IFRS Accounting

Staff paper

Agenda reference: 20

IASB® meeting

Date	**September 2026**
Project	**Statement of Cash Flows and Related Matters**
Topic	**Cover paper**
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Introduction and purpose

1. At its May 2025 meeting, the International Accounting Standards Board (IASB) decided on the topics it will include in the project plan and discussed a draft timeline for work on the project, including its approach to the statement of cash flows for financial institutions. At its January 2026 meeting, the IASB decided to move the project from the research programme to its standard setting work plan. Appendix A includes a summary of the IASB tentative decisions to date, including the topics included in the project plan.

2. The purpose of this meeting is for the IASB to tentatively decide on proposals:
   (a) to clarify requirements to classify in the statement of cash flows acquisition related cash flows in a business combination; and
   (b) to require disclosure of information about specific changes in assets and liabilities that are typically considered to make up the components of working capital.

Papers for this meeting

3. The papers for this meeting are:

(a) Agenda Paper 20A Classification of acquisition related payments; and

(b) Agenda Paper 20B Specific changes in specific assets and liabilities

AP20A Classification of acquisition related payments

4. In this paper we analyse the results of research and stakeholder feedback and ask the IASB to make tentative decisions to propose requirements for the classification of acquisition related payments in a business combination.

5. The proposals for requirements recommended by staff might interact with future discussions the IASB will have on related topics in the project. Specifically:

   (a) at its December 2025 meeting the IASB tentatively decided to revisit whether it should develop requirements for classification of deferred payments after the IASB has concluded its discussion on strengthening the disclosure requirements on non-cash transactions and other non-cash changes.

   (b) at its July 2026 meeting the IASB tentatively decided to propose requirements for an entity to disclose information about non-cash transactions. During that meeting the IASB asked the staff to consider whether liabilities assumed in a business combination should be included in the scope of those proposals.

6. The decisions the IASB takes on the matters in paragraph 5 might interact with recommendations in agenda paper AP20A of this meeting regarding the classification of deferred and contingent consideration in a business combination. We will consider any interaction in future papers discussing those matters.

AP20B Specific changes in specific assets and liabilities

7. In this paper we analyse the results of research and stakeholder feedback and ask the IASB to make tentative decisions to propose requirements for an entity to disclose information about specific changes in specific assets and liabilities from operating activities.

8. The recommendations in this paper are based on a balance between intended benefits and the costs of more comprehensive disclosures, reflecting stakeholder feedback. If

the IASB agrees with the staff recommendations we plan to further test the proposals during the exposure draft stage to confirm there are sufficient benefits without causing undue costs.

Next steps

9. At future IASB meetings, we will continue to assess potential ways to improve financial reporting for each of the topics included in the project plan. We plan to bring the IASB papers discussing:

   (a) results of an investor survey on the usefulness of cash flow information required by IAS 7 for financial institutions, and the nature and scope of any potential exemptions;

   (b) potential specified line items in the statement of cash flows;

   (c) alternatives to clarifying application guidance on the definition of cash equivalents related to an investment with a maturity of three months or less;

   (d) consideration of amending the principle for classifying cash flows in paragraph 11 of IAS 7 *Statement of Cash Flows*;

   (e) consideration of developing requirements for classification of deferred payments and classification and presentation of cash flows involving third-party finance providers.

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Appendix A: Summary of the IASB's tentative decisions to date

Topic	Staff condensed summary of the IASB's tentative decisions
	A full record of the IASB's tentative decisions is available from the May 2025–July 2026 IASB updates.
Project direction January 2026 AP20A: Moving to the standard-setting agenda	The IASB decided: a. to add the project to its standard-setting work plan, under which any consultative document the IASB might later publish would be an exposure draft; and b. not to set up a consultative group for the project.
Project scope on non-financial institutions May 2025 AP20 Cover paper and questions for the IASB	The IASB decided that it will assess potential ways to improve: a. the disaggregation of cash flow information in financial statements; b. the reporting of information about non-cash transactions in financial statements; c. the transparency of information communicated about cash flow measures not specified in IFRS Accounting Standards; d. the consistent application of requirements to classify cash flows as operating, investing or financing; and e. the consistent application of the definition of cash equivalents. The IASB tentatively decided it will not: a. aim to redefine the operating, investing and financing categories; b. aim to align the classification of cash flows in the statement of cash flows with the classification of related income and expenses in the statement of profit or loss, which is set out in IFRS 18 *Presentation and Disclosure in Financial Statements*; c. define 'growth and maintenance capital expenditures'; d. define the measures 'free cash flows' or 'net debt'; e. expand the definition of cash and cash equivalents; f. develop new requirements for cash flow information by segment; g. develop specific requirements for offsetting cash flows; h. develop alternatives to a statement of cash flows; or i. amend the requirement in IAS 7 *Statement of Cash Flows* for an entity to present operating activities using the direct or the indirect method.

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<tr><th>Topic</th><th>Staff condensed summary of the IASB’s tentative decisions</th></tr>
<tr><td>Project scope on financial institutions

May 2025
AP20 Cover paper and questions for the IASB

July 2026
AP20B Approach to the statement of cash flows for financial institutions</td><td>The IASB decided it will approach the statement of cash flows for financial institutions by considering:
a. improvements to the statement of cash flows generally before deciding how any changes might apply to the requirements for financial institutions;
b. exemptions for financial institutions from some or all of the requirements for presenting a statement of cash flows; and
c. any presentation or supplementary disclosure requirements specific to financial institutions that might enhance the usefulness of information about cash flows for such entities.</td></tr>
<tr><td>Disaggregation of cash flow information

September 2025
AP20A Approach to disaggregation

December 2025
AP20C Presentation of cash flows from continuing and discontinued operations

May 2026
AP20A Improving disaggregation of cash flow information by strengthening the link with other information</td><td>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 in accordance with IFRS Accounting Standards other than IAS 7. Specifically, the IASB tentatively decided to propose adding:

a. application guidance on aggregating and disaggregating line items in the statement of cash flows that requires an entity:
i. to use, as the basis for disaggregating line items in the statement of cash flows, the disaggregation of related line items of assets or liabilities presented in the statement of financial position; and
ii. to disclose how the disaggregation of line items in the statement of cash flows differs from the disaggregation of related line items in the statement of financial position, if applicable;
b. application guidance on labelling and describing line items that requires an entity to use similar labels for items with similar characteristics and different labels for items with different characteristics; and
c. application guidance specifying that if the information in a note relates to more than one primary financial statement, an entity would be required to cross-refer to that note in each related primary financial statement.

The IASB also tentatively decided to propose requiring an entity to present cash flows from discontinued operations in a separate category of the statement of cash flows.</td></tr>
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Cash flow measures not specified in IFRS Accounting Standards

July 2025
AP20A Improving the transparency of information about cash flow measures

December 2025
AP20A Improving the transparency of information about cash flow measures

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The IASB tentatively decided to propose extending the requirements for management-defined performance measures (MPMs) in IFRS 18 to also apply to measures relating to the statement of cash flows not specified in IFRS Accounting Standards (cash flow measures). The proposed requirements would be proposed to be included in IFRS 18 and not in IAS 7.

The IASB tentatively decided to propose:

a. applying to cash flow measures, unchanged, the parts of the IFRS 18 definition of an MPM that describe an MPM as a measure that:
   i. an entity uses in public communications outside financial statements; and
   ii. an entity uses to communicate to users of financial statements management’s view of an aspect of the financial performance of the entity as a whole;
b. extending the rebuttable presumption for MPMs in IFRS 18 so it also applies to cash flow measures;
c. extending the definition of MPMs in paragraph 117 of IFRS 18 from ‘a subtotal of income and expenses’ to ‘a subtotal of income and expenses or a subtotal of cash inflows and outflows’;
d. including application guidance to clarify that subtotals combining income and expenses and cash flows are MPMs;
e. including application guidance requiring an entity to disclose the effects of tax and non-controlling interest for reconciling items if reconciling an MPM that is a subtotal of income and expenses and cash flows to a subtotal in the statement of profit or loss; and
f. specifying that some subtotals of cash inflows and outflows are not MPMs, namely:
   i. the subtotal of the operating activities category;
   ii. the subtotal of the investing activities category; and
   iii. the subtotal of the financing activities category.

The IASB tentatively decided to propose extending the disclosure objective for MPMs and the disclosure requirements for MPMs in IFRS 18 to also apply to cash flow measures. The IASB will further consider any drafting changes required when these disclosure requirements are applied to those measures.

The IASB tentatively decided to propose extending the requirement in B137(a) of IFRS 18 so that, for each reconciling item, an entity be required to disclose the amount(s) related to each line item in the statement to which the MPM is reconciled—that is:

a. to disclose amounts related to line items in the statement of profit or loss if the MPM is reconciled to that statement; and
b. to disclose amounts related to line items in the statement of cash flows if the MPM is reconciled to that statement.

The IASB will further research the benefits and costs of applying this disclosure requirement to reconciling items that relate to operating activities in the statement of cash flows when reported using the indirect method.

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Topic	Staff condensed summary of the IASB’s tentative decisions
	The IASB tentatively decided not to propose extending the requirement for MPMs in IFRS 18 for an entity to disclose the income tax effect and the effect on non-controlling interests for each item disclosed in the reconciliation between the MPM and the most directly comparable subtotal or total specified by IFRS Accounting Standards to cash flow measures.

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Information about non-cash transactions and other non-cash changes

October 2025
[AP20A Approach to non-cash transactions and other changes in balances]

May 2026
[AP20B Changes in liabilities arising from financing activities]

July 2026
[AP20A Non-cash transactions]

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The IASB tentatively decided to propose:

a. adding application guidance to clarify the non-cash transactions within the scope of paragraphs 43–44 of IAS 7. Specifically, the guidance would:
   i. explain that to identify non-cash transactions, an entity identifies non-cash additions and disposals of assets, and non-cash issuances and redemptions of liabilities and equity items, for which cash flows would be classified as investing or financing activities.
   ii. include examples of non-cash changes in the items described in (i) that are within the scope of the disclosure requirements and examples that are outside that scope.

b. adding a disclosure objective that would require an entity to disclose information about non-cash transactions that enables investors to understand changes in the entity's net assets and its ability to generate future cash flows.
c. requiring an entity to disclose information about non-cash transactions in a single note.
d. adding requirements to paragraphs 43–44 of IAS 7 for an entity to disclose:
   i. a list of non-cash transactions and applicable cross-references that identify the location of any related information in other notes.
   ii. the transaction amount—that is, the consideration attributed to the transaction in accordance with IFRS Accounting Standards. The entity would also be required to disclose information about the related investing, financing and operating activities from which the transaction arises. Operating activities would only be included in the scope of these proposed requirements if involved in a transaction that involves both operating and investing or financing.
   iii. the effect of non-cash transactions on assets, liabilities and equity alongside the amounts of similar cash transactions. The entity would be required to add these amounts to show their combined effect on its activities in the statement of cash flows.

e. requiring an entity to provide the information described in (d) in a structured format, like a table.
f. requiring an entity to explain the nature of the information available in the related notes identified in cross-references disclosed as described in (d)(i) if the transaction amounts are not separately identifiable in those notes.

The IASB tentatively decided to develop potential requirements that would require an entity to disclose information about specified types of non-cash changes other than non-cash transactions that are in the scope of paragraphs 43–44 of IAS 7 for assets and liabilities that make up the components of working capital.

The IASB tentatively decided to propose clarifying the disclosure objective in paragraph 44A of IAS 7. The clarified objective would refer to the ability of users of financial statements to link information disclosed about changes in liabilities arising from financing activities to the statement of financial position and the statement of cash flows.

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Topic	Staff condensed summary of the IASB's tentative decisions
	The IASB tentatively decided to propose requiring an entity to satisfy the disclosure objective in paragraph 44A of IAS 7 by: a. providing the information about changes in these liabilities using a reconciliation between the opening and closing balances in the statement of financial position; b. disclosing cash receipts, cash payments and related line items in the statement of cash flows as part of the reconciliation; and c. disaggregating the opening and closing balances in (a) on the basis of the line items of those liabilities in the statement of financial position and the items of those liabilities disclosed in the notes. The IASB also decided not to propose requiring an entity that discloses changes in liabilities arising from financing activities to disclose information about changes in additional assets and liabilities (for example, cash and cash equivalents).

Topic	Staff condensed summary of the IASB's tentative decisions
Consistent application of classification requirements December 2025 AP20B Classification and presentation of cash flows June 2026 AP20A Classification and presentation of cash flows related to derivatives and government grants	The IASB tentatively decided: b. to explore: i. developing requirements for the classification of acquisition-related payments in a business combination; and ii. amending the principle for classifying cash flows in paragraph 11 of IAS 7 to help entities apply the principle more consistently; and c. 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: i. classification of deferred payments; and ii. classification and presentation of cash flows involving third-party finance providers. The IASB tentatively decided to propose requiring an entity to classify cash flows from a derivative used to manage identified risks (and not designated in a hedging relationship in accordance with IFRS 9 *Financial Instruments*): a. in the same manner as the cash flows from the item(s) whose identified risks are being managed. This approach would align the classification with that for derivatives designated in a hedging relationship in accordance with IFRS 9. b. as cash flows from operating activities, if classifying the cash flows as described in (a) would involve undue cost or effort. The IASB also tentatively decided to propose requiring an entity to classify cash flows from a derivative not used to manage identified risks as cash flows from financing activities, if the derivative relates to a transaction that involves only the raising of finance. The IASB tentatively decided to propose requiring an entity: a. to classify receipts from government grants for a grant related to assets (as defined in IAS 20 Accounting for Government Grants and Disclosure of Government Assistance) as investing activities. b. to classify receipts from government grants for a grant related to income (as defined in IAS 20—that is, a grant other than one related to assets) as operating activities. c. to present receipts from government grants related to assets on a gross basis—that is, the entity would present cash flows received from grants related to assets and payments for the related items as separate items in the statement of cash flows.

Topic	Staff condensed summary of the IASB’s tentative decisions
Consistent application of the definition of cash equivalents April 2026 AP20A Improving the consistent application of the definition of cash equivalents	The IASB tentatively decided to propose including, in the definition of cash equivalents, the requirement for cash equivalents to be held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The IASB intends to further explore alternative solutions to clarifying the application guidance related to an investment with a maturity of three months or less.