



Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

PUBLIC BENEFIT ENTITY INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARD 2 CASH FLOW STATEMENTS (PBE IPSAS 2)

Issued September 2014 and incorporates amendments to 28 February 2025.

This Standard was issued on 11 September 2014 by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This Standard is a disallowable instrument for the purposes of the Legislation Act 2012, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on 9 October 2014.

Reporting entities that are subject to this Standard are required to apply it in accordance with the commencement and application provisions set out in paragraphs 63.1 to 63.4.

In finalising this Standard, the New Zealand Accounting Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This Tier 1 and Tier 2 PBE Standard has been issued as part of a revised full set of PBE Standards that incorporate enhancements for not-for-profit public benefit entities.

This Standard, when applied, supersedes PBE IPSAS 2 *Cash Flow Statements* issued in May 2013.

PBE IPSAS 2 CASH FLOW STATEMENTS

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PBE IPSAS 2 CASH FLOW STATEMENTS

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<p>The following is available on the XRB website as additional material:</p>

IPSASB Basis for Conclusions

Public Benefit Entity International Public Sector Accounting Standard 2 *Cash Flow Statements* is set out in the objective and paragraphs 1–65. All the paragraphs have equal authority. PBE IPSAS 2 should be read in the context of its objective, the NZASB’s Basis for Conclusions on PBE IPSAS 2, the IPSASB’s Basis for Conclusions on IPSAS 2, the *Public Benefit Entities’ Conceptual Framework* and Standard XRB A1 *Application of the Accounting Standards Framework*. PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Objective

The cash flow statement identifies (a) the sources of cash inflows, (b) the items on which cash was expended during the reporting period, and (c) the cash balance as at the reporting date. Information about the cash flows of an entity is useful in providing users of financial statements with information for both accountability and decision-making purposes. Cash flow information allows users to ascertain how an entity raised the cash it required to fund its activities, and the manner in which that cash was used. In making and evaluating decisions about the allocation of resources, such as the sustainability of the entity's activities, users require an understanding of the timing and certainty of cash flows. The objective of this Standard is to require the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement that classifies cash flows during the period from operating, investing, and financing activities.

Scope

1. **An entity that prepares and presents financial statements shall prepare a cash flow statement in accordance with the requirements of this Standard, and shall present it as an integral part of its financial statements for each period for which financial statements are presented.**
2. Information about cash flows may be useful to users of an entity's financial statements in (a) assessing the entity's cash flows, (b) assessing the entity's compliance with legislation and regulations (including authorised budgets where appropriate), and (c) making decisions about whether to provide resources to, or enter into transactions with, an entity. Users are generally interested in how the entity generates and uses cash and cash equivalents. This is the case regardless of the nature of the entity's activities and irrespective of whether cash can be viewed as the product of the entity, as may be the case with a financial institution. Entities need cash for essentially the same reasons, however different their principal revenue producing activities might be. They need cash to pay for the goods and services they provide and consume, to meet ongoing debt servicing costs, and, in some cases, to reduce levels of debt. Accordingly, this Standard requires all entities to present a cash flow statement.
3. [Not used]
- 3.1 **This Standard applies to Tier 1 and Tier 2 public benefit entities.**
- 3.2 **A Tier 2 entity is not required to comply with the requirements in this Standard denoted with an asterisk (*). Where a Tier 2 entity elects to apply a disclosure concession it shall comply with any RDR paragraphs associated with that concession.**
4. [Not used]

Benefits of Cash Flow Information

5. Information about the cash flows of an entity is useful in assisting users to predict (a) the future cash requirements of the entity, (b) its ability to generate cash flows in the future, and (c) its ability to fund changes in the scope and nature of its activities. A cash flow statement also provides a means by which an entity can discharge its accountability for cash inflows and cash outflows during the reporting period.
6. A cash flow statement, when used in conjunction with other financial statements, provides information that enables users to evaluate the changes in net assets/equity of an entity, its financial structure (including its liquidity and solvency), and its ability to affect the amounts and timing of cash flows in order to adapt to changing circumstances and opportunities. It also enhances the comparability of the reporting of operating performance by different entities, because it eliminates the effects of using different accounting treatments for the same transactions and other events.
7. Historical cash flow information is often used as an indicator of the amount, timing, and certainty of future cash flows. It is also useful in checking the accuracy of past assessments of future cash flows.

Definitions

8. **The following terms are used in this Standard with the meanings specified:**

Cash comprises cash on hand and demand deposits.

Cash equivalents are 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.

Cash flows are inflows and outflows of cash and cash equivalents.

Control: An entity controls another entity when the entity is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature or amount of those benefits through its power over the other entity.

Financing activities are activities that result in changes in the size and composition of the contributed capital and borrowings of the entity.

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Operating activities are the activities of the entity that are not investing or financing activities.

Reporting date means the date of the last day of the reporting period to which the financial statements relate.

Terms defined in other PBE Standards are used in this Standard with the same meaning as in those Standards, and are reproduced in the *Glossary of Defined Terms* published separately.

Cash and Cash Equivalents

9. Cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent, it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents.
10. Bank borrowings are generally considered to be financing activities. However, in some countries, bank overdrafts that are repayable on demand form an integral part of an entity's cash management. In these circumstances, bank overdrafts are included as a component of cash and cash equivalents. A characteristic of such banking arrangements is that the bank balance often fluctuates from being positive to overdrawn.
11. Cash flows exclude movements between items that constitute cash or cash equivalents, because these components are part of the cash management of an entity rather than part of its operating, investing, and financing activities. Cash management includes the investment of excess cash in cash equivalents.

Economic Entity

12. The term economic entity is used in this Standard to define, for financial reporting purposes, a group of entities comprising the controlling entity and any controlled entities.
13. Other terms sometimes used to refer to an economic entity include administrative entity, financial entity, consolidated entity, and group.
14. An economic entity may include entities with both social and commercial objectives. For example, an entity providing housing may be an economic entity that includes entities that provide housing for a nominal charge, as well as entities that provide accommodation on a commercial basis.

Future Economic Benefits or Service Potential

15. Assets provide a means for entities to achieve their objectives. Assets that are used to deliver goods and services in accordance with an entity's objectives, but which do not directly generate net cash inflows, are often described as embodying service potential. Assets that are used to generate net cash inflows are often described as embodying future economic benefits. To encompass all the purposes to which assets may be put, this Standard uses the term "future economic benefits or service potential" to describe the essential characteristic of assets.
16. [Not used]

Net Assets/Equity

17. Net assets/equity is the term used in this Standard to refer to the residual measure in the statement of financial position (assets less liabilities). Net assets/equity may be positive or negative. Other terms may be used in place of net assets/equity, provided that their meaning is clear.

Presentation of a Cash Flow Statement

18. **The cash flow statement shall report cash flows during the period classified by operating, investing, and financing activities.**
19. An entity presents its cash flows from operating, investing, and financing activities in a manner that is most appropriate to its activities. 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. This information may also be used to evaluate the relationships among those activities.
20. A single transaction may include cash flows that are classified differently. For example, when the cash repayment of a loan includes both interest and capital, the interest element may be classified as an operating activity and the capital element classified as a financing activity.

Operating Activities

21. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the entity are funded:

- (a) By way of non-exchange transactions (directly and indirectly); or
- (b) From the recipients of goods and services provided by the entity.

The amount of the net cash flows also assists in showing the ability of the entity to maintain its operating capability, repay obligations, pay a dividend or similar distribution to its owner, and make new investments, without recourse to external sources of financing. The consolidated whole-of-government operating cash flows provide an indication of the extent to which a government has financed its current activities through taxation and charges. Information about the specific components of historical operating cash flows is useful, in conjunction with other information, in forecasting future operating cash flows.

22. Cash flows from operating activities are primarily derived from the principal cash-generating activities of the entity. Examples of cash flows from operating activities are:

- (a) Cash receipts from taxes, levies, and fines;
- (b) Cash receipts from charges for goods and services provided by the entity;
- (c) Cash receipts from grants or transfers and other appropriations or other budget authority made by central government or other public sector entities;
- (d) Cash receipts from royalties, fees, commissions, and other revenue;
- (e) Cash receipts from members' fees and subscriptions;
- (f) Cash receipts from grants, donations and bequests;
- (g) Cash receipts from fundraising activities;
- (h) Cash payments to other entities to finance their operations (not including loans);
- (i) Cash payments to suppliers for goods and services;
- (j) Cash payments to and on behalf of employees;
- (k) [Deleted by NZASB];
- (l) Cash payments of local property taxes or income taxes (where appropriate) in relation to operating activities;
- (m) Cash receipts and payments from contracts held for dealing or trading purposes;
- (n) Cash receipts or payments from discontinued operations; and
- (o) Cash receipts or payments in relation to litigation settlements.

Some transactions, such as the sale of an item of plant, may give rise to a gain or loss that is included in surplus or deficit. The cash flows relating to such transactions are cash flows from investing activities. However, cash payments to construct or acquire assets held for rental to others and subsequently held for sale as described in paragraph 83A of PBE IPSAS 17 *Property, Plant and Equipment* are cash flows from

operating activities. The cash receipts from rents and subsequent sales of such assets are also cash flows from operating activities.

23. An entity may hold securities and loans for dealing or trading purposes, in which case they are similar to inventory acquired specifically for resale. Therefore, cash flows arising from the purchase and sale of dealing or trading securities are classified as operating activities. Similarly, cash advances and loans made by financial institutions are usually classified as operating activities, since they relate to the main cash-generating activity of that entity.
24. In some jurisdictions, governments or other public sector entities will appropriate or authorise funds to entities to finance the operations of an entity, and no clear distinction is made for the disposition of those funds between current activities, capital works, and contributed capital. Where an entity is unable to separately identify appropriations or budgetary authorisations into current activities, capital works, and contributed capital, the appropriation or budget authorisation should be classified as cash flows from operations, and this fact should be disclosed in the notes to the financial statements.

Investing Activities

25. The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which cash outflows have been made for resources that are intended to contribute to the entity's future service delivery. Only cash outflows that result in a recognised asset in the statement of financial position are eligible for classification as investing activities. Examples of cash flows arising from investing activities are:
 - (a) Cash payments to acquire property, plant and equipment, intangibles, and other long-term assets. These payments include those relating to capitalised development costs and self-constructed property, plant and equipment;
 - (b) Cash receipts from sales of property, plant and equipment, intangibles, and other long-term assets;
 - (c) Cash payments to acquire equity or debt instruments of other entities and interests in joint ventures (other than payments for those instruments considered to be cash equivalents or those held for dealing or trading purposes);
 - (d) Cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures (other than receipts for those instruments considered to be cash equivalents and those held for dealing or trading purposes);
 - (e) Cash advances and loans made to other parties (other than advances and loans made by a financial institution);
 - (f) Cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of a financial institution);
 - (g) Cash payments for futures contracts, forward contracts, option contracts, and swap contracts, except when the contracts are held for dealing or trading purposes, or the payments are classified as financing activities; and
 - (h) Cash receipts from futures contracts, forward contracts, option contracts, and swap contracts, except when the contracts are held for dealing or trading purposes, or the receipts are classified as financing activities.

When a contract is accounted for as a hedge of an identifiable position, the cash flows of the contract are classified in the same manner as the cash flows of the position being hedged.

Financing Activities

26. The separate disclosure 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 entity. Examples of cash flows arising from financing activities are:
 - (a) Cash proceeds from issuing debentures, loans, notes, bonds, mortgages, and other short or long-term borrowings;

- (b) Cash repayments of amounts borrowed; and
- (c) Cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease.

Reporting Cash Flows from Operating Activities

27. **An entity shall report cash flows from operating activities using either:**
- (a) **The direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or**
 - (b) **The indirect method, whereby surplus or deficit is adjusted for the effects of transactions of a noncash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing or financing cash flows.**
28. Entities are encouraged to report cash flows from operating activities using the direct method. The direct method provides information that (a) may be useful in estimating future cash flows, and (b) not available under the indirect method. Under the direct method, information about major classes of gross cash receipts and gross cash payments may be obtained either:
- (a) From the accounting records of the entity; or
 - (b) By adjusting operating revenues, operating expenses (interest and similar revenue, and interest expense and similar charges for a financial institution), and other items in the statement of comprehensive revenue and expense for:
 - (i) Changes during the period in inventories and operating receivables and payables;
 - (ii) Other noncash items; and
 - (iii) Other items for which the cash effects are investing or financing cash flows.
- *29. Entities reporting cash flows from operating activities using the direct method shall provide a reconciliation of the surplus/deficit from ordinary activities with the net cash flow from operating activities. This reconciliation may be provided as part of the cash flow statement or in the notes to the financial statements.
30. Under the indirect method, the net cash flow from operating activities is determined by adjusting surplus or deficit from ordinary activities for the effects of:
- (a) Changes during the period in inventories and operating receivables and payables;
 - (b) Non-cash items such as donated goods and services, depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses, undistributed surpluses of associates, and non-controlling interests; and
 - (c) All other items for which the cash effects are investing or financing cash flows.
 - (d) [Deleted by IPSASB]

Reporting Cash Flows from Investing and Financing Activities

31. **An entity shall report separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities, except to the extent that cash flows described in paragraphs 32 and 35 are reported on a net basis.**

Reporting Cash Flows on a Net Basis

32. **Cash flows arising from the following operating, investing, or financing activities may be reported on a net basis:**
- (a) **Cash receipts collected and payments made on behalf of customers, taxpayers, or beneficiaries when the cash flows reflect the activities of the other party rather than those of the entity; and**
 - (b) **Cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short.**

33. Paragraph 32(a) refers only to transactions where the resulting cash balances are controlled by the reporting entity. Examples of such cash receipts and payments include:
- (a) The collection of taxes by one level of government for another level of government, not including taxes collected by a government for its own use as part of a tax-sharing arrangement;
 - (b) The acceptance and repayment of demand deposits of a financial institution;
 - (c) Funds held for customers by an investment or trust entity;
 - (d) Rents collected on behalf of, and paid over to, the owners of properties; and
 - (e) Funds held for a charity by a third party fundraiser.
34. Examples of cash receipts and payments referred to in paragraph 32(b) are advances made for, and the repayment of:
- (a) The purchase and sale of investments; and
 - (b) Other short-term borrowings, for example, those that have a maturity period of three months or less.
35. **Cash flows arising from each of the following activities of a financial institution may be reported on a net basis:**
- (a) **Cash receipts and payments for the acceptance and repayment of deposits with a fixed maturity date;**
 - (b) **The placement of deposits with, and withdrawal of deposits from, other financial institutions; and**
 - (c) **Cash advances and loans made to customers and the repayment of those advances and loans.**

Foreign Currency Cash Flows

36. **Cash flows arising from transactions in a foreign currency shall be recorded in an entity's functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the cash flow.**
37. **The cash flows of a foreign controlled entity shall be translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.**
38. Cash flows denominated in a foreign currency are reported in a manner consistent with PBE IPSAS 4 *The Effects of Changes in Foreign Exchange Rates*. This permits the use of an exchange rate that approximates the actual rate. For example, a weighted average exchange rate for a period may be used for recording foreign currency transactions or the translation of the cash flows of a foreign controlled entity. PBE IPSAS 4 does not permit the use of the exchange rate at reporting date when translating the cash flows of a foreign controlled entity.
39. 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 a foreign currency is reported in the cash flow statement 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, if those cash flows had been reported at end of period exchange rates.

Interest and Dividends or Similar Distributions

40. **Cash flows from interest and dividends or similar distributions received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as either operating, investing, or financing activities.**
41. The total amount of interest paid during a period is disclosed in the cash flow statement, whether it has been recognised as an expense in the statement of comprehensive revenue and expense or capitalised in accordance with the allowed alternative treatment in PBE IPSAS 5 *Borrowing Costs*.
42. Interest paid and interest and dividends or similar distributions received are usually classified as operating cash flows for a financial institution. However, there is no consensus on the classification of these cash

flows for other entities. Interest paid and interest and dividends or similar distributions received may be classified as operating cash flows because they enter into the determination of surplus or deficit. Alternatively, interest paid and interest and dividends or similar distributions received may be classified as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments.

43. Dividends or similar distributions paid may be classified as a financing cash flow because they are a cost of obtaining financial resources. Alternatively, dividends or similar distributions paid may be classified as a component of cash flows from operating activities in order to assist users to determine the ability of an entity to make these payments out of operating cash flows.

Taxes on Net Comprehensive Revenue and Expense

44. **Cash flows arising from taxes on net comprehensive revenue and expense shall be separately disclosed and shall be classified as cash flows from operating activities, unless they can be specifically identified with financing and investing activities.**
45. Public benefit entities are generally exempt from taxes on net comprehensive revenue and expense. However, some public sector entities may operate under tax-equivalent regimes, where taxes are levied in the same way as they are on private sector entities. In addition, some public benefit entities have activities which are subject to income taxes.
46. Taxes on net comprehensive revenue and expense arise from transactions that give rise to cash flows that are classified as operating, investing, or financing activities in a cash flow statement. While tax expense may be readily identifiable with investing or financing activities, the related tax cash flows are often impracticable to identify, and may arise in a different period from the cash flows of the underlying transaction. Therefore, taxes paid are usually classified as cash flows from operating activities. However, when it is practicable to identify the tax cash flow with an individual transaction that gives rise to cash flows that are classified as investing or financing activities, the tax cash flow is classified as an investing or financing activity, as appropriate. When tax cash flows are allocated over more than one class of activity, the total amount of taxes paid is disclosed.

Investments in Controlled Entities, Associates and Joint Ventures

47. When accounting for an investment in an associate, a joint venture, or a controlled entity accounted for by use of the equity or cost method, an investor restricts its reporting in the cash flow statement to the cash flows between itself and the investee, for example, to dividends or similar distributions and advances.
48. An entity that reports its interest in an associate or joint venture using the equity method includes in its cash flow statement the cash flows in respect of its investments in the associate or joint venture and distributions and other payments or receipts between it and the associate or joint venture.

Acquisitions and Disposals of Controlled Entities and Other Operating Units

49. **The aggregate cash flows arising from acquisitions and from disposals of controlled entities or other operating units shall be presented separately and classified as investing activities.**
- *50. **An entity shall disclose, in aggregate, in respect of both acquisitions and disposals of controlled entities or other operating units during the period, each of the following:**
 - (a) **The total purchase or disposal consideration;**
 - (b) **The portion of the purchase or disposal consideration discharged by means of cash and cash equivalents;**
 - (c) **The amount of cash and cash equivalents in the controlled entity or operating unit acquired or disposed of; and**
 - (d) **The amount of the assets and liabilities, other than cash or cash equivalents, recognised by the controlled entity or operating unit acquired or disposed of, summarised by each major category.**
- 50.1 An investment entity, as defined in PBE IPSAS 35 *Consolidated Financial Statements*, need not apply paragraphs 50(c) or 50(d) to an investment in a controlled entity that is required to be measured at fair value through surplus or deficit. A controlling entity that is not itself an investment entity need not apply

paragraphs 50(c) or 50(d) to an investment in a controlled investment entity to the extent that investment is measured at fair value through surplus or deficit.

- *51. The separate presentation of the cash flow effects of acquisitions and disposals of controlled entities and other operating units as single line items, together with the separate disclosure of the amounts of assets and liabilities acquired or disposed of, helps to distinguish those cash flows from the cash flows arising from the other operating, investing and financing activities. The cash flow effects of disposals are not deducted from those of acquisitions.
- 52. The aggregate amount of the cash paid or received as purchase or sale consideration is reported in the cash flow statement net of cash and cash equivalents acquired or disposed of.
- 52.1 Cash flows arising from changes in ownership interests in a controlled entity that do not result in a loss of control shall be classified as cash flows from financing activities, unless the controlled entity is held by an investment entity, as defined in PBE IPSAS 35, or through a controlled investment entity, and is required to be measured at fair value through surplus or deficit.
- 52.2 Changes in ownership interests in a controlled entity that do not result in a loss of control, such as the subsequent purchase or sale by a controlling entity of a controlled entity's equity instruments, are accounted for as equity transactions (see PBE IPSAS 35), unless the controlled entity is held by an investment entity, or through a controlled investment entity, and is required to be measured at fair value through surplus or deficit. Accordingly, the resulting cash flows are classified in the same way as other transactions described in paragraph 26.
- 53. Assets and liabilities other than cash or cash equivalents of a controlled entity or operating unit acquired or disposed of are only required to be disclosed where the controlled entity or unit had previously recognised those assets or liabilities.

Noncash Transactions

- 54. **Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a cash flow statement. Such transactions shall be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.**
- 55. Many investing and financing activities do not have a direct impact on current cash flows, although they do affect the capital and asset structure of an entity. The exclusion of noncash transactions from the cash flow statement is consistent with the objective of a cash flow statement, as these items do not involve cash flows in the current period. Examples of noncash transactions are:
 - (a) The acquisition of assets through the exchange of assets, the assumption of directly related liabilities, or by means of a finance lease; and
 - (b) The conversion of debt to equity.

Changes in Liabilities Arising from Financing Activities

- *55A. **An entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.**
- *55B. To the extent necessary to satisfy the requirement in paragraph 55A, an entity shall disclose the following changes in liabilities arising from financing activities:
 - (a) Changes from financing cash flows;
 - (b) Changes arising from obtaining or losing control of controlled entities or other operations;
 - (c) The effect of changes in foreign exchange rates;
 - (d) Changes in fair values; and
 - (e) Other changes.
- *55C. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities. In addition, the disclosure requirement in paragraph 55A also applies to changes in financial assets (for example, assets

that hedge liabilities arising from financing activities) if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

- *55D. One way to fulfil the disclosure requirement in paragraph 55A is by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including the changes identified in paragraph 55B. Where an entity discloses such a reconciliation, it shall provide sufficient information to enable users of the financial statements to link items included in the reconciliation to the statement of financial position and the cash flow statement.
- *55E. If an entity provides the disclosure required by paragraph 55A in combination with disclosures of changes in other assets and liabilities, it shall disclose the changes in liabilities arising from financing activities separately from changes in those other assets and liabilities.

Components of Cash and Cash Equivalents

- 56. **An entity shall disclose the components of cash and cash equivalents, and shall present a reconciliation of the amounts in its cash flow statement with the equivalent items reported in the statement of financial position.**
- *57. In order to comply with PBE IPSAS 1 *Presentation of Financial Reports*, an entity discloses the policy that it adopts in determining the composition of cash and cash equivalents.
- 58. The effect of any change in the policy for determining components of cash and cash equivalents, for example, a change in the classification of financial instruments previously considered to be part of an entity's investment portfolio, is reported in accordance with PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Other Disclosures

- 59. **An entity shall disclose, together with a commentary in the notes to the financial statements, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the economic entity.**
- 60. There are various circumstances in which cash and cash equivalent balances held by an entity are not available for use by the economic entity. Examples include cash and cash equivalent balances held by a controlled entity that operates in a country where exchange controls or other legal restrictions apply, when the balances are not available for general use by the controlling entity or other controlled entities.
- 61. Additional information may be relevant to users in understanding the financial position and liquidity of an entity. Disclosure of this information, together with a description in the notes to the financial statements, is encouraged, and may include:
 - (a) The amount of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities; and
 - (b) [Deleted by IPSASB]
 - (c) The amount and nature of restricted cash balances.
- 62. [Not used]

Commencement and Application

63–63A. [Not used]

- 63.1 **A public benefit entity shall apply this Standard for annual financial statements covering periods beginning on or after 1 April 2015. Earlier application is permitted for not-for-profit public benefit entities as long as the full suite of PBE Standards is applied at the same time.**
- 63.2 **PBE IPSAS 35 *Consolidated Financial Statements* and PBE IPSAS 37 *Joint Arrangements*, issued in January 2017, amended paragraphs 8, 30, 47, 48 and 61, added paragraphs 50.1, 52.1 and 52.2 and deleted paragraph 61(b). An entity shall apply those amendments when it applies PBE IPSAS 35 and PBE IPSAS 37.**
- 63.3 **2018 Omnibus Amendments to PBE Standards, issued in November 2018, added paragraphs 55A– 55E. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2021. Earlier application is permitted. When the**

entity first applies those amendments, it is not required to provide comparative information for preceding periods.

63.4 **PBE IFRS 17 *Insurance Contracts*, issued in July 2019, amended paragraph 22. An entity shall apply that amendment when it applies PBE IFRS 17.**

64. [Not used]

Withdrawal and Replacement of PBE IPSAS 2 (May 2013)

65. This Standard, when applied, supersedes PBE IPSAS 2 *Cash Flow Statements* issued in May 2013.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 2.

- BC1. The New Zealand Accounting Standards Board (NZASB) has modified IPSAS 2 *Cash Flow Statements* for application by Tier 1 and Tier 2 public benefit entities. Where applicable, disclosure concessions have been identified for Tier 2 entities, the language generalised for use by public benefit entities and an illustrative example added for not-for-profit entities. The NZASB considers that the requirements of IPSAS 2 are generally appropriate for application by public benefit entities.

Reconciliation

- BC2. The NZASB noted that FRS-44 *New Zealand Additional Disclosures* requires that an entity using the direct method to present cash flows shall also provide a reconciliation of the net cash flow from operating activities to profit (loss). As noted in the Basis for Conclusions on FRS-44, this disclosure was supported by constituents. A similar disclosure is encouraged by IPSAS 2. The NZASB agreed to mandate this disclosure.

2018 Omnibus Amendments to PBE Standards

- BC3. *Disclosure Initiative* (Amendments to IAS 7), issued by the IASB in January 2016, amended IAS 7 *Statement of Cash Flows* to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial assets. The IPSASB subsequently amended IPSAS 2 *Cash Flow Statements* in *Improvements to IPSAS, 2018* and the NZASB amended PBE IPSAS 2 in *2018 Omnibus Amendments to PBE Standards*.

Illustrative Examples

These examples accompany, but are not part of, PBE IPSAS 2.

A. Public Sector Entity

Cash Flow Statement (For an Entity Other Than a Financial Institution)

Direct Method Cash Flow Statement (paragraph 27(a))

Consolidated Cash Flow Statement for Year Ended June 30 20X2

(in thousands of currency units)	20X2	20X1
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Taxation	X	X
Sales of goods and services	X	X
Grants	X	X
Interest received	X	X
Other receipts	X	X
Payments		
Employee costs	(X)	(X)
Superannuation	(X)	(X)
Suppliers	(X)	(X)
Interest paid	(X)	(X)
Other payments	(X)	(X)
Net cash flows from operating activities	<u>X</u>	<u>X</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(X)	(X)
Proceeds from sale of plant and equipment	X	X
Proceeds from sale of investments	X	X
Purchase of foreign currency securities	(X)	(X)
Net cash flows from investing activities	<u>(X)</u>	<u>(X)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	X	X
Repayment of borrowings	(X)	(X)
Distribution/dividend to government	(X)	(X)
Net cash flows from financing activities	<u>X</u>	<u>X</u>
Net increase/(decrease) in cash and cash equivalents	X	X
Cash and cash equivalents at beginning of period	<u>X</u>	<u>X</u>
Cash and cash equivalents at end of period	<u>X</u>	<u>X</u>

Notes to the Cash Flow Statement**(a) Cash and Cash Equivalents**

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

	20X2	20X1
Cash on hand and balances with banks	X	X
Short-term investments	X	X
	<u>X</u>	<u>X</u>

The entity has undrawn borrowing facilities of X, of which X must be used on infrastructure projects.

(b) Property, Plant and Equipment

During the period, the economic entity acquired property, plant and equipment with an aggregate cost of X, of which X was acquired by means of capital grants by the central government. Cash payments of X were made to purchase property, plant and equipment.

(c) Reconciliation of Net Cash Flows from Operating Activities to Surplus/(Deficit)
(in thousands of currency units)

	20X2	20X1
Surplus/(deficit)	X	X
Non-cash movements		
Depreciation	X	X
Amortisation	X	X
Increase in provision for doubtful debts	X	X
Increase in provisions relating to employee costs	X	X
Add/(deduct) movements in working capital		
Increase in payables	X	X
Increase in borrowings	X	X
Increase in other current assets	(X)	(X)
Increase in receivables	(X)	(X)
Less items classified as investing		
(Gains)/losses on sale of property, plant and equipment	(X)	(X)
(Gains)/losses on sale of investments	(X)	(X)
Increase in investments due to revaluation	(X)	(X)
Net cash flows from operating activities	<u>X</u>	<u>X</u>

(d) Reconciliation of Liabilities Arising from Financing Activities

	20X1	Cash flows	Non-cash changes		20X2
			Acquisition	New leases	
Long-term borrowings	X	X	X	X	X
Lease liabilities	X	X	X	X	X
Long-term debt	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>

Indirect Method Cash Flow Statement (paragraph 27(b))**Consolidated Cash Flow Statement for Year Ended June 30 20X2**

(in thousands of currency units)

	20X2	20X1
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/(deficit)	X	X
Non-cash movements		
Depreciation	X	X
Amortisation	X	X
Increase in provision for doubtful debts	X	X
Increase in provisions relating to employee costs	X	X
Add / (deduct) movements in working capital items		
Increase in payables	X	X
Increase in borrowings	X	X
Increase in other current assets	(X)	(X)
Increase in receivables	(X)	(X)
Less items classified as investing		
(Gains)/losses on sale of property, plant and equipment	(X)	(X)
(Gains)/losses on sale of investments	(X)	(X)
Increase in investments due to revaluation	(X)	(X)
Net cash flows from operating activities	X	X

Notes to the Cash Flow Statement**(a) Cash and Cash Equivalents**

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

	20X2	20X1
Cash on hand and balances with banks	X	X
Short-term investments	X	X
	X	X

The entity has undrawn borrowing facilities of X, of which X must be used on infrastructure projects.

(b) Property, Plant and Equipment

During the period, the economic entity acquired property, plant and equipment with an aggregate cost of X, of which X was acquired by means of capital grants by the central government. Cash payments of X were made to purchase property, plant and equipment.

(c) Reconciliation of Liabilities Arising from Financing Activities

	20X1	Cash flows	Non-cash changes		20X2
			Acquisition	New leases	
Long-term borrowings	X	X	X	X	X
Lease liabilities	X	X	X	X	X
Long-term debt	X	X	X	X	X

Reconciliation of Liabilities Arising from Financing Activities

- 1 This example illustrates one possible way of providing the disclosures required by paragraphs 55A–55E.
- 2 The example shows only current period amounts. Corresponding amounts for the preceding period are required to be presented in accordance with PBE IPSAS 1 *Presentation of Financial Reports*.

	20X1	Cash flows	Non-cash changes			20X2
			Acquisition	Foreign Exchange Movement	Fair value changes	
Long term borrowings	X	X	X	X	X	X
Short-term borrowings	X	X	X	X	X	X
Lease liabilities	X	X	X	X	X	X
Assets held to hedge long-term borrowings	X	X	X	X	X	X
Total liabilities from financing activities	X	X	X	X	X	X

B. Not-for-Profit Entity**Cash Flow Statement (For an Entity Other Than a Financial Institution)****Direct Method Cash Flow Statement (paragraph 27(a))****Consolidated Cash Flow Statement for Year Ended June 30 20X2**

(in thousands of currency units)

	20X2	20X1
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Members' fees	X	X
Sale of books	X	X
Receipts from courses	X	X
Receipts from other services	X	X
Grants, bequests and donations	X	X
Interest	X	-
Dividends	X	X
Payments		
Employee costs	(X)	(X)
Supplier payments	(X)	(X)
Grants	(X)	(X)
Interest paid	(X)	(X)
Net cash flows from operating activities	<u>X</u>	<u>X</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts		
Sale of plant and equipment	X	X
Payments		
Purchase of plant and equipment	(X)	(X)
Development of database	(X)	(X)
Net cash flows from investing activities	<u>(X)</u>	<u>(X)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts		
Proceeds from borrowings	-	X
Payments		
Repayment of borrowings	(X)	(X)
Net cash flows from financing activities	<u>(X)</u>	<u>X</u>
Net increase/(decrease) in cash and cash equivalents	X	X
Cash and cash equivalents at beginning of period	<u>X</u>	<u>X</u>
Cash and cash equivalents at end of period	<u>X</u>	<u>X</u>

Notes to the Cash Flow Statement**(a) Cash and Cash Equivalents**

Cash and cash equivalents comprise deposits with banks and bank and cash balances, net of bank overdrafts. Deposits are included when they have a maturity of no more than three months from date of acquisition.

Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts:

	20X2	20X1
Cash on hand and balances with banks	X	X
Short-term investments	X	X
	<u>X</u>	<u>X</u>

(b) Property, Plant and Equipment

During the period, the economic entity acquired property, plant and equipment with an aggregate cost of X by means of finance leases.

(c) Reconciliation of Net Cash Flows from Operating Activities to Surplus/(Deficit)

	(In thousands of currency units)	20X2	20X1
Surplus/ (deficit)		X	X
Add / (deduct) Non-cash movements			
Depreciation and Amortisation		X	X
Non-cash donations (volunteer services, food and library books)		(X)	(X)
Non-cash bequests ¹		(X)	-
Distributed food costs		X	X
Personnel expense (volunteer services)		X	X
Finance income (interest free loans)		-	(X)
Finance expenses (interest free loans)		X	X
Add / (deduct) movements in working capital items			
Inventories		(X)	(X)
Trade and other receivables		(X)	-
Conditional grant liability		X	-
Trade and other payables		X	-
Employee benefits		X	-
Net cash flows from operating activities		<u>X</u>	<u>X</u>

(d) Reconciliation of Liabilities Arising from Financing Activities

	20X1	Cash flows	Non-cash changes		20X2
			Acquisition	New leases	
Long-term borrowings	X	X	X	X	X
Lease liabilities	X	X	X	X	X
Long-term debt	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>

¹ An example of a non-cash bequest is property.

Indirect Method Cash Flow Statement (paragraph 27(b))**Consolidated Cash Flow Statement for Year Ended June 30, 20X2**

(in thousands of currency units)

	20X2	20X1
Surplus/ (deficit)	X	X
Add / (deduct) Non-cash movements		
Depreciation and Amortisation	X	X
Non-cash donations (volunteer services, food and library books)	(X)	(X)
Bequests receivable ²	(X)	-
Distributed food costs	X	X
Personnel expense (volunteer services)	X	X
Finance income (interest free loans)	-	(X)
Finance expenses (interest free loans)	X	X
Add / (deduct) movements in working capital items		
Inventories	(X)	(X)
Trade and other receivables	(X)	-
Conditional grant liability	X	-
Trade and other payables	X	-
Employee benefits	X	-
Net cash flows from operating activities	X	X

Notes to the Cash Flow Statement**(a) Cash and Cash Equivalents**

Cash and cash equivalents comprise deposits with banks and bank and cash balances, net of bank overdrafts. Deposits are included when they have a maturity of no more than three months from date of acquisition.

Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts:

	20X2	20X1
Cash on hand and balances with banks	X	X
Short-term investments	X	X
	X	X

(b) Property, Plant and Equipment

During the period, the economic entity acquired property, plant and equipment with an aggregate cost of X, by means of finance leases.

(c) Reconciliation of Liabilities Arising from Financing Activities

	20X1	Cash flows	Non-cash changes		20X2
			Acquisition	New leases	
Long-term borrowings	X	X	X	X	X
Lease liabilities	X	X	X	X	X
Long-term debt	X	X	X	X	X

² The bequests receivable are for items of property.

Reconciliation of Liabilities Arising from Financing Activities

- 1 This example illustrates one possible way of providing the disclosures required by paragraphs 55A–55E.
- 2 The example shows only current period amounts. Corresponding amounts for the preceding period are required to be presented in accordance with PBE IPSAS 1 *Presentation of Financial Reports*.

	20X1	Cash flows	Non-cash changes			20X2
			Acquisition	Foreign Exchange Movement	Fair value changes	
Long term borrowings	X	X	X	X	X	X
Short-term borrowings	X	X	X	X	X	X
Lease liabilities	X	X	X	X	X	X
Assets held to hedge long-term borrowings	X	X	X	X	X	X
Total liabilities from financing activities	X	X	X	X	X	X

Comparison with IPSAS 2

PBE IPSAS 2 *Cash Flow Statements* is drawn from IPSAS 2 *Cash Flow Statements*.

The significant differences between PBE IPSAS 2 and IPSAS 2 are:

- (a) PBE Standards require the presentation of a statement of comprehensive revenue and expense. IPSASs require the presentation of a statement of financial performance.
- (b) PBE IPSAS 2 requires that an entity using the direct method to present its cash flow statement shall also provide a reconciliation of the net cash flow from operating activities to surplus/(deficit). IPSAS 2 (paragraph 29) encourages, rather than requires, the preparation of this reconciliation.
- (c) PBE IPSAS 2 includes an illustrative example of a cash flow statement for a not-for-profit entity.

History of Amendments

PBE IPSAS 2 *Cash Flow Statements* was issued in September 2014.

This table lists the pronouncements establishing and substantially amending PBE IPSAS 2. The table is based on amendments issued as at 28 February 2025.

Pronouncements	Date issued	Early operative date	Mandatory date (annual financial statements ... on or after ...)
PBE IPSAS 2 <i>Cash Flow Statements</i>	Sept 2014	Early application is permitted for not-for-profit public benefit entities	1 April 2015
<i>2016 Omnibus Amendments to PBE Standards</i>	Jan 2017	—	— ³
PBE IPSAS 35 <i>Consolidated Financial Statements</i>	Jan 2017	Early application is permitted	1 Jan 2019
PBE IPSAS 37 <i>Joint Arrangements</i>	Jan 2017	Early application is permitted	1 Jan 2019
PBE FRS 48 <i>Service Performance Reporting</i>	Nov 2017	Early application is permitted	1 Jan 2022 ⁴
<i>2018 Omnibus Amendments to PBE Standards</i>	Nov 2018	Early application is permitted	1 Jan 2021
PBE IFRS 17 <i>Insurance Contracts</i>	July 2019	Early application is permitted	1 Jan 2023 [NFP] ⁵ 1 Jan 2026 [PS] ⁶

Table of Amended Paragraphs in PBE IPSAS 2		
Paragraph affected	How affected	By ... [date]
Paragraph 8	Amended	PBE IPSAS 35 [Jan 2017]
Paragraph 22(k)	Deleted	PBE IFRS 17 [Jul 2019]
Paragraph 30	Amended	PBE IPSAS 35 [Jan 2017]
Paragraph 47	Amended	PBE IPSAS 37 [Jan 2017]
Paragraph 48	Amended	PBE IPSAS 37 [Jan 2017]
Paragraph 50.1	Added	PBE IPSAS 35 [Jan 2017]
Paragraphs 52.1–52.2	Added	PBE IPSAS 35 [Jan 2017]
Paragraphs 55A–55E (and related heading)	Added	<i>2018 Omnibus Amendments to PBE Standards</i> [Nov 2018]
Paragraph 57	Amended	PBE FRS 48 [Nov 2017]
Paragraph 61	Amended	PBE IPSAS 37 [Jan 2017]

³ These amendments are solely editorial. They did not have an effective date.

⁴ *2020 Amendments to PBE FRS 48*, issued in August 2020, deferred the effective date of PBE FRS 48 from 1 January 2021 to 1 January 2022.

⁵ When first issued in July 2019, PBE IFRS 17 applied only to not-for-profit PBEs. *Amendments to PBE IFRS 17*, issued in August 2020, deferred the effective date of PBE IFRS 17 for not-for-profit PBEs from 1 January 2022 to 1 January 2023.

⁶ *Insurance Contracts in the Public Sector*, issued in June 2023, extended the scope of PBE IFRS 17 to include public sector PBEs. Public sector PBEs are required to apply PBE IFRS 17, as amended by *Insurance Contracts in the Public Sector*, for accounting periods beginning on or after 1 January 2026.

Table of Amended Paragraphs in PBE IPSAS 2		
Paragraph affected	How affected	By ... [date]
Paragraph 63.2	Added	PBE IPSAS 35 and PBE IPSAS 37 [Jan 2017]
Paragraph 63.3	Added	<i>2018 Omnibus Amendments to PBE Standards</i> [Nov 2018]
Paragraph 63.4	Added	PBE IFRS 17 [Jul 2019]