FRS 102 FACTSHEET 3
ILLUSTRATIVE STATEMENT OF CASH FLOWS

Illustrative statement of cash flows

This factsheet has been prepared to illustrate the format of the statement of cash flows prepared in accordance with Section 7 *Statement of Cash Flows*, however in a full set of financial statements, comparatives would be provided.

Statement of cash flows

A statement of cash flows prepared under FRS 102:

- reconciles the movement in cash and cash equivalents (not just cash) year on year;
- groups cash flows into three headings - cash flows from operating, investing and financing activities;
- requires the reconciliation of a measure of profit to cash flows from operating activities; and
- requires the preparation of two main supporting notes – a breakdown of the components that make up cash and cash equivalents, and an analysis of changes in net debt.

Exemptions from presenting a statement of cash flows

Certain entities applying FRS 102 can take an exemption from preparing a statement of cash flows:

- Paragraph 3.1B allows an entity that qualifies as small (regardless of the reporting regime it applies) to take an exemption unless a relevant SORP, law or other relevant regulation prevents it from doing so.
- Paragraphs 1.11 and 1.12(b) allow a qualifying entity to take an exemption provided that it otherwise applies the recognition, measurement and disclosure requirements of FRS 102 and makes certain disclosures in its financial statements including a brief explanation of the exemptions adopted.

Reporting cash flows from operating activities

Paragraph 7.7 requires cash flows from operating activities to be presented using either the indirect or direct method. The illustrative statement of cash flows uses the indirect method, which is the method most commonly applied in the UK. The reconciliation of profit or loss to cash from operations can be shown either on the face of the statement of cash flows or in the notes.

Under the indirect method, paragraph 7.8 now allows the reconciliation to start with 'a measure of profit or loss disclosed in the statement of comprehensive income'; this means that entities are now permitted to use any profit figure (including operating profit) as a starting point for the reconciliation, if that profit figure appears as a subtotal in their statement of comprehensive income. The reconciling items required will vary depending on which profit figure is used. The illustrative statement of cash flows uses operating profit.

Disclosures

Components of cash and cash equivalents

Paragraph 7.20 requires an entity to present the components that make up the cash and cash equivalents balance, and a reconciliation of this amount to the amounts shown in the statement of financial position if they are different. Paragraph 7.21 of FRS 102 requires the disclosure of cash held by the entity but which is not available for use. It has been assumed that this is not the case in this illustration.

Analysis of changes in net debt

The *Triennial Review 2017 Amendments* introduced a requirement to present a net debt reconciliation that was previously required by FRS 1 (revised 1996) *Cash flow statements*. This analysis does not need to be presented for prior periods.

Illustrative statement of cash flows

Statement of cash flows

for the year ended 31 December 20X1

	Note	20X1 CU'000
Cash flows from operating activities		
Operating profit for the financial year		6,022
Adjustments for:		
Depreciation of property, plant and equipment		869
Amortisation of intangible assets		50
Profit on disposal of property, plant and equipment		(20)
Decrease/(increase) in trade and other receivables		(72)
Decrease/(increase) in inventories		(194)
Increase/(decrease) in trade payables		234
Cash from operations		6,889
Income taxes paid		(2,922)
Net cash from operating activities		**3,967**
Cash flows from investing activities		
Proceeds from sale of equipment		42
Purchases of property, plant and equipment		(1,496)
Purchases of intangible assets		(71)
Interest received[1]		15
Net cash from investing activities		**(1,510)**
Cash flows from financing activities		
Interest paid[1]		(12)
Issue of ordinary share capital		320
Purchase of non-controlling interest		(114)
Repayment of borrowings		(149)
Dividends paid[2]		(2,417)
Net cash used in financing activities		**(2,372)**
Net increase/(decrease) in cash and cash equivalents		**85**
Cash and cash equivalents at beginning of year	(i)	530
Cash and cash equivalents at end of year	(i)	**615**

1 Paragraph 7.15 gives a choice for interest paid and received to be included in operating cash flows or in financing and investing activities respectively.

2 Paragraph 7.16 gives a choice for dividends paid to be included either in operating activities or financing activities.

Illustrative extracts from the notes of the financial statements

Notes to the financial statements

for the year ended 31 December 20X1

(i) Analysis of changes in net debt

	At 1 Jan 20X1	Cash flows	Other non-cash changes	At 31 Dec 20X1
	CU'000	CU'000	CU'000	CU'000
Cash and cash equivalents				
Cash	**536**	(124)		**412**
Overdrafts	**(256)**	44		**(212)**
Cash equivalents	**250**	165		**415**
	530	85		**615**
Borrowings				
Debt due within one year	**(149)**	149	(230)	**(230)**
Debt due after one year	**(1,262)**		230	**(1,032)**
	(1,411)	149	-	**(1,262)**
Total	**(881)**	234	-	**(647)**