

Statement of Cash Flows
Illustrative Examples

This Guidance is applicable for annual reporting period beginning on
1 January 2026.

Illustrative examples

These illustrative examples accompany, but are not part of, SB-FRS 7.

A Statement of cash flows for an entity other than a financial institution

- 1 The examples show only current period amounts. Corresponding amounts for the preceding period are required to be presented in accordance with SB-FRS 1 *Presentation of Financial Statements*.
- 2 Information from the statement of comprehensive income and statement of financial position is provided to show how the statements of cash flows under the direct method and indirect method have been derived. Neither the statement of comprehensive income nor the statement of financial position is presented in conformity with the disclosure and presentation requirements of other Standards.
- 3 The following additional information is also relevant for the preparation of the statements of cash flows:
 - all of the shares of a subsidiary were acquired for 590. The fair values of assets acquired and liabilities assumed were as follows:

Inventories	100
Accounts receivable	100
Cash	40
Property, plant and equipment	650
Trade payables	100
Long-term debt	200
 - 250 was raised from the issue of share capital and a further 250 was raised from long-term borrowings.
 - interest expense was 400, of which 170 was paid during the period. Also, 100 relating to interest expense of the prior period was paid during the period.
 - dividends paid were 1,200.
 - the liability for tax at the beginning and end of the period was 1,000 and 400 respectively. During the period, a further 200 tax was provided for. Withholding tax on dividends received amounted to 100.
 - during the period, the group acquired property, plant and equipment and right-of-use assets relating to property, plant and equipment with an aggregate cost of 1,250, of which 900 related to right-of-use assets. Cash payments of 350 were made to purchase property, plant and equipment.
 - plant with original cost of 80 and accumulated depreciation of 60 was sold for 20.
 - accounts receivable as at the end of 20X2 include 100 of interest receivable.

Consolidated statement of comprehensive income for the period ended 20X2¹

Sales	30,650
Cost of sales	<u>(26,000)</u>
Gross profit	4,650
Depreciation	(450)
Administrative and selling expenses	(910)
Interest expense	(400)
Investment income	500
Foreign exchange loss	<u>(40)</u>
Profit before taxation	3,350
Taxes on income	<u>(300)</u>
Profit	<u><u>3,050</u></u>

Consolidated statement of financial position as at end of 20X2

	20X2	20X1
Assets		
Cash and cash equivalents	230	160
Accounts receivable	1,900	1,200
Inventory	1,000	1,950
Portfolio investments	2,500	2,500
Property, plant and equipment at cost	3,730	1,910
Accumulated depreciation	<u>(1,450)</u>	<u>(1,060)</u>
Property, plant and equipment net	2,280	850
Total assets	<u><u>7,910</u></u>	<u><u>6,660</u></u>
Liabilities		
Trade payables	250	1,890
Interest payable	230	100
Income taxes payable	400	1,000
Long-term debt	<u>2,300</u>	<u>1,040</u>
Total liabilities	<u><u>3,180</u></u>	<u><u>4,030</u></u>
Shareholders' equity		
Share capital	1,500	1,250
Retained earnings	<u>3,230</u>	<u>1,380</u>
Total shareholders' equity	<u><u>4,730</u></u>	<u><u>2,630</u></u>
Total liabilities and shareholders' equity	<u><u>7,910</u></u>	<u><u>6,660</u></u>

¹ The entity did not recognise any components of other comprehensive income in the period ended 20X2

Direct method statement of cash flows (paragraph 18(a))

	20X2
Cash flows from operating activities	
Cash receipts from customers	30,150
Cash paid to suppliers and employees	(27,600)
Cash generated from operations	2,550
Interest paid	(270)
Income taxes paid	(900)
<i>Net cash from operating activities</i>	1,380
Cash flows from investing activities	
Acquisition of subsidiary X, net of cash acquired (Note A)	(550)
Purchase of property, plant and equipment (Note B)	(350)
Proceeds from sale of equipment	20
Interest received	200
Dividends received	200
<i>Net cash used in investing activities</i>	(480)
Cash flows from financing activities	
Proceeds from issue of share capital	250
Proceeds from long-term borrowings	250
Payment of lease liabilities	(90)
Dividends paid ²	(1,200)
<i>Net cash used in financing activities</i>	(790)
Net increase in cash and cash equivalents	110
Cash and cash equivalents at beginning of period (Note C)	120
Cash and cash equivalents at end of period (Note C)	230

² This could also be shown as an operating cash flow.

Indirect method statement of cash flows (paragraph 18(b))

	20X2
Cash flows from operating activities	
Profit before taxation	3,350
Adjustments for:	
Depreciation	450
Foreign exchange loss	40
Investment income	(500)
Interest expense	400
	<u>3,740</u>
Increase in trade and other receivables	(500)
Decrease in inventories	1,050
Decrease in trade payables	(1,740)
Cash generated from operations	2,550
Interest paid	(270)
Income taxes paid	(900)
<i>Net cash from operating activities</i>	<u>1,380</u>
Cash flows from investing activities	
Acquisition of subsidiary X net of cash acquired (Note A)	(550)
Purchase of property, plant and equipment (Note B)	(350)
Proceeds from sale of equipment	20
Interest received	200
Dividends received	200
<i>Net cash used in investing activities</i>	<u>(480)</u>
Cash flows from financing activities	
Proceeds from issue of share capital	250
Proceeds from long-term borrowings	250
Payment of lease liabilities	(90)
Dividends paid ³	(1,200)
<i>Net cash used in financing activities</i>	<u>(790)</u>
Net increase in cash and cash equivalents	110
Cash and cash equivalents at beginning of period (Note C)	<u>120</u>
Cash and cash equivalents at end of period (Note C)	<u><u>230</u></u>

³ This could also be shown as an operating cash flow.

Notes to the statement of cash flows (direct method and indirect method)

A. Obtaining control of subsidiary

During the period the Group obtained control of subsidiary X. The fair values of assets acquired and liabilities assumed were as follows:

Cash	40
Inventories	100
Accounts receivable	100
Property, plant and equipment	650
Trade payables	(100)
Long-term debt	(200)
Total purchase price paid in cash	590
Less: Cash of subsidiary X acquired	(40)
Cash paid to obtain control net of cash acquired	<u>550</u>

B. Property, plant and equipment

During the period, the Group acquired property, plant and equipment and right-of-use assets relating to property, plant and equipment with an aggregate cost of 1,250, of which 900 related to right-of-use assets. Cash payments of 350 were made to purchase property, plant and equipment.

C. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments. Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the statement of financial position:

	20X2	20X1
Cash on hand and balances with banks	40	25
Short-term investments	190	135
Cash and cash equivalents as previously reported	<u>230</u>	<u>160</u>
Effect of exchange rate changes	–	(40)
Cash and cash equivalents as restated	<u>230</u>	<u>120</u>

Cash and cash equivalents at the end of the period include deposits with banks of 100 held by a subsidiary which are not freely remissible to the holding company because of currency exchange restrictions.

The Group has undrawn borrowing facilities of 2,000 of which 700 may be used only for future expansion.

D. Segment information

	Segment A	Segment B	Total
Cash flows from:			
Operating activities	1,520	(140)	1,380
Investing activities	(640)	160	(480)
Financing activities	(570)	(220)	(790)
	<u>310</u>	<u>(200)</u>	<u>110</u>

E. Reconciliation of liabilities arising from financing activities

	20X1	Cash flows	Non-cash changes		20X2
			Acquisition	New leases	
Long-term borrowings	1,040	250	200	–	1,490
Lease liabilities	<u>–</u>	<u>(90)</u>	<u>–</u>	<u>900</u>	<u>810</u>
Long-term debt	<u>1,040</u>	<u>160</u>	<u>200</u>	<u>900</u>	<u>2,300</u>

Alternative presentation (indirect method)

As an alternative, in an indirect method statement of cash flows, operating profit before working capital changes is sometimes presented as follows:

Revenues excluding investment income	30,650
Operating expense excluding depreciation	<u>(26,910)</u>
Operating profit before working capital changes	<u>3,740</u>

B Statement of cash flows for a financial institution

- 1 The example shows only current period amounts. Comparative amounts for the preceding period are required to be presented in accordance with SB-FRS 1 *Presentation of Financial Statements*.
- 2 The example is presented using the direct method.

20X2

Cash flows from operating activities

Interest and commission receipts	28,447
Interest payments	(23,463)
Recoveries on loans previously written off	237
Cash payments to employees and suppliers	(997)
	4,224

(Increase) decrease in operating assets:

Short-term funds	(650)
Deposits held for regulatory or monetary control purposes	234
Funds advanced to customers	(288)
Net increase in credit card receivables	(360)
Other short-term negotiable securities	(120)

Increase (decrease) in operating liabilities:

Deposits from customers	600
Negotiable certificates of deposit	(200)
Net cash from operating activities before income tax	3,440
Income taxes paid	(100)

Net cash from operating activities 3,340

Cash flows from investing activities

Disposal of subsidiary Y	50
Dividends received	200
Interest received	300
Proceeds from sales of non-dealing securities	1,200
Purchase of non-dealing securities	(600)
Purchase of property, plant and equipment	(500)

Net cash from investing activities 650

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	20X2
Cash flows from financing activities	
Issue of loan capital	1,000
Issue of preference shares by subsidiary undertaking	800
Repayment of long-term borrowings	(200)
Net decrease in other borrowings	(1,000)
Dividends paid	<u>(400)</u>
<i>Net cash from financing activities</i>	200
Effects of exchange rate changes on cash and cash equivalents	<u>600</u>
Net increase in cash and cash equivalents	4,790
Cash and cash equivalents at beginning of period	<u>4,050</u>
Cash and cash equivalents at end of period	<u><u>8,840</u></u>

C Reconciliation of liabilities arising from financing activities

- 1 This example illustrates one possible way of providing the disclosures required by paragraphs 44A–44E.
- 2 The example shows only current period amounts. Corresponding amounts for the preceding period are required to be presented in accordance with SB-FRS 1 *Presentation of Financial Statements*.

	20X1	Cash flows	Non-cash changes			20X2
			Acquisition	Foreign exchange movement	Fair value changes	
Long-term borrowings	22,000	(1,000)	–	–	–	21,000
Short-term borrowings	10,000	(500)	–	200	–	9,700
Lease liabilities	4,000	(800)	300	–	–	3,500
Assets held to hedge long-term borrowings	(675)	150	–	–	(25)	(550)
Total liabilities from financing activities	35,325	(2,150)	300	200	(25)	33,650