

Accounting Standards Advisory Forum
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Improving the Statement of Cash Flows:
Respondents' views and implications for the IASB's
Primary Financial Statements project

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The Paper's main suggestions (1)

cash flow statement should report cash flows

- No notional cash flows
- Reconciliation of operating activities should not be in the cash flow statement
- 'Cash and cash equivalents' should be replaced with 'cash'



The Paper's main suggestions (2)

classification of cash flows

- Operating, Investing, Financing should be retained
- But:
 - Operating activities should be defined or described, consistently with profit or loss, and starting with 'operating profit'
 - Purchase of property, plant and equipment should be within operating activities (with a separate sub-total before)
 - Separate sections for:
 - non-operating items; and
 - tax
 - Highlight management of liquid resources
 - Interest on financing items should be within financing



Who responded?

Standard-setters	3
Accounting bodies	3
Accounting firms	5
Preparers (& preparer representative groups)	6
User representative groups	4
Individual	1
Total	<hr/> 22 <hr/>



What did respondents agree with?

- The cash flow statement is important: improvements should be considered
- Notional cash flows should not be included in the statement
- Operating activities should be defined or described
 - A reconciliation of operating profit and cash flows should always be presented
- Interest on financing liabilities should be within financing (but not interest on operating items)
- Tax should be a separate section



Where were views mixed?

- Property, plant and equipment within operating activities
- Cash or 'cash and cash equivalents'
- Reconciliation of operating activities should not be presented within the cash flow statement



IASB Update—December 2016 (summarised)

The Board tentatively decided to explore the following topics:

- elimination of options for the classification of interest and dividends in the statement of cash flows
- alignment of the operating section across the statement of cash flows and the statement(s) of financial performance
- requiring a consistent starting point for the indirect reconciliation of cash flows

