

## CONCEPT: GAAP VS IFRS – STATEMENT OF CASH FLOWS

Laws/Standard Setting	
USA follows	<b>Generally Accepted Accounting Principles</b>
Standards set by	<b>Financial Accounting Standards Board</b>
_____ → _____	
International follows	<b>International Financial Reporting Standards</b>
Standards set by	<b>International Accounting Standards Board</b>
_____ → _____	

Statement of Cash Flows	
<p>Similarities between GAAP and IFRS:</p> <ul style="list-style-type: none"> <li>• Statement of Cash Flows is required</li> <li>• Operating, Investing, and Financing sections</li> <li>• Indirect or Direct Method for Operating section</li> <li>• Definition of cash equivalents</li> </ul>	<p>Differences between GAAP and IFRS:</p> <ul style="list-style-type: none"> <li>• Significant noncash investing and financing activities <ul style="list-style-type: none"> <li>&gt; GAAP reports on Statement of Cash Flows</li> <li>&gt; IFRS reports in the notes to the financial statements</li> </ul> </li> <li>• Classification of interest, dividends and taxes (see below)</li> <li>• IFRS allows the operating section to be presented as one line. If this method is used, a reconciliation is shown in the notes to the financial statements.</li> </ul>

### Classification differences:

<u>Item</u>	<u>IFRS</u>	<u>GAAP</u>
Interest paid	Operating or financing	Operating
Interest received	Operating or investing	Operating
Dividends paid	Operating or financing	Financing
Dividends received	Operating or investing	Operating
Taxes paid	Operating—unless specific identification with financing or investing activity	Operating