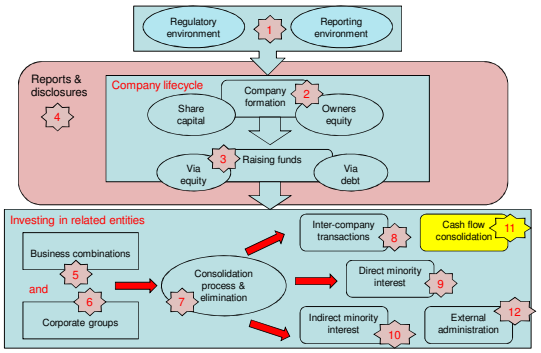
HA2032
Corporate Accounting

Topic 11
Cash Flow Consolidation

Studying Corporate Accounting



Overview of cash flow reporting

- Disclosures discussed in Chapter 12
- Cash flow statement reports:
  - on cash equivalents and cash
  - cash/equivalents position at the start and end of a period and the movements
  - movements must be classified as cash flows from operating, investing or financing activities
  - AASB 107 para. 14, 16-17 gives examples.

Consolidating cash flows

- According to AASB 107, parent is required to prepare a consolidated cash flow statement covering the group of entities over which it exercises control.
- The consolidated cash flow statement does not identify the NCI; it is the same for wholly and partly owned groups
- Adjustments may be needed to ensure consistency e.g different meanings for cash/equivalents

Meaning of cash flow

- Under AASB 107, cash flow includes both:
  - *Cash*
    - Cash on hand (i.e. notes and coins) and demand deposits (cash that is stored in a bank account and can be accessed immediately)
  - *Cash equivalents*
    - Are short term, highly liquid investments that are readily convertible to known amounts of cash, and are subject to an insignificant risk of changes in value.

Consequences of acquiring subsidiaries

- Acquisition/disposal of subsidiary will affect consolidated cash flow by:
  - portion of consideration that is cash/equivalents
  - amount of cash/equivalents held by subsidiary
  - disclosure under *investing* and/or *financing activities* in cash flow statement
  - AASB 107 requires full details (including non cash) disclosed in the notes
    - Refer to example 25.4.