

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG FR TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG FRB or EFRAG FR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG FRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

EFRAG draft discussion paper on the statement of cash flows

Cover Note

Objective

- 1 The objectives of this session are to:
 - (a) Receive input from EFRAG FR TEG on the first draft of EFRAG's discussion paper on the statement of cash flows.
 - (b) Receive a presentation and provide comments on the second report of the contractor. This report deals with the issues related to the statement of cash flows for non-financial entities as well as financial institutions. The report will be used by the EFRAG Secretariat to further improve the discussion paper. The report is thus not meant to be published, but its purpose is only to provide input to EFRAG's discussion paper.

EFRAG's discussion paper on the statement of cash flows

- 2 Following the 2021 consultation on EFRAG's research agenda, EFRAG decided in June 2022 to include on its research agenda a project on the statement of cash flows (see [EFRAG feedback statement](#)).
- 3 The reasons for adding this project to the EFRAG proactive agenda were that:
 - (a) the project could be useful for the IASB, since the IASB has also decided to include a project on the statement of cash flows and related matters as research pipeline projects following its Request for Information (RfI) on its Third Agenda Consultation; and
 - (b) the project could encompass supply financing arrangements, which was deemed as a suitable EFRAG proactive project.
- 4 EFRAG will issue a Discussion Paper for public comments that will:
 - (a) List and briefly discuss different alternative objectives/uses of the statement of cash flows.
 - (b) List the issues with current requirements/practice.
 - (c) Discuss whether the IASB could consider the issues by targeted amendments, or a comprehensive review would be necessary to deal with the issues in a satisfactory manner.
- 5 The EFRAG Secretariat has now prepared the first draft of this Discussion Paper. In the coming weeks, the EFRAG Secretariat will include additional reference to relevant literature

(including academic studies and accounting manuals) and incorporate the input provided in the second report of the contractor.

- 6 The purpose of this session is accordingly to receive input from EFRAG FR TEG on how to make the discussion paper clearer and sufficiently complete without unnecessary details, including whether:
- (a) the purpose of the discussion paper appears sufficiently clear;
 - (b) the content of the discussion paper is generally in accordance with the expectations of EFRAG FR TEG;
 - (c) the structure of the discussion paper is appropriate;
 - (d) the categorisations used to describe the objectives of the statement of cash flows, the usages and the issues are appropriate;
 - (e) there are any main issues that are not covered by the discussion paper;
 - (f) the appropriate questions to constituents are included;
 - (g) the analyses performed by the EFRAG Secretariat in relation to the objectives affected by the various issues (Table 1 in the discussion paper) are appropriate;
 - (h) additional alternatives to the statement of cash flows should be discussed, for example a statement of changes in working capital or a statement more aligned with the calculation of free cash flows;
 - (i) EFRAG FR TEG would prefer to make any preliminary recommendations on how the IASB should carry out its project on the statement of cash flows (Chapter 7 of the drafted discussion paper);
 - (j) any sections of the discussion paper should be shortened to make the paper more accessible.

Presentation of the second part of the contractor's report

- 7 As approved by the EFRAG FRB in its June 2023 meeting, EFRAG outsourced work related to the parts of the project. The purpose of the outsourced work is to collect and present input on the objectives and usages of the statement of cash flows (part one, presented for EFRAG FR TEG in December 2023 and subsequently improved) and the issues with the statement of cash flows. Input should be collected from:
- (a) academic literature and textbooks/teaching material for financial statements analysts;
 - (b) interviewing relevant persons;
 - (c) attending the roundtable discussions organised by EFRAG¹;
 - (d) attending the meetings organised by EFRAG;
 - (e) through additional activities that are considered relevant by the subcontractor.

¹ EFRAG organised three types of roundtables to address different stakeholders' interests: Financial Institutions (17 November 2023), Corporates (27 November and 4 December 2023), Users/academics (1 December 2023). In addition, EFRAG held an additional roundtable on 30 November 2023 for mixed profiles.

- 8 At the 1 July 2024 EFRAG FR TEG meeting, EFRAG FR members will receive a presentation of the findings collected by the contractor.

Questions for EFRAG FR TEG

- 9 What is the view of EFRAG FR TEG on the draft discussion paper (including the issues listed in paragraph 6)?

Next steps

- 10 EFRAG FR TEG will be asked to approve its recommendation to the EFRAG FRB to issue the discussion paper on the statement of cash flows at its Friday 13 September 2024 meeting.

Agenda Papers

- 11 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 04-02 – the draft discussion paper on the statement of cash flows;
 - (b) Agenda paper 04-03 – presentation of the contractor on the issues identified with how the statement of cash flows is currently prepared under IAS 7 *Statement of Cash Flows*; and
 - (c) Agenda paper 04-04 – the draft report of the contractor on the issues identified with how the statement of cash flows is currently prepared under IAS 7.