Comments on Exposure Draft of Proposed Improvements to IFRSs

IAS 7

Question 1

No, not completely.

- IFRS standards do not always follow conceptually sound reasoning but, in some instances, have been implemented as anti-avoidance mechanisms. The proposed improvement seems to assume that IFRSs' recognised / non-recognised distinction is always a sound interpretation of the conceptual framework and is therefore a sound basis to differentiate investing activities from non-investing activities. I do not believe that the IFRSs always make conceptually sound recognised / non-recognised distinctions and thus the assumption is invalid.
- The notion of an accrual concept in applying cash flow requirements seems counter-intuitive.
- If the proposed change is retained, it is suggested that words be added as follows:

> **"Investing activities**
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> The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditures have been made for resources ~~intended to generate future income and cash flows~~ that are initially recognised **or recognisable** as assets in the statement of financial position. Examples of cash flows arising from investing activities are:
> (a) ..."

The word 'recognisable' would eliminate the IFRS 6 policy choice issue. Although it may be an entity's accounting policy not to recognise certain expenditure, IFRS 6 expenditure is nevertheless 'recognisable'; the entity simply chooses not to recognise it.

Question 2

Agreed.