

Disclosure of Changes in Liabilities Arising from Financing Activities (IAS 7 Statement of Cash Flows)

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Updated in January 2026 to replace references to IAS 1 Presentation of Financial Statements with references to IFRS 18 Presentation and Disclosure in Financial Statements

The Committee received a request from users of financial statements (investors) about the disclosure requirements in IAS 7 that relate to changes in liabilities arising from financing activities. Specifically, investors asked whether the disclosure requirements in paragraphs 44B–44E of IAS 7 are adequate to require an entity to provide disclosures that meet the objective in paragraph 44A of IAS 7.

Meeting the disclosure objective (Paragraph 44A of IAS 7)

Paragraph 44A of IAS 7 requires an entity to provide ‘disclosures that enable [investors] to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes’.

To the extent necessary to satisfy the objective in paragraph 44A, paragraph 44B specifies that an entity discloses the following changes in liabilities arising from financing activities:

- a. changes from financing cash flows;
- b. changes arising from obtaining or losing control of subsidiaries or other businesses;
- c. the effect of changes in foreign exchange rates;
- d. changes in fair values; and
- e. other changes.

The Board explained in paragraph BC16 that it developed the disclosure objective in paragraph 44A to reflect the needs of investors, including those summarised in paragraph BC10. The Board also noted in paragraph BC18 that when considering whether it has fulfilled the objective in paragraph 44A, an entity takes into consideration the extent to which information about changes in liabilities arising from financing activities provides relevant information to investors, considering the needs of investors summarised in paragraph BC10. These investor needs are:

- a. to check their understanding of the entity’s cash flows and use that understanding to improve their confidence in forecasting the entity’s future cash flows;
- b. to provide information about the entity’s sources of finance and how those sources have been used over time; and
- c. to help them understand the entity’s exposure to risks associated with financing.

Reconciling between the opening and closing balances of liabilities arising from financing activities

Paragraph 44D of IAS 7 states that ‘one way to fulfil the disclosure requirement in paragraph 44A is by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including the changes identified in paragraph 44B’.

When an entity discloses such a reconciliation it provides information that enables investors to link items included in the reconciliation to other areas of the financial statements. In doing this, an entity applies:

- a. paragraph 44C to identify liabilities arising from financing activities and use them as the basis of the reconciliation. Paragraph 44C defines these liabilities as ‘liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities’. If an entity also chooses to define, and reconcile, a different ‘net debt’ measure, this does not remove the requirement for the entity to identify its liabilities arising from financing activities as defined in paragraph 44C.
- b. paragraph 44E to disclose changes in liabilities arising from financing activities separately from changes in any other assets and liabilities.
- c. paragraph 44D to provide sufficient information to enable investors to link the items included in the reconciliation to amounts reported in the statement of financial position and the statement of cash flows, or related notes. An entity develops disclosures that enable investors to link (i) the opening and closing balances of the liabilities arising from financing activities reported in the reconciliation, to (ii) amounts reported in the entity’s statement of financial position (or related notes) regarding those liabilities.

The Committee observed that an entity applies judgement in determining the extent to which it disaggregates and explains the changes in liabilities arising from financing activities included in the reconciliation to meet the objective in paragraph 44A. In this respect, the Committee noted the following:

- a. in disaggregating liabilities arising from financing activities, and cash and non-cash changes in those liabilities, an entity applies paragraph 44B of IAS 7 and paragraphs 41–42 of IFRS 18. Paragraph 41(e) states that an entity shall ‘ensure that aggregation and disaggregation in the financial statements do not obscure material information.’ Accordingly, an entity discloses any individually material items separately in the reconciliation. Such items include material classes of liability (or asset) arising from financing activities and material reconciling items (ie cash or non-cash changes).
- b. in explaining liabilities arising from financing activities, and cash and non-cash changes in those liabilities, an entity applies paragraph 44B of IAS 7 and paragraph 113(c) of IFRS 18. Paragraph 113(c) of IFRS 18 requires an entity to disclose ‘other information that is not presented in the primary financial statements, but is necessary for an understanding of any of them’. Accordingly, applying paragraphs 44A–44E, an entity determines the appropriate structure for its reconciliation including the appropriate level of disaggregation. Thereafter, the entity determines whether additional explanation is needed to meet the disclosure objective in paragraph 44A. An entity would explain each class of liability (or asset) arising from financing activities included in the reconciliation and each reconciling item in a way that (i) provides information about its sources of finance, (ii) enables investors to check their understanding of the entity’s cash flows, and (iii) enables investors to link items to the statement of financial position and the statement of cash flows, or related notes.

Accordingly, the Committee concluded that the principles and requirements in IFRS Standards provide an adequate basis for an entity to disclose information about changes in liabilities arising from financing activities that enables investors to evaluate those changes. Accordingly, the Committee concluded that the disclosure requirements in paragraphs 44B–44E of IAS 7, together with requirements in IFRS 18, are adequate to require an entity to provide disclosures that meet the objective in paragraph 44A of IAS 7. Consequently, the Committee decided not to add the matter to its standard-setting agenda.

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