PBE IPSAS 2 Cash Flows – Differences to NZ IFRS (PBE)

<table>
<tr><th></th><th>NZ IAS 7 (PBE)</th><th>PBE IPSAS 2</th><th>Differences</th></tr>
<tr><td>1</td><td>NZ IAS 7 (PBE) allows two methods to present cash flows from operating activities; the direct method and the indirect method.

Under the indirect method, the net cash flow from operating activities can be presented in two ways.

The first way is to adjust profit or loss for the effects of:

(a) changes during the period in inventories and operating receivables and payables;

(b) non-cash items such as depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses, and undistributed profits of associates; and

(c) all other items for which the cash effects are investing or financing cash flows.

Alternatively, the net cash flow from operating activities may be presented by showing the revenues and expenses disclosed in the statement of comprehensive income and the changes during the period in inventories and operating receivables and payables.

NZ IAS 7.20</td><td>PBE IPSAS 2 is consistent with NZ IAS 7 in that it allows both the direct method and the indirect method to present cash flows from operating activities.

However, PBE IPSAS 2 does not include the alternative indirect method approach allowed by NZ IAS 7 (PBE).

(This is where the net cash flow from operating activities may be presented by showing the revenues and expenses disclosed in the statement of comprehensive income and the changes during the period in inventories and operating receivables and payables).

NZ IAS 2.30</td><td>For entities previously using the direct method to present cash flows from operating activities under NZ IFRS there is no change on transition to the new PBE standards.

For entities previously using the indirect method to present cash flows from operating activities under NZ IFRS there is a change. <u>The alternative approach in NZ IAS 7 (PBE), is not an option in PBE IPSAS 2.</u>

The impact of this is limited to the entities following the indirect method under NZ IAS 7 (PBE).

We understand that the majority of PBE entities within the Government Reporting Entity are using the direct method of presentation, so we do not expect the change to have a significant impact in the sector.</td></tr>
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	NZ IAS 7 (PBE)	PBE IPSAS 2	Differences
2	While NZ IAS 7 briefly refers to government appropriations, it does not cover the treatment of the different types of authorisations that might be contained therein. NZ IAS 7.NZ14	PBE IPSAS 2 allows that 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. PBE IPSAS 2.20	We would not expect that this would significantly impact current practice because New Zealand Government appropriations distinguish between operating expenses and capital expenditure.
3	NZ IAS 7 contains guidance on the classification of cash flows in relation to changes in investments in subsidiaries.	PBE IPSAS 2 does not contain any guidance on the classification of cash flows resulting from changes in investment in a controlled entity.	This is a reduction in guidance only and the principles upon which cash flows are categorised have not changed. Therefore we would not expect it to impact current accounting practice.