Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London, EC4M 6XH

13 July 2017

Dear Hans

**Improving the Statement of Cash Flows**

As you know, in the autumn of last year the FRC published a Discussion Paper 'Improving the Statement of Cash Flows'. It was intended to stimulate debate and provide input to the IASB's project on 'Primary Financial Statements'.

The Paper generated a good deal of interest. We were pleased that we received responses from a number of standard-setters and also from groups representing users of financial statements.

It is clear that many respondents attach considerable importance to the statement of cash flows and believe that a number of improvements to the requirements of IAS 7 should be considered. The overarching messages from respondents were that:

- Most believe that 'operating activities' should be positively defined or described, and many of these note the desirability of consistency between the statement of cash flows and the statement of profit or loss.
- A majority agree that notional cash flows should not be reported in the statement of cash flows although there should be disclosure of non-cash transactions.
- There were split views as to whether or not the statement of cash flows should report flows of cash or of cash and cash equivalents.

The enclosed Feedback Statement provides a summary of responses to the suggestions set out in the paper. While on many issues views are diverse it is, of course, necessary to have regard to the arguments set out in the Discussion Paper and the individual responses. These may be accessed on the FRC website.

Naturally, we would be willing to provide further background if that would be helpful to you or IASB staff and we look forward to engaging further on this topic. We hope that this work provides useful input to your 'Primary Financial Statements' project.

Yours sincerely

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