



Analyst Guide
POWERED BY SOLEADEA

CFA LEVEL 1

Must-Have IFRS vs. U.S. GAAP

E-BOOK

SAMPLE

CASH FLOW STATEMENT

Item	IFRS	U.S. GAAP
interest received	operating or investing activities	operating activities
interest paid	operating or financing activities	operating activities
dividends received	operating or investing activities	operating activities
dividends paid	operating or financing activities	financing activities
taxes paid	mainly operating activities, but a portion of tax expense can be allocated to investing or financing activities if it can be directly assigned	operating activities

Free Cash Flow to the Firm (FCFF)

$$FCFF = CFO + I \times (1 - t) - FCInv$$

Where:

- ▶ CFO – cash flow from operations,
- ▶ I – interest expense,
- ▶ t – tax rate,
- ▶ FCInv – capital expenditures.

Under IFRS:

- ▶ if interest paid was included in financing activities, then CFO doesn't have to be adjusted for $I \times (1 - t)$ to determine FCFF.
- ▶ if interest and dividends received were included in investing activities, then they should be added to CFO to determine FCFF.
- ▶ if dividends paid were included in operating activities, then they should be added back to CFO to determine FCFF.

Bank overdrafts

- ▶ **Under IFRS**, bank overdrafts are part of cash equivalents.
- ▶ **Under U.S. GAAP**, bank overdrafts are not cash or cash equivalents and are included in financing activities.

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find out more at:

<https://analyst.guide/#ifrs-us-gaap>