IFRS Accounting

Staff paper

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Date	**September 2026**
Project	**Statement of Cash Flows and Related Matters**
Topic	**Specified changes in specific assets and liabilities**
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Objective of this paper

1. At its October 2025 meeting, the International Accounting Standards Board (IASB) tentatively decided to develop potential requirements that would require an entity to disclose information about specified types of non-cash changes in inventories, trade and other receivables, and trade and other payables—assets and liabilities that typically make up the components of working capital.

2. The objective of this paper is to discuss stakeholder feedback and ask the IASB whether it agrees with our recommendations following from the October 2025 decision.

3. We plan to discuss at future meetings some matters that relate to the change during the period in assets and liabilities covered in this agenda paper:

   (a) the reporting outcomes in the statement of cash flows for short-term payables from buying long-term assets, like property, plant and equipment, and the proposed disclosures for non-cash transactions[1];

[1] In July 2026 the IASB tentatively decided to propose disclosures of non-cash transactions from investing and financing activities to help investors understand changes in net assets and future cash flow generation.

(b) whether proposed disclosures for non-cash transactions are sufficient to address investor information needs about transactions that involve receipts and payments made on behalf of an entity (like supplier finance arrangements and factoring arrangements); and

(c) whether and to what extent proposed disclosures would apply to an entity's interim reports prepared in accordance with IAS 34 *Interim Financial Reporting*.

Summary of staff recommendations

4. We recommend that the IASB propose:

   (a) introducing a disclosure objective that requires an entity to provide information that helps users of financial statements to understand the nature and amounts of differences between:

      (i) changes in assets and liabilities used in the indirect method to adjust operating profit or loss for deferrals or accruals of past or future operating cash receipts or payments; and

      (ii) changes in those assets and liabilities as presented in the statement of financial position.

   (b) requiring an entity to satisfy the disclosure objective by disclosing—for each line item presented in the statement of financial position that includes those assets and liabilities—the amounts of differences arising from:

      (i) translating the results and financial position of foreign operations;

      (ii) obtaining or losing control of subsidiaries or other businesses; and

      (iii) reclassifying assets and liabilities in the statement of financial position.

Structure of this paper

5. This paper is structured as follows:

(a) background (paragraphs 6–34); and

(b) staff analysis and question for the IASB (paragraphs 35–64); and

(c) Appendix A—An illustration of what our recommendations involve.

Background

6. In this background section, we provide information about:

   (a) requirements in IFRS Accounting Standards and other literature (paragraphs 7–10);

   (b) IASB tentative decisions (paragraphs 11–13); and

   (c) work after the IASB's October 2025 tentative decision (paragraphs 14–34).

Requirements in IFRS Accounting Standards and other literature

The role of changes in assets and liabilities in preparing the statement of cash flows

7. Paragraphs 18–20 of IAS 7 require an entity to report cash flows from operating activities using either the direct method or the indirect method. Using the indirect method, operating profit or loss is adjusted for the items listed in Table 1. The role of changes during the period in assets and liabilities in this calculation is to adjust operating profit or loss for any deferrals or accruals of past or future operating cash receipts or payments (see row two in Table 1).

Table 1—Calculating cash flows from operating activities using the indirect method

	Adjustments (paragraph 18 of IAS 7)	Represented by (paragraph 20 of IAS 7)
1	The effects of transactions of a non-cash nature	Non-cash items such as depreciation, provisions and unrealised foreign currency gains

	Adjustments (paragraph 18 of IAS 7)	Represented by (paragraph 20 of IAS 7)
		and losses classified in the operating category
2	Any deferrals or accruals of past or future operating cash receipts or payments	Changes during the period in inventories and operating receivables and payables
3	Income or expenses classified in the operating category in profit or loss for which the cash flows are classified as either investing or financing activities	Income or expenses classified in the operating category in profit or loss for which the cash effects are investing or financing cash flows
4	Cash flows from operating activities for which the income or expenses are not classified in the operating category in profit or loss	Operating cash flows, such as income tax, for which the income or expenses are not classified in the operating category in profit or loss

8. IAS 7 does not include additional guidance on how to calculate the adjustment for any deferrals or accruals (row two in Table 1). The manuals from some of the large accounting firms explain that entities cannot simply use the change during the period in assets and liabilities presented in the statement of financial position because not all of this change represent deferrals or accruals of operating cash flows.

9. While understanding whether and how to adjust for some changes is typically straightforward (such as for business combinations and the translation of the results and financial position of foreign operations[2], which do not affect operating profit or

[2] Unlike for unrealised foreign exchange differences discussed in sub-paragraph (a), *whether* to adjust for the effect of translating foreign operations is well understood. There are, however, different approaches to calculate the adjustment. For

loss), the absence of explicit guidance for other changes has led to diverse accounting practices. Notably for:

(a) *foreign exchange differences (IAS 21* The Effects of Changes in Foreign Exchange Rates*)*—typically one of two approaches are used in practice when calculating the adjustment for accruals or deferrals:

   (i) the change during the period in the assets and liabilities presented in the statement of financial position is used because the exchange differences are already included in this change.

   (ii) unrealised foreign exchange differences are reported as a separate adjustment in calculating cash flows from operating activities (see row one of Table 1 in paragraph 7) and a matching adjustment is made to the change during the period in the assets and liabilities presented in the statement of financial position. The matching adjustment is needed to avoid double-counting.

(b) *gain or loss on net monetary position (IAS 29* Financial Reporting in Hyperinflationary Economies*)*—there are different approaches to whether and how the gain or loss are included when calculating the adjustment for any deferrals or accruals. For example, under one approach an entity restates cash flows by attributing the effect of inflation on operating, investing and financing cash flows to the underlying item and presenting the monetary gain or loss on cash and cash equivalents separately. Alternatively, an entity adds back the gain or loss on the net monetary position as a non-cash item and then calculate the change during the period using restated amounts.

example, if inventories held by a US subsidiary of a UK parent increase from $240 to $270 during the year and the opening exchange rate of £1=$1.60 becomes £1=$1.80 by the year-end, The translated consolidated statements of financial position show an unchanged amount for inventories because the opening and closing balance amounts to £150. However, for the purposes of the adjustments to operating profit or loss, there is a change. The UK parent could calculate the change in inventories by starting with the $30 increase and then translating that amount at the appropriate exchange rate.

Disclosure requirements for changes in assets and liabilities

10. We previously presented to the IASB a summary of relevant requirements and research findings (see paragraphs 12–15 and 47–58 of Agenda Paper 20A of the IASB's October 2025 meeting). Notably for this paper:

    (a) some IFRS Accounting Standards require an entity to disclose information about specified types of changes in specific assets and liabilities:

        (i) paragraphs 35H–35I of IFRS 7 *Financial Instruments: Disclosures* require an entity to disclose a reconciliation from the opening balance to the closing balance of the loss allowance and an explanation of how significant changes in the gross carrying amounts of financial instruments during the period contributed to changes in the loss allowance.

        (ii) paragraph 118 of IFRS 15 *Revenue from Contracts with Customers* requires an entity to provide an explanation of the significant changes in the contract asset and the contract liability balances during the reporting period. Such an explanation includes qualitative and quantitative information.

        (iii) paragraph 84 of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* requires an entity to disclose specified changes in the carrying amount of each class of provision.

        (iv) paragraph 36(e)–(f) of IAS 2 *Inventories* requires an entity to disclose the amount of any write-down of inventories or any reversal of any write-down in the period.[3]

        (v) paragraphs 140–141 of IAS 19 *Employee Benefits* require an entity to provide a reconciliation from the opening balance to the closing balance for each of the following, if applicable, the net defined benefit

[3] We added paragraphs (v) and (vi)—which were omitted from October Agenda Paper 20A—because these requirements apply to the assets discussed in this paper.

liability (asset), showing separate reconciliations for plan assets, the present value of the defined benefit obligation and the effect of the asset ceiling.

(b) the results of our research identify the types of non-cash changes users of financial statements (investors) want information about. In short, these changes are:

    (i) fair value gains or losses and impairment (or reversal of impairment).

    (ii) unrealised foreign exchange differences and the effects of the translation of the results and financial position of foreign operation (hereafter referred to as translation adjustments).

    (iii) the effect of obtaining or losing control of subsidiaries or other businesses.

    (iv) reclassifications in the statement of financial position.

IASB tentative decisions

11. At its October 2025 meeting, the IASB tentatively decided to develop potential disclosure requirements about non-cash changes in assets and liabilities that typically make up the components of working capital (October 2025 tentative decision). The two main objectives identified for these potential requirements were (paragraphs 46–58 of Agenda Paper 20A):

    (a) linking amounts in the statement of financial position and the statement of cash flows; and

    (b) improving the accessibility of information.

12. As noted in paragraph 10 of that paper, some CMAC and GPF members supported a ‘middle ground’ approach, balancing investor information needs with preparer costs. Such an approach involves providing separate information on specified non-cash changes while allowing an unexplained balancing figure to remain.

13. Subsequent tentative decisions of the IASB include:

(a) May 2026—proposed application guidance on aggregating and disaggregating line items in the statement of cash flows—requiring disclosures when the level of aggregation differs between the statement of cash flows and the statement of financial position—and mandatory cross-referencing between the notes and all related primary financial statements (May 2026 tentative decisions); and

(b) July 2026—proposed disclosures of non-cash transactions from investing and financing activities to help investors understand changes in net assets and future cash flow generation (July 2026 tentative decisions).

Work after the IASB's October 2025 tentative decision

14. Following October 2025, we:

(a) interviewed six investors and four global preparers, and consulted Capital Markets Advisory Committee (CMAC), Global Preparers Forum (GPF) and Accounting Standards Advisory Forum (ASAF) in March 2026;

(b) conducted follow-up discussions with five GPF members to prepare material for the joint meeting of CMAC and GPF in June 2026 (the joint meeting);

(c) performed additional research to understand possible implications for when an entity uses the direct method; and

(d) interviewed one GPF member that offered to prepare—using current system capabilities—a reconciliation based on the illustrations we presented to GPF.

15. To facilitate outreach, the staff prepared illustrative examples demonstrating how to explain differences between amounts of the change during the period presented under operating activities in an indirect statement of cash flows and the changes during the period presented in the statement of financial position.

16. Initial outreach examples depicted line-by-line reconciliations from amounts in the statement of cash flows to amounts in the statement of financial position for specified

assets and liabilities (inventories, trade and other receivables and trade and other payables) with an ‘other (unexplained)’ balancing line in the reconciliation. In response to preparer feedback regarding the operational burden of such detailed reconciliations, we presented an updated illustration at the joint meeting. The refined reconciliations shifted to an entity-specific disclosure that aligned the columns of the reconciliations with the entity’s line items in its statement of financial position and the rows with an entity’s cash flow preparation mechanics. We also used subtotals and cross-references to existing notes to avoid duplication. See the meeting links in paragraph 14 for the examples we presented.

17. We summarise in paragraphs 19–28 the feedback from our meetings. Discussions developed from each meeting to the other. We report in this paper the key messages from the feedback as opposed to the development of these key points. Therefore, we structure our summary by the following key messages:

    (a) the disclosure objective (paragraph 19);

    (b) scope of possible disclosures (paragraphs 20–21);

    (c) necessary items of information (paragraphs 22–24);

    (d) location of possible disclosures (paragraph 25);

    (e) cost mitigations and relief (paragraphs 26–27); and

    (f) frequency of reporting (paragraph 28).

18. We summarise our findings from our additional work after the joint meeting in paragraphs 29–34:

    (a) research about disclosure of information using the direct method (paragraphs 29–30); and

    (b) interview with a GPF member (paragraphs 31–34).

The disclosure objective

19. CMAC members supported reconciliations of specified assets and liabilities, emphasising that such disclosures are important for understanding how to link amounts of changes during the period presented under operating activities in an indirect statement of cash flows and the changes during the period presented in the statement of financial position. GPF members acknowledged and understood the need to enable investors to link this information, thereby supporting the main intended benefit of the possible disclosures. However, due to cost concerns, GPF members strongly urged the IASB to assess whether the illustrated reconciliations were the most efficient way of delivering this benefit to investors.

Scope of possible disclosures

20. Stakeholders held diverse views on scoping. Some CMAC members and one ASAF member supported an entity-specific approach where the scope was defined by how an entity defines its working capital. GPF members and some ASAF members preferred a standardised definition of working capital or scoping possible disclosures directly from line items presented under operating activities in an indirect statement of cash flows. A few CMAC members suggested using operating activities as defined in IAS 7 as the scope.

21. There was broad consensus that any standardised definition of working capital or list of specified assets and liabilities needs to accommodate industry-specific balances such as prepayments, accruals, and contract assets or liabilities under IFRS 15. However, stakeholders also generally agreed that developing a standardised definition or list of could be complex and subject to change as business develops, pointing instead toward using an entity-specific definition of working capital or aligning the scope with the existing definition of operating activities in IAS 7.

Necessary items of information

22. CMAC members said that investors commonly want to understand the effect of changes during the period in assets and liabilities that arise from translation adjustments and obtaining or losing control of businesses. A few CMAC members also mentioned foreign exchange differences and adjustments arising from hyperinflation. Investors said they are not necessarily looking for a detailed opening-to-closing reconciliation of assets and liabilities—even though such information would be useful.

23. CMAC members emphasised that balances in any possible disclosures need to tie directly to line items in, or items in the notes supporting, the statement of financial position while accepting that a part of the change during the period in assets and liabilities as presented in the statement of financial position might remain unexplained.

24. A few CMAC members maintained that aggregating disclosures about working capital related items across different business segments reduces the usefulness of the information about changes during the period in an entity's working capital.

Location of possible disclosures

25. A few CMAC members and many ASAF members stressed the need for the IASB to maximize accessibility and transparency. Overall, CMAC and GPF members suggested (or were not opposed to) a more flexible approach, noting that disclosures could be integrated within notes that support the line items presented in the statement of financial position (such as embedding an inventory reconciliation inside the inventory note) to provide better context.

Cost mitigations and relief

26. GPF members and ASAF members expressed significant concerns about the cost and practical difficulty of producing granular reconciliations for specified assets and

liabilities (inventories, trade and other receivables and trade and other payables), noting that this level of detail would be highly costly and difficult to prepare. GPF members noted that specifying disclosure of some specific non-cash changes in a reconciliation along with an 'other (unexplained)' line would not reduce auditing and preparation costs because any reconciliation would need to be complete. CMAC members and ASAF members confirmed that if an 'other' line is used, its composition must be transparent.

27. GPF members and preparers interviewed explained that the significant level of preparation costs arise from how entities prepare an indirect statement of cash flows. Because accounting systems do not track cash flows on a transaction-by-transaction basis, entities prepare a statement of cash flows starting with the change during the period in assets and liabilities in the statement of financial position, then they allocate different types of non-cash changes (like those from business combinations) by different non-cash movement types (or system codes). The amounts reported in the statement of cash flows are typically the balancing figures. Also, unlike other assets and liabilities, those from operating activities are numerous and involve a high volume of non-cash changes. Some of the non-cash movements are calculations performed by business units or subsidiaries in the group—especially foreign exchange and translation differences—and are often manual, judgemental processes that rely heavily on estimates.

Frequency of reporting:

28. An ASAF member highlighted that investors in their jurisdiction specifically requested that disclosures of changes in working capital related assets and liabilities be provided in interim financial reports, enabling them to gain timely insights into changing operating conditions. We note in paragraph 3 that we plan to discuss at a future meeting whether and to what extent proposed disclosures would apply to an entity's interim reports prepared in accordance with IAS 34.

Research about disclosure of information using the direct method

29. In Agenda Paper 20A of the IASB's March 2025 meeting, we reported the prevalence of the direct method for corporate entities appears to be limited to specific jurisdictions. Further research identified that:

    (a) following the adoption of IAS 7 (incorporated in Australian Accounting Standard AASB 107 *Statement of Cash Flows*), Australian entities can choose to present their statement of cash flows using either the direct or indirect method. However, if the direct method is used, under paragraph 16 of AASB 1054 *Australian Additional Disclosures*, entities are required to provide a reconciliation of the net cash flow from operating activities to profit or loss; and

    (b) entities in China are required to present their statement of cash flows using the direct method and disclose an indirect reconciliation (Articles 8 and 16 of Accounting Standard for Business Enterprises (ASBE) No.31—Cash Flow Statements). Application guidance that accompanies this standard prescribe the formats for the cash flow statement and the supporting disclosures.

30. The staff of the Australian Accounting Standards Board (AASB) performed limited outreach to understand whether investors and preparers in their jurisdiction have views similar to those we heard in our outreach. Our informal interview with the staff highlighted that:

    (a) investors highly value Australia's reporting approach, where entities present the statement of cash flows using the direct method and using the indirect method in the notes;

    (b) investors noted that showing how acquiring or losing control of subsidiaries or other businesses impacts changes in assets and liabilities disclosed as part of an indirect method reconciliation would eliminate guesswork in financial analysis; and

(c) preparers confirmed the possible disclosures we showed our consultative groups are operationally feasible, but they raised concerns about the additional costs (including audit fees) of repackaging existing information into a new presentation.

Interview with GPF member

31. After the joint meeting, one GPF member offered to prepare—using their current system capabilities—a reconciliation of the assets and liabilities included in the illustrations we presented to GPF.

32. As context, the applicable entity illustrated the following line items in the statement of financial position and statement of cash flows.

Table 3—Line items in the statement of financial position and statement of cash flows

Line items in the statement of financial position	Line items in the statement of cash flows
Inventories	Increase / decrease in inventories
Current receivables	Increase / decrease in current receivables
Current payables	Increase / decrease in current payables

33. From the test, the entity was able to identify that the biggest contributors to the differences between the change during the period of the line items in the statement of financial position and of the line items presented in the statement of cash flows arise from translation adjustments and changes in payables that do not flow through the entity's changes in assets and liabilities reported under operating activities in the statement of cash flows.

34. From a follow-up interview with the GPF member, we understand that:

(a) they can identify the types of changes during the period mentioned above because they have specific movement codes in their system that include this information;

(b) management monitors large amounts in these movement codes on a regular basis; and

(c) six other movement codes with smaller net amounts are populated manually by many entities within a large group of companies—analysing these non-cash changes would require management to scrutinise over 70 balance sheet accounts, each with many non-cash changes.

Staff analysis

Introduction

35. In this section we analyse potential new disclosures in line with the IASB's October 2025 tentative decision. We structure our analysis based on the themes we identified in the feedback:

(a) the disclosure objective (paragraphs 36–40);

(b) scope of possible disclosures (paragraphs 41–44);

(c) necessary items of information (paragraphs 45–52);

(d) location of disclosure (paragraphs 53–56); and

(e) cost mitigations and relief (paragraphs 57–63).

The disclosure objective

36. We recommend that the IASB propose introducing a disclosure objective that requires an entity to provide information that enables investors to understand the nature and amounts of the differences between the changes during the period in assets and liabilities that the entity uses to adjust operating profit or loss and changes in those

assets and liabilities presented in the statement of financial position. In other words, the changes in the statement of financial position an entity excludes when calculating adjustments to operating profit or loss using an indirect method. We discuss which assets and liabilities in the scope section in paragraphs 41–44.

37. The IASB's October 2025 tentative decision aimed to address investors' inability to link information in the statement of financial position and the statement of cash flows (see paragraph 11(a) in the background section). Evidence gathered after October 2025 confirms that this is the primary information need of investors (paragraph 19 in the background section).

38. The IASB's May 2026 tentative decisions propose requiring entities to disclose any differences in aggregation between the statement of financial position and the statement of cash flows (see paragraph 13(a) in the background section). This would enable investors to understand which line items relate to each other across both statements. For example, an entity would disclose whether a line item 'trade and other payables' in the statement of financial position includes accruals or deferrals related to investing or financing activities that are excluded from changes during the period reported in operating activities (see Appendix A for an illustration). Notably, entities would also disclose information about the composition of any line item used in the statement of cash flows labelled 'working capital'.

39. We think the missing piece of information that would enable investors to link **amounts** in the two statements arise from changes during the period in assets and liabilities presented in the statement of financial position that are excluded from the adjustments to operating profit or loss for deferrals or accruals using an indirect method (see paragraph 9 in the background section). For example, assume assets and liabilities presented in the statement of financial position increased during the period due to a business combination. This increase is excluded from the change in assets and liabilities used to adjust operating profit or loss in the indirect statement of cash flows. The effect of the business combination is, therefore, the missing piece of information that ties the amounts in the two statements together. Consequently, the

disclosure objective in paragraph 36 focuses on information about the nature and amount of these differences.

40. Feedback from a few CMAC members indicates that investors also would like more information about an entity's working capital, including a full opening-to-closing reconciliation and segment-level disclosure (see paragraphs 22 and 24 in the background section). We do not dispute the usefulness of such information. We think these comments came from how we illustrated possible ways to address investor information needs—including our focus on working capital items. However, we think disclosures about changes in working capital and how it is managed are unnecessary to address the primary investor information need and risk addressing reporting matters that are beyond the scope of this project. Therefore, the objective in paragraph 36 has a narrow focus that we think addresses the primary investor information in the scope of this project.

Scope of possible disclosures

41. We recommend any new disclosures are provided for assets and liabilities for which part of the change during the period adjusts operating profit or loss for deferrals or accruals of past or future operating cash receipts or payments.

42. This recommendation applies whether the adjustment is presented in an indirect statement of cash flows or disclosed in a note by entities using the direct method. Our research indicates that jurisdictions in which entities make use of the direct method also disclose an indirect method reconciliation and investors would find information about some changes (like from business combinations) useful (see paragraphs 29–30 of the background section).

43. We developed the recommendation in paragraph 41 considering suggestions by both CMAC and GPF members (see paragraph 20 in the background section):

(a) CMAC members suggested to scope any disclosures using the definition of operating activities in IAS 7—the assets and liabilities in the scope are those for which changes are classified as operating activities; and

(b) GPF members suggested a scope using the line items for changes in assets and liabilities that an entity presents in the indirect method reconciliation —the assets and liabilities that give rise to adjustments to operating profit or loss for deferrals or accruals of past or future operating cash receipts or payments and which are presented in the statement of cash flows or disclosed in a related note.

44. The items in paragraph 41 are the assets and liabilities that CMAC members said investors needed more information about (see paragraph 22 in the background section) and for which the preparation of the statement of cash flows can result in differences between amounts reported in that statement and the statement of financial position (see paragraph 8 in the background section). We think this approach to scoping disclosures would naturally prompt an entity to explain which changes in the statement of financial position were excluded from those operating cash flow line items. Consequently, the scope would exclude items for which cash flows are directly included in operating activities as an adjustment to operating profit, for example cash flows from income tax (see row four in Table 1 in paragraph 7).

Necessary items of information

45. We recommend that the IASB propose requiring an entity to disclose the changes during the period referred to in the disclosure objective in paragraph 36 for each line item presented in the statement of financial position that includes the assets and liabilities in paragraph 41. Specifically, the entity would be required to disclose the amounts of changes during the period arising from: [4]

(a) translation adjustments;

[4] As with all requirements in IFRS Accounting Standards, these items of information are subject to the requirement for an entity to disclose only material information.

(b) obtaining or losing control of subsidiaries or other businesses; and

(c) reclassifying assets and liabilities in the statement of financial position.

46. This possible list of changes during the period is meant to be a complete list of required items of information—however, our recommendation would not prohibit entities from providing more information if such information is material and satisfies the disclosure objective.[5] We think the list of items of information would be adequate in most cases because these changes represent those for which investors most commonly request information and would typically provide the necessary material information (see paragraph 10(b) of the background section). This list would also be complimented by the proposed disclosures for the effect on the assets and liabilities in the scope of non-cash transactions from investing and financing activities (the IASB's July 2026 tentative decisions—see paragraph 13(b) of the background section).

47. We acknowledge that our recommendation would not result in information about all types of changes as one would find in a full opening-to-closing balance reconciliation. However, feedback supports that investors accept that a portion of the change during the period in assets and liabilities might remain unexplained (see paragraph 23 of the background section) and the specific list balances the cost concerns from preparers (see paragraphs 57–63).

48. We also recommend requiring an entity to disclose the amounts listed in paragraph 45 by each line item presented in the statement of financial position. We think this level of aggregation helps satisfy the disclosure objective in paragraph 36 by ensuring the information ties directly to the line items in the statement of financial position—a data point CMAC members specifically requested (see paragraph 23 in the background section). We think this level of aggregation would also be feasible for preparers because the statement of financial position is the starting point for preparing an indirect statement of cash flows (see paragraph 27 in the background section).

[5] Paragraph 20 of IFRS *18 Presentation and Disclosure in Financial Statements* requires an entity to consider whether to provide additional disclosures when compliance with the specific requirements in IFRS Accounting Standards is insufficient to enable users of financial statements to understand the effect of transactions and other events and conditions on the entity's financial position and financial performance.

Changes during the period that are income and expenses recognised in profit or loss

49. We considered, but decided against, recommending that the IASB include in the list in paragraph 45 some income and expenses recognised in operating profit or loss that arise from the assets and liabilities in the scope (such as fair value gains or losses, impairments or reversals of impairments, unrealised foreign exchange differences, and gains or losses on the net monetary position).

50. Although initial research and feedback indicated that investors also want more granular information about these changes in the specified assets and liabilities (see paragraphs 10(b) and 22 of the background section), we think information about these items are not always required to satisfy the disclosure objective. An entity would report the effect of these income and expenses as an adjustment to the changes in the assets and liabilities only when the related income and expenses are also presented as separate non-cash items in calculating operating cash flows—this is to avoid double-counting (see paragraph 9 in the background section). When no separate non-cash item is reported, no difference for these items arise between the amounts in the two statements that an entity would be required to explain in accordance with the disclosure objective in paragraph 36. Specifying as an item of information amounts that will only be disclosed if they are already separately reported is redundant. As noted in paragraph 46, our recommendation would not prohibit entities from providing more information if such information is material and satisfy the disclosure objective.

51. By specifying these items, we also do not want to create an impression that these disclosures aim to resolve diversity in the underlying mechanics in cash flow preparation (see paragraph 9 in the background section). We think addressing such diversity in accordance with IAS 7 would be beyond the disclosure objective in paragraph 36 and possibly—like for challenges with hyperinflation—this project.

52. We also note that other IFRS Accounting Standards already require entities to disclose information about other income and expenses at a level of aggregation that links the amounts directly to the line items in the statement of financial position—notably:

    (a) write-down of inventories or reversal of a write-down during the period (see paragraph 10(a)(v) in the background section).

    (b) the loss allowance for expected credit losses on financial assets, such as trade receivables (see paragraph 10(a)(i) in the background section).

Location of disclosures

53. We considered, but decided against, recommending that the IASB propose to require an entity to disclose the information in a single note. Our illustrations shared with our consultative groups included some (or all) of any new information in a separate note.

54. In the context of the disclosure objective in paragraph 36 to explain differences between the amounts in the two statements, we think leaving the location of any disclosures up to an entity could result in two reporting outcomes:

    (a) an entity provides the disclosures in a single note supporting the line items in the statement of cash flows; or

    (b) an entity provides the disclosures in the notes supporting the line items in the statement of financial position.

55. We note that the IASB's October 2025 tentative decision aimed to also improve the accessibility of information about changes during the period in the assets and liabilities that typically make up the components of working capital (see paragraph 11(b) in the background section). As part of the July 2026 tentative decisions, the IASB proposed to require entities to provide information about non-cash transactions from investing and financing activities in a single note.

56. We think that neither of the outcomes in paragraph 54 are superior to improve the accessibility of information, because:

(a) the line items in an indirect statement of cash flows (or similar disclosure) already provide an easily accessible single location of summarised information about the change during the period in assets and liabilities that an entity would explain. We think this situation is different to information about non-cash transactions—information about such transactions currently has no such single anchor that provides an easily accessible location.

(b) the IASB's May 2026 tentative decisions would require cross-referencing between the notes (both paragraph 54(a) and (b)) and the line items in the statement of cash flows, ensuring full transparency.

(c) the information from applying other IFRS Accounting Standards (like those listed in paragraph 52 and paragraph 61) would already be included within the notes in paragraph 54(b), resulting in similar information being disclosed together.

Cost mitigations and relief

57. Feedback from GPF members and ASAF members evidence significant concerns with the cost of preparing reconciliations for assets and liabilities that we presented to our consultative groups (see paragraphs 26–27 in the background section). Our interview with a GPF member that prepared an informal field test supports these concerns.

58. Paragraphs 36–52 include our analysis and recommendations about the benefits of the possible disclosure objective, scope and items of information of any new disclosures. In this section we consider whether our recommendations have adequately addressed the cost concerns.

59. Practically we think the items of information listed in paragraph 45 when compared to the line items in reconciliations as illustrated to our consultative groups are mostly the same—the missing piece of information in our recommendation is an amount for 'other (unexplained)'. We acknowledge that without this amount, investors would need to calculate any unexplained difference themselves. However, GPF members confirmed having such a line would not reduce the preparation costs and therefore our

recommendations do not require such an item of information to balance the benefits and costs (see paragraph 26 in the background section).

60. Therefore, we think our package of recommendations provides the 'middle ground' suggested by preparers and investors (see paragraph 12 in the background section). We expect that the costs for an entity to prepare the disclosures of this ‘middle ground’ would not be excessive because:

(a) the amounts would be directly derived from existing cash flow preparation processes, such as movement codes and top-level translation adjustments (see the guidance from the accounting manuals of some of the international accounting firms in paragraphs 8–9 for the mechanics needed to prepare the statement of cash flows and how GPF members and preparers explained they prepare an indirect statement of cash flows in paragraph 27);

(b) the level of aggregation of the disclosures operates at the primary financial statement line-item level rather than individual account levels; and

(c) the disclosures can also leverage material information collected for other disclosures, like for notes about business combinations in accordance with IFRS 3 *Business Combinations*.

61. We also note that other IFRS Accounting Standards already require comprehensive opening-to-closing reconciliations for some assets and liabilities that could fall within the scope in paragraph 41. These include:

(a) contract assets and liabilities under IFRS 15 (see paragraph 10(a)(ii) in the background section);

(b) net defined benefit liabilities or assets under IAS 19 (see paragraph 10(a)(v) in the background section); and

(c) provisions under IAS 37 (see paragraph 10(a)(iii) in the background section).

62. Such reconciliations would include the items of information listed in paragraph 45 and, therefore, already satisfy the disclosure objective in paragraph 36 for the related assets and liabilities. An entity would not need to prepare additional disclosures.

63. Given the cost-benefit considerations, if the IASB decided to propose these disclosures, we think it will be important to field-test the proposals to assess that they provide sufficient benefit without causing undue cost.

Staff conclusions and recommendations

64. We recommend that the IASB propose:

   (a) introducing a disclosure objective that requires an entity to provide information that helps investors to understand the nature and amounts of differences between:

      (i) changes in assets and liabilities used in the indirect method to adjust operating profit or loss for deferrals or accruals of past or future operating cash receipts or payments; and

      (ii) changes in those assets and liabilities as presented in the statement of financial position.

   (b) requiring an entity to satisfy the disclosure objective by disclosing—for each line item presented in the statement of financial position that includes those assets and liabilities—the amounts of differences arising from:

      (i) translation adjustments;

      (ii) obtaining or losing control of subsidiaries or other businesses; and

      (iii) reclassifying assets and liabilities in the statement of financial position.

Question for the IASB
1. Does the IASB agree with the staff recommendations in paragraph 64?

Appendix A—An illustration of what our recommendations involve

A1. In this appendix we extract information from one of the entities (referred to as Entity A) in our sample of financial statements (see paragraph 30 of the paper) and illustrate a walkthrough of how we think Entity A would consider our recommendations. We also illustrate one way Entity A could end up disclosing the information. We changed amounts to preserve anonymity. Entity A has not applied IFRS 18 *Presentation and Disclosure in Financial Statements*.

Extracts from the annual financial statements

A2. Tables 4 and 5 includes extracts from the annual financial statements of Entity A.

Table 4—Extracts from the statement of cash flows

Line items	Amount for current period	Amount for comparative period
Statement of cash flows		
Operating activities		
Operating profit	9,800	10,800
…		
Net monetary (gain)/loss arising from hyperinflationary economies	140	160
Changes in working capital:	800	(400)
Inventories	300	(1,400)
Trade and other receivables	800	(1,600)
Trade payables and other liabilities	(300)	2,800
Pensions and similar obligations less payments	(400)	(200)
Provisions less payments	(150)	200
…		
Cash flows from operating activities	9,400	7,300

Table 5—Extracts from the statement of financial position

Line items	Notes	Amount for current period	Amount for comparative period
Statement of financial position			
Current assets			
Inventories	1	5,000	6,000
Trade and other current receivables	2	5,800	7,000
Non-current assets			
Pension assets for funds in surplus	5	3,800	4,300
Current liabilities			
Trade payables and other liabilities	3	16,900	18,000
Provisions	4	500	700
Non-current liabilities			
Pensions and post-retirement liabilities	5	1,400	1,700
Provisions	4	600	600

A3. Table 6 summarises the differences between the change during the period reported in the statement of cash flows and the change during the period in the statement of financial position.

Table 6—Summary of the change during the period in assets and liabilities in the statement of cash flows and the change during the period in line items in the statement of financial position

Line items Increase / (decrease)	Statement of cash flows (A)	Statement of financial position (B)	Differences between two statements (B) – (A)
Inventories	(300)	(1,000)	(700)
Trade and other receivables	(800)	(1,200)	(400)
Trade payables and other liabilities	(300)	(1,100)	(800)
Pensions and similar obligations (net asset)	400	(200)	(600)
Provisions (includes current and non-current)	(150)	(200)	(50)

Analysis of what our recommendations would involve

A4. In accordance with our recommendations, Entity A would need to disclose the nature and amounts of specific differences between the changes in in-scope assets and liabilities reported in the statement of financial position versus those in the statement of cash flows (see the last column of Table 6 in paragraph A3).

A5. The detailed period-to-period reconciliations of net pension assets and provisions would already satisfy the disclosure objective in paragraph 36 of the paper because such disclosures would include information about, for example, the changes from business combinations and translation adjustments.

A6. Entity A would need to disclose additional information for the line items inventories, trade and other receivables and trade payables and other liabilities.

A7. Table 7 illustrates what a possible disclosure could look like for the line item trade payables and other liabilities. We assume Entity A discloses the information in its existing note supporting that line item in its statement of financial position (see paragraph A3(c)).

Table 7—illustrative disclosures

Note 3—Trade payables and other liabilities

The change during the period in trade payables and other current liabilities presented in the statement of cash flows (300) differs from the change during the period in the carrying amounts in the statement of financial position (1,100) by a net difference of (800).[1] This difference includes:[2]

a. payables assumed in business combinations of 30 (see Note Y);

b. payables derecognised on business disposals of (230) (see Note Y);

c. a decrease of (10) in payables for contingent consideration from business combinations;[3] and

d. foreign currency translation adjustments of (550)[4].

[1] *The illustrated text in the first sentence is not a specified item of information listed in paragraph 45 of the paper. However, the disclosure objective in paragraph 36 in the paper establishes this context to the disclosable items of information. Entity A might represent the context differently than illustrated.*

[2] *The total of the changes disclosed amounts to a decrease of (760) leaving an amount of 40 unexplained (800 from the last column in Table 6 in paragraph A3 minus 760). This change might be partly due to adjustments relating to the net monetary loss arising from hyperinflationary economies reported in the statement of cash flows as a separate non-cash item (see Table 4 in paragraph A2). For the purposes of this illustration, we assume this is not material information.*

[3] *This disclosure is provided in accordance with the IASB's May 2026 tentative decisions (see paragraph 13(a) in the paper). In accordance with those tentative decisions, an entity would be required to disclose the payables included in the line item 'Trade payables and other liabilities' in the statement of financial position that is not included in the change during the period in trade payables and other liabilities in the statement of cash flows. Entity A already disclosed the opening and closing amounts related to contingent consideration separately. Therefore, this illustrated disclosure only includes the change in those balances. Entity A might structure the information differently than illustrated.*

[4] *This amount might not be apparent from the financial statements, but Entity A would have to have calculated it to determine the amount for changes in trade payables and other liabilities reported in the statement of cash flows.*