

THE POWER OF BEING UNDERSTOOD

U.S. GAAP VS. IFRS: STATEMENT OF CASH FLOWS AT-A-GLANCE

Increasing globalization coupled with related regulations continues to put pressure on moving towards a common global accounting framework – International Financial Reporting Standards (IFRS). Currently, more than 100 countries use IFRS, so if your business goals include global expansion, it is critical to educate yourself about the impact of IFRS on your financial reporting processes and business now. To gain a better understanding of what IFRS means for your organization, we have prepared a series of comparisons dedicated to highlighting significant differences between IFRS and U.S. generally accepted accounting principles (GAAP). This particular comparison focuses on the significant differences between U.S. GAAP and IFRS related to the statement of cash flows. For other comparisons available in this series, refer to our [U.S. GAAP vs. IFRS comparisons at-a-glance series](#).

A discussion about U.S. GAAP and IFRS would not be complete without mentioning the status of the Securities and Exchange Commission's (SEC) activities focused on determining whether the application of IFRS by U.S. registrants should be required or allowed. While the SEC has not made any final

decisions with respect to use of IFRS by U.S. registrants, its activities are ongoing. For more information, refer to our [IFRS Resource Center](#).

The guidance related to the statement of cash flows in U.S. GAAP is included in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 230, *Statement of Cash Flows*. In IFRS, the guidance related to the statement of cash flows is contained in International Accounting Standard (IAS) 7, *Statement of Cash Flows*.

Some similarities exist between U.S. GAAP and IFRS with respect to the statement of cash flows. For example, both require the statement of cash flows to report cash flows during the period broken out into operating activities, investing activities and financing activities. Additionally, both permit use of the direct and indirect methods of presenting cash flows from operating activities. While there are some similarities related to the statement of cash flows under U.S. GAAP and IFRS, there are also some significant differences, which are summarized in the following table.

	U.S. GAAP	IFRS
Relevant guidance	ASC 230	IAS 7
Bank overdrafts	Bank overdrafts are not included in cash and cash equivalents. Instead, they are accounted for as liabilities, and changes in the overdraft balances are classified as financing cash flows.	In certain facts and circumstances, bank overdrafts are included in cash and cash equivalents. In some countries, bank overdrafts repayable on demand constitute an integral part of an entity's cash management policies. In these circumstances, bank overdrafts are included as a component of cash and cash equivalents.

	U.S. GAAP	IFRS
Classification of interest and dividends	<p>Interest received or paid is classified as operating activities.</p> <p>Dividends received are classified as operating activities.</p> <p>Dividends paid are classified as financing activities.</p>	<p>Cash flows from interest and dividends received or paid should be classified in a consistent manner as either operating, investing or financing activities.</p> <p>Interest paid and interest and dividends received are usually classified as operating cash flows for a financial institution. Alternatives for other entities include the following: (a) interest and dividends paid may be classified as operating or financing cash flows and (b) interest and dividends received may be classified as operating or investment activities.</p> <p>Interest payments capitalized under IAS 23, <i>Borrowing Costs</i>, should be classified in a manner consistent with the underlying asset for which the interest was capitalized.</p>

These are the significant differences between U.S. GAAP and IFRS related to the statement of cash flows. Refer to ASC 230 and IAS 7 for all of the specific requirements applicable to the statement of cash flows. Refer to our [U.S. GAAP vs. IFRS comparisons at-a-glance series](#) for more comparisons highlighting other significant differences between U.S. GAAP and IFRS.

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