

## Financial statement presentation – Statement of Cash Flows

The discussion paper *Preliminary Views on Financial Statement Presentation* proposes that an entity should present information about the way it creates value (its business activities) separately from information about the way it funds those business activities (its financing activities). The discussion paper proposes that an entity should:

- further separate information about its business activities by presenting information about its operating activities separately from information about its investing activities.
- further separate information about its financing activities so that non-owner sources of finance (and related charges) should be presented separately from owner sources of finance (and related charges).
- present information about its discontinued operations separately from its continuing business and financing activities.

The Board tentatively decided:

- to retain the requirement to distinguish between business activities (value creating activities) and financing activities (funding of that value creation) in each of the financial statements.
- to define the **financing section** as financial liabilities used as part of an entity's capital raising activities that have an agreed-upon schedule of repayments with an interest component (and that interest component is either explicit or implicit). Items directly related to those financial liabilities, such as fees, would also be classified in the financing section. A derivative held as part of an entity's non-equity sources of funding, regardless of whether it is an asset or a liability at the reporting date, would also be presented in this section.
- to retain an approach to classification within the **business section** that is based on how a reporting entity organises its activities and how it uses its assets and liabilities. Consequently, additional groupings of information within the business section (ie categories) would reflect the facts and circumstances of that entity and would be left to the discretion of management. Application guidance would be developed to help management determine meaningful groupings of information within an entity's business section. The Board may revisit the decision not to require specific categories in the business section once it has reviewed the application guidance.

- to retain the requirement to present information about discontinued operations in a separate section in each of its primary financial statements (except the statement of changes in equity). However, the Board decided not to prescribe how information about discontinued operations should be disaggregated, nor whether that disaggregation should appear on the face of financial statements or be disclosed in the notes.

The Board also considered whether an entity should present information about net debt in its financial statements. The discussion paper did not address presentation of net debt information. Respondents to the discussion paper note that information that would be useful in assessing an entity's liquidity, solvency and financial flexibility is missing from the presentation model proposed in the discussion paper. Moreover, some respondents are concerned that the financial statements do not necessarily include all the information that users need to either reconcile net debt or to analyse the components of net debt.

The Board tentatively decided:

- to require information about net debt to be presented in the financial statements; and
- to define net debt to be the financial liabilities that an entity classifies in the financing section together with the resources available to service those financial liabilities.

The Board also considered different ways to present net debt information in the financial statements. The presentation of net debt information will be reconsidered at the October joint meeting with the FASB as part of the discussion on the Statement of Cash Flows.

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**Source:** IASB Update September 2009

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