# IAS 7 Statement of Cash Flows

**Effective Date**
Periods beginning on or after 1 January 1994

## Components

### Operating activities
Main revenue producing activities of the entity and other activities that are not investing or financing activities (including taxes paid/received, unless clearly attributable to investing or financing activities).

### Investing activities
Activities that relate to the acquisition and disposal of long-term assets and other investments that are not included in cash equivalents.

### Financing activities
Activities that cause changes to contributed equity and borrowings of an entity.

## Reporting Cash Flows from Operating Activities

- Cash flows from operating activities can be reported using the direct or indirect method.

### Direct Method
- Cash received from customers
- Cash paid to suppliers
- Cash paid to employees
- Cash paid for operating expenses
- Interest paid
- Taxes paid
- Dividends paid
- Net cash from operating activities.

### Indirect Method
The net cash flow from operating activities is determined by adjusting profit or loss for the effects of:
- Changes during the period in inventories and operating receivables and payables
- Non-cash items such as depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses, and undistributed profits of associates
- All other items for which the cash effects are investing or financing cash flows.

## Definitions: Cash and Cash Equivalents

- **Cash** received from customers
- **Cash** paid to suppliers
- **Cash** paid to employees
- **Cash** paid for operating expenses
- **Interest** paid
- **Taxes** paid
- **Dividends** paid
- **Net cash from operating activities.**

### Short term (where the original maturity is 3 months or less, irrespective of maturity timing post balance date)
- Highly liquid investments
- Readily convertible to known amounts of cash
- Subject to insignificant risk of changes in value.

## Considerations to Note

- Non-cash investing and financing activities must be disclosed separately
- Cash flows must be reported gross. Set-off is only permitted in very limited cases and additional disclosures are required (refer to IAS 7.24 for examples relating to term deposits and loans)
- Foreign exchange transactions should be recorded at the rate at the date of the cash flow
- Acquisition and disposal of subsidiaries are investment activities and specific additional disclosures are required
- Where the equity method is used for joint ventures and associates, the statement of cash flows should only show cash flows between the investor and investee
- Disclose cash not available for use by the group
- Assets and liabilities denominated in a foreign currency generally include an element of unrealised exchange difference at the reporting date
- Disclose the components of cash and cash equivalents and provide a reconciliation back to the statement of financial position amount if required
- Non-cash investing and financing transactions are not included in the statement of cash flows and should be disclosed elsewhere in the financial statements.
- Disclose changes in liabilities arising from financing activities, distinguishing between changes from:
  - Financing cash flows;
  - Obtaining or losing control of subsidiaries and other businesses;
  - The effect of changes in foreign exchange;
  - Fair value movements; and
  - Other changes.
CONTACT

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EUROPE
Anne Catherine Farlay France anneccatherine.farlay@bdo.fr
Jens Freiberg Germany jens.freiberg@bdo.de
Teresa Morahan Ireland tmorahan@bdo.ie
Ehud Greenberg Israel ehudg@bdo.co.il
David Cabaleiro Spain david.cabaleiro@bdo.es
Reidar Jensen Norway reidar.jensen@bdo.no
Maria Sukonkina Russia m.sukonkina@bdo.ru
René Kruegel Switzerland rene.kruegel@bdo.ch
Moses Serfaty United Kingdom moses.serfaty.co.uk

ASIA PACIFIC
Aletta Boshoff Australia aletta.boshoff@bdo.com.au
Zheng Xian Hong China zheng.xianhong@bdo.com.cn
Fanny Hsiang Hong Kong fannyhsiang@bdo.com.hk
Keyur Dave India keyurdave@bdo.in
Khoon Yeow Tan Malaysia tanky@bdo.my
Wayne Basford Western Australia wayne.basford@bdo.com.au

LATIN AMERICA
Maria Eugenia Segura Argentina msegura@bdoargentina.com
Luis Pierrend Peru lpierrend@bdo.com.pe
Ernesto Bartesaghi Uruguay ebartesaghi@bdo.com.uy

NORTH AMERICA & CARIBBEAN
Armand Capiscioltto Canada acapiscioltto@bdo.ca
Wendy Hambleton USA whambleton@bdo.com

MIDDLE EAST
Arshad Gadit Bahrain arshad.gadit@bdo.bh
Antoine Gholam Lebanon agholam@bdo-lb.com

SUB SAHARAN AFRICA
Nigel Griffith South Africa ngriffith@bdo.co.za

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