



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

IAS 7

Statement of Cash Flows

International and Advanced Accounting
179009-ENG

Master Degree in
ACCOUNTING, GOVERNANCE AND
SUSTAINABILITY

RELATORE

Prof. Roberto Aprile
roberto.aprile@unibg.it

SEDE

Bergamo

ANNO ACCADEMICO

2026-2027

Cash Flows Statement

Theoretical Aspects

Professional Aspects

Examples



Cash Flows Statement – *Objective*

A statement of cash flows aims to **highlight which areas of management have generated cash flows and which areas have absorbed them.**

The *income statement*, in fact, is not able to highlight the genesis of cash flows.

Not even the *balance sheet* alone is able to provide this information.

It is therefore necessary to use both documents, appropriately reclassified, and with the addition of internal accounting data, to proceed with the construction of the *cash flows statement*.



Cash Flows Statement – *Construction*

The construction of the model is divided into 4 phases:

- ☐ Definition of the reference object (*cash, cash equivalents, net working capital, net financial position*)
- ☐ Calculation of gross changes in the balance sheet items and their subdivision into two categories: *Sources and Uses*
- ☐ Adjustments to *Raw Data*
- ☐ Aggregation of the resulting flows



Cash Flows Statement – *Adjustments to Raw Data*

It involves moving from the logic of income (monetary and non-monetary costs and revenues) to that of cash flows (cash outflows and inflows):

- to highlight hidden movements (e.g. *dividends*)

- to eliminate changes that have a purely accounting meaning (e.g. *depreciations and amortizations, provisions, inventory write-downs*)



Cash Flows Statement – *Aggregation of the resulting flows*

- ☐ The flows obtained on the basis of the previous steps must be aggregated in such a way as to highlight the contribution of each area to the creation (absorption) of monetary resources.
- ☐ The result is an **overview of the company's financial dynamics**.
- ☐ The final change in *cash* and *cash equivalents* during the year **is obtained from the algebraic sum of positive and negative flows**.



Cash Flows Statement – *Operational phases*

- The first phase consists in *defining the reference object*. Given the operational value, the most relevant seems to be that of immediate liquidity which includes cash, active current accounts (bank and postal accounts) that can be immediately transformed into liquidity.
- It is also possible to choose a concept of *extended liquidity* which also includes ***risk-free short-term investments*** that can be transformed into liquidity in a short period of time (generally less than three months). These elements are also referred to as “*cash equivalents*”.



Cash Flows Statement

Since we want to define in the first place the contribution provided by operating management, we proceed with the reclassification of the income statement by identifying the **EBIT** and **EBITDA**.

A: **Amortisation**

D: **Depreciation**

T: **Taxation**

I: **Interest**

B: **Before**

E: **Earnings**



Cash Flows Statement

H1

We assume a company in the first year of operation that has the following economic components:

Balance Sheet

Cash	900	Earnings	400
	<u>- 600</u>		
	300		
Receivables	100		

Income Statement

Purchase costs	600	Income	1.000
Earnings	400		



Cash Flows Statement – *The Direct Method*

The following adjustments are made:

Reclassified income statement

Adjustments

Financial situation

<i>Income</i>	<i>1.000</i>	<i>- Receivables increase (100)</i>	<i>900</i>
<i>Purchase costs</i>	<i>(600)</i>		<i>(600)</i>
<i>E.B.I.T.</i>	<i>400</i>		<i>300</i>

*Gross potential
operating CF*

*Gross current
operating CF*



Cash Flows Statement – *The Indirect Method*

In the *Indirect Method* we start from the EBIT and we proceed with the subsequent adjustments, first of all taking into account the changes in the **Net Commercial Working Capital**, given by:

+ *Commercial Receivables*

+ *Inventories*

- *Commercial Payables*

The increases in the Net Commercial Working Capital are subtracted from the EBIT, while the decreases are added.



Cash Flows Statement – *The Indirect Method*

H1

+ <i>Commercial Receivables</i>	100
+ <i>Inventories</i>	-
- <i>Commercial Payables</i>	<u>-</u>
Net Commercial Working Capital:	100

The following adjustments are made starting from EBIT:

<i>E.B.I.T.</i>	400
- <i>Net Commercial Working Capital increase</i>	<u>(100)</u>
<i>Gross current operating CF</i>	300



Cash Flows Statement

H2 Payables increase

Balance Sheet

Cash	800	Earnings	400
	<u>- 500</u>	Payables	100
	300		
Receivables	200		

Income Statement

Purchase costs	600	Income	1.000
Earnings	400		



Cash Flows Statement – *The Direct Method*

The following adjustments are made:

Reclassified income statement

Adjustments

Financial situation

<i>Income</i>	<i>1.000</i>	<i>- Receivables increase (200)</i>	<i>800</i>
<i>Purchase costs</i>	<i>(600)</i>	<i>+ Payables increase 100</i>	<i>(500)</i>
<i>E.B.I.T.</i>	<i>400</i>		<i>300</i>

*Gross potential
operating CF*

*Gross current
operating CF*



Cash Flows Statement – *The Indirect Method*

H2

+ <i>Commercial Receivables</i>	200
+ <i>Inventories</i>	-
- <i>Commercial Payables</i>	<u>(100)</u>
Net Commercial Working Capital:	100

The following adjustments are made starting from EBIT:

<i>E.B.I.T.</i>	400
- <i>Net Commercial Working Capital increase</i>	<u>(100)</u>
<i>Gross current operating CF</i>	300



Cash Flows Statement

H3 Inventories increase

Balance Sheet

Cash	800	Earnings	600
	<u>- 500</u>	Payables	100
	300		
Receivables	200		
Inventories	200		

Income Statement

Purchase costs	600	Income	1.000
- Inventories increase	(200)		
Earnings	600		



Cash Flows Statement – *The Direct Method*

The following adjustments are made:

Reclassified income statement		Adjustments	Financial situation
<i>Income</i>	<i>1.000</i>	- <i>Receivables increase</i> (200)	<i>800</i>
<i>Purchase costs</i>	<i>(400)</i>	+ <i>Payables increase</i> 100	<i>(300)</i>
		- <i>Inventories increase</i> (200)	<i>(200)</i>
<i>E.B.I.T.</i>	<i>600</i>		<i>300</i>
<i>Gross potential operating CF</i>			<i>Gross current operating CF</i>



Cash Flows Statement – *The Indirect Method*

H3

+ <i>Commercial Receivables</i>	200
+ <i>Inventories</i>	200
- <i>Commercial Payables</i>	<u>(100)</u>
Net Commercial Working Capital:	300

The following adjustments are made starting from EBIT:

<i>E.B.I.T.</i>	600
- <i>Net Commercial Working Capital increase</i>	<u>(300)</u>
<i>Gross current operating CF</i>	300



Cash Flows Statement

H4 TFR fund increase

Balance Sheet

Cash	800	Earnings	550
	<u>- 500</u>	Payables	100
	300	TFR* fund	50
Receivables	200		
Inventories	200		

Income Statement

Purchase costs	600	Income	1.000
- Inventories increase	(200)		
TFR	50		
Earnings	550		

TFR means: severance pay*



Cash Flows Statement – *The Direct Method*

The following adjustments are made:

Reclassified income statement		Adjustments		Financial situation
<i>Income</i>	<i>1.000</i>	- <i>Receivables increase</i>	<i>(200)</i>	<i>800</i>
<i>Purchase costs</i>	<i>(400)</i>	+ <i>Payables increase</i>	<i>100</i>	<i>(300)</i>
		- <i>Inventories increase</i>	<i>(200)</i>	<i>(200)</i>
<i>TFR</i>	<i>(50)</i>	+ <i>TFR fund increase</i>	<i>50</i>	
E.B.I.T.	550			300
<i>Gross potential operating CF</i>				<i>Gross current operating CF</i>



Cash Flows Statement – *The Indirect Method*

H4

+ <i>Commercial Receivables</i>	200
+ <i>Inventories</i>	200
- <i>Commercial Payables</i>	<u>(100)</u>
Net Commercial Working Capital:	300

The following adjustments are made starting from EBIT:

<i>E.B.I.T.</i>	550
- <i>Net Commercial Working Capital increase</i>	(300)
+ <i>TFR fund increase</i>	<u>50</u>
<i>Gross current operating CF</i>	300



Cash Flows Statement

H5 TFR fund increase and decrease

Balance Sheet

Cash	800	Earnings	550
	- 500	Payables	100
	- <u>20</u>	TFR fund	30
	280		
Receivables	200		
Inventories	200		

Income Statement

Purchase costs	600	Income	1.000
- Inventories increase (200)			
TFR	50		
Earnings	550		



Cash Flows Statement – *The Direct Method*

The following adjustments are made:

Reclassified income statement		Adjustments		Financial situation
<i>Income</i>	<i>1.000</i>	- <i>Receivables increase</i>	<i>(200)</i>	<i>800</i>
<i>Purchase costs</i>	<i>(400)</i>	+ <i>Payables increase</i>	<i>100</i>	<i>(300)</i>
		- <i>Inventories increase</i>	<i>(200)</i>	<i>(200)</i>
<i>TFR</i>	<i>(50)</i>	+ <i>TFR fund increase</i>	<i>30</i>	<i>(20)</i>
<i>E.B.I.T.</i>	<i>550</i>			<i>280</i>
<i>Gross potential operating CF</i>				<i>Gross current operating CF</i>



Cash Flows Statement – *The Indirect Method*

H5

+ <i>Commercial Receivables</i>	200
+ <i>Inventories</i>	200
- <i>Commercial Payables</i>	<u>(100)</u>
Net Commercial Working Capital:	300

The following adjustments are made starting from EBIT:

<i>E.B.I.T.</i>	550
- <i>Net Commercial Working Capital increase</i>	(300)
+ <i>TFR fund increase</i>	<u>30</u>
<i>Gross current operating CF</i>	280



Cash Flows Statement

H6 Allowances on receivables increase

Balance Sheet

Cash	800	Earnings	540
	- 500	Payables	100
	<u>- 20</u>	TFR fund	30
	280		
Receivables	200		
- Allowances			
on receivables	<u>(10)</u>		
	190		
Inventories	200		

Income Statement

Purchase costs	600	Income	1.000
- Inventories increase	(200)		
TFR	50		
Provisions for			
doubtful accounts	10		
receivable			
Earnings	540		



Cash Flows Statement – *The Direct Method*

The following adjustments are made:

Reclassified income statement		Adjustments		Financial situation
<i>Income</i>	<i>1.000</i>	- <i>Receivables increase</i>	<i>(190)</i>	<i>810</i>
<i>Purchase costs</i>	<i>(400)</i>	+ <i>Payables increase</i>	<i>100</i>	<i>(300)</i>
		- <i>Inventories increase</i>	<i>(200)</i>	<i>(200)</i>
<i>TFR</i>	<i>(50)</i>	+ <i>TFR fund increase</i>	<i>30</i>	<i>(20)</i>
<i>Provisions for</i>				
<i>doubtful accounts</i>				
<i>receivable</i>	<i>(10)</i>			<i>(10)</i>
 E.B.I.T.	 540			 280
 <i>Gross potential</i>				 <i>Gross current</i>
<i>operating CF</i>				<i>operating CF</i>



Cash Flows Statement – *The Indirect Method*

H6

+ <i>Commercial Receivables</i>	190
+ <i>Inventories</i>	200
- <i>Commercial Payables</i>	<u>(100)</u>
Net Commercial Working Capital:	290

The following adjustments are made starting from EBIT:

<i>E.B.I.T.</i>	540
- <i>Net Commercial Working Capital increase</i>	(290)
+ <i>TFR fund increase</i>	<u>30</u>
<i>Gross current operating CF</i>	280



Cash Flows Statement – *The Role of Income Taxes*

Income taxes should be divided among the different CF areas, in order to verify the actual incorporation associated with each one of them.

In the impossibility of carrying out this operation, generally, all taxes are attributed to the current operational management.

At the procedural level it should be highlighted that with reference of taxes, we should note both the economic impact of their source and the connected changes in the tax debts amount

(some taxes are paid in the same year, others in future years).



IAS 7 - Statement of Cash Flows



Amendments introduced by IFRS 18

IFRS 18 issued in April 2024 amended paragraphs 6, 10, 12, 14, 16–18, 20, 31, 32, 35, 46 and 47, added paragraphs 33A and 34A–34D, and deleted paragraphs 33 and 34.

An entity shall apply those amendments when it applies IFRS 18.

In September 2007 the IASB amended the title of IAS 7 from Cash Flow Statements to Statement of Cash Flows as a consequence of the revision of IAS 1 Presentation of Financial Statements in 2007. In April 2024 the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements and carried over these requirements in IAS 1 to IFRS 18.

[IAS 7.64]



IAS 7 – *Objective*

Information about the cash flows of an entity is useful in providing users of financial statements with a basis to assess the ability of the entity to generate *cash and cash equivalents* and the *needs of the entity to utilize those cash flows*. The economic decisions that are taken by users require an evaluation of the ability of an entity to generate cash and cash equivalents and the timing and certainty of their generation.

The objective of this standard is **to require the provision of information about the historical changes in cash and cash equivalents of an entity by means of a statement of cash flows which classifies cash flows during the period from operating, investing and financing activities.**



IAS 7 – *Scope*

par. 1-3

An entity shall prepare a statement of cash flows in accordance with the requirements of this standard and shall present it as an integral part of its financial statements for each period for which financial statements are presented. [IAS 7.1]

Users of an entity's financial statements are interested in how the entity generates and uses cash and cash equivalents.

This is the case regardless of the nature of the entity's activities and irrespective of whether cash can be viewed as the product of the entity, as may be the case with a financial institution. Entities need cash for essentially the same reasons however different their principal revenue-producing activities might be. They need cash to conduct their operations, to pay their obligations, and to provide returns to their investors. Accordingly, this standard requires all entities to present a statement of cash flows. [IAS 7.3]



IAS 7 – *Definitions*

par. 6

The following terms are used in this standard with the meanings specified: [IAS 7.6]

- ☐ **Cash** comprises cash on hand and demand deposits.
- ☐ **Cash equivalents** are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- ☐ **Cash flows** are inflows and outflows of cash and cash equivalents.
- ☐ **Operating activities** are the principal revenue-producing activities of the entity and other activities *that are not investing or financing activities*.
- ☐ **Investing activities** are the acquisition and disposal of long-term assets and other investments not included in cash equivalents [IFRS 18 added] and the receipt of interest and dividends as described in paragraphs 34A–34D.
- ☐ **Financing activities** are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.



IAS 7 – *Presentation of a Statement of a Cash Flows*

par. 10-12

The statement of cash flows shall report cash flows during the period, classified by *operating, investing* and *financing* activities.

[IFRS 18 introduced this amendment]: In preparing the statement of cash flows, an entity shall apply this Standard and also apply the general requirements for financial statements in paragraphs 9–43 and 113–114 of IFRS 18 Presentation and Disclosure in Financial Statements. [IAS 7.10]

A single transaction may include cash flows that are classified differently.

[IFRS 18 delated]: ~~For example, when the cash repayment of a loan includes both interest and capital, the interest element may be classified as an operating activity and the capital element is classified as a financing activity.~~ [IAS 7.12]



IAS 7 – *Presentation of a Statement of a Cash Flows*

Operating activities (par. 13-15)

Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the entity. Therefore, they generally result from the transactions and other events that enter into the determination of profit or loss. Examples of cash flows from operating activities are: [IAS 7.14]

- a) cash receipts from the sale of goods and the rendering of services;
- b) cash receipts from royalties, fees, commissions and other revenue;
- c) cash payments to suppliers for goods and services;

Cont'd



IAS 7 – *Presentation of a Statement of a Cash Flows*

Operating activities (par. 13-15)

- d) cash payments to and on behalf of employees;
- e) [deleted]
- f) cash payments or refunds of income taxes unless they can be specifically identified with financing and investing activities;
- g) cash receipts and payments from contracts held for dealing or trading purposes;
- h) [IFRS 18 introduced this amendment] cash receipts of dividends and cash receipts and payments of interest as described in paragraphs 34B–34D.

Letter “e) *cash receipts and cash payments of an insurance entity for premiums and claims, annuities and other policy benefits*” was deleted by Commission Regulation (EU) 2021/2036 of 19 November 2021. Each company shall apply the amendment at the latest as from the commencement date of its first financial year starting on or after **1 January 2023**.



IAS 7 – *Presentation of a Statement of a Cash Flows*

Investing activities (par. 16)

The separate [~~disclosure~~ which was changed by IFRS 18 into] presentation of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows. Only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities.

Examples of cash flows arising from investing activities are:

- a) cash payments to acquire property, plant and equipment, intangibles and other long-term assets. These payments include those relating to capitalised development costs and self-constructed property, plant and equipment.;
- b) cash receipts from sales of property, plant and equipment, intangibles and other long-term assets.;

Cont'd



IAS 7 – *Presentation of a Statement of a Cash Flows*

Investing activities (par. 16)

- c) cash payments to acquire equity or debt instruments of other entities including ~~and~~ interests in associates and joint ventures (other than payments for those instruments considered to be cash equivalents or those held for dealing or trading purposes).;
- d) cash receipts from sales of equity or debt instruments of other entities including ~~and~~ interests in associates and joint ventures (other than receipts for those instruments considered to be cash equivalents and those held for dealing or trading purposes).;
- e) cash advances and loans made to other parties (other than advances and loans made by a financial institution).;
- f) cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of a financial institution).;

Cont'd



IAS 7 – *Presentation of a Statement of a Cash Flows*

Investing activities (par. 16)

g) cash payments for futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the payments are classified as financing activities.;

h) cash receipts from futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the receipts are classified as financing activities.

i) [IFRS 18 introduced this amendment] cash receipts of interest and dividends as described in paragraphs 34A-34D.

When a contract is accounted for as a hedge of an identifiable position the cash flows of the contract are classified in the same manner as the cash flows of the position being hedged



IAS 7 – *Presentation of a Statement of a Cash Flows*

Financing activities (par. 17)

The separate [~~disclosure~~ which was changed by IFRS 18 into] presentation of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the entity. Examples of cash flows arising from financing activities are:

- a) cash proceeds from issuing shares or other equity instruments;
- b) cash payments to owners to acquire or redeem the entity's shares;
- c) cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short-term or long-term borrowings;

Cont'd



IAS 7 – *Presentation of a Statement of a Cash Flows*

Financing activities (par. 17)

- d) cash repayments of amounts borrowed;
- e) cash payments by a lessee for the reduction of the outstanding liability relating to a lease;.
- f) [IFRS 18 introduced this amendment]: cash payments of dividends as described in paragraph 33A; and
- g) [IFRS 18 introduced this amendment]: cash payments of interest as described in paragraphs 34A–34D



IAS 7 – *Reporting cash flows from operating activities*

par. 18-20

An entity shall report cash flows from **operating** activities using either: [IAS 7.18]

- a) the **direct method**, whereby major classes of gross cash receipts and gross cash payments are disclosed; or
- b) the **indirect method**, whereby operating profit or loss is adjusted for:
 - (i) the effects of transactions of a non-cash nature;,
 - (ii) any deferrals or accruals of past or future operating cash receipts or payments;,
 - (iii) [IFRS 18 introduced this amendment]: income or expenses classified in the operating category in the statement of profit or loss for which the associated cash flows are classified as cash flows from either investing or financing activities; and
 - (iv) [IFRS 18 introduced this amendment]: cash flows from operating activities for which the associated income or expenses are not classified in the operating category of the statement of profit or loss and
~~items of income or expense associated with investing or financing cash flows~~

Cont'd



IAS 7 – *Reporting cash flows from operating activities*

par. 18-20

Under the **indirect method**, the net cash flow from operating activities is determined by adjusting operating profit or loss for the effects of: [IAS 7.20]

- a) changes during the period in inventories and operating receivables and payables;
- b) non-cash items such as depreciation, provisions and, ~~deferred taxes~~, unrealised foreign currency gains and losses classified in the operating category, ~~and undistributed profits of associates~~; and
- c) income or expenses classified in the operating category in the statement of profit or loss ~~all other items~~ for which the cash effects are investing or financing cash flows; and.
- d) operating cash flows, such as income tax (in accordance with paragraph 35), for which the corresponding income or expenses are not classified in the operating category in the statement of profit or loss.

Cont'd



IAS 7 – *Reporting cash flows from operating activities*

par. 18-20

Alternatively, the net cash flow from operating activities may be presented under the indirect method by showing the revenues and expenses [~~disclosed in the statement of comprehensive income and~~ which was changed by IFRS 18 into] classified in the operating category in the statement of profit or loss, the changes during the period in inventories and operating receivables and payables [and IFRS 18 added] and any other operating cash flows for which the corresponding income or expenses are not classified in the operating category.



IAS 7 – *Interest and Dividends*

par. 31-34

Cash flows from **interest** and **dividends** received and paid **shall each be presented disclosed separately**. Each shall be classified in a consistent manner from period to period [~~as either operating, investing or financing activities~~ which was amended by IFRS 18 into] applying paragraphs 32, 33A and 34A-34D. [IAS 7.31]

[IFRS 18 delated the following paragraph]: ~~**Interest paid and interest and dividends received are usually classified as operating cash flows for a financial institution. However, there is no consensus on the classification of these cash flows for other entities.**~~ Interest paid and interest and dividends received may be classified as operating cash flows because they enter into the determination of profit or loss. Alternatively, interest paid and interest and dividends received may be classified as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments. [IAS 7.33]



IAS 7 – *Interest and Dividends*

par. 31-34

An entity shall classify dividends paid as cash flows from financing activities.

[IAS 7.33A]

[IFRS 18 delated the following paragraph]:

~~Dividends paid may be classified as a financing cash flow because they are a cost of obtaining financial resources. Alternatively, dividends paid may be classified as a component of cash flows from operating activities I order to assist users to determine the ability of an entity to pay dividends out of operating cash flows.~~

[IAS 7.34]



IAS 7 – *Interest and Dividends*

par. 31-34

[IFRS 18 introduced the following amendment]

An entity, other than those entities described in paragraph 34B, shall classify: [IAS 7.34A]

- a) interest paid (as described in paragraph 32) as cash flows from financing activities.
- b) interest and dividends received as cash flows from investing activities.

An entity that invests in assets or provides financing to customers as a main business activity (as determined applying paragraphs B30–B41 of IFRS 18) shall determine how to classify dividends received, interest received and interest paid in the statement of cash flows by referring to how—applying IFRS 18—it classifies dividend income, interest income and interest expenses in the statement of profit or loss.

An entity shall classify the total of each of these cash flows in a single category in the statement of cash flows (that is, either as operating, investing or financing activities).
[IAS 7.34B]



IAS 7 – *Interest and Dividends*

par. 31-34

[IFRS 18 introduced the following amendment]:

In applying paragraph 34B, if an entity classifies the total of each of dividend income, interest income and interest expenses in a single category of the statement of profit or loss, the entity shall classify the total of each of dividends received, interest received and interest paid as cash flows arising from the associated activity in the statement of cash flows. For example, if an entity classifies all its interest expenses in the financing category of the statement of profit or loss, the entity would classify all its interest paid as cash flows from financing activities.

[IAS 7.34C]



IAS 7 – *Interest and Dividends*

par. 31-34

[IFRS 18 introduced the following amendment]:

In applying IFRS 18, an entity may be required to classify each of dividend income, interest income and interest expenses in more than one category of the statement of profit or loss. In such a case, in applying paragraph 34B the entity shall make an accounting policy choice to classify the related cash flows in one of the associated activities in the statement of cash flows. For example, if an entity classifies interest expenses in the operating category and the financing category of the statement of profit or loss, the entity would classify all its interest paid in accordance with its accounting policy as either cash flows from operating activities or cash flows from financing activities.

[IAS 7.34D]



IAS 7 – *Taxes on Income*

par. 35-36

Cash flows arising from taxes on income shall be separately [~~disclosed~~ changed by IFRS 18 into] presented and shall be classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities. [IAS 7.35]



IAS 7 – *Amendments*

The amendments became effective for annual reporting periods beginning on or after 1 January 2024.



Example

by David Alexander and Simon Archer (2017), *International Accounting / Financial reporting Standards Guide*, Wolters Kluwer



Observation:

Illustration of Calculation of Cash Flow from Operating Activities by the Indirect Method

Net income	8,000
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	8,600
Provisions for doubtful accounts receivable	750
<i>Provision for deferred income taxes</i>	1,000
<i>Undistributed earnings of affiliate</i>	(2,100)
<i>Gain on sale of equipment</i>	(2,500)
<i>Payment received on installment sale of product</i>	2,500
Changes in operating assets and liabilities net of effects from purchase of XYZ Company:	
<i>Increase in accounts receivable</i>	(7,750)
<i>Increase in inventory</i>	(4,000)
<i>Increase in accounts payable and accrued expenses</i>	3,850
Total adjustments to net income	350
Net cash provided (used) by operating activities	8,350



Disclaimer

These slides have only the function of teaching support and should be read considering the information supplied by the Professor during the class. No responsibility for this teaching material should be attributed to the Professor.

Such slides shall not be reproduced or distributed for any reasons.

Copyright – Prof. Roberto Aprile

