components of a contract, unless the lessee elects to combine non-lease components with a lease component and to account for them as a single lease component.

...

- B3. Based on the definition, lease payments include the payments listed in (a) and (d) of paragraph B1.
- B4. In addition, lease payments also include (b) of paragraph B1, even though such payments would be expensed if an entity elects to do so. This is because such an election is characterised as an exemption from recognising a right-of-use asset and lease liability in accordance with IFRS 16, rather than exclusion from the scope of IFRS 16. This is evident from paragraph 6 of IFRS 16 which requires an entity to recognise the ‘lease payments’ associated with those leases as an expense.
- B5. However, the definition of the lease payments excludes variable lease payments that do not depend on an index or a rate (paragraph B1(c)), because the definition focuses on payments that form part of the measurement of lease liability or right-of-use assets.
- B6. In Appendix A of IFRS 16, variable lease payments are defined as follows:
- The portion of payments made by a lessee to a lessor for the right to use an underlying asset during the lease term that varies because of changes in facts or circumstances occurring after the commencement date, other than the passage of time.
- B7. The definition of variable lease payments means that, even though not all variable lease payments are included in the definition of ‘lease payments’, they are still ‘payments made by a lessee to a lessor for the right to use an underlying asset during the lease term’ just like lease payments.
- B8. Therefore, by using the phrase ‘payments made by a lessee to a lessor for the right to use an underlying asset during the lease term’, the scope of paragraph 53(g) of IFRS 16 would include all the payments listed in paragraph B1.