

## Treatment of GST in the Cash Flow Statement

### Guidance Note:

The treatment of GST in the Cash Flow Statement varied between Trusts and a review of other public bodies identified a similar scenario. In some cases GST was included as part of the receipts and payments (with the relevant description included) and in other cases receipts and payments were presented exclusive of GST. This issue was discussed with the Accounting Policy Working Group at their April meeting and the consensus opinion is detailed below. This treatment has been agreed to by all parties, including the Victorian Auditor-General's Office, to be implemented for the 2006/07 year – with comparatives of prior year to be shown in the same format.

### Cash Flow Statement to show receipts and payments inclusive of GST

Paragraph 18 of AASB 107 *Cash Flow Statements* details the approach to be taken when preparing the Cash Flow Statement. It refers to the direct method of reporting cash flows and is reproduced here for clarity.

**18. An entity shall report cash flows from operating activities using:**

- (a) **the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.**
- (b) *[Deleted by the AASB]*

As outlined in paragraph 18(a) the direct method requires gross cash receipts and gross cash payments to be disclosed.

This is further supported by UIG 1031 *Accounting for the Goods and Services Tax (GST)* where it states quite clearly and unambiguously in paragraph 10:

**10. Cash flows shall be included in the cash flow statement on a gross basis, subject to paragraph 11 and to AASB 107 Cash Flow Statements.**

In addition to this treatment, GST associated with financing and investing activities should be classified as operating cash flows as detailed by Paragraph 11 of UIG 1031 *Accounting for the Goods and Services Tax (GST)*.

**11. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority shall be classified as operating cash flows.**

Sample descriptions for the Cash Flow Statement could be:

	Note	30 June 2007	30 June 2006
		Inflows/(Outflows)	Inflows/(Outflows)
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from burials and cremations (GST inclusive)		xxxxxxx	xxxxxxx
Other income (GST inclusive)		xxxxxxx	xxxxxxx
Payments to suppliers (GST inclusive)		(xxxxxxx)	(xxxxxxx)
Payments to employees		(xxxxxxx)	(xxxxxxx)
Net payment from/(to) ATO for GST		(xxxxxxx)	(xxxxxxx)
<b>Net cash inflow from operating activities</b>		<b>\$xxxxxxx</b>	<b>\$xxxxxxx</b>