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AAS 28
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Statement of Cash Flows

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Defined words appear in *italics* the first time they appear in a section. The definitions are in Section 14. Standards are printed in **bold** type and commentary in light type.

MAIN FEATURES OF THE STANDARD

The Standard:

- (a) requires a statement of cash flows to be presented
- (a) specifies the manner in which a statement of cash flows is to be prepared, including a requirement that cash flows must be classified as arising from operating, investing or financing activities.

AUSTRALIAN ACCOUNTING STANDARD

AAS 28 “STATEMENT OF CASH FLOWS”

1 Application

- 1.1 This Standard applies to *general purpose financial reports* of each *reporting entity* to which Accounting Standards operative under the Corporations Law do not apply.**
- 1.2 This Standard also applies to financial reports that are held out to be general purpose financial reports by an *entity* which is not a reporting entity, and to which Accounting Standards operative under the Corporations Law do not apply.**
- 1.2.1 Accounting Standards operative under the Corporations Law apply to companies and to other entities required by legislation, ministerial directive or other government authority to apply such Standards. Reporting entities which are not required to apply Accounting Standards operative under the Corporations Law are required to apply this Standard.
- 1.2.2 The standards specified in this Standard apply to the financial report where information resulting from their application is material. This requirement is set out in Australian Accounting Standard AAS 5 “Materiality”, which provides guidance on the role of materiality in making judgements in the preparation and presentation of financial reports.

2 Operative Date

- 2.1 This Standard applies to reporting periods ending on or after 30 June 1998.**
- 2.2 This Standard may be applied to reporting periods ending before 30 June 1998.**
- 2.2.1 AAS 28 “Statement of Cash Flows”, as issued in December 1991, continues to apply for reporting periods that end before 30 June 1998. However, where an *entity* elects to apply this Standard early in accordance with paragraph 2.2 it will not also be obliged to comply with AAS 28, as issued in December 1991, for the reporting periods to which the election applies.

- 2.3** When operative, this Standard supersedes Australian Accounting Standard AAS 28 “Statement of Cash Flows” as issued in December 1991.

3 Purpose of Standard

- 3.1** The purpose of this Standard is to:

- (a) require a statement of cash flows to be included in *general purpose financial reports*
- (b) specify the manner in which a statement of cash flows is to be prepared.

- 3.1.1 The information provided in a statement of cash flows together with other information in the financial report may assist users in assessing the ability of an *entity* to:

- (a) generate *cash flows*
- (b) meet its financial commitments as they fall due, including the servicing of borrowings and the payment of dividends
- (c) fund changes in the scope and/or nature of its activities
- (d) obtain external finance.

- 3.1.2 Laws and other government requirements may limit the capacity of public sector entities to change the nature or scope of their activities or obtain external finance. Nevertheless, information about the nature and amount of cash flows may be useful to decisions about *cash* requirements and how they are satisfied. While some not-for-profit entities may neither pay dividends nor be required to service borrowed funds, information about their cash flows is relevant in identifying the applications of the cash outflows and the sources of cash inflows.

4 Preparation of a Statement of Cash Flows

- 4.1** A statement of cash flows prepared in accordance with this Standard must be included in a *general purpose financial report*.

- 4.2 **Except to the extent permitted by paragraphs 8.1 and 8.2, the statement of cash flows must disclose separately the cash inflows and cash outflows for the reporting period.**
- 4.3 **The amounts of *cash* at the beginning and at the end of the reporting period must be separately disclosed in the statement of cash flows.**

5 Classification of Cash Flows

- 5.1 ***Cash flows that are disclosed in accordance with paragraph 4.2 must be classified as arising from operating, investing or financing activities, as appropriate.***
 - 5.1.1 Some cash inflows and outflows have the characteristics of more than one class of cash flows. For these cash flows, it is necessary to determine whether it is appropriate, and if so how, to allocate the flows across the classes. To ensure comparability, these cash flows are classified in a consistent manner over time.
 - 5.1.2 It may be appropriate to sub-classify cash flows that relate to particular activities. Examples of sub-classifications under cash flows arising from operating activities are cash flows arising from the provision of goods and services and cash flows other than those arising from the provision of goods and services.
 - 5.1.3 The treatment of an item in the statement of financial position and profit and loss or other operating statement does not determine its classification in the statement of cash flows. For example, while *revenue* arising from the disposal of a non-current *asset* is included in the operating result, the cash inflow relating to that transaction is generally not part of cash flows arising from operating activities. Rather, it may be classified as cash flows from investing activities.
 - 5.1.4 Cash flows from transactions that are accounted for as hedges of other transactions are classified in the same category as the cash flows from the items being hedged. However, the classification of cash flows arising from transactions which are effective as hedges, but which are not accounted for in this way, is determined by reference to the nature of the transaction itself, and thus will not automatically be identical to the classification of the cash flows pertaining to the underlying item. For example, the payment to acquire a foreign currency contract to hedge the general currency exposure of an entity is classified as a cash flow from financing

activities even though the contract may operate to offset exchange risk pertaining to investments held overseas.

- 5.1.5 The cash flows from an *associate* are treated in the same manner as those from an investee over which the reporting entity has no *significant influence*. No adjustment is made to cash flows arising from transactions between the reporting entity and an associate. For example, cash flows from the sale of items to an associate are not adjusted even where the associate still holds the items at the *reporting date*.

6 Cash Flows from Operating Activities

- 6.1 Subject to paragraphs 8.1 and 8.2, *cash flows* arising from *operating activities* must be presented in the statement of cash flows using the direct method whereby the relevant gross cash inflows and gross cash outflows are reported.**
- 6.2 A reconciliation of cash flows arising from operating activities to operating profit or loss after income tax as reported in the profit and loss or other operating statement must be disclosed in the *general purpose financial report*.**
- 6.2.1 The direct method of presenting cash flows arising from operating activities reports gross cash inflows and gross cash outflows. This information can be obtained either by using an accounting system which directly records and analyses the cash flows in relation to each transaction, or by adjusting sales, cost of sales and other items in the profit and loss or other operating statement for non-cash items and items which do not relate to operating activities.
- 6.2.2 This Standard requires the direct method of presentation in the statement of cash flows because this method provides information that is not otherwise available in the statement of financial position and profit and loss or other operating statement. It provides a more useful basis for estimating future cash flows than a method of presentation that discloses only the net amount of cash flows arising from operating activities.

7 Cash Flows to be Highlighted

7.1 The following *cash flows*, classified as arising from *operating, investing or financing activities*, as appropriate, must be separately disclosed in the statement of cash flows:

- (a) **interest and other items of a similar nature received**
- (b) **dividends received**
- (c) **borrowing costs, including interest and other costs of finance, paid**
- (d) **dividends paid**
- (e) *extraordinary items.*

7.2 Cash outflows relating to income taxes must be separately disclosed and classified as cash flows arising from operating activities in the statement of cash flows unless they can be specifically identified with investing or financing activities. Where cash outflows relating to income taxes have been allocated to more than one category, the total amount must be separately disclosed in the *general purpose financial report*.

7.2.1 Cash outflows relating to income taxes arise on transactions that result in cash flows that are classified as arising from operating, investing or financing activities in a statement of cash flows. It is often impracticable to classify cash outflows relating to income taxes as arising from either investing or financing activities as, for example, the tax cash outflows may arise in a different reporting period from the cash flows of the underlying transactions. As a result, taxes paid are usually classified as cash flows arising from operating activities.

7.2.2 Cash flows arising from extraordinary items must be separately disclosed regardless of whether the cash flow occurs in the same reporting period to that in which the extraordinary item is *recognised*.

8 Reporting Cash Flows on a Net Basis

8.1 *Cash flows* may be reported on a net basis for the following items:

- (a) **items where the *entity* is, in substance, holding or disbursing *cash* on behalf of its customers**
- (b) **items where the turnover is quick, the amounts are large, and the maturities are short.**

8.1.1 An example of an entity which, in substance, holds or disburses cash on behalf of its customers is a fund manager that holds funds for its customers.

8.1.2 Quick turnover means that transactions occur on virtually a day-to-day basis. Transactions undertaken by an entity to buy and sell fixed interest securities it has issued in order to manage its general *asset* and *liability* positions would be judged to have a regular, but not quick turnover.

8.2 In addition to paragraph 8.1, a *financial institution* may disclose cash flows arising from each of the following transactions on a net basis:

- (a) **cash receipts and payments for the acceptance and repayment of deposits with a fixed maturity date**
- (b) **the placement of deposits with and withdrawal of deposits from other financial institutions**
- (c) **cash advances and loans made to customers and the repayment of these advances and loans.**

8.2.1 The presentation of gross amounts of cash flows reduces the potential for loss of information resulting from offsetting receipts and payments. However, in some circumstances, knowledge of the gross receipts and payments related to assets or liabilities is not essential to understanding the *operating*, *financing* and *investing activities* of the entity and it is acceptable to report only the net cash flows related to those assets or liabilities. The reporting of net cash flows is limited to the transactions specified in paragraphs 8.1 and 8.2.

9 Acquisitions and Disposals of Entities

- 9.1** The aggregate amounts of *cash flows* arising from acquisitions of *entities* must be separately disclosed and classified as cash flows from *investing activities* in the statement of cash flows.
- 9.2** The aggregate amounts of the following items relating to acquisitions of entities must be separately disclosed in the *general purpose financial report*:
- (a) the purchase consideration
 - (b) the amount of the purchase consideration discharged in *cash*
 - (c) the amount of cash held by the acquired entity as at the acquisition date
 - (d) the amounts of the other *assets* and *liabilities* of the acquired entity as at the acquisition date, summarised by nature or function.
- 9.3** The aggregate amounts of cash flows arising from disposals of entities must be separately disclosed and classified as cash flows from investing activities in the statement of cash flows.
- 9.4** The aggregate amounts of the following items relating to disposals of entities must be separately disclosed in the general purpose financial report:
- (a) the consideration received
 - (b) the amount of the consideration received in cash
 - (c) the amount of cash held by the entity disposed of as at the disposal date
 - (d) the amounts of the other assets and liabilities of the entity disposed of as at the disposal date, summarised by nature or function.

- 9.4.1 The separate presentation of the cash flows arising from acquisitions and disposals of entities as single line items, together with the separate disclosure of the amounts of assets and liabilities acquired or disposed of, help to distinguish those cash flows from the other cash flows arising from *operating*, investing and *financing activities*. The cash flow effect of disposals is disclosed separately from the cash flow effect of acquisitions.

10 Foreign Currency Translation

- 10.1 **Cash flows resulting from foreign currency transactions must be translated at the exchange rates applicable at the dates the flows take place. A weighted average exchange rate for a period may be used for translation if the result is substantially the same as if the rates applicable at the dates of the cash flows were used.**
- 10.1.1 Cash flows denominated in a foreign currency are to be reported in a manner consistent with Australian Accounting Standard AAS 20 “Foreign Currency Translation”.
- 10.1.2 The cash flows of a foreign *subsidiary* or a foreign operation are translated at the exchange rates applicable when the flows take place or at a weighted average exchange rate for a period if this weighted average rate approximates the rates applicable at the dates of the cash flows.
- 10.1.3 Unrealised gains and losses arising from changes in foreign currency exchange rates are not cash flows. However, the effect of exchange rate changes on *cash* held or due in a foreign currency is reported in the statement of cash flows in order to reconcile cash at the beginning and end of the reporting period. This effect includes the differences, if any, had those cash flows been reported using exchange rates current at the end of the reporting period.

11 Information about Non-Cash Financing and Investing Activities

- 11.1 **Information about transactions and other events that do not result in any cash flows during the reporting period but affect assets and liabilities that are recognised must be disclosed in the general purpose financial report where the transactions and other events:**
- (a) involve parties external to the *entity*; and

(b) relate to the *financing or investing activities of the entity*.

11.1.1 The following are examples of non-cash financing and investing transactions and other events:

- (a) conversions of liabilities to equity
- (b) acquisitions of entities by means of an equity issue
- (c) acquisitions of assets by assumption of directly related liabilities, such as a purchase of a building by incurring a mortgage to the seller
- (d) acquisitions of assets by entering into finance leases
- (e) exchanges of non-cash assets or liabilities for other non-cash assets or liabilities.

11.1.2 Non-cash financing and investing transactions and other events are relevant to assessments of the prospective cash flows of an entity. The provision of information about them provides more complete information about the financing and investing activities of the entity.

11.1.3 The disclosures required by paragraph 11.1 may be either narrative or summarised in a schedule, and should indicate clearly the *cash* and non-cash aspects of the transactions and other events.

12 Other Disclosures

12.1 The following information must be separately disclosed in the *general purpose financial report*:

- (a) the policy adopted for determining which items are classified as *cash* in the statement of cash flows
- (b) a reconciliation of the amount of cash at the end of the reporting period to the related items in the statement of financial position.

12.1.1 Where an *entity* changes its policy for determining which items are classified as cash in the statement of cash flows, an explanation of the change in policy and the effect of that change would need to be included in the financial report in accordance with Australian Accounting Standard AAS 6 “Accounting Policies”.

- 12.2 The general purpose financial report must disclose separately the following information as at the end of the reporting period:**
- (a) details of the credit standby arrangements of the entity, including the nature of each arrangement and the total amount of credit unused**
 - (b) a summary of the used and unused loan facilities of the entity and the extent to which these can be continued or extended.**
- 12.2.1 The information required to be disclosed by paragraph 12.2 relates to the external financing arrangements of the entity. This includes details of financing arrangements provided by government agencies.
- 12.3 An entity must disclose the amount of cash held that is not available for use and the nature of the restrictions placed upon the use of the cash.**
- 12.3.1 There are various circumstances in which cash held by an entity is not available for use by the entity. In the case of an *economic entity*, an example is cash held by a *subsidiary* that operates in a country where exchange controls or other legal restrictions apply. As a result of these restrictions, the cash held by the subsidiary is not available for use by the *parent entity* or by other subsidiaries in the economic entity.

13 Comparative Information

- 13.1 Information for the preceding corresponding reporting period which corresponds to the disclosures specified for the current reporting period in this Standard must be disclosed, except where, in respect of the reporting period to which this Standard is first applied, the superseded Standard did not require corresponding information.**
- 13.1.1 Disclosure of comparative information for the reporting period to which this Standard is first applied is encouraged where the superseded Accounting Standard did not require corresponding information.

14 Definitions

14.1 In this Standard:

assets means future economic benefits controlled by the *entity* as a result of past transactions or other past events

associate means an investee, not being:

- (a) a *subsidiary* of the investor; or
- (b) a partnership of the investor; or
- (c) an investment acquired and held exclusively with a view to its disposal in the near future,

over which the investor has *significant influence*

cash means *cash on hand* and *cash equivalents*

cash equivalents means highly liquid investments with short periods to maturity which are readily convertible to cash on hand at the investor's option and are subject to an insignificant risk of changes in value, and borrowings which are integral to the cash management function and which are not subject to a term facility

cash flows means *cash* movements resulting from transactions with parties external to the entity

cash on hand means notes and coins held, and deposits held at call with a *financial institution*

economic entity means a group of entities comprising the *parent entity* and each of its subsidiaries

entity means any legal, administrative, or fiduciary arrangement, organisational structure or other party (including a person) having the capacity to deploy scarce resources in order to achieve objectives

equity means the residual interest in the *assets* of the entity after deduction of its *liabilities*

expenses means consumptions or losses of future economic benefits in the form of reductions in assets or increases in liabilities of the entity, other than those relating to distributions to owners, that result in a decrease in equity during the reporting period

extraordinary items means items of *revenue* and *expense* which are attributable to transactions or other events of a type that are outside the ordinary operations of the entity and are not of a recurring nature

financial institution means:

- (a) an entity (including an *economic entity*) whose principal activity is to take deposits or borrow, or both take deposits and borrow, with the objective of lending or investing in financial assets other than equity instruments, but excluding:
 - (i) entities which take deposits or borrow principally from other entities in the economic entity; and
 - (ii) general insurers, life insurers and superannuation plans; or
- (b) an entity (including an economic entity) subject to the *Banking Act 1959* or any replacement legislation

financing activities means those activities which relate to changing the size and/or composition of the financial structure of the entity, including *equity*, and borrowings not falling within the definition of *cash*

general purpose financial report means a financial report intended to meet the information needs common to users who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs

investing activities means those activities which relate to the acquisition and/or disposal of non-current assets, including property, plant and equipment and other productive assets, and investments, such as securities, not falling within the definition of cash

liabilities means future sacrifices of economic benefits that the entity is presently obliged to make to other entities as a result of past transactions or other past events

operating activities means those activities which relate to the provision of goods and services and other activities that are neither *investing* nor *financing activities*

parent entity means an entity which controls another entity

recognised means reported on, or incorporated in amounts reported on, the face of the profit and loss or other operating statement or of the statement of financial position (whether or not further disclosure of the item is made in notes)

reporting date means the end of the reporting period to which the financial report relates

reporting entity means an entity (including an economic entity) in respect of which it is reasonable to expect the existence of users dependent on general purpose financial reports for information which will be useful to them for making and evaluating decisions about the allocation of scarce resources

revenues means inflows or other enhancements, or savings in outflows, of future economic benefits in the form of increases in assets or reductions in liabilities of the entity, other than those relating to contributions by owners, that result in an increase in equity during the reporting period

significant influence means the capacity of an entity to affect substantially (but not control) either, or both, of the financial and operating policies of another entity

subsidiary means an entity which is controlled by a parent entity.

Cash and Cash Equivalents

- 14.1.1 For a money market deposit to be classified as cash, it must be so near to its maturity that there is insignificant risk of changes in its value arising from changes in interest rates. This means that an investment normally qualifies as a cash equivalent only when it has a maturity of three months or less from the date of acquisition. Bank and non-bank bills are examples of investments which are commonly considered to meet the definition of cash. For a borrowing to be classified as cash, it must not be subject to any term

facility. Money market funds and bank overdrafts which are repayable by the entity on demand would commonly meet the definition of cash. Transactions which affect only these items and which are merely transfers of cash, for example, a transfer of an amount from one deposit or advance account to another, or an exchange of an amount of one currency for another, are part of the cash management activities of the entity and would not be reported in the statement of cash flows.

- 14.1.2 Cash does not include such items as accounts receivable, equity securities, accounts payable or any borrowings subject to a term facility. Few liabilities would be included in the definition of cash adopted in this Standard.

Financing Activities

- 14.1.3 The following are examples of cash flows arising from financing activities:

- (a) proceeds from issuing equity instruments and outlays to buy back such instruments
- (b) proceeds from short-term or long-term borrowings and repayments of borrowings
- (c) payments of dividends.

Investing Activities

- 14.1.4 The following are examples of cash flows arising from investing activities:

- (a) payments to acquire property, plant and equipment, and proceeds from the sale of such assets
- (b) payments to acquire ownership interests of other entities, and proceeds from the sale of such interests
- (c) other equity contributions, for example, acquisition of an ownership interest in a partnership.

Operating Activities

14.1.5 The following are examples of cash flows arising from operating activities:

- (a) payments to suppliers and employees for goods and services
- (b) receipts in respect of the provision of goods and services
- (c) cash flows from securities or loans held for dealing or trading purposes.

CONFORMITY WITH INTERNATIONAL AND NEW ZEALAND ACCOUNTING STANDARDS

Conformity with International Accounting Standards

As at the date of issue of this Standard, compliance with this Standard will ensure conformity with International Accounting Standard IAS 7 “Cash Flow Statements”.

Conformity with New Zealand Accounting Standards

As at the date of issue of this Standard, compliance with this Standard will ensure conformity with Financial Reporting Standard FRS-10 “Statement of Cash Flows”, except for the following:

- (a) FRS-10 requires the separate disclosure of cash flows from items of such incidence and size or nature that their separate disclosure is necessary to explain the cash flows of the entity
- (b) under FRS-10, highly liquid investments that are included as cash are those that form part of the cash management function of an entity
- (c) FRS-10 requires the separate disclosure of dividends paid to minority interests.

APPENDICES

The following Appendices form part of the commentary and are provided for illustrative purposes only. They do not illustrate every possible disclosure that may be appropriate to the circumstances of an entity that prepares a Statement of Cash Flows. Other methods of presentation may comply with the accounting standards set out in the Standard. For example, borrowing costs are classified as cash flows arising from operating activities in the Appendices, but in some circumstances, they could be classified as cash flows from financing activities.

APPENDIX 1
EXAMPLE OF A STATEMENT OF CASH
FLows FOR A BUSINESS ENTITY

XYZ Trust
Statement of Cash Flows
for the reporting period ended 30 June 19X1

	Note	19X1 \$'000	19X0 \$'000
Cash flows from operating activities			
Receipts from customers		30,150	27,130
Payments to suppliers and employees		(27,600)	(25,040)
Dividends received		100	250
Interest and bill discounts received		300	270
Borrowing costs		(270)	(240)
Income taxes paid		(900)	(810)
Proceeds from court settlement		<u>180</u>	<u>-</u>
<i>Net cash provided by operating activities</i>	5	<u>1,960</u>	<u>1,560</u>
Cash flows from investing activities			
Payment for subsidiary X, net of cash acquired	2	(550)	-
Payments for property, plant and equipment	3	(350)	(1,200)
Proceeds from sale of property, plant and equipment		<u>20</u>	<u>10</u>
<i>Net cash used in investing activities</i>		<u>(880)</u>	<u>(1,190)</u>

	Note	19X1 \$'000	19X0 \$'000
Cash flows from financing activities			
Proceeds from issue of units		300	200
Proceeds from borrowings		200	240
Repayment of borrowings		(90)	(80)
Distributions paid		<u>(1,200)</u>	<u>(1,080)</u>
<i>Net cash used in financing activities</i>		<u>(790)</u>	<u>(720)</u>
Net increase (decrease) in cash held		290	(350)
Cash at the beginning of the reporting period		120	500
Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the reporting period		<u>(40)</u>	<u>(30)</u>
Cash at the end of the reporting period	1	<u>370</u>	<u>120</u>

Notes to the Statement of Cash Flows

1. Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the statement of financial position as follows:

	19X1 \$'000	19X0 \$'000
Cash	40	25
Deposits at call	530	180
Bank overdraft	<u>(200)</u>	<u>(85)</u>
	<u>370</u>	<u>120</u>

2. Business Acquired

During the reporting period, XYZ Trust purchased all of the ordinary shares of Entity X. Details of the acquisition are as follows:

	19X1 \$'000	19X1 \$'000
Consideration		
300,000 ordinary \$1 units issued at par		300
Cash		590
Amount due for payment on 31/12/X2		<u>200</u>
		<u>1,090</u>
Fair value of net assets of entity acquired		
Land and buildings		800
Plant and equipment		200
Inventories		200
Trade debtors		50
Cash		240
Bank overdraft		(200)
Trade creditors		<u>(300)</u>
		990
Goodwill on acquisition		<u>100</u>
		<u>1,090</u>
Outflow of cash to acquire Entity X, net of cash acquired		
Cash consideration		590
Less balances acquired		
Cash	(240)	
Bank overdraft	<u>200</u>	<u>(40)</u>
Outflow of cash		<u>550</u>

3. Non-Cash Financing and Investing Activities

(a) Property, plant and equipment

During the reporting period, the economic entity acquired property, plant and equipment with an aggregate fair value of \$900,000 (19X0: \$300,000) by means of finance leases. These acquisitions are not reflected in the Statement of Cash Flows or Note 2.

(b) Convertible notes

Convertible notes of \$60,000 (19X0: nil) were converted to 100,000 fully paid ordinary \$1 units during the reporting period.

4. Financing Facilities

Firmly committed long-term financing facilities of \$25m (19X0: \$22m) were available to the economic entity at the reporting date. As at that date, \$17m (19X0: \$17m) of these facilities were in use.

Loan facilities available to the economic entity:

- (a) are evergreen facilities at the economic entity's option, at low cost
- (b) can be drawn in either \$US or \$A
- (c) are underwritten by a syndicate of participating banks
- (d) can be issued in domestic and international commercial paper markets.

5. Reconciliation of Net Cash provided by Operating Activities to Operating Profit after Income Tax

	19X1 \$'000	19X0 \$'000
Operating profit after income tax	1,660	1,270
Depreciation	30	30
Amortisation	100	40
Provision for doubtful debts	110	110
Increase in interest payable	30	10
Gain on sale of equipment	(10)	-
Increase in income taxes payable	50	50
Increase in deferred taxes payable	100	100
Change in assets and liabilities net of effects from purchase of Entity X		
Increase in trade debtors	(50)	(50)
Decrease in inventories	10	100
Increase in prepaid expenses	(30)	(40)
Decrease in trade creditors	(20)	(30)
Decrease in accrued expenses	<u>(20)</u>	<u>(30)</u>
<i>Net cash provided by operating activities</i>	<u>1,960</u>	<u>1,560</u>

6. Cash Balances Not Available for Use

Cash balances of \$10,000 (19X0: \$10,000) held by subsidiary Y are not available for use by the economic entity at the reporting date due to the currency exchange restrictions in the Republic of ABC.

APPENDIX 2

**EXAMPLE OF A STATEMENT OF CASH
FLOWS FOR A NOT-FOR-PROFIT ENTITY**

XYZ Entity
Statement of Cash Flows
for the reporting period ended 30 June 19X1

	Note	19X1 \$'000	19X0 \$'000
Cash flows from operating activities			
<i>Payments</i>			
Wages and salaries		(31,000)	(29,000)
Suppliers		(21,000)	(25,000)
Interest		(200)	(300)
Other		(800)	(1,200)
<i>Receipts</i>			
User charges		7,200	4,000
Interest received		80	70
Other		500	200
<i>Cash flows from government</i>			
Receipts from appropriations / grants		<u>45,000</u>	<u>48,000</u>
<i>Net cash used in operating activities</i>	3	<u>(220)</u>	<u>(3,230)</u>
Cash flows from investing activities			
Payments for purchase of plant and equipment	2	(5,300)	(4,310)
Proceeds from sale of plant and equipment		<u>390</u>	<u>380</u>
<i>Net cash used in investing activities</i>		<u>(4,910)</u>	<u>(3,930)</u>

	Note	19X1 \$'000	19X0 \$'000
Cash flows from financing activities			
Proceeds from borrowings		<u>12,000</u>	<u>3,500</u>
<i>Net cash provided by financing activities</i>		<u>12,000</u>	<u>3,500</u>
Net increase (decrease) in cash held		6,870	(3,660)
Cash at the beginning of the reporting period		<u>3,000</u>	<u>6,660</u>
Cash at the end of the reporting period	1	<u>9,870</u>	<u>3,000</u>

Notes to the Statement of Cash Flows

1. Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash at banks and investments in money market instruments. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the statement of financial position as follows:

	19X1 \$'000	19X0 \$'000
Cash	1,500	1,000
Deposits at call	<u>8,370</u>	<u>2,000</u>
	<u>9,870</u>	<u>3,000</u>

2. Non-Cash Financing and Investing Activities

During the reporting period, the entity acquired equipment with an aggregate fair value of \$700,000 (19X0: \$3,690,000) by means of finance leases. These acquisitions are not reflected in the Statement of Cash Flows.

3. Reconciliation of Net Cash used in Operating Activities to Operating Result

	19X1 \$'000	19X0 \$'000
Operating result	8,680	(1,930)
Depreciation	350	300
Provision for doubtful debts	200	200
Increase in trade creditors	650	500
Increase in wages and salaries payable	2,000	1,500
Government revenues	(12,000)	(3,500)
Gain on sale of plant and equipment	<u>(100)</u>	<u>(300)</u>
<i>Net cash used in operating activities</i>	<u>(220)</u>	<u>(3,230)</u>

4. Tax Status

The activities of the entity are exempt from taxation.

APPENDIX 3

**EXAMPLE OF A STATEMENT OF CASH
FLOWS FOR A FINANCIAL INSTITUTION**

XYZ Finance
Statement of Cash Flows
for the reporting period ended 30 June 19X1

	Note	19X1 \$'000	19X0 \$'000
Cash flows from operating activities			
Interest and bill discounts received		4,000	3,600
Borrowing costs		(3,800)	(3,080)
Dividends received		1,000	900
Fees and commissions received		1,200	1,080
Net payments for and proceeds from sale of security dealings		(200)	(180)
Fees and commissions paid		(450)	(400)
Cash paid to suppliers and employees		(650)	(580)
Income taxes paid		<u>(450)</u>	<u>(400)</u>
<i>Net cash provided by operating activities</i>	3	<u>650</u>	<u>940</u>
Cash flows from investing activities			
Proceeds from sale of investment securities		3,700	3,330
Payments for investment securities		(3,200)	(2,880)
Net increase in customer loans		(7,700)	(6,930)
Payments for property, plant and equipment		<u>(320)</u>	<u>(280)</u>
<i>Net cash used in investing activities</i>		<u>(7,520)</u>	<u>(6,760)</u>

	Note	19X1 \$'000	19X0 \$'000
Cash flows from financing activities			
Net increase in savings, money market and other deposit accounts		1,200	1,080
Net proceeds from sales of and payments for maturing certificates of deposit		2,650	2,380
Proceeds from issuance of long-term borrowings		2,000	1,800
Repayment of long-term borrowings		(300)	(270)
Net increase in other borrowings		1,500	1,350
Dividends paid		<u>(220)</u>	<u>(190)</u>
<i>Net cash provided by financing activities</i>		<u>6,830</u>	<u>6,150</u>
Net increase (decrease) in cash held		(40)	330
Cash at the beginning of the reporting period		4,250	3,820
Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the reporting period		<u>120</u>	<u>100</u>
Cash at the end of the reporting period	1	<u>4,330</u>	<u>4,250</u>

Notes to the Statement of Cash Flows

1. Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and 'at call' deposits with other financial institutions. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the statement of financial position as follows:

	19X1 \$'000	19X0 \$'000
Cash	1,800	1,500
Deposits at call	<u>2,530</u>	<u>2,750</u>
	<u>4,330</u>	<u>4,250</u>

2. Cash Flows Presented on a Net Basis

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:

- (a) customer deposits in and withdrawals from savings, money market and other deposit accounts
- (b) sales and purchases of security dealings
- (c) provision of customer loans and the repayment of such loans
- (d) sales and purchases of maturing certificates of deposit
- (e) short-term borrowings.

3. Reconciliation of Net Cash provided by Operating Activities to Operating Profit after Income Tax

	19X1 \$'000	19X0 \$'000
Operating profit after income tax	760	1,055
Increase in interest payable	200	120
Increase in interest receivable	(500)	(400)
Provision for probable credit losses	200	150
Gain on sale of investment securities	(450)	(400)
Amortisation	40	30
Depreciation	40	35
Increase in income taxes payable	150	140
Increase in deferred taxes payable	100	100
Decrease in fees and commissions receivable	30	20
Increase in accrued expenses	40	50
Increase in fees and commissions payable	<u>40</u>	<u>40</u>
<i>Net cash provided by operating activities</i>	<u>650</u>	<u>940</u>

4. Non-Cash Financing and Investing Activities

Convertible debentures of \$900,000 (19X0: nil) were converted to 1 million fully paid ordinary \$1 shares during the reporting period.

BACKGROUND TO REVISION

This section does not form part of the Standard. It is a summary of the reasons for the current revision to the superseded Standard.

- 1 The reissue of the Standard is part of a program being undertaken by the Public Sector Accounting Standards Board (PSASB) of the Australian Accounting Research Foundation and the Australian Accounting Standards Board (AASB) to achieve greater harmony between Australian accounting standards and those of the International Accounting Standards Committee.
- 2 The issue of the Standard follows consideration of the responses received on Exposure Draft ED 77 "Statement of Cash Flows", which was prepared by the PSASB and the AASB and released in March 1997. ED 77 contained proposals aimed at harmonising the Standard with International Accounting Standard IAS 7 "Cash Flow Statements".

Principal Features of ED 77 Included in the Revised Standard

- 3 Consistent with ED 77, the Standard:
 - (a) requires cash flows to be classified as arising from operating, financing or investing activities
 - (b) defines operating activities to include all activities other than investing or financing activities
 - (c) defines cash equivalents to include highly liquid investments with short periods to maturity which are readily convertible to cash at the investor's option and are subject to insignificant risk of changes in value
 - (d) permits cash flows from items that have a quick turnover and a short maturity and where the amounts are large to be presented on a net basis. Financial institutions are permitted to also present cash flows from certain other items on a net basis
 - (e) requires the disclosure of the amount of cash held by an entity that is not available for use.

TABLE OF COMPARATIVE PARAGRAPHS

Superseded	New	Comments
1		Citation paragraph deleted
2		Deleted
3(a), 4	1.1, 1.2	Application
3(b), 3(c)	2.1, 2.2, 2.3	Operative Date
5	1.2.1	
6	2.2.1	Early application
7	3.1	Purpose of Standard
8		Deleted
9, 10	3.1.1, 3.1.2	
11, 12	1.2.2	Materiality
13	14.1	Definitions amended and added
14, 15		Deleted
16, 19	14.1.1, 14.1.2	
17, 18		Deleted
20 – 22	14.1.3 – 14.1.5	
23, 25	4.1, 4.2	
24	12.1(a)	
26	4.3, 12.1(b)	
27	12.1.1	
28	5.1	
29, 30		Deleted
31 – 33	5.1.1 – 5.1.5	New commentary paragraphs on sub-classifications and cash flows from an associate added
34	7.1 – 7.2.2	New standards and commentary paragraphs on income taxes and extraordinary items added
35 – 37	8.1 – 8.2.1	New standards paragraphs on cash flows which may be reported by a financial institution on a net basis added
38 – 41	6.1 – 6.2.2	
42, 43	9.1, 9.2	
44, 45	9.3, 9.4	
	9.4.1	New commentary paragraph on cash flows arising from disposals and acquisitions of entities added

TABLE OF COMPARATIVE PARAGRAPHS

Superseded	New	Comments
46 – 48	10.1 – 10.1.3	Commentary on cash flows from a foreign subsidiary/operation added
49 – 52	11.1 – 11.1.3	
53, 54	12.2, 12.2.1	
	12.3 – 12.3.1	New standards and commentary paragraphs on disclosure of cash balances not available for use
55	13.1 – 13.1.1	Comparative Information