

**Wayne Upton  
Chair  
IFRS Interpretations Committee  
30 Cannon Street  
London, EC4M 6XH  
United Kingdom**

**Re: The IFRS Interpretations Committee's tentative agenda decision on IAS 34 - *Interim Financial Reporting*: condensed statement of cash flows**

Dear Mr Upton,

The European Securities and Markets Authority (ESMA) thanks you for the opportunity to respond to the IFRS Interpretations Committee's (IFRS IC) publication in the March IFRIC Update of the tentative decision related to application of IAS 34 – *Interim Financial Reporting*. We are pleased to provide you with the following comments with the aim of improving the consistent application and enforceability of IFRSs.

ESMA has considered the IFRS IC's tentative decision not to add to its agenda the request for clarification<sup>1</sup> it received on the application of the requirements regarding the presentation and content of the condensed statement of cash flows in the interim financial statements.

ESMA welcomes the IFRS IC assessment that a condensed statement of cash flows should include all information that is relevant in understanding the entity's ability to generate cash flows and its needs to utilise those cash flows, and that a three-line presentation of statement of cash flows would generally not meet the requirements in IAS 34.

ESMA agrees with the IFRS IC that an explicit prohibition of a three-line presentation of statement of cash flows in IAS 34 would be inconsistent with the principle-based nature of IFRSs. However, in light of the existing diversity in practice, ESMA believes that a clarification of paragraphs 10 and 15 of IAS 34 would enhance enforceability of IFRSs.

In particular, ESMA understands that market participants have different views on whether changes in financial position and performance of the entity since the end of the last annual reporting period referred

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<sup>1</sup> Letter: Agenda item request: Condensed statement of cash flows, ESMA/2013/1554, 30 October 2013



to in paragraph 15 of IAS 34 specifically include changes in the entity's cash flows. Therefore, ESMA suggests that the current requirement is extended to include explicitly explanation of events and transactions significant to the understanding of the changes in the entity's cash flows.

Furthermore, ESMA believes that the threshold for including additional line items or notes in the interim financial statements in paragraph 10 of IAS 34 could be lowered. ESMA suggests that the paragraph is amended to require presentation of additional line items or notes in the interim financial statements not only if their omission would make the interim condensed financial statement misleading but also if they are relevant to understanding the changes in the financial position, in the performance of the entity and in its cash flows that occurred since the end of the last annual reporting period. This would allow aligning the guidance for interim financial statements more closely with the principles for including additional line items or notes in the financial statements in IAS 1 – *Presentation of financial statements*.

ESMA believes that these suggested amendments to IAS 34 would contribute to consistency in application and enhance enforceability of IAS 34 requirements.

We would be happy to discuss these issues further with you.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'S/M' with a flourish.

Steven Maijoor  
Chair  
European Securities and Markets Authority