

How should the cash flow statement be prepared and presented?

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Based on Standards of GRAP effective 1 April 2024





Disclaimer

The views and opinions expressed in this presentation are those of the individual. Official positions of the ASB on accounting matters are determined only after extensive due process and deliberation.





GRAP 2 Review Report

Areas of non-compliance in applying GRAP 2:

- Incorrect classification of items as operating, investing or financing cash flows.
- Incorrect presentation of items in the CFS.
- Non-cash items not adjusted in the CFS.



What is cash in accrual accounting?

GRAP 2.11: The cash flow statement shall report **cash flows** during the period classified by operating, investing and financing activities.



Accruals \neq *cash inflows and outflows*





How is the cash flow statement prepared?

3 sections:

- **Investing activities** are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.
- **Financing activities** are activities that result in changes in the size and composition of the contributed capital and borrowings of the entity.
- **Operating activities** are the activities of the entity that are not investing or financing activities.





How is the cash flow statement prepared?

- *Investing and financing activities:* Report separately major classes of gross cash receipts and gross cash payments.
- *Operating activities:* Direct method - major classes of gross cash receipts and gross cash payments are disclosed
- *Notes:*
 - Components of cash and cash equivalents
 - Recon
 - Narrative disclosure





How is the cash flow statement presented?

- Part of the main statements in financial statements.
- Classification by activity
 - Provides information that allows users to assess the impact of those activities on the financial position of the entity and the amount of its cash and cash equivalents.
 - Information may also be used to evaluate the relationships among those activities.
- A transaction may include cash flows that are classified differently.

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