

Disclosure Initiative

Amendments to LKAS 7

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AMENDMENTS TO LKAS 7 *STATEMENT OF CASH FLOWS*

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Amendments to LKAS 7 *Statement of Cash Flows*

Paragraphs 44A–44E and the related heading is added. Paragraph 60 is also added.

Changes in liabilities arising from financing activities

44A An entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

44B To the extent necessary to satisfy the requirement in paragraph 44A, an entity shall disclose the following changes in liabilities arising from financing activities:

- (a) changes from financing cash flows;
- (b) changes arising from obtaining or losing control of subsidiaries or other businesses;
- (c) the effect of changes in foreign exchange rates;
- (d) changes in fair values; and
- (e) other changes.

44C Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities. In addition, the disclosure requirement in paragraph 44A also applies to changes in financial assets (for example, assets that hedge liabilities arising from financing activities) if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

44D One way to fulfil the disclosure requirement in paragraph 44A is by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including the changes identified in paragraph 44B. Where an entity discloses such a reconciliation, it shall provide sufficient information to enable users of the financial statements to link items included in the reconciliation to the statement of financial position and the statement of cash flows.

44E If an entity provides the disclosure required by paragraph 44A in combination with disclosures of changes in other assets and liabilities, it shall disclose the changes in liabilities arising from financing activities separately from changes in those other assets and liabilities.

Effective date

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60 *Disclosure Initiative* (Amendments to LKAS 7), issued in September 2016, added paragraphs 44A–44E. An entity shall apply those amendments for annual periods beginning on or after 1 January 2017. Earlier application is permitted. When the entity first applies those amendments, it is not required to provide comparative information for preceding periods.

Amendments to the Illustrative examples accompanying LKAS 7 Statement of Cash Flows

Note E is added to the existing Illustrative Example A.

As explained in paragraph 1 of the illustrative example, the example shows only current period amounts. Corresponding amounts for the preceding period are required to be presented in accordance with LKAS 1 Presentation of Financial Statements, except when an entity first applies paragraphs 44A–44E of LKAS 7 (see paragraph 60 of LKAS 7).

Notes to the statement of cash flows (direct method and indirect method)

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E. Reconciliation of liabilities arising from financing activities

	20X1	Cash flows	Non-cash changes		20X2
			Acquisition	New leases	
Long-term borrowings	1,040	250	200	—	1,490
Lease liabilities	—	(90)	—	900	810
Long-term debt	1,040	160	200	900	2,300

A new example (Example C) is inserted after the existing Illustrative Examples A and B.

C Reconciliation of liabilities arising from financing activities

- This example illustrates one possible way of providing the disclosures required by paragraphs 44A–44E.
- The example shows only current period amounts. Corresponding amounts for the preceding period are required to be presented in accordance with LKAS 1 Presentation of Financial Statements.

	20X1	Cash flows	Non-cash changes			20X2
			Acquisition	Foreign exchange movement	Fair value changes	
Long-term borrowings	22,000	(1,000)	—	—	—	21,000
Short-term borrowings	10,000	(500)	—	200	—	9,700
Lease liabilities	4,000	(800)	300	—	—	3,500
Assets held to hedge long-term borrowings	(675)	150	—	—	(25)	(550)
Total liabilities from financing activities	35,325	(2,150)	300	200	(25)	33,650

Consequential amendment to the Guidance on implementing LKAS 1 Presentation of Financial Statements

Paragraph IG10 is amended. New text is underlined.

Part III: Illustrative examples of capital disclosures (paragraphs 134–136)

An entity that is not a regulated financial institution

IG10 The following example illustrates the application of paragraphs 134 and 135 for an entity that is not a financial institution and is not subject to an externally imposed capital requirement. In this example, the entity monitors capital using a debt-to-adjusted capital ratio. Other entities may use different methods to monitor capital. The example is also relatively simple. An entity decides, in the light of its circumstances, how much detail it provides to satisfy the requirements of paragraphs 134 and 135. In determining the form and content of the disclosure to satisfy those requirements, an entity also considers the disclosure requirements set out in paragraphs 44A–44E of LKAS 7 Statement of Cash Flows.