

## Appendix B: self-assessment cash flow statement

**Supporting tool for your organization:** This self-assessment is intended as a tool to actively engage with the cash flow statement within your organisation and builds on the observations from the review included in the appendix 'Key points of attention from the exploratory review of the cash flow statements in the financial statements of 2024'. It provides an opportunity for reflection and (hopefully) encourages internal discussion, not only for the cash flow statement and its disclosures, but also aims to stimulate dialogue on broader cash-management practices and the processes that support them. This includes considering what you expect to present in the annual financial statements and how you manage the end-to-end process that leads to that reporting. By doing so, you help strengthen the conditions necessary for preparing the cash flow statement with due care.

### Tips for use:

A multidisciplinary approach is encouraged, as multiple processes may be involved: from how the organisation manages and controls its cash position, through the operational and administrative processes of handling cash flows, to understanding how these processes ultimately translate into financial reporting. This end-to-end perspective supports a more accurate and meaningful assessment.

When using this self-assessment:

- For each question, consider how your organisation implements this in your written policies, procedures, guidelines, or (semi-) annual report.
- Use the comment fields to record necessary actions or areas for improvement.
- Hold discussions with colleagues to identify potential bottlenecks or warning signs.
- Discuss the results and any follow-up steps within your organisation.

### Context

Please note that this self-assessment relates specifically to the cash flow statement. Although treated as a separate topic, both the cash flow statement and this self-assessment should be viewed within the wider context of, and as an integral part of the annual financial statements as a whole.

### Disclaimer

This self-assessment is solely a helpful tool. It is not a compliance check, but a means to identify areas for improvement and to support reflection on how your processes and organisational setup contribute to achieving the desired outcomes in the cash flow statement and its disclosures.

We do not expect you to return a completed assessment to us. If you are uncertain about compliance with IAS 7 Statement of Cash Flows, we encourage you to contact your auditor. Completing this questionnaire is not sufficient for compliance purposes, but it is a starting point for you as a listed company to reflect on your cash flow statement.

This self-assessment has been prepared based on the requirements of IFRS. The criteria referenced throughout this document are derived from IAS 7 Statement of Cash Flows as issued by the International Accounting Standards Board (IASB) and endorsed by the EU.

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# 1. Cash equivalents

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Around the world, there is a variety of cash management practices and banking arrangements. In this context, we note that financial instruments can only qualify as cash equivalents under certain circumstances, for instance:

- Bank-overdrafts only qualify when the accounts are used in cash management. Balances should then often fluctuate from positive to overdrawn, otherwise these amounts qualify as cash flows from financing activities. For the avoidance of doubt, unless the criteria for offsetting in IAS 32:42 are met, bank overdrafts that are determined to meet the definition of cash equivalent for purposes of the statement of cash flows should be presented within liabilities in the statement of financial position<sup>1</sup>.
- Investments only qualify as cash equivalents when they are short-term, highly liquid and readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value.

## Question 1

How do we use bank overdrafts as part of our current cash management practice?

### Answer

Present situation

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Identified room for improvement

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Plan to implement improvement

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<sup>1</sup> For further information, please refer to IFRS - IFRIC Update June 2018.

**Question 2**

For each bank overdraft that forms part of our cash management practices, do the balances often fluctuate from positive to overdrawn?

**Answer**

Present situation

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Identified room for improvement

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Plan to implement improvement

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**Question 3**

Are our cash equivalents short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value?

**Answer**

Present situation

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Identified room for improvement

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Plan to implement improvement

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**Question 4**

Do we properly disclose the policy adopted in determining the composition of cash and cash equivalents?

**Answer**

Present situation

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Identified room for improvement

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Plan to implement improvement

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**Question 5**

Do we properly disclose the components of cash and cash equivalents?

**Answer**

Present situation

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Identified room for improvement

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Plan to implement improvement

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### Question 6

Do we properly disclose any significant judgements related to the determination of cash and cash equivalents?

#### Answer

Present situation

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Identified room for improvement

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Plan to implement improvement

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## 2. Proper classification

Companies need cash to conduct their operations, to pay their obligations, and to provide returns to their investors. The economic decisions that are taken by users of financial statements (users) require an evaluation of the ability of a company to generate cash and cash equivalents and the timing and certainty of their generation. Cash flow information is useful in assessing the ability of the company to generate cash and cash equivalents and enables users to develop models to assess and compare the present value of the future cash flows of different companies.

A company presents its cash flows from operating, investing and financing activities in a manner which is most appropriate to its business. Classification by activity provides information that allows users to assess the impact of those activities on the financial position of the company and the amount of its cash and cash equivalents:

- Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the company. Information about the specific components of historical operating cash flows is useful, in conjunction with other information, in forecasting future operating cash flows.
- The separate presentation of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows.
- The separate presentation of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the company.

### Question 7

How do we ensure that cash flows are properly classified by activity?

#### Answer

Present situation

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Identified room for improvement

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Plan to implement improvement

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### 3. Cash flows only

The statement of profit or loss presents income and expenses for the period. The statement of cash flows presents incoming and outgoing cash flows. And that is really something different. For example, you usually pay interest in arrears, and there is a reason why deferred tax is called just that.

#### Question 8

How do we ascertain that all non-cash items are excluded from the cash flows from operating activities?

#### Answer

Present situation

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Identified room for improvement

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Plan to implement improvement

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Irrespective of how unusual a transaction may be, it is only presented in the cash flow statement if there is an actual cash flow. Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a statement of cash flows. Such transactions (for example converting a loan into shares) shall be disclosed elsewhere. The exclusion of non-cash transactions from the statement of cash flows is consistent with the objective of a statement of cash flows as these items do not involve cash flows in the current period.

**Question 9**

How do we ascertain that all non-cash items are excluded from the cash flows from investing and financing activities?

**Answer**

Present situation

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Identified room for improvement

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Plan to implement improvement

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**Question 10**

How do we ascertain that investing and financing transactions that do not require the use of cash or cash equivalents are properly disclosed in the notes?

**Answer**

Present situation

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Identified room for improvement

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Plan to implement improvement

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## 4. Gross reporting of cash flows

Users of a company's financial statements are interested in how the company generates and uses cash and cash equivalents. To facilitate this, a company shall report separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities. Netting is only allowed in very specific circumstances as per IAS 7 paragraphs 22 to 24.

### Question 11

How do we ascertain that all major classes of cash receipts and cash payments arising from investing and financing activities are presented gross?

#### Answer

Present situation

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Identified room for improvement

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Plan to implement improvement

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### Question 12

How do we ascertain that only cash receipts and cash payments arising from operating, investing, and financing activities which meet the requirements of IAS 7 paragraph 22 to 24 are presented on a net basis?

#### Answer

Present situation

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Identified room for improvement

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Plan to implement improvement

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### Question 13

When we review our cash flow statement, are there any line items in the investing and financing activities using the phrases "net movement" or "net changes" and have we assessed and documented why they should not have been presented on a gross basis?

#### Answer

Present situation

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Identified room for improvement

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Plan to implement improvement

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## 5. Foreign currency and reconciliation

Unrealised gains and losses arising from changes in foreign currency exchange rates are not cash flows. However, the effect of exchange rate changes on cash and cash equivalents held or due in foreign currency is reported in the statement of cash flows in order to reconcile cash and cash equivalents at the beginning and the end of the period. This amount is presented separately from cash flows from operating, investing and financing activities and includes the differences, if any, had those cash flows been reported at end of period exchange rates. For you as a preparer, calculating the exchange rate difference is also a means to verify that this line item is not just the item 'to make it all balance'.

### Question 14

Do we separately calculate the exchange rate differences?

#### Answer

Present situation

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Identified room for improvement

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Plan to implement improvement

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## 6. Separate disclosure

Information may be relevant to users in understanding the financial position and liquidity of a company. Users highlighted that understanding a company's cash flows is critical to their analysis. As already stated, a cash flow statement is normally used in conjunction with the rest of the financial statements. To meet the needs of users, a cash flow statement and the accompanying notes must:

- Separately disclose (or present<sup>2</sup>) interest, dividend received and paid.
- Separately disclose (or present<sup>3</sup>) cash flows arising from income taxes.
- Present aggregated but separately cash flows related to changes in ownership interests in subsidiaries and provide complete disclosure on these cash flows.
- Provide disclosure on changes in liabilities arising from financing activities and supplier finance arrangements.
- Ensure that information in the notes reconciles to information in the statement of cash flows.

### Question 15

How do we ensure proper separate presentation of cash flows of items specifically required by IFRS?

#### Answer

Present situation

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Identified room for improvement

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Plan to implement improvement

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<sup>2</sup> Please note that with IFRS 18, some 'disclosure' requirements are changed to 'presentation' requirements. Be aware that the presentation alternatives for cash flows related to interest and dividends paid and received will be removed from IAS 7. This is effective for annual periods beginning on or after 1 January 2027.

<sup>3</sup> Please note that with IFRS 18, some 'disclosure' requirements are changed to 'presentation' requirements. This is effective for annual periods beginning on or after 1 January 2027.

### Question 16

How do we ensure proper disclosures?

#### Answer

Present situation

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Identified room for improvement

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Plan to implement improvement

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## 7. Materiality

Materiality may well be a reason to divert from the original requirements in IAS 7. However, such materiality considerations should be reflected upon every reporting date to ascertain their validity.

### Question 17

How do we stay informed about the needs of users of financial statements, such as analysts?

**Answer**

Present situation

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Identified room for improvement

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Plan to implement improvement

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### Question 18

How do we translate (changing) user needs into our concept of materiality and the deviations from IAS 7 based on materiality?

**Answer**

Present situation

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Identified room for improvement

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Plan to implement improvement

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**Question 19**

How do we document deviations from IAS 7 on grounds of materiality?

**Answer**

Present situation

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Identified room for improvement

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Plan to implement improvement

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**Question 20**

What system do we have in place to validate these deviations from IAS 7 for each reporting date?

**Answer**

Present situation

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Identified room for improvement

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Plan to implement improvement

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