GRAP 2: CASHFLOW STATEMENT

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Chartered Institute of
Government Finance, Audit & Risk Officers

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Topics to be covered

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- 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?

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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 entity's 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.

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)

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.

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.

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

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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.**

Cash and cash equivalents balance should reconcile to statement of financial position

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 And Receipts		
<Other – specify>		
Net Cash Flows From 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)
Cash and cash equivalents consist of the following:		
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

Opening balances per statement of financial position

↓

Add/ subtract current year movement as per Statement of Performance including adjustments for non- cash transactions

↓

Less the closing balances per statement of financial position

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 discrepencies

- 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.

Income Statement	2 025	2024
INCOME		
Revenue from exchange		
Service Charges	21 523 393	17 292 837
Rentals of facilities	1 410 999	1 495 217
Interest receved	1 111 916	1 454 352
Liscences and permits	2 510 293	2 307 035
Actuarial gain	426 223	
Total Revenue from Exchange	**26 982 824**	**22 549 441**
Revenue from non exchange		
Property rates	43 789 767	37 400 183
Government grants & subsidies	87 084 219	63 295 523
Donations	3 449 269	
Total Revenue from Non-Exchange	**134 323 255**	**100 695 706**
TOTAL REVENUE	**161 306 079**	**123 245 147**
EXPENSES		
Employee related costs 32	-53 291 962	-50 905 705
Remuneration of councillors 33	-4 904 567	-4 701 594
Depreciation and amortisation 34	-9 167 188	-13 350 011
Finance costs 36	-1 165 631	-307 054
Debt Impairment 37	-21 196 569	-15 248 453
Bulk purchases 38	-24 125 970	-19 297 998
Contracted services 39	-21 780 225	-18 288 826
General Expenses 40	-15 313 890	-13 322 736
TOTAL EXPENSES	**-150 946 002**	**-135 422 377**
NET PROFIT/(LOSS)	**10 360 077**	**-12 177 230**

Statement of Financial Position for 3 years

	2025	2024- restated	Changes 2025	2023	Changes 2024
Current Assets					
Receivables from exchange transactic	20 219 558	22 578 509	-3 315 713	8 751 442	-8 208 478
Receivables from non-exchange trans	32 065 408	26 390 744	7 770 594	32 009 333	27 162 920
Cash and cash equivalents	3 568 075	17 013 333		2 924 181	
	55 853 041	**65 982 586**		**43 684 956**	
Non-Current Assets					
Investment property	38 197 041	38 614 685		39 099 380	
Property, plant and equipment	138 241 334	108 465 801		107 963 832	
Heritage assets	1 190 580	1 190 581		1 190 581	
	177 628 955	**148 271 067**		**148 253 793**	
Current Liabilities	**233 481 996**	**214 253 653**		**191 938 749**	
Payables from exchange transactions	64 036 652	40 804 575	23 232 077	30 588 475	10 216 100
Consumer deposits	189 584	185 684	3 900	175 492	10 192
Unspent conditional grants and receij	823 683	25 815 387	-24 991 704	5 916 910	19 898 477
	65 049 919	**66 805 646**		**36 680 877**	
Net assets	**168 432 077**	**147 448 007**		**155 257 872**	

Cashflow Statement

Cashflow statement	2 025	2 024
Cash flows from operating activities		
Receipts		
Service Charges	23 345 704	10 644 963
Property rates	21 649 436	40 432 652
Grants	60 445 149	63 295 523
Interest Received	1 111 916	1 454 352
Other receipts	3 921 292	3 802 252
	110 473 497	**119 629 742**
Payments		
Employee costs	-57 918 646	-54 947 917
Suppliers	-43 498 771	-56 662 887
Finance costs	-1 149 025	-307 054
	-102 566 442	**-111 917 858**
Net cash flows from operating activities	**7 907 055**	**7 711 884**
Cash flows from investing activities		
Purchase of property, plant and equipment	-21 356 213	-6 632 924
Net cash flows from investing activities	**-21 356 213**	**-6 632 924**
Cash flows from financing activities		
Consumer deposists	3 900	10 192
Net cash flows from financing activities	**3 900**	**10 192**
Net increase/(decrease) in cash and cash equivalents	**-13 445 258**	**1 089 152**
Cash and cash equivalents at the beginning of the year	17 013 333	15 924 181
Cash and cash equivalents at the end of the year 15	**3 568 075**	**17 013 333**

Cash generated from operations note

Cash generated from operations		
(Deficit) surplus	10 360 077	-12 177 230
Adjustments for:		
Actuarial losses (gains)	-426 223	-
Depreciation and amortisation	9 167 188	13 350 011
Add back finance costs- portion is non-cash	16 606	
Debt impairment	21 196 569	15 248 453
Donation	-3 449 269	
Interest Income accrued *(shown sep)*	-1 111 916	-1 454 352
Changes in working capital:		
Receivables from exchange and non-exchange transactions	-3 315 713	-6 511 725
Payables from exchange transactions	461 440	5 555 763
Unspent	-24 991 704	-6 299 036
	7 907 055	**7 711 884**

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Cash generated from operations note

Cash generated from operations		
(Deficit) surplus	10 360 077	-12 177 230
Adjustments for:		
Actuarial losses (gains)	-426 223	-
Depreciation and amortisation	9 167 188	13 350 011
Add back finance costs- portion is non-cash	16 606	
Debt impairment	21 196 569	15 248 453
Donation	-3 449 269	
Interest Income accrued *(shown sep)*	-1 111 916	-1 454 352
Changes in working capital:		
Receivables from exchange and non-exchange transactions	-3 315 713	-6 511 725
Payables from exchange transactions	461 440	5 555 763
Unspent	-24 991 704	-6 299 036
	7 907 055	**7 711 884**

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Workings- cashflow from operating activities

	2 025	2 024
Service Charges		
Add: Opening balance exc Provision (Note 12)	23 031 966	16 094 886
Add: current year income	21 523 393	17 292 837
Less: closing balance exc prov	-21 209 655	-22 742 760
Cash receipts from sale of goods	**23 345 704**	**10 644 963**
Property rates		
Add: Opening balance exc Provision (Note 13)	53 874 653	56 907 122
Add: current year income	43 789 767	37 400 183
Less: closing balance exc prov	-76 014 984	-53 874 653
	21 649 436	**40 432 652**

Grants	Note	
	2 025	**2 024**
Balance at the beginning	-25 815 387	5 916 910
Receipts	87 084 219	83 194 000
Closing balance	-823 683	-25 815 387
Balance at end	**60 445 149**	**63 295 523**

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Workings- cashflow from operating activities

Cash paid to suppliers (excl VAT & Leave accrued)		
Add: Trade payables opening balance excluding leave pay provision which is non cash, vat and retentions accounted for seperately)	**15 663 141**	**21 416 468**
Trade Payables	7 606 075	11 335 925
Direct Dep, 3rd parties & other	926 650	6 622 310
Deposits received	22 212	45 108
Credit balances- receivables from exch	3 083 200	374 375
Other Payable	1 305 514	691 797
Credit bal Payables from non exchnag	2 719 490	2 346 953
Add: Total expenditure excl non-cash	**61 220 085**	**50 909 560**
Subtract: Trade payables closing balance excluding leave pay provision which is non cash & retentions which is taken against PPE as investing activity movement per auditors)	**33 384 455**	**15 663 141**
Trade Payables	27 484 831	7 606 075
Direct Dep, 3rd parties & other	-55 340	926 650
Deposits received	23 702	22 212
Credit balances- receivables from exch	3 090 187	3 083 200
Other Payable	-	1 305 514
Payables from non exchnag	2 841 075	2 719 490
	43 498 771	**56 662 887**
Finance costs		
Finance costs per income statement	-1 165 631	-307 054
Finance costs non cash -audit adjustment landfill	16 606	
	-1 149 025	**-307 054**

Workings- cashflow from operating activities/ Investing

Employee related costs		
Employee related costs	-53 291 962	-50 905 705
Councillors	-4 904 567	-4 701 594
Add back leave pay provision movement included in employee related costs	225 595	637 132
Add back bonus provisions	52 288	22 250
	-57 918 646	**-54 947 917**

PPE		
Additions (PPE)	21 257 463	6 623 628
Accruals (not paid)	98 750	9 296
	21 356 213	**6 632 924**

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Questions?

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Thank You!

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