national treasury
Department: National Treasury
REPUBLIC OF SOUTH AFRICA

GRAP 2 – Cash Flow Statements

Effective 1 April 2021

COMPONENTS OF A CASH FLOW STATEMENT

Operating Activities
These are the principal activities of the entity and include activities that are not investing or financing activities.

Investing Activities
These relate to the acquisition and disposal of long-term assets and other investments that are not considered to be cash equivalents.

Financing Activities
These relate to the activities that cause changes to the size and composition to the contributed capital and borrowings of the entity.

Interests and dividends received/paid may be classified as operating, investing or financing, based on its nature and as long as they are consistently treated from period to period.

REPORTING CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities must be reported using the **direct method.**

DIRECT METHOD

Major classes of gross cash receipts and gross payments are disclosed:

- ✓ Taxation received
- ✓ Sale of goods and services
- ✓ Grants
- ✓ Cash paid to employees
- ✓ Interest received (where appropriate)
- ✓ Taxes paid
- Net cash from operating activities
- A reconciliation of net cash from operating activities with the surplus or deficit on the statement of financial performance

DEFINITION: CASH AND CASH EQUIVALENTS

Cash and cash equivalents are:

- ✓ Short-term (where the original maturity is 3 months or less, irrespective of maturity timing post reporting date)
- ✓ Highly liquid investments
- ✓ Readily convertible to known amounts of cash
- ✓ Subject to insignificant risk of change in value

CONSIDERATIONS TO NOTE

- ✓ Non-cash investing and financing activities must be disclosed separately elsewhere in the financial statements
- ✓ Cash flow must be reported GROSS, set-off is permitted in very limited cases
- ✓ Cash flow arising from taxes on surplus will be separately disclosed and will be classified as cash flows from operating activities unless, they can be specifically identified with financing and investing activities.
- ✓ Cash flows arising from acquisition and disposal of controlled entities or other operating units are investing activities.
- ✓ Where the equity method is used for 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 entity should only include its proportionate share of the cash flows of the joint venture
- ✓ Disclose, with management commentary, cash not available for use by the entity
- ✓ Foreign exchange transactions should be recorded at the rate at the date of the cash flow
- ✓ Assets and liabilities denominated in a foreign currency generally include an element of unrealised exchange difference at the reporting date
- ✓ Disclose components of cash equivalents and reconciliation to the statement of financial position amount