



Solution 34.1

Component	Cash Flow Statements
Index	What is a cash flow statement?
Short title	Wholly owned subsidiaries exempt from presenting cash flow statements

Attention: This guidance is based on the revised standards and interpretations that are mandatory for accounting periods commencing 1 January 2005. A company may early adopt an individual revised standard, but only in its entirety. Guidance based on the previous version of the standards is included in the “Applying IFRS 2004” guidance.

Issue

Entities should prepare a cash flow statement in accordance with IAS 7 requirements and should present it as part of their financial statements for each period for which financial statements are presented [IAS7.1].

Is a wholly owned subsidiary exempt from presenting a cash flow statement because its parent presents a consolidated cash flow statement?

Background

An entity has an overseas, wholly-owned subsidiary which prepares its local financial statements in accordance with IFRS. The subsidiary wants to exclude the cash flow statement from its financial statements because the information is included in its parent’s consolidated financial statements.

Solution

The subsidiary must present a cash flow statement. The laws and national GAAP in certain countries grant exemptions from the preparation of a cash flow statement to small domestic subsidiaries or to wholly owned subsidiaries of a parent established in the same country. The exemption is available provided the parent prepares consolidated financial statements that include a consolidated cash flow statement.

IAS 7 requires all entities to present a cash flow statement regardless of local law. Therefore, the subsidiary in this example should present a cash flow statement in its own financial statements. National GAAP does not override the requirements of IAS 7.