Institute of Chartered Accountants of New Zealand

FINANCIAL REPORTING STANDARD NO. 10
1994

STATEMENT OF CASH FLOWS

Issued by the Financial Reporting Standards Board
Institute of Chartered Accountants of New Zealand

Approved March 1994 by the Accounting Standards Review Board
under the Financial Reporting Act 1993

CONTENTS

This Standard replaces FRS-10: Statement of Cash Flows (1992), although that Standard will continue to apply until the completion of accounting periods which end prior to 1 July 1994.

This Standard should be read in the context of the Explanatory Foreword to General Purpose Financial Reporting published by the Council, Institute of Chartered Accountants of New Zealand.

The Accounting Standards Review Board (the Board) has approved FRS-10: Statement of Cash Flows, for the purposes of the Financial Reporting Act 1993, to apply to reporting entities, the Crown and all departments, Offices of Parliament and Crown entities (each of which is defined in the Act) other than those which are expressly exempted by the terms of the Standard.

The Board has also approved this Standard to apply to local authorities (as defined in the Act) from 1 July 1998.

1 INTRODUCTION

COMMENTARY

1.1 This Standard deals with the presentation of a statement of cash flows. The statement of cash flows is required as one of the financial statements in the financial report of every entity except those qualifying entities exempted by paragraph 2.2. The statement of cash flows is to help users to assess the entity's ability to generate cash flows and to assess the entity's financial performance and financial position.

1.2 Financial reporting standards are paragraphs in bold type-face in this Standard. Where appropriate, interpretive commentary paragraphs in plain type-face follow the financial reporting standards.

2 APPLICATION

STANDARD

2.1 This Standard applies to the general purpose financial reports of all entities except where exempted in paragraph 2.2.

2.2 Entities which qualify for exemption in accordance with the *Framework for Differential Reporting* are not required to include a statement of cash flows in their financial report.

2.3 The financial reporting standards set out in this Standard shall apply to all financial reports where such application is of material consequence. A statement, fact, or item is material if it is of such a nature or amount that its disclosure, or the method of treating it, given full consideration of the circumstances applying at the time the financial report is completed, is likely to influence the users of the financial report in making decisions or assessments.

2.4 This Standard applies to general purpose financial reports covering periods ending on or after 1 July 1994.

3 STATEMENT OF PURPOSE

COMMENTARY

3.1 The purpose of this Standard is to:

(a) require presentation of a statement containing information about an entity's cash flows during the reporting period; and

(b) specify the minimum disclosures in that statement.

4 DEFINITIONS

STANDARD

The following terms are used in this Standard with these meanings:

4.1 "Cash" means coins and notes, demand deposits and other highly liquid investments in which an entity invests as part of its day-to-day cash management. "Cash" includes borrowings from financial institutions such as bank overdrafts, where such borrowings are at call and are used as part of day-to-day cash management.

COMMENTARY

4.2 A highly liquid investment is an investment where there is a recognised ready market to convert unconditionally the investment to coins and notes at the investor's option within no more than two working days. Cash does not include:

(a) accounts receivable;

(b) equity securities;

(c) accounts payable;

(d) borrowing subject to a term facility.

4.3 As the items included as cash for day-to-day cash management may vary between entities, the entity's financial report is to provide a reconciliation of these items to the appropriate items shown in the statement of financial position and, where appropriate, provide narrative on which items comprise "cash" as reported.

4.4 Treasury bills, Reserve Bank bills, commercial bills or similar debt securities may be considered as cash where:

(a) the securities are readily convertible to a known and certain amount of coins and notes at the investor's option in no more than two working days; and

(b) the securities are used as part of the entity's day-to-day cash management.

STANDARD

4.5 "Cash flow" means the movement of cash resulting from transactions with parties external to the entity reporting.

COMMENTARY

4.6 Transfers of cash within parts of an entity, for example between a parent and a subsidiary company, are not cash flows of the group entity for the purposes of this Standard.

STANDARD

4.7 "Financing activities" are those activities relating to changes in equity and debt capital structure of the entity and those activities relating to the cost of servicing the entity's equity capital.

COMMENTARY

4.8 Cash flows from equity financing activities include the cash component of:

- the issue, redemption and acquisition of share capital;
- dividends and interest paid on capital classed as equity;
- any other changes in the size and composition of the equity capital where cash is involved.

4.9 Cash flows from debt financing activities include the cash component of the issue and redemption of debt but exclude interest.

STANDARD

4.10 "Investing activities" are those activities relating to the acquisition and disposal of current and non-current securities and advances (other than securities and advances included within cash) and any other non-current assets.

COMMENTARY

4.11 Investing activities include buying and selling or otherwise acquiring and disposing of assets that are expected to generate economic benefits over more than one future accounting period. Investing activities also include the acquisition and disposal of:

(a) current or non-current securities; and

(b) short-term and roll-over securities which are not "cash" of the entity in terms of paragraph 4.1.

4.12 Examples of cash inflows from investing activities include:

(a) receipts from advances such as:
   - principal repayments by borrowers; or
   - sale of advances by the entity; and

(b) receipts from sale of assets such as:
   - debt or equity securities of other entities (other than cash as defined); and
   - land and buildings and other non-current assets.

4.13 Examples of cash outflows from investing activities include:

(a) advances made or purchased by the entity; and

(b) payments to acquire assets such as:

- debt or equity securities of other entities (other than cash as defined); and
- land and buildings and other non-current assets.

4.14 Cash flows from investing activities do not include:

(a) receipts and payments relating to current assets, such as accounts receivable, or inventories which are routine and repetitive in the ordinary course of business;

(b) transfers between the assets included in "Cash" by the entity in terms of paragraph 4.1.

STANDARD

4.15 "Operating activities" include all transactions and other events that are not investing or financing activities. Transactions relating to operating transactions and other events include:

- **interest received and dividends received;**
- **interest paid other than interest capitalised;**
- **dividends and interest paid on capital shown as a liability in the statement of financial position.**

COMMENTARY

4.16 Cash inflows from operating activities include cash receipts from the sale of goods or services. Cash outflows from operating activities include cash payments for acquisitions of inventory, cash payment to employees, to government (taxes) and to other suppliers.

4.17 Cash flows from operating activities include receipts from donations, grants, rates, levies, subscriptions and similar items where such receipts are the main sources of revenue to support the operating activities of the entity.

4.18 Cash flows are to be classified in the statement of cash flows as operating, financing or investing cash flows according to the nature of the underlying transactions or other events. Cash flows are not to be classified on the basis of their being included or excluded from the calculation of the entity's net surplus (deficit) for the period. For example, while a gain or loss on the disposal of a non-current asset will appear in the surplus (deficit) after taxation for the period, the cash inflow in relation to that gain or loss is usually part of the cash flows from investing activities.

5 FINANCIAL REPORTING

Presentation of Statement of Cash Flows

STANDARD

5.1 The financial report of an entity shall include a statement of cash flows

for the entity in accordance with this Standard. This statement of cash flows shall be presented for the same accounting period as the entity's statement of financial performance.

COMMENTARY

5.2 A statement of cash flows can inform users, such as creditors and investors, of the effects of operating, financing and investing activities on the cash resources of the entity. In combination with other financial information, the statement of cash flows may help users to:

(a) estimate the entity's future net cash flows and especially to assess the entity's ability to generate positive cash flows from operating activities;

(b) assess the entity's ability to meet its obligations and to assess its need for external financing;

(c) assess the entity's ability to pay dividends;

(d) compare the entity's surplus (deficit) after taxation reported on an accruals basis with the cash flows from operating activities (refer to Appendix 1 of FRS-2: *Presentation of Financial Reports* for an example of the components of surplus (deficit) after taxation);

(e) assess any possible liquidity shortage leading to business failure of the entity;

(f) assess financial flexibility, that is, the entity's ability to optimise cash resources and to respond to unexpected adversity or unexpected opportunities;

(g) improve users' projections of future cash flows by providing a better understanding of the cash flow effects of the variables described in the entity's statement of financial position and statement of financial performance.

Classification of Activities

STANDARD

5.3 The statement of cash flows shall show separately the cash flows classified by major sources and uses from:

- **operating activities;**
- **investing activities;**
- **financing activities.**

COMMENTARY

5.4 The major economic activities of an entity are operating, investing and financing. Major sources and uses of cash within each activity are to be disclosed. Items are not to be included with or offset against other items without separate identification.

5.5 The classification into three activities provides information about the entity's cash performance and provides possible comparisons with other time periods, with other entities and with other industries.

GST Exclusive / Inclusive

STANDARD

5.6 The statement of cash flows shall be prepared exclusive or inclusive of GST on a basis consistent with the method used in the statement of financial performance.

COMMENTARY

5.7 Since GST is intended to fall on the final consumer and the registered person is merely a collector of the tax, the cash inflows and outflows of GST are not important in assessing the results of most entities. The inflows and outflows of GST may be offset in the statement of cash flows and the net amount disclosed. Such a net cash flow from GST is usually disclosed under operating activities.

Operating Activities

STANDARD

5.8 Cash flows from operating activities shall be presented using the direct method.

COMMENTARY

5.9 Cash flows from operating activities can be presented by the direct method or the indirect method. Paragraph 5.8 of this Standard requires the direct method to be used for presentation.

(a) *The direct method of presenting cash flows from operating activities*

The statement of cash flows shows directly, major classes of operating cash receipts (for example, cash from customers) and operating cash payments (for example cash paid to suppliers, to employees and to the government as tax) and the difference between the operating cash receipts and the operating cash payments is the net cash flow from operating activities.

(b) *The indirect method of presenting cash flows from operating activities*

The surplus (deficit) after taxation (before minority interest and share of associates' surpluses) is adjusted for:

- non-cash items included in the surplus (deficit) after taxation; for example, depreciation;
- movements in working capital items other than cash; for example, changes in accounts receivable and in accounts payable;
- revenue and expense items classified as investing or financing activities in the statement of cash flows; for example, the cash flow from the sale of plant may be presented as an investing cash flow but the gain or loss on the sale will be included in the determination of the surplus (deficit) after taxation.

5.10 The direct method is to be used within the statement of cash flows because:

- the direct method adds new information unavailable from the statement of financial performance and the statement of financial position;
- the direct method best reflects the gross inflows and outflows of cash from operating activities.

Reconciliation With Reported Surplus (Deficit) After Taxation

STANDARD

5.11 The notes to the financial report shall provide a reconciliation of the surplus (deficit) after taxation with the net cash flow from operating activities.

COMMENTARY

5.12 The adjustments in the reconciliation may be grouped as follows:

- non-cash items included in the surplus (deficit) after taxation; for example, depreciation;
- movements in working capital items other than cash; for example, changes in accounts receivable and in accounts payable;
- revenue and expense items classified as investing or financing activities in the statement of cash flows; for example, the cash flow from the sale of plant may be presented as an investing cash flow but the gain or loss on the sale will be included in the determination of the surplus (deficit) after taxation;
- other adjustments appropriately described.

An illustration of the components of surplus (deficit) after taxation is at Appendix 1 of FRS-2: *Presentation of Financial Reports*.

Interest and Dividends

STANDARD

5.13 Within the statement of cash flows, interest and dividends paid and received shall be disclosed separately and classified as follows:

(a) *Operating activities*

The following items shall be classified and disclosed separately under operating activities:

(i) interest received;

(ii) dividends received;

(iii) interest paid, except for interest paid which has been capitalised in the construction of an asset which shall be classified under investing activities (see sub-paragraph c (i) below);

(iv) dividends paid on capital shown as a liability in the statement of financial position.

(b) ***Financing activities***

The following items shall be classified and disclosed separately under financing activities:

(i) dividends paid to equity holders of the parent;

(ii) dividends paid to minority interests.

(c) ***Investing activities***

The following item shall be classified and disclosed separately under investing activities:

(i) interest paid which has been capitalised in the construction of an asset. The nature of the item shall be disclosed in a note.

Interest Paid and Interest and Dividends Received

COMMENTARY

5.14 There is debate about how to treat interest paid and interest and dividends received in the statement of cash flows.

(a) Some contend on the one hand that since interest paid and interest and dividends received are part of establishing the surplus (deficit) after taxation, they should be classified as cash flows from operating activities.

(b) Others contend that interest paid and interest and dividends received are a cost of, or a return from, the various activities of the entity; and the nature of the entity's activities should determine the classification adopted. In this view, interest paid arises from financing activities and the cash flows should be reported under financing activities. Similarly interest and dividends received arise from investing activities and the cash flows should be reported under investing activities.

5.15 This Standard, however, requires in paragraph 5.13 separate disclosure of interest and dividends received and interest paid as part of the cash flow from operating activities (with the exception of interest capitalised in the construction of an asset; see paragraph 5.13 (c)).

Dividends Paid

COMMENTARY

5.16 There is debate about how to treat dividends paid in the statement of cash flows.

(a) Some contend on the one hand that dividends paid should be classified as cash flows from operating activities to demonstrate the ability of the entity to pay dividends out of operating cash flow.

(b) Others contend that dividends should be classified as financing activities because they are costs of obtaining financial resources.

(c) Instances arise where capital may have some characteristics of a liability and some characteristics of equity.

(d) This Standard requires at paragraph 5.13 that dividends paid are to be treated as follows:

- where dividends are paid on capital classified as equity in the statement of financial position, the cash outflow is to be included among financing activities and disclosed separately;
- where dividends are paid on capital classified as a liability in the statement of financial position, the cash outflow is to be included among operating activities and disclosed separately.

Income Tax Paid / Refunded

STANDARD

5.17 Income tax paid or refunded shall be disclosed separately within operating activities.

COMMENTARY

5.18 Taxes on income may arise from transactions in any of the operating, investing or financing activities in a statement of cash flows. Though a tax expense may be linked to an individual transaction, it is impractical to identify and classify the tax cash flows resulting from all such transactions. Tax cash flows in the current period often arise from transactions that occurred in earlier periods. The standard at paragraph 5.17 therefore requires that cash flows from taxes on income including tax on extraordinary items are to be disclosed as a single item within operating activities. Cash flows arising from other taxes, such as fringe benefit tax, are not to be included in income tax cash flows.

Foreign Currencies

STANDARD

5.19 The statement of cash flows shall disclose separately the effect of exchange rate variations on cash held in foreign currencies and report that effect as part of the reconciliation of the change in cash in the period.

COMMENTARY

5.20 Where unrealised variations arise from changes in foreign exchange rates, disclosure is only required in the statement of cash flows for the changes that arise from holding foreign currency as cash; similar changes in other items denominated in foreign currency are not cash flows and are to be eliminated in arriving at cash flows.

Corresponding Amounts

STANDARD

5.21 The statement of cash flows and all notes required by this Standard shall display the corresponding amounts for the previous accounting period.

Reconciliation of Cash at Start and End of Period

STANDARD

5.22 The statement of cash flows shall be presented so as to reconcile cash at the start and at the end of the period. The components of cash at the end of the period shall be identified clearly and reconciled with the relevant items in the statement of financial position.

COMMENTARY

5.23 The statement of cash flows is to provide a reconciliation of the opening and closing cash balances to demonstrate the effect of the cash flows of the period.

Extraordinary Items and Items Disclosed Separately

STANDARD

5.24 As appropriate the statement of cash flows shall disclose separately within operating, financing and investing activities, the following items:

(a) extraordinary items;

(b) items of such incidence and size or nature that their separate disclosure is necessary to explain the cash flows of the entity.

COMMENTARY

5.25 Pre-tax cash flows arising from transactions which are extraordinary items in terms of FRS-7: *Extraordinary Items and Fundamental Errors* and also pre-tax cash flows arising from transactions which are items in terms of paragraph 5.24(b) above, are to be classified as operating, investing or financing activities according to their nature without regard for their treatment in the statement of financial performance or statement of financial position.

Investing and Financing Activities

STANDARD

5.26 The statement of cash flows shall reflect only transactions wholly in cash and the cash element only of transactions that are partly in cash except as provided in paragraph 5.19.

5.27 There shall be note disclosure in the financial report of non-cash investing and financing transactions which affect assets and liabilities that have been recognised. Such notes shall be referenced to the appropriate items in the financial statements.

COMMENTARY

5.28 Some significant investing and/or financing activities do not involve cash flows in whole or in part. Where the activity is partly in cash, users need information about the whole transaction (not just the cash element) to appreciate the extent of the activity and to assess future cash flows. Although the whole transaction amount less the non-cash element might be shown within the appropriate classification in the statement of cash flows, paragraph 5.26 does not permit such a presentation. The presentation required in paragraph 5.27 is that the gross activity less the non-cash element is to be presented in a note to the financial report. This note is to include reconciliation with and references to the appropriate items in the financial statements. The explanation in the note disclosure is to distinguish clearly between the cash and the non-cash elements.

5.29 Many investing and financing activities do not result in cash flows although they may affect the capital and asset structure of the entity, as for example:

- the acquisition of assets by taking over directly related liabilities or by a finance lease; or
- acquiring an entity in exchange for equity; or
- the conversion of debt to equity.

Where such transactions do not involve cash flows, they are to be excluded from the statement of cash flows.

5.30 Although transactions described in paragraph 5.29 are not to be reported in the statement of cash flows, information about such transactions is relevant to assessment of future cash flows. Therefore all relevant information about the transactions is to be disclosed in the notes and the financial statements.

Restrictions on Cash Balances

STANDARD

5.31 The notes to the financial report shall state clearly where part or all of cash balances held are restricted or are otherwise not available for general use.

COMMENTARY

5.32 Unless expressly informed, users of the financial report will assume that the cash balance reported is available for the general use of the entity. Disclosure is to be made when there are restrictions on the use of part or all of the cash, as for example where the entity has received cash that may only be used for a specified purpose.

Netting of Cash Flows

STANDARD

5.33 When a cash flow in the statement of cash flows combines receipts and payments to present a net cash flow, a note to the financial report shall identify such a cash flow and shall provide reasons why those receipts and payments have been set off.

COMMENTARY

5.34 Presentation of gross amounts of cash flows (that is, without combining receipts and payments) usually provides better information than netting off receipts and payments to present a single total. In some circumstances, however, knowledge of the gross receipts and payments is not essential to understanding the operating, investing and financing activities of the entity and it may be acceptable to report only the net changes in cash flows. Disclosure of net cash flows may be appropriate for example when:

(a) the roll over of loans and deposits is covered by an arranged finance facility;

(b) cash is held or disbursed on behalf of customers;

(c) there are cash receipts and payments for financial arrangements or instruments where:

  (i) the turnover is quick; and

  (ii) the amounts are large; and

  (iii) the maturities are short, that is, the intended holding period at the date of purchase of each financial arrangement does not exceed three months.

5.35 Where the statement of cash flows includes one or more net cash flows, disclosure by note is to identify those cash flows as net cash flows and is to provide the reasons for presenting those cash flows as net cash flows.

Statement of Accounting Policies

STANDARD

5.36 The statement of accounting policies shall include an explanation of the nature of items classified as:

- **cash; and**
- **operating activities, investing activities and financing activities,**
- **except where the nature of cash or of the activities is obvious or is readily ascertainable from the financial report.**

COMMENTARY

5.37 The nature of the entity's operations will determine the entity's classification of cash, operating activities, investing activities and financing activities. Where the items in each classification are not obvious from the statement of cash flows, note disclosure is to be made. Any significant change in the classification of items together with the reasons for the change are to be disclosed in the notes to the financial report and are not to be reported as a change in accounting policy. When there is a change in classification, comparative figures are to be restated accordingly and the fact of the restatement is to be disclosed.

APPENDIX

Comparison of FRS-10 with International and Australian Accounting Standards

This comparison appendix, which was prepared as at 1 November 1993 and deals only with significant differences in the standards, is produced for information purposes only and does not form part of the standards in FRS-10. The International Accounting Standard referred to in this Appendix was promulgated by the International Accounting Standards Committee.

The International and Australian accounting standards comparable with FRS-10 are:

- IAS-7 (Revised 1992): *Cash Flow Statements*;
- AASB 1026 (1991): *Statement of Cash Flows*; and
- AAS-28 (1991): *Statement of Cash Flows*.

These statements require or propose a statement showing separately the cash flows from operating, investing and financing activities similar to the requirement in FRS-10. The following are the significant differences from FRS-10.

Where appropriate paragraph references appear in brackets after a reference to a standard, for example FRS-10 (2.1 and 2.2) or AAS-28 (3).

Application

FRS-10 (2.1 and 2.2) requires the inclusion of a statement of cash flows in a general purpose financial report except where the reporting entity qualifies for exemption in accordance with the Framework for Differential Reporting.

AASB 1026 (.7) and AAS-28 (3) apply the standards generally to entities (including economic entities) preparing general purpose financial reports. AAS-28 states specifically that the standard applies to the general purpose financial reports of:

(i) each private sector reporting entity;

(ii) each public sector reporting entity employing any accrual basis of accounting; and

(iii) each other public sector reporting entity, to the extent practicable;

to which accounting standards operative under the Corporations Law do not apply.

IAS-7 (1) states that an enterprise should prepare a cash flow statement as an integral part of its financial statements.

Cash

Each statement includes highly liquid investments in its definition of cash or cash equivalents. However, the interpretation of a highly liquid investment differs.

FRS-10 (4.2) states that a highly liquid investment is one for which there is a recognised ready market enabling the unconditional conversion of the investment to coins and notes at the investor's option within no more than two working days.

Both AASB 1026 (x to xii) and AAS-28 (16 to 18) state that bank and non-bank bills would normally meet the definition of cash. More generally, the instrument must be so near to its maturity that there is insignificant risk of changes in value arising from changes in interest rates. The standards warn that some highly liquid investments would not meet the definition of cash. The standards do not give quantitative guidance in terms of period to maturity because such guidance may not always be an accurate indicator of the risk of changes in value. Both standards state that for a borrowing to be classified as cash it must not be subject to a term facility.

IAS-7 (7) states that short-term highly liquid investments are held for the purpose of meeting short-term cash commitments rather than for investment. They normally include only those investments with maturities of three months or less at the date of acquisition. They exclude equity investments but could include preferred shares that are acquired within three months of the redemption date.

FRS-10, AASB 1026 and AAS-28 state that bank overdrafts repayable at call fall within the definition of cash. IAS-7 (8) states that bank borrowings are generally considered to be financing activities but recognises that some countries treat them as cash.

Activities

FRS-10, AASB 1026, AAS-28 and IAS-7 contain similar definitions of investing and financing activities. FRS-10 and IAS-7 define operating activities as those not included in investing or financing activities. FRS-10 also states that operating activities include interest and dividends received and interest paid. AASB 1026 and AAS-28 define operating activities as those which relate to the provision of goods and services. IAS-7 states that operating activities are also the principal revenue-producing activities of the enterprise.

AASB 1026 (.19 to .22), AAS-28 (42 to 45) and IAS-7 (16) specifically require or propose the separate disclosure of information relating to the acquisition and disposal of subsidiaries and other businesses. FRS-10 has no similar specific requirement although such acquisitions and disposals would require to be disclosed separately as major uses and sources of cash flows in investing activities (FRS-10 (5.3)).

Only FRS-10 (5.36) requires disclosure of the nature of items classified as operating, investing and financing activities except where their nature is obvious and readily ascertainable from the financial reports.

Direct and Indirect Methods

FRS-10 (5.8 and 5.11), AASB 1026 (.17 and .18) and AAS-28 (38 and 39) require that the cash flows from operating activities be presented using the direct method and that a reconciliation be given of the cash flow from operating activities with the surplus after taxation in the statement of financial performance. IAS-7 (18 and 19) allows either the direct or indirect method and states that the direct method is preferable. There is no requirement in IAS-7 that, if the direct method is used, a reconciliation be furnished of the cash flow from operating activities with the surplus (deficit) after taxation.

Interest and Dividends

FRS-10 (5.13), AASB 1026 (.15), AAS-28 (34) and IAS-7 (31) require that interest and dividends paid and received be shown separately. Only FRS-10 specifies:

(a) the activities in which interest and dividends paid and received are to be included; and

(b) that dividends paid to minority interests are to be shown in financing activities separately from other dividends paid.

Foreign Currency

FRS-10 (5.19) requires that the effect of exchange rate variations on cash held in foreign currencies be reported separately in the reconciliation of the change in cash during the period. AASB 1026, AAS-28 and IAS-7 do not refer to this aspect.

AASB 1026 (.23), AAS-28 (46) and IAS-7 (25 and 27) require or propose that foreign currency transactions be translated at the rates applicable when the flows take place or at a weighted average rate if the difference would not be significant. The Guidance Notes accompanying FRS-10 give guidance on the translation of foreign currency transactions (GN/FRS-10: *Guidance Notes on the Preparation of Statements of Cash Flows in Accordance with FRS-10 section 15*).

Corresponding Amounts

FRS-10 (5.21), AASB 1026 (.26) and AAS-28 (55) require the disclosure of the amounts for the preceding financial period and show these amounts in their examples in the Guidance Notes or the Standard. IAS-7 does not specifically require corresponding amounts for the previous period to be shown nor does it show those amounts in the examples given.

Components of Cash

All four standards require disclosure of the components of cash and a reconciliation with the amounts reported in the statement of financial position.

Extraordinary Items and Items Disclosed Separately

FRS-10 (5.24) and IAS-7 (29) require that cash flows from extraordinary items should be disclosed separately in the appropriate activity. Only FRS-10 (5.24) requires separate disclosure of items disclosed separately in the Statement of Financial Performance or Statement of Financial Position. Neither AASB 1026 nor AAS-28 has equivalent specific requirements.

Restrictions on Cash Balances

FRS-10 (5.31) and IAS-7 (48) require disclosure where significant cash balances are restricted for general use. Neither AASB 1026 nor AAS-28 has an equivalent specific requirement.

Netting of Cash Flows

All four statements allow the netting of certain cash flows in the presentation of the statement of cash flows. AASB 1026, AAS-28 and IAS-7 are specific as to when netting is permitted:

- AASB 1026 (.16) and AAS-28 (35 to 37) allow netting:
  - where the entity is holding or disbursing cash on behalf of customers; and
  - where the turnover of investments and loans receivable and payable is rapid and the volume of transactions is large.
- IAS-7 (22 to 24) allows netting:
  - in respect of cash receipts and payments on behalf of customers where the flows reflect the activities of the customer rather than the entity;
  - cash flows in respect of deposits, loans and advances of and to customers in the case of a financial institution; and
  - cash receipts and payments for items in which the turnover is quick, the amounts are large and the maturities short.

FRS-10 (5.33) has a general requirement that where certain cash flows have been presented net, this fact and the reasons for netting should be disclosed. Both the standard and the Guidance Notes accompanying the standard indicate where netting might be appropriate.

AASB 1026 (.12), AAS-28 (25) and IAS-7 (21) have a specific requirement that cash inflows and outflows be disclosed separately unless netted. This situation is implied in FRS-10 (5.33 to 5.35).

Unused Loan Facilities

AASB 1026 (.25) and AAS-28 (53) require disclosure of credit stand-by arrangements and unusual loan facilities. IAS-7 (50) encourages disclosure of unused borrowing facilities.

Appendices

AASB 1026, AAS-28 and IAS-7 include examples of statements of cash flows (including a statement for a financial institution) in the appendices to the standards. In New Zealand, examples are included in the Guidance Notes accompanying FRS-10.

HISTORY

Previously issued accounting standards superseded by this Financial Reporting Standard:

FRS-10: Statement of Cash Flows (issued March 1992 and effective for periods commencing on or after 1 July 1992).

SSAP-10: Statement of Cash Flows (issued October 1987 and effective for periods commencing on or after 1 January 1988).

SSAP-10: Statement of Changes in Financial Position (issued July 1979 and effective for periods ending on or after 31 March 1980).

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