

Differences between Ind AS 7 (Statement of Cash Flows) and Existing AS 3 (Cash Flow Statements)

- i. Ind AS 7 specifically includes bank overdrafts which are repayable on demand as a part of cash and cash equivalents, whereas the existing AS 3 is silent on this aspect (refer paragraph 8 of Ind AS 7).
- ii. Ind AS 7 provides the treatment of cash payments to manufacture or acquire assets held for rental to others and subsequently held for sale in the ordinary course of business as cash flows from operating activities. Further, treatment of cash receipts from rent and subsequent sale of such assets as cash flow from operating activity is also provided (refer paragraph 14 of Ind AS 7). The existing AS 3 does not contain such requirements.
- iii. Ind AS 7 includes the following new examples of cash flows arising from financing activities (refer paragraph 17 of Ind AS 7):
 - a. cash payments to owners to acquire or redeem the entity's shares
 - b. cash proceeds from mortgages
 - c. Cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease.
- iv. As compared to the existing AS 3, Ind AS 7 specifically requires adjustment of the profit or loss for the effects of 'undistributed profits of associates and non-controlling interests' while determining the net cash flow from operating activities using the indirect method (refer paragraph 20(b) of the Ind AS 7).
- v. The existing AS 3 requires cash flows associated with extraordinary activities to be separately classified as arising from operating, investing and financing activities, whereas Ind AS 7 does not contain this requirement.
- vi. As compared to the existing AS 3, Ind AS 7 requires to disclose the amount of cash and cash equivalents and other assets and liabilities in the subsidiaries or other businesses over which control is obtained or lost (refer paragraph 40(c) and (d) of Ind AS 7). Ind AS 7 also requires to report the aggregate amount of the cash paid or received as consideration for obtaining or losing control of subsidiaries or other businesses in the statement of cash flows, net of cash and cash equivalents acquired or disposed of as a part of such transactions, events or changes in circumstances (refer paragraph 42 of Ind AS 7). The existing AS 3 does not contain such requirements.
- vii. Ind AS 7 requires to classify cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control as cash flows from financing activities (refer paragraphs 42A and 42B of Ind AS 7). The existing AS 3 does not contain such a requirement.

- viii. Ind AS 7 mentions the use of Equity or Cost method while accounting for an investment in an associate or a subsidiary (refer paragraph 37 of Ind AS 7). It also specifically deals with the reporting of interest in a jointly controlled entity using proportionate consolidation and using equity method (refer paragraph 38 of Ind AS 7). The existing AS 3 does not contain such requirements.
- ix. Ind AS 7 uses the term 'functional currency' instead of 'reporting currency' (as used in the existing AS 3). Ind AS 7 also deals with translation of cash flows of a foreign subsidiary (refer paragraphs 25 to 27 of Ind AS 7) whereas in the existing AS 3, it is not dealt with.
- x. Ind AS 7 requires more disclosures as compared to the existing AS 3 (refer paragraph 50 of the Ind AS 7).

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