

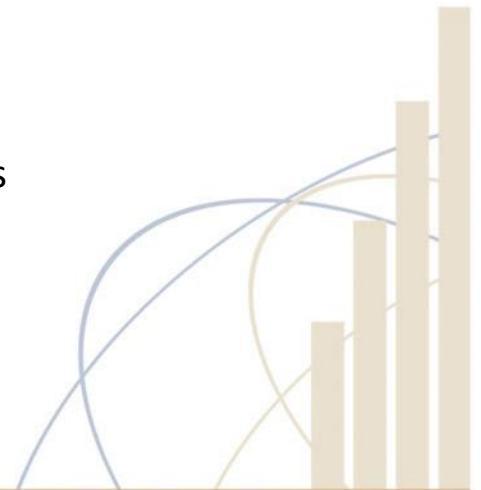


GRAP 2: CASHFLOW STATEMENT



Topics to be covered

- Content Overview
- Scope of GRAP 2: Cashflow statement
- Key Definitions
- Components of a Cashflow statement
- Presentation of the Cashflow statement
- Practical Steps to Balance a Cash Flow Statement
- What's required to complete the Cashflow statement
- Calculate cashflows from operating, investing and financing activities
- Investigate and resolve discrepancies
- Questions?



Content Overview

Purpose of GRAP 2: Cash Flow Statement

- GRAP 2 helps us understand how money moves through a municipality - it gives us a full picture of how cash is generated and used/ spent during a reporting period.
- Financial performance and financial health are two different things
 - Accrual accounting is used and therefore an entity might look profitable but still struggle with cash flow
 - That's why the cashflow statement is a crucial part of a set of financial Statements.
 - Applies to all entities on an accrual basis of accounting and GRAP financial reporting standard

Benefits

- It's a report that summarizes the **CASH** inflows and outflows during a specific period
 - shows the real liquidity position of an entity
 - gives users a clearer view of whether an entity can meet its obligations and solvency position
 - Historical cash flows used to predict the future cash requirements.
 - Improve entities ability to generate cash flows.

Key definitions

GRAP 2 explains what counts as cash and cash equivalents

Cash flows

- Inflows and outflows of cash and cash equivalents.

Cash

- Cash on hand and cash on hand.

Cash and Cash equivalents

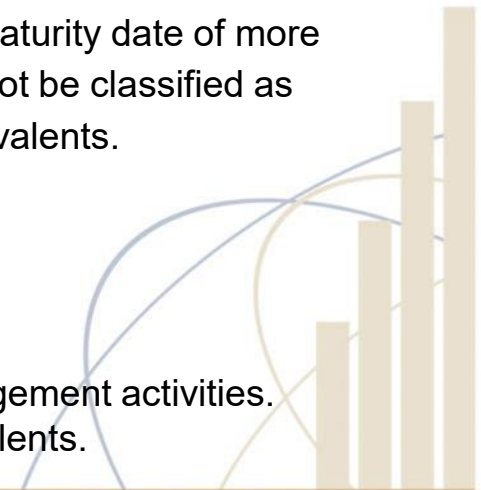
- Bank balances and on-demand deposits.
- Short-term, highly liquid investments.
- Readily convertible to known amounts of cash (without an undue notice period or incurring a significant penalty).
- Insignificant risk of changes in value. (Investment must be so similar in nature to cash)

Excluded

- Bank borrowings, unless the overdraft forms an integral part of cash management activities.
- Cash flow excludes movement between items within cash and cash equivalents.

Short -term

- Generally 3 months or less is considered to be a short-term investment.
- Does not however mean that an investment with a maturity date of more than 3 months cannot be classified as cash and cash equivalents.



Components of the cash flow statement

Under GRAP 2 this statement is divided into three main activities:

Operating activities

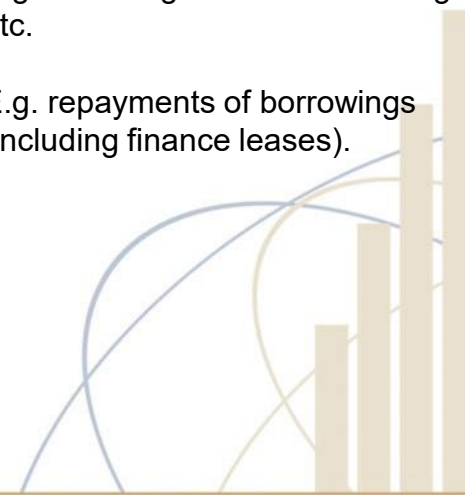
- In/out flows from the principal day-day cash generating activities of the entity.
- Key indicator- how operations are funded/ managed/ spend
- E.g. receipts from taxes, grants, revenue from goods, services, interest received etc
- E.g. payments for goods, services, to employees, interest paid etc.

Investing activities

- Represents the cash outflow that has been made for resources intended to contribute to future service delivery.
- Must have resulted in recognition of an asset.
- E.g. purchase/sale of PPE, intangibles, long-terms assets, disposal proceeds, capital grant utilisation etc.
- Acquisition and disposal of other investments that are not in cash and cash equivalents.

Financing activities

- Cash flows by capital contributors.
- E.g. obtaining loans & borrowings, etc.
- E.g. repayments of borrowings (including finance leases).



Presentation of a cash flow statement

Methods of Reporting

Operating cash flows may be reported using:

Direct Method

- Entities are encouraged to use the direct method – more transparent
- Shows major classes of gross cash receipts and payments.

Indirect Method

- Indirect method is allowed
- Indirect method starts with net surplus or deficit and adjusts for non-cash, deferrals and non-operating cashflows.
- Easier to prepare but less detailed

Presentation of a cash flow statement

Batho Pele City Municipality

Illustrative Annual Financial Statements for the year ended 30 June 2025



Cash Flow Statement for the year ended 30 June 2025 **Illustrative Example.**

	Note	2024/2025 (R'000s)	2023/2024 (R'000s)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property Rates by Usage [A7]			
Service Charges [A7]			
Operational Revenue [A7]			
Transfers and Subsidies – Capital [A7]			
Transfers and Subsidies – Operational [A7]			
Interest [A7]			
Dividends [A7]			
Payments			
Suppliers and Employees [A7]			
Finance Charges [A7]			
Transfers and Subsidies [A7]			
Taxes [2p.35]			
NET CASH FROM(USED) OPERATING ACTIVITIES	74		
CASH FLOW FROM INVESTING ACTIVITIES			
Receipts			
Proceeds on Disposal of Fixed and Intangible Assets [A7]			
Decrease (Increase) in Non-current Receivables [A7]			
Decrease (Increase) in Investments [A7]			
Payments			
Capital Assets [A7]			
NET CASH FROM(USED) INVESTING ACTIVITIES			
NET CASH FROM FINANCING ACTIVITIES			
Receipts			
Short-term Loans [A7]			
Borrowing Long-term [A7]			
Increase (Decrease) in Consumer Deposits [A7]			
Payments			
Repayment of Borrowing [A7]			
NET INCREASE (DECREASE) IN CASH [2p.46]			
Cash and Cash Equivalents at year begin [A7]			
Cash and Cash Equivalents at year end [A7]	3		

Major classes of gross cash receipts:

- Property rates
- Service charges
- Operational revenue
- Transfers and subsidies (capital and operational)
- Interest

Major classes of gross payments:

- Payments to suppliers
- Payments to employees
- Finance charges
- Transfers and subsidies (capital and operational)
- Taxes

There is a **specific requirement** to disclose a **reconciliation of net cash flows from operating activities to the net surplus or deficit.**

Presentation of a cash flow statement

Illustrative Example.

74 Net Cash from/(used) Operating Activities

	2024/2025 (R'000s)	2023/2024 (R'000s)
Surplus/(Deficit) After Capital Transfers and Contributions		
Adjusted for:		
Depreciation and Amortisation		
Write-offs		
(Gains) / Losses on Disposal of Assets		
Goods/Services and Assets Received In-kind		
Increase / (Decrease) in Provisions		
Increase / (Decrease) in Impairment Allowance		
Interest Received		
Interest Paid		
<Other – specify>		
<Other – specify>		
<Other – specify>		
Movement in Working Capital		
(Increase) / Decrease in Inventory		
(Increase) / Decrease in Receivables		
Increase / (Decrease) in Payables		
Increase / (Decrease) in Unspent Conditional Grants <u>And</u> Receipts		
<Other – specify>		
Net Cash Flows <u>From</u> Operating Activities		

Components of the Reconciliation Include:

Non-cash items:

- Depreciation & amortisation
- Debt write offs
- Movement in impairment balances
- Movement in leave provision/ bonus
- Donations (non-monetary)
- Gains/losses on disposal of assets, actuarial gains/losses etc

Other adjustments:

- Items associated with investing or financing activities (e.g. interest paid or received, dividends received)
- Items disclosed separately on the face of the CFS

Movements in working capital:

- Increases/decreases in receivables, payables, inventories, provisions, etc.

Presentation of a cash flow statement

Cash and cash equivalents note

3. Cash and cash equivalents

3.1 Cash and cash equivalents

Illustrative Example.

	2024/2025 (R'000s)	2023/2024 (R'000s)
<i>Cash and cash equivalents consist of the following:</i>		
Cash at Bank		
Bank account		
Savings account		
Call deposits and investments		
Contractual Rights		
Demand and Time Loans, Banker's Acceptance		
Deposit taking Institutions		
Marketable Securities		
National Government Investment Securities		
Short Term portion of Investments		
Special Deposit for the Payment of Dividend		
Special Deposit for the Payment of Interest		
Unamortised Discount		
Cash on hand		
Cashier Floats		
Cash in Transit		
Petty Cash		
Total cash and cash equivalents		

Components of the Cash and cash equivalents include:

- **Cash on hand**
Petty cash
Cashier floats
Cash in transit
- **Cash at bank**
Bank account- current
Savings account
- **Call Deposits and Investments**
Short –term investments

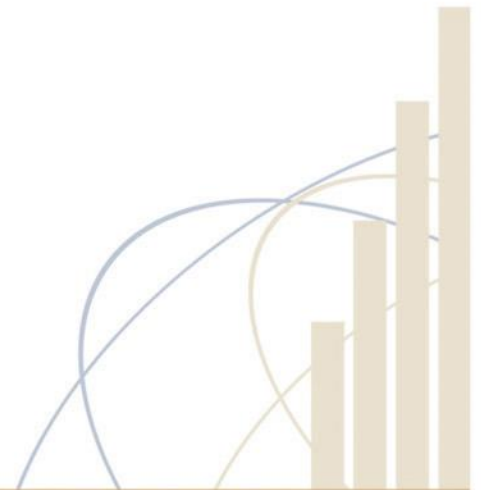
What's required to compile a cash flow statement

Balanced Statement of Financial Position (current year, comparative year and year prior to comparative year)

Statement of Financial Performance (current and prior year)

Notes to statements

Understanding of events during the year



Practical Steps to Balance a Cash Flow Statement

Calculate Cash Flows
from Operating Activities



Calculate Cash Flows from
Investing Activities



Calculate Cash Flows from
Financing Activities



Sum All Cash Flow Components (Operating + Investing + Financing)

Add to Opening Cash to get Closing Cash & Cash Equivalents

Cross-check with Statement of Financial Position



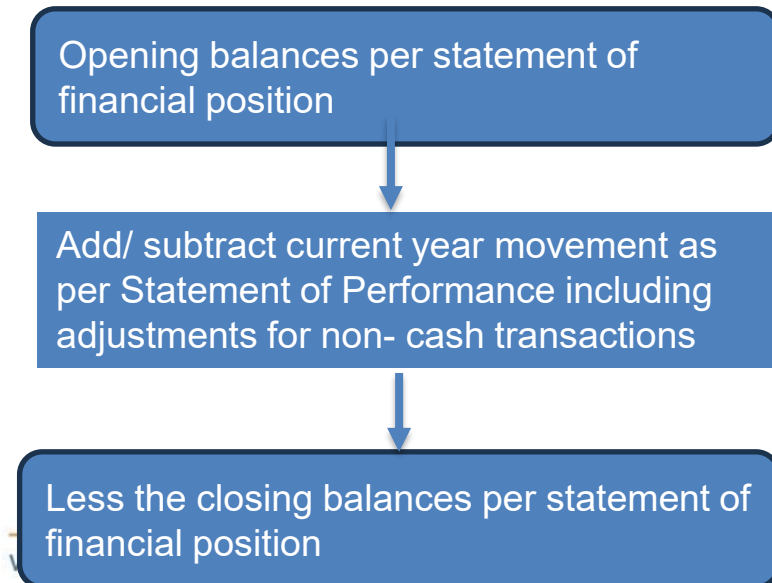
Investigate and resolve discrepancies

Calculate Cash Flows from Operating Activities

Determine:

- In/out flows from the principal cash generating activities of the entity.
- E.g. receipts from taxes, grants, services delivered, goods provided, interest received etc
- E.g. payments for goods, services, to employees, interest paid etc.

Statement of financial position, performance & note



Note:

Information presented on the SOFPOS and SOFPER is reported on the accrual basis.

For CFS, cash impact needs to be determined.

Some transactions don't involve cash at all like swapping assets or receiving donated

Complete reconciliation using information disclosed on CFS, SOFperf & Sofpos

Cashflows from investing activities

Determine:

- Cash inflow/ outflow that has been made for resources intended to contribute to future service delivery.
- Cashflow that resulted in recognition of an asset.
- E.g. purchase/sale of PPE, intangibles, long-terms assets, disposal proceeds

Statement of financial position & note

Additions: Money was spent to acquire assets meaning an **outflow** of cash.

Disposals (for cash): Cash was received in disposing assets meaning an **inflow** of cash

Capital expenditure (additions to non-current assets) should be adjusted with:

- Movement in payables relating to acquisition of assets
- Movement in retentions
- Movement in prepayments relating to acquisition of assets
- Additions to assets that are not cash:
 - finance leased assets
 - donated assets
 - assets exchanged with other assets

Cashflows from financing activities

Determine

- Cash flows arising from financing activities cash flows by providers of capital to the entity.

Statement of financial position & note


Additions: Money received from financiers meaning an **inflow** of cash.

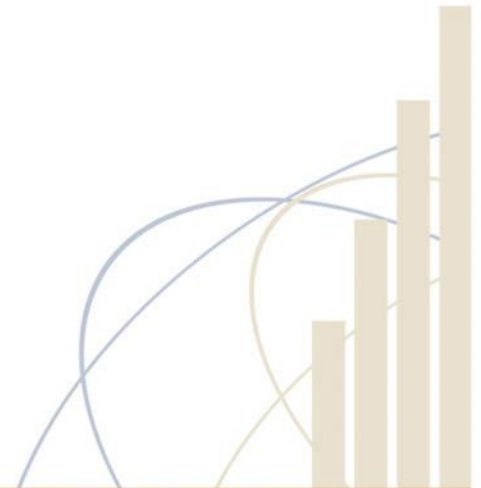
Disposals: Cash was paid to settle financing obligations meaning an **outflow** of cash

Investigate and resolve discrepancies

- Consider whether non-cash items are accounted for correctly e.g.
 - Interest,
 - Finance costs
 - Finance costs- lease liability
 - In-kind/non-cash donations
- Consider whether items that needed to be presented separately on face of CFS is adjusted for accordingly.
 - interest, dividends, and taxes is required on face of CFS.
- Check signs
- Some entities show VAT movements in working capital and some on face of CFS. GRAP 2 is not specific, but cash collected or paid to SARS must be accounted for and must not be double counted.
- Account for cash proceeds on asset sold.
- Maintain working papers/ reconciliations where you are adjusting for the effects of accrual versus cash e.g. Additions, disposals, working capital changes.

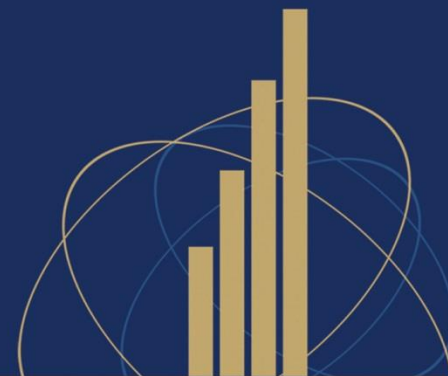
Questions?

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Thank You!



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