



Project:	Presentation and Disclosure in Financial Statements by Not-for-Profit and Superannuation Entities	Meeting:	AASB 3 July 2025 (M213)						
Topic:	Consequential amendments to cash flow statement presentation	Agenda Item:	3.0						
		Date of paper:	17 June 2025						
Contact(s):	Patricia Au pau@asb.gov.au Angus Thomson athomson@asb.gov.au	<table><tr><td>Project Priority:</td><td>High</td></tr><tr><td>Decision-Making:</td><td>High</td></tr><tr><td>Project Status:</td><td>Cash flow statement presentation</td></tr></table>		Project Priority:	High	Decision-Making:	High	Project Status:	Cash flow statement presentation
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Objective of this agenda item

1 The objectives of this agenda item are for the Board to:

- (a) **decide** whether to propose modifying AASB 107 *Statement of Cash Flows* (as amended by AASB 18 *Presentation and Disclosure in Financial Statements*) for application by the following entities in preparing their Tier 1 general purpose financial statements (GPFS):
 - (i) not-for-profit (NFP) public sector entities, including entities applying AASB 1049 *Whole of Government and General Government Sector Financial Reporting*;
 - (ii) universities;
 - (iii) for-profit public sector entities; and
 - (iv) entities applying AASB 1056 *Superannuation Entities*;
- (b) **decide** whether to propose modifying AASB 1054 *Australian Additional Disclosures* regarding the requirement to include in Tier 1 GPFS a reconciliation of the net cash flow from operating activities to the 'profit or loss' subtotal presented in the income statement; and
- (c) **decide** whether to develop one or more Exposure Drafts and **consider** a proposed timeline for completing the project.

Reasons for bringing this agenda item to the Board

2 AASB 18 has amended AASB 107. The amendments are to:

- (a) remove the presentation alternatives for cash flows related to dividends and interest paid and received (this is discussed in Agenda Paper 3.1); and

(b) require an entity to use the 'operating profit' subtotal, instead of the 'profit or loss' subtotal, as the starting point for the indirect method of reporting cash flows from operating activities (this is discussed in Agenda Paper 3.2).

- 3 At its May 2025 meeting (M212), the Board decided to publish an Exposure Draft regarding the application of AASB 18 by NFP public sector entities, universities and superannuation entities. Among other proposals, the Exposure Draft would propose that those entities would not be required to classify income and expenses into the operating, investing, and financing categories (and therefore not be required to present a subtotal for 'operating profit or loss') in the income statement.¹ At this meeting, the Board is asked to decide whether there is a need to also propose amendments to AASB 107 for application by those entities.
- 4 Additionally, because dividend and interest cash flow classification of for-profit public sector entities would affect whole of government consolidation, the Board is asked to consider whether to propose modifying AASB 107 for for-profit public sector entities.
- 5 Paragraph 16 of AASB 1054 requires an entity that uses the direct method to present its cash flow statement to provide a reconciliation of the net cash flow from operating activities to the 'profit or loss' subtotal presented in the income statement. Since the indirect method in AASB 107 has been amended by AASB 18 to require adjustment from the 'operating profit or loss' subtotal, instead of the 'profit or loss' subtotal, the Board is asked to decide whether any modifications are needed to AASB 1054. This is discussed in Agenda Paper 3.2.

NFP private sector entities preparing Tier 1 GPFS

- 6 At its May 2025 meeting, the Board also decided that the Exposure Draft would propose that NFP private sector entities would need to comply with all AASB 18 requirements in preparing their Tier 1 GPFS. The Board decided to propose guidance to clarify certain AASB 18 principles in an NFP context. Consistent with this decision, NFP private sector entities would need to comply with all AASB 107 requirements in preparing cash flow statements. Accordingly, NFP private sector entities are not a subject of discussion in this agenda item.

Attachments

- 7 In addition to this Cover Memo, there are four papers for this agenda item. They are:

Agenda Paper 3.1	Dividend and interest cash flow classification
Agenda Paper 3.2	Indirect method of presenting operating cash flows
Agenda Paper 3.3	Approach to Exposure Draft(s) and proposed project timeline
Agenda Paper 3.4	Questionnaire used for targeted consultation with public sector stakeholders and written responses received (Board only paper in the supplementary folder).

¹ The Board's decisions in M212 are summarised in the [Action Alert](#).

Summary of staff recommendations

8 The following table summarises the staff recommendations in Agenda Papers 3.1 and 3.2.

Aspect of cash flow statement	Entity type	Staff proposed modifications to be included in the Exposure Draft(s)
<i>Dividend and interest cash flow classification</i>		
Dividends paid	All entities	No change to paragraph 33A of the revised AASB 107 – all entities to classify dividends paid as financing cash flows.
Dividends received and interest paid and received	NFP public sector entities + Universities	Retain the current policy choice for these entities to elect to classify these items as operating cash flows as an interim step, at least until the Board considers the results of the IASB's project on statement of cash flows and related matters and the IPSASB's Presentation of Financial Statements project.
	For-profit public sector entities	<p>Require compliance with the revised AASB 107.</p> <p>Add specific matters for comment in the Exposure Draft to request further input from stakeholders on the following matters:</p> <ul style="list-style-type: none"> (a) whether it would be more important for the cash flow statements of these entities to be comparable with for-profit entities in the private sector or with NFP public sector entities; (b) the importance for these entities to have consistent classification of dividend and interest transactions between the income statement and the cash flow statement (noting that the Board has decided that these entities should be required to classify income and expenses into the operating, financing and investing categories in accordance with AASB 18); and (c) the costs and effort required to adjust the cash flow classifications of these entities to facilitate Whole of Government consolidation and how they weigh against the benefits of complying with the revised AASB 107.
	Superannuation entities	Retain the current policy choice so that superannuation entities would be able to continue classifying dividends received and interest paid and received as operating cash flows without categorising the related income and expenses in accordance with AASB 18.

Aspect of cash flow statement	Entity type	Staff proposed modifications to be included in the Exposure Draft(s)
<i>Indirect method of reporting cash flows from operating activities</i>		
The starting point for the indirect method to be specified in AASB 107	NFP public sector entities + Universities + Superannuation entities	Require these entities to continue to use the 'profit or loss' subtotal as a starting point when applying the indirect method, since they would not be presenting an 'operating profit or loss' subtotal in the income statement.
The starting point for the reconciliation of net cash flow from operating activities specified in AASB 1054.16	NFP public sector entities + Universities + Superannuation entities	Require these entities to continue to use the 'profit or loss' subtotal as the starting point.
	Other entities preparing Tier 1 GPFS	Require these entities to use the 'operating profit or loss' subtotal as the starting point, to be consistent with the revised AASB 107.

- 9 In Agenda Paper 3.3, staff recommend, instead of developing one Exposure Draft, developing three Exposure Drafts, one for each of these stakeholder groups:
- (a) Whole of Government and General Government Sector;
 - (b) other NFP public sector entities, universities and NFP private sector entities; and
 - (c) superannuation entities.