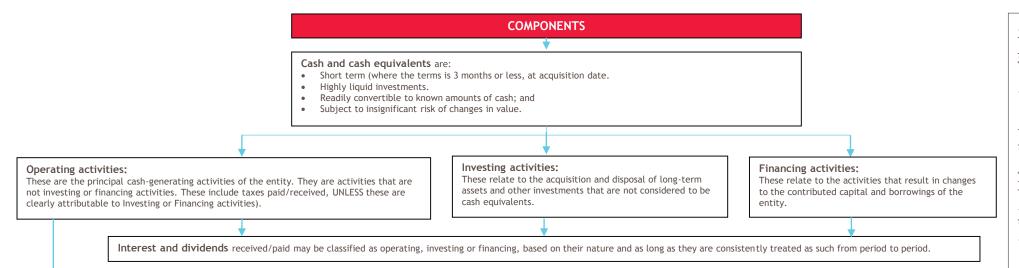
PBE IPSAS 2: CASH FLOW STATEMENTS

Effective Periods Beginning 1 April 2015



METHOD OF PRESENTATION

Can elect to use either the DIRECT METHOD or INDIRECT METHOD of presentation for Operating cash flows. (Note that the standard encourages the use of the Direct Method).

DIRECT METHOD

- · Cash received from customers.
- Cash paid to suppliers.
- Cash paid to employees.
- Cash paid for operating expenses.
- Interest paid.
- · Taxes paid.
- Dividends paid.
- · Net cash from operating activities.

PBE IPSAS 2.29 requires a reconciliation of surplus or deficit from ordinary activities to cash flows from operating activities, for entities using the Direct Method.

INDIRECT METHOD

The net cash flow from operating activities is determined by adjusting surplus or deficit from ordinary activities for the effects of:

- Changes during the period in inventories and operating receivables and payables;
- Non-cash items such as donated goods and services, depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses, and undistributed profits of associates; and
- All other items for which the cash effects are investing or financing cash flows.

TIER 2 RDR REPORTERS

RDR Reporters are granted certain disclosure exemptions within the standard.

OTHER CONSIDERATIONS TO NOTE

- Non-cash investing and financing activities must be disclosed separately.
- Cash flows must be reported GROSS. Set-off is only permitted in very limited cases, and additional disclosures are required.
- Refer to paragraphs 32 and 34 for criteria where cash flows may be reported on a net basis.
- Foreign exchange transactions should be recorded at the rate at the date of the cash flow.
- Acquisition and disposal of controlled entities and other operating units are investment activities and specific additional disclosures are required.
- Where the equity method is used for controlled entities, joint ventures and associates, the cash flow statement should only show cash flows between the investor and investee.
- Where a joint venture is proportionately consolidated, the venturer should only include its proportionate share of the cash flows of the joint venture.
- The amount and nature of restricted cash balances.
- Assets and liabilities denominated in a foreign currency generally include an element of unrealised exchange difference at the reporting date.
- Disclose the components of cash and cash equivalents and provide a reconciliation back to the Statement of Financial Position amount if required.
- Non-cash Investing and Financing transactions are NOT to be disclosed in the Statement of Cash Flows.

Although every effort is made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular facts and circumstances of the situation.

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