

---

## Global Preparers Forum

Date	15 November 2024
Project	Statement of Cash Flows and Related Matters
Topic	Assessment of potential key topics identified
Contacts	Nick Barlow ( <a href="mailto:nbarlow@ifrs.org">nbarlow@ifrs.org</a> ) Thathsara Ramanayake ( <a href="mailto:thathsara.ramanayake@ifrs.org">thathsara.ramanayake@ifrs.org</a> ) Aida Vatrenjak ( <a href="mailto:avatrenjak@ifrs.org">avatrenjak@ifrs.org</a> )

This paper has been prepared for discussion at a public meeting of the Global Preparers Forum (GPF). This paper does not represent the views of the International Accounting Standards Board (IASB) or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS<sup>®</sup> Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB *Update*.

---

## Purpose of this session

- Gather member views on the issues raised during the joint CMAC-GPF meeting in June 2024.
- Seek to better understand members views on the issues raised, including their prevalence.
- The input from members will contribute to the IASB deciding on the scope of the project.

---

## Information for GPF members

Background information

4

Follow up questions on key messages from the June 2024  
joint CMAC-GPF meeting

5–13

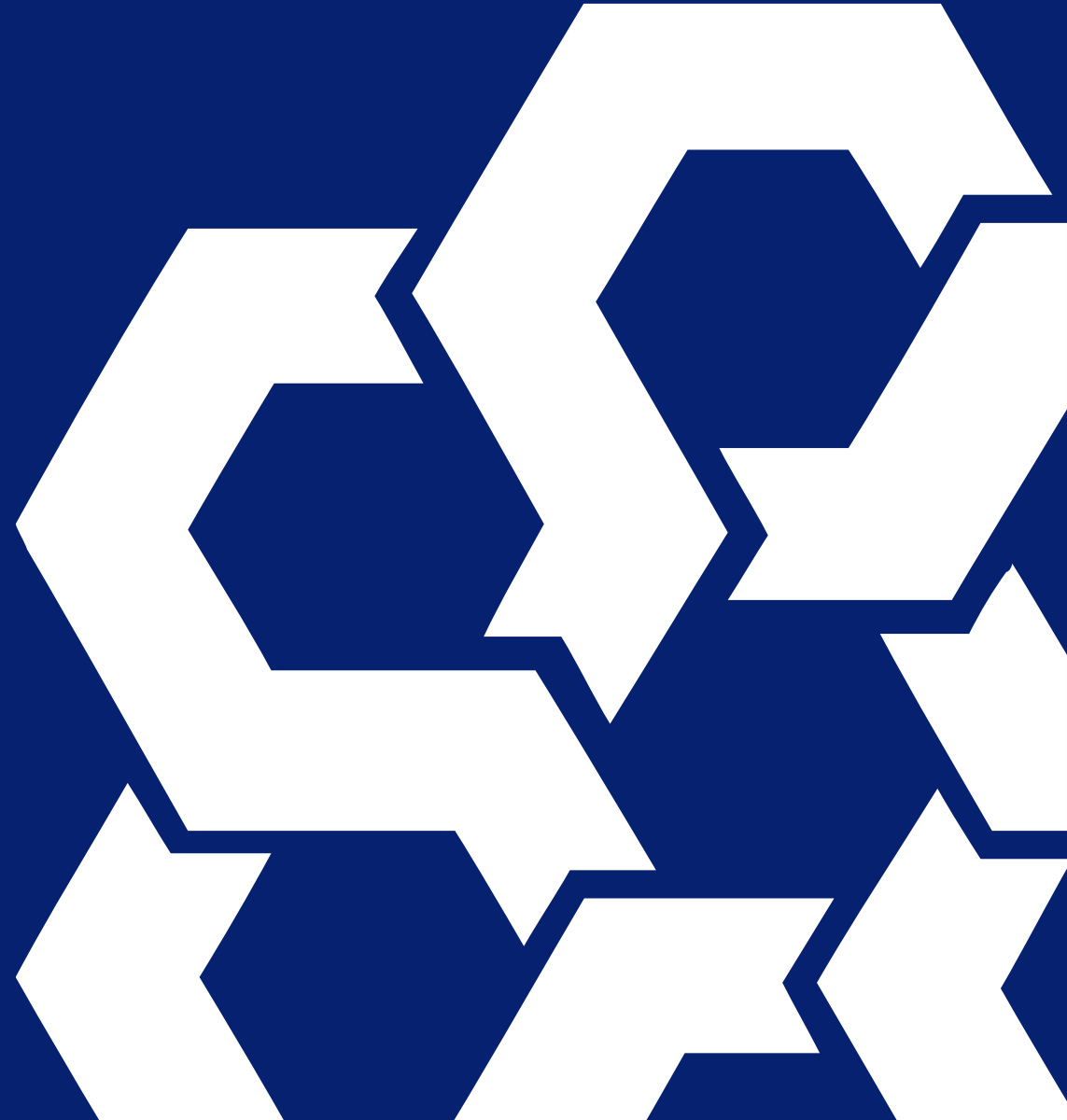
---

## Background of the project

- In its September 2024 meeting, the IASB moved the project on Statement of Cash Flows and Related Matters from the research pipeline to the research work plan.
- The IASB also sought feedback at the joint Capital Markets Advisory Committee and Global Preparers Forum meeting in June 2024 before starting the project.
- The IASB will now conduct initial research, including meetings with stakeholders and review of existing academic studies, to gather evidence on the nature and extent of perceived deficiencies in current reporting and the likely benefits of developing new financial reporting requirements.
- The project team plans to report the results of initial research into the issues raised by stakeholders to the IASB in Q1 2025 to help the IASB decide on the project scope.

---

Follow up questions on key  
messages from the June  
2024 joint CMAC-GPF  
meeting



---

# Summary of the key issues on statement of cash flows

- The following slides summarise the feedback from GPF members on issues discussed during the June 2024 joint CMAC-GPF meeting.
- For each topic we pose specific follow up questions for discussion. During the discussion we would also like to understand your views on which topics are the highest priority and why.
- The key topics include:
  1. Disaggregation requirements for information about cash flows
  2. Information about commonly used cash flow measures
  3. Requirements for classifying cash flows
  4. Definition of cash and cash equivalents
  5. Statement of cash flows for financial institutions
  6. Effects of non-cash transactions
  7. Reporting cash flows from operating activities

## 1. Disaggregation requirements for information about cash flows

### What we heard from GPF members

- Some said that it would be useful to provide:
  - a) capital expenditures—specifically split between growth and maintenance expenditure; and
  - b) cash flow information related to different business segments.
- However, some others said distinguishing between capital growth and maintenance cash flows would be difficult.

### Questions for GPF members

1. How does disaggregation of cash flow items internally differ from the disaggregation used in IAS 7 cash flow reporting? What are the reasons for these differences?
2. What changes to existing systems/procedures would be required to disaggregate different information? For example, the information in a) and b), if it is not already provided?

## 2. Information about commonly used cash flow measures

### What we heard from GPF members

- Most members said that it would be useful to have a standardised definition of ‘free cash flow’.
- Some others said it might not be necessary for the IASB to define the term ‘free cash flow’ if it required entities to disclose transparent information for understanding and calculating individual measures.
- Some members said it would be useful to have a reconciliation between operating cash flow and free cash flow.

### Questions for GPF members

1. We would like to better understand whether different calculations of free cash flows intend to communicate different information. If you calculate a free cash flow measure, what items do you include? What information does including specific items help communicate?
2. Do you provide any other adjusted cash flow measures? If so, what information do these measures communicate?



### 3. Requirements for classifying cash flows

#### Stakeholder feedback from Third Agenda Consultation

- Some stakeholders requested the IASB revisit the classification of cash flows into operating, investing and financing categories specified in IAS 7, in the light of differences in the classification requirements in Primary Financial Statements project (this classification is included in IFRS 18 Presentation and Disclosure of Financial Statements effective from 1 January 2027).

#### Questions for GPF members

1. Do you classify cash flow items differently in the statement of cash flows prepared for internal reporting when compared to the IAS 7 statement of cash flows? If so, what are those differences?
2. We have heard regulator feedback that they observe frequent errors in classification of cash flows. Do you have any insights into the reasons for such errors? For example, is the classification guidance in IAS 7 unclear, or are there other reasons?
3. Please could you explain how you prepare the IAS 7 statement of cash flows? For example, whether the cash flow information is derived from a system integrated with the general ledger, or are there any manual or semi manual processes involved?

## 4. Definition of cash and cash equivalents

### What we heard from GPF members

- Cash and cash equivalents were internally defined differently than they are defined in IAS 7 resulting in different starting and ending points and different classifications in the statement of cash flows.
- Different companies classify the same financial instruments differently, which might hinder comparability.

### Questions for GPF members

1. Do you define cash and cash equivalents differently from IAS 7 for the internal reporting of cash flows? If so, why?
2. Do you experience any challenges in applying the definition of cash and cash equivalents in IAS 7? For example, judging what qualifies as a short-term maturity?

---

## 5. Statement of cash flows for financial institutions

### What we heard from GPF members

- The statement of cash flows prepared in accordance with IAS 7 has limited usefulness for financial institutions.

### Questions for GPF members

1. What are the 'limited uses' of the statement of cash flows of a financial services entity? For example, we have heard that it can provide insights into cash management & liquidity, provide validating information, or act as a control measure. (i.e. specifically for the management decision making)
2. Do you think those uses could be enhanced by improvements to existing requirements? For example, classification, disaggregation, or more information about non-cash transactions?
3. We heard the statement of cash flow might be less useful because there is less focus on cash & liquidity, classification is not meaningful, and there are more stringent regulatory measures. Do you have any further insights to share?

---

## 6. Effects of non-cash transactions

### What we heard from CMAC members

- GPF members did not raise comments on non-cash transactions. However, some CMAC members said that reconciling the statement of cash flows to the statement of financial position is sometimes difficult and there is a need for more information on non-cash transactions.

### Questions for GPF members

1. We have had previous feedback that information would be useful on non-cash transactions that are economically like cash but are not reflected in the statement of cash flows. For example, leases, purchases of assets/business using own shares, or share based compensation. Is such information about non-cash transactions used for internal financial statement analysis? If so, how is this information used?
2. Do you provide this information in external reporting? If not, what changes would be needed to systems/procedures to provide this information?

---

## 7. Reporting cash flows from operating activities

### What we heard from GPF members

- It would be potentially complex and costly to implement the direct method

### Questions for GPF members

1. Please could you provide more information to help us understand the extent of change to systems and process that would be required to provide information about cash flows using the direct method?

---

Thank you

A large, abstract geometric pattern on the right side of the slide, consisting of interconnected white and dark blue hexagonal shapes on a dark blue background.

---

## Follow us online

 [ifrs.org](https://www.ifrs.org)

 [@IFRSFoundation](https://twitter.com/IFRSFoundation)

 [IFRS Foundation](https://www.youtube.com/IFRSFoundation)

 [International Accounting  
Standards Board](https://www.linkedin.com/company/ifrs-foundation)