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Our ref:	RJ-EFRAG 634 D
Direct dial:	+31 (0)88 4960391
Date:	Hoofddorp, May 28, 2025
Re:	DASB Comments on Discussion Paper – The statement of Cash Flows November 2024

Dear members of the EFRAG Technical Expert Group,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to provide feedback on the Discussion Paper – The Statements of Cash Flows issued by EFRAG in November 2024. In general we welcome the initiative to elaborate on the perceived issues related to the statement of cash flows and the different perspectives provided on how the statement of cash flows is used in practice.

The DASB appreciates the level of details and thoroughness of the Discussion Paper. However, in our view the statement of cash flows functions in general well. Therefore, we decided to provide only comments on, in our view, most important improvement points. We do not see a reason to perform a fundamental review and as a result we recommend the IASB to treat this project as targeted improvements. We summarize our view below:

- We would recommend to evaluate the definition of cash and cash equivalents in order to address concerns raised by various stakeholders.

- We would further recommend to address targeted improvements related to:
    - Disclosure of non-cash transaction and the relationship with the statement of cash flows.
    - Disclosure of the reconciliation of changes in working capital and the balance sheet movements.
    - Disclosure of the impact of business combinations on the statement of cash flows.
    - Disclosure on restricted, minimum and excess cash balances.

- We would not recommend to replace the statement of cash flows with alternative statements. We would propose that reporters could add voluntarily alternative statements (such as net debt reconciliation), when deemed relevant.
- We acknowledge the lack of relevance of the statement of cash flows for financial institutions and we encourage EFRAG to further examine this issue.

We have included our detailed response to the Discussion Paper questions in Appendix 1.

If you have any questions, please do not hesitate to contact me.

Yours sincerely,

drs. G.M. van Santen RA
Chairman Dutch Accounting Standards Board

Appendix 1 : Responses to Discussion Paper questions

Appendix 1 –Responses to Discussion Paper

Question 1 — Objectives of the statement of cash flows

Chapter 2 of this DP lists objectives of the statement of cash flows, the most important being:

- Evaluating the changes in net assets (Objective 1);
  - o understanding the entity's business (Objective 1a);
  - o Assessing closeness to cash (Objective 1b.1);
  - o Assessing current performance of the entity (Objective 1b.2);

- Assessing the entity's financial structure (Objective 2);
  - o Assessing liquidity (Objective 2a);
  - o Assessing solvency (Objective 2b);

- Assessing the entity's ability to affect the amounts and timing of cash flows in order to adapt to changing circumstances and opportunities (Objective 3);

- Assessing the ability of the entity to generate cash and cash equivalents (Objective 4);

- Comparing entities using different accounting treatments for the same transactions (Objective 5);

- Assessing management's stewardship (Objective 6);
  - o Assessing management's general performance (Objective 6a); and
  - o Assessing management's cash management (Objective 6b).

Do you agree with these objectives? Do you think there should be additional objectives?

As indicated in Chapter 4, solutions to some of the current issues with how the statement of cash flows is prepared in accordance with IAS 7 may benefit the usefulness of the statement of cash flows for some objectives while harm the usefulness of the statement for other objectives.

Do you think that some objectives of the statement of cash flows are more important than others? If so, which are more/less important?

In general, the DASB considers the above listing as relevant objectives of the cash flow statement. However, we noted that many of the objectives are generic financial statement related objectives and are not only specific to the cash flow statement. We have no additional objectives to add.

In our view objective 2 and 4 are the most important objectives as they give insights in the conversion of the results from the income statement into the conversion of cash and cash equivalents and are therefore inherently part of objective 6.

Question 2 — Usages of the statement of cash flows
In Chapter 2 the DP lists manners in which the statement of cash flows is used by primary users of the financial statements. Are there additional manners of using the statement of cash flows than those listed?

We have not identified any additional manners of using the statement of cash flows.

Question 3 — Issues with the statement of cash flows for non-financial entities
Chapter 3 of the DP lists issues with how the statement of cash flows is prepared in accordance with IAS 7 and links these issues to the objectives they affect and the qualitative characteristics of useful financial information affected. EFRAG has not made an assessment of the validity of the various stated issues. Do you agree with the issues listed? Do you think there are additional issues than those listed? If so, which? How would you rate the various issues identified (low, medium or high priority)? Some of the issues identified in relation to cash flows of an agent, excluding non-cash transactions from the statement, disaggregation of information and cohesiveness with other primary financial statements could either be addressed by amending the requirements on the information to be displayed in the statement of cash flows or by introducing additional note disclosure requirements. For the issues you consider that should be addressed, how do you consider they would be best addressed (via changes to the information presented in the statement of cash flows or additional note disclosures)?

In our view below topics should be considered as targeted improvements. The topics are in order of the discussion paper and are not ordered by means of any priority.

- ***Definition of cash and cash equivalents***

Different stakeholders raised issues on the definition of cash and cash equivalents. In practice we see issues arising in for example the treatment of cash on escrow accounts and the interpretation of the meaning of short-term maturity as included in IAS 7.7.

Some stakeholders have raised concerns that the current definition is too broad. However, narrowing down would result for some stakeholders in other undesired outcomes. Preparers raised the concern that the existing definition in the current context is already too narrow. An example is that the use of long(er) term deposits for (excess) cash management purposes results in undesired presentation of cash flows as investment cash flows. Whereas it is in essence a treasury activity to manage excess cash and it would be more logical to include it into the definition of cash and cash equivalents or present it as a financing cash flow. We would recommend to address that issue in targeted improvements.

- ***Non-cash transactions***

We would recommend a disclosure requirement in which an entity summarizes all of its significant and material non-cash transactions and the impact of those transactions on the statement of cash flows in a single note. Examples include are (equity settled) share based payments, lease accounting (initial recognition and remeasurements) and transactions with a significant financing or deferred component.

We consider a 'proforma' statement of cash flows including these non-cash transactions a best practise in achieving objective 4.

Furthermore, we noted in practise that different applications exists when it comes to multiple component transactions (reference made to question 4). We do recommend to provide further guidance on how such transactions should be included in the statement of cash flows.

- ***Disclosures***

We would recommend to consider the following additional disclosure requirements in relation to the statement of cash flows:

- *a requirement for a detailed breakdown of the changes in working capital (on financial statement caption level) rather than presenting it as a single amount.*

- *a requirement to disclose a reconciliation between the changes in working capital as per the statement of cash flows and the balance sheet movements (for example illustrating the impact of a Business Combination, FX effects and other non-cash movements). The level of detail of this reconciliation should depend on specific circumstances and materiality considerations.*

- *users of financial statements expressed a need for information regarding restricted cash (i.e cash that the entity owns but cannot freely use due for example to foreign currency controls), minimum cash (minimum cash required to execute operating activities) and excess cash (total cash minus minimum and restricted cash). We noted that to some extent such disclosure could be part of the risk management paragraph based on the IFRS 7 requirements, however in practise we do not often see such information being disclosed. We would recommend to evaluate how such information can be added to the notes to the statement of cash flow in the process of identifying targeted improvements.*

- *a requirement to disclose the impact of business combinations on the statement of cash flows and the contribution during the period in line with the requirements under IFRS 3 to disclose the revenue and net result contributed in the period.*

- *we have concerns whether prescribing certain disaggregation requirements (i.e. separating the capex related cash flows into maintenance and growth) would work in practise, as they are generally very company specific. In general we would expect that the requirements under IFRS 18 sufficiently addresses further relevant* *disaggregation requirements. Additionally, we would recommend to evaluate whether the MPM guidance could be extended for the statement of cash flows.*

Question 4 — Non-cash transactions
Chapter 3 considers two types of non-cash transactions: 1. Transactions in which no cash or cash equivalents are involved, such as the acquisition of Property, Plant and Equipment (PPE) by means of own shares; and 2. Multiple component transactions that involve cash or cash equivalents but which result in cash flows to and from an entity being reduced compared to a situation where the various components have not been bundled. Do you think that some non-cash transactions should be presented in the statement of cash flows? If so, which? Instead of presenting non-cash transactions in the statement of cash flows, do you think additional disclosures should be provided about these transactions?

In our view, non-cash transactions relating to type 1 should not be further presented in the statement of cash flows. However, as indicated in our response to question 3 we do recommend including a disclosure including all significant non-cash transactions.

In general for type 2 transactions we see in practise that these are included in the statement of cash flows. For example a company acquiring assets by taking a loan whereby the bank directly transfers the funds to the seller or transactions whereby a facilitating agent arranges the various cash flows (for example the fund flows of an acquisition through the notary/agent's account). We do recommend to provide further guidance on how these type of transactions should be reported in the statement of cash flows.

Question 5 — Alternatives to the statement of cash flows for non-financial entities
Chapter 4 of the DP presents a statement of net debt (or a net debt reconciliation) as an alternative to the statement of cash flows. Would you support the statement of cash flows being replaced by a statement of net debt?

In our view the cash flow statement should not be replaced with alternative statements. In our view alternative statements could be useful for specific reporting entities and therefore we would recommend voluntarily application.

Question 6 — The statement of cash flows for financial institutions
In 2015, EFRAG issued its Discussion Paper 'The Statement of Cash Flows Issues for Financial Institutions' and consulted on whether the statement of cash flows should be replaced by other requirements or whether it should be improved. All respondents to EFRAG's DP expressed concerns about the relevance of the statement of cash flows for financial institutions, particularly for banks and insurance companies, due to the particular nature of their business activities. Furthermore, the following comments were provided. •The statement of cash flows is not useful as a management tool for analysing banks' liquidity risks, insurers' solvency, capital adequacy or the impact on dividends. • It is challenging to analyse changes in cash position from the statement of cash flows even though it is crucial for analysing financial institutions' financial position. • The relevance of the statement of cash flows depends on the business model of a bank. • Leasing companies and entities with an established asset and liabilities management process face similar issues as banks and insurers. More details about the comments received on EFRAG's 2015 Discussion Paper can be found in the feedback statement. Do you consider that anything has changed since 2015 which would justify for this issue being further examined?

In our view no major changes since 2015. We acknowledge that the statement of cash flows is not useful as a management tool for analysing banks' liquidity risks, insurers' solvency, capital adequacy or the impact on dividends. Therefore we encourage EFRAG to examine this issue further. We are conceptually not against eliminating the requirement to prepare a cash flow statement for financial institutions. We also note that IFRS 7, IFRS 18 and IFRS 17 already have disclosures in place regarding liquidity risk, capital management (solvency) and cash flows disclosures on insurance contracts. In addition, banks and insurers already publicly disclose extensive risk disclosures in their Pillar 3 and SFCR reports which could fulfil the needs of investors.

Question 7 — Targeted improvements or a comprehensive review?
Chapter 6 shortly lists advantages and disadvantages of dealing with (some) of the issues with how the statement of cash flows is currently prepared under IAS 7 by targeted improvements, a comprehensive review or a phased approach, respectively. Which approach would you prefer and why? If you consider that the IASB should make targeted improvements, which issues do you think should/should not be addressed?

In our view the current statement of cash flows functions well and can be improved by certain targeted improvements. Also, in our view the current possibilities of applying the indirect and direct method to prepare the statement of cash flows are sufficient. Therefore, we do not see any further reason to perform a fundamental review. In our view a comprehensive review would take many years to complete and therefore is expecting to lose its relevance.

We have included the issues to be addressed in the answers to the questions above.