

AASB 107 Statement of Cash Flows and IFRS for SMEs Section 7 Statement of Cash Flows

1. Executive Summary

Main differences in recognition, measurement or presentation requirements

The presentation requirements in the *IFRS for SMEs* are substantially the same as those in AASB 107.

Disclosure proposals

It is proposed to exclude paragraphs Aus20.1, Aus20.2, 40 and 46 from the Reduced Disclosure Regime (RDR).

2. Analysis of disclosure requirements

Text in AASB 107 <i>Statement of Cash Flows</i>	Text in <i>IFRS for SMEs</i> Section 7 <i>Statement of Cash Flows</i>	Comment
<p>Disclosure</p> <p>Aus20.1 When an entity uses the direct method, a reconciliation of cash flows arising from operating activities to profit or loss shall be disclosed in the complete set of financial statements.</p>	<p>Disclosure</p>	<p>Paragraph Aus20.1 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>
<p>Aus20.2 Notwithstanding paragraph Aus20.1, not-for-profit entities that use the direct method and that highlight the net cost of services in their statement of comprehensive income for the reporting period shall disclose in the complete set of financial statements a reconciliation of cash flows arising from operating activities to net cost of services as reported in the statement of comprehensive income.</p>		<p>Paragraph Aus20.2 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>
<p>31 Cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as either operating, investing or financing activities.</p>	<p>7.14 An entity shall present separately cash flows from interest and dividends received and paid. The entity shall classify cash flows consistently from period to period as operating, investing or financing activities.</p>	<p>Paragraph 31 and paragraph 7.14 of the <i>IFRS for SMEs</i> correspond. Paragraph 31 should be retained in the RDR.</p>
<p>35 Cash flows arising from taxes on income shall be separately disclosed and shall be classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities.</p> <p>36 Taxes on income arise on transactions that give rise to cash flows that are classified as operating, investing or financing activities in a statement of</p>	<p>7.17 An entity shall present separately cash flows arising from income tax and shall classify them as cash flows from operating activities unless they can be specifically identified with financing and investing activities. When tax cash flows are allocated over more than one class of activity, the entity shall disclose the total amount of taxes paid.</p>	<p>Paragraph 35 and the first sentence of paragraph 7.17 of the <i>IFRS for SMEs</i> correspond. Paragraph 35 should be retained in the RDR.</p> <p>Paragraph 36 includes guidance relating to paragraph 35 and the last</p>

<p align="center">Text in AASB 107 Statement of Cash Flows</p>	<p align="center">Text in IFRS for SMEs Section 7 Statement of Cash Flows</p>	<p align="center">Comment</p>
<p>cash flows. While tax expense may be readily identifiable with investing or financing activities, the related tax cash flows are often impracticable to identify and may arise in a different period from the cash flows of the underlying transaction. Therefore, taxes paid are usually classified as cash flows from operating activities. However, when it is practicable to identify the tax cash flow with an individual transaction that gives rise to cash flows that are classified as investing or financing activities the tax cash flow is classified as an investing or financing activity as appropriate. When tax cash flows are allocated over more than one class of activity, the total amount of taxes paid is disclosed.</p>		<p>sentence corresponds with the last sentence of paragraph 7.17 of the <i>IFRS for SMEs</i>. Paragraph 36 should be retained in the RDR.</p>
<p>40 An entity shall disclose, in aggregate, in respect of both acquisitions and disposals of subsidiaries or other business units during the period each of the following:</p> <ul style="list-style-type: none"> (a) the total purchase or disposal consideration; (b) the portion of the purchase or disposal consideration discharged by means of cash and cash equivalents; (c) the amount of cash and cash equivalents in the subsidiary or business unit acquired or disposed of; and (d) the amount of the assets and liabilities other than cash or cash equivalents in the subsidiary or business unit acquired or 		<p>Paragraph 40 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>

Text in AASB 107 <i>Statement of Cash Flows</i>	Text in <i>IFRS for SMEs</i> Section 7 <i>Statement of Cash Flows</i>	Comment
disposed of, summarised by each major category.		
43 Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a statement of cash flows. Such transactions shall be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.	7.18 An entity shall exclude from the statement of cash flows investing and financing transactions that do not require the use of cash or cash equivalents. An entity shall disclose such transactions elsewhere in the financial statements in a way that provides all the relevant information about those investing and financing activities.	Paragraph 43 and paragraph 7.18 of the <i>IFRS for SMEs</i> correspond. Paragraph 43 should be retained in the RDR.
45 An entity shall disclose the components of cash and cash equivalents and shall present a reconciliation of the amounts in its statement of cash flows with the equivalent items reported in the statement of financial position.	7.20 An entity shall present the components of cash and cash equivalents and shall present a reconciliation of the amounts presented in the statement of cash flows to the equivalent items presented in the statement of financial position. However, an entity is not required to present this reconciliation if the amount of cash and cash equivalents presented in the statement of cash flows is identical to the amount similarly described in the statement of financial position.	Paragraph 45 and paragraph 7.20 of the <i>IFRS for SMEs</i> correspond. Paragraph 45 should be retained in the RDR.
46 In view of the variety of cash management practices and banking arrangements around the world and in order to comply with AASB 101 <i>Presentation of Financial Statements</i> , an entity discloses the policy which it adopts in determining the composition of cash and cash equivalents.		Paragraph 46 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.
48 An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the group.	7.21 An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the entity. Cash and cash equivalents held by an entity may not be available for use by the entity because of, among other reasons, foreign exchange controls or legal restrictions.	Paragraph 48 and paragraph 7.21 of the <i>IFRS for SMEs</i> correspond. Paragraph 48 should be retained in the RDR.

3. AASB 107 Statement of Cash Flows: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 107 *Statement of Cash Flows*, showing requirements from which entities applying the RDR should be exempt as shaded text.

- Aus20.1 When an entity uses the direct method, a reconciliation of cash flows arising from operating activities to profit or loss shall be disclosed in the complete set of financial statements.
- Aus20.2 Notwithstanding paragraph Aus20.1, not-for-profit entities that use the direct method and that highlight the net cost of services in their statement of comprehensive income for the reporting period shall disclose in the complete set of financial statements a reconciliation of cash flows arising from operating activities to net cost of services as reported in the statement of comprehensive income.
- 31 Cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as either operating, investing or financing activities.
- 35 Cash flows arising from taxes on income shall be separately disclosed and shall be classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities.
- 36 Taxes on income arise on transactions that give rise to cash flows that are classified as operating, investing or financing activities in a statement of cash flows. While tax expense may be readily identifiable with investing or financing activities, the related tax cash flows are often impracticable to identify and may arise in a different period from the cash flows of the underlying transaction. Therefore, taxes paid are usually classified as cash flows from operating activities. However, when it is practicable to identify the tax cash flow with an individual transaction that gives rise to cash flows that are classified as investing or financing activities the tax cash flow is classified as an investing or financing activity as appropriate. When tax cash flows are allocated over more than one class of activity, the total amount of taxes paid is disclosed.
- 40 An entity shall disclose, in aggregate, in respect of both acquisitions and disposals of subsidiaries or other business units during the period each of the following:
- (a) the total purchase or disposal consideration;
 - (b) the portion of the purchase or disposal consideration discharged by means of cash and cash equivalents;
 - (c) the amount of cash and cash equivalents in the subsidiary or business unit acquired or disposed of; and
 - (d) the amount of the assets and liabilities other than cash or cash equivalents in the subsidiary or business unit acquired or disposed of, summarised by each major category.
- 43 Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a statement of cash flows. Such transactions shall be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.

- 45 An entity shall disclose the components of cash and cash equivalents and shall present a reconciliation of the amounts in its statement of cash flows with the equivalent items reported in the statement of financial position.
- 46 In view of the variety of cash management practices and banking arrangements around the world and in order to comply with AASB 101 *Presentation of Financial Statements*, an entity discloses the policy which it adopts in determining the composition of cash and cash equivalents.
- 48 An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the group.