

and cash equivalent balances unavailable for use by the group, as well as information about that amount.

b) Our views:

We do not agree with the conclusion expressed above. Below are given the reasons for our disagreement:

- i. Paragraphs 45 and 48 of IAS 7 use the term 'cash and cash equivalents'. Whether a deposit that is restricted for use for more than three months meets the definition of cash, given the clarification on cash equivalent in paragraph 7 of IAS 7, should have been considered by the committee. A deposit that is restricted for use for more than three months, regardless of the party imposing those restrictions, is neither cash equivalent nor cash. As stated previously, it is contrary to rational thinking that cash equivalent is for only short-term cash commitments whereas cash can be available only for long-term commitments. Therefore, paragraph 45 of IAS 7 applies to only those deposits that are not restricted for use beyond three months of their origination.
- ii. Paragraph 48 of IAS 7 applies to deposits that are restricted for use for not more than three months, given the clarification in paragraph 7 of IAS 7, and other unrestricted deposits of the depositor entity that are not available for use by the depositor group, that is, the amounts may be available to the depositor entity but shall not be available for use by other entities in the depositor group. This non-availability to other entities of the group could be for more than 12 months from the end of the reporting period. This could be a reason for the requirement in paragraph 66(d) of IAS 1. Paragraph 48 of IAS 7 uses the words 'cash and cash equivalent balances held by the entity that are not available for use by the group'. Paragraph 48 of IAS 7 does not say 'cash and cash equivalent balances held by the entity that are not available for use by the entity'. If the committee would like to extend the disclosure requirements in paragraph 48 of IAS 7 to individual entity level, we

recommend that paragraph 48 be amended to replace the words 'by the group' with 'by the entity and the group'. Till the time paragraph 48 remains as is presently worded, paragraph 48 cannot be said to be applicable in the given case.

4. Conclusion:

Considering the above, we conclude that the principles and requirements in IFRS standards do not provide an adequate basis for an entity to determine whether to include demand deposits subject to contractual restrictions on use, regardless of the party that put those restrictions, as a component of cash and cash equivalents in its statement of cash flows and financial position. Accordingly, we recommend amendment to IAS 7 and IAS 1 as suggested above.

