



Ms Sue Lloyd
Chair
IFRS Interpretations Committee
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

23 November 2021

Dear Sue,

Tentative Agenda Decision (TAD): Demand Deposits with Restrictions on Use (IAS 7)

We are responding to your invitation to comment on the tentative agenda decision - Demand Deposits with Restrictions on Use (IAS 7) - published in September 2021, on behalf of PricewaterhouseCoopers.

Following consultation with members of the PricewaterhouseCoopers network of firms, this response summarises the views of member firms who commented on the tentative agenda decision. "PricewaterhouseCoopers" refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

We agree with the technical analysis in the tentative agenda decision. However, we are concerned that the guidance in the TAD, might potentially lead to inconsistencies in assessing the substance of restrictions with respect to *cash* and to *cash equivalents* as they are defined in paragraph 6 of IAS 7.

The demand deposits discussed in the TAD are de-facto not available to meet the entity's short-term cash commitments. Nevertheless based on the conclusions reached in the TAD they should be presented as part of '*cash and cash equivalents*' both in the statement of financial position and in the statement of cash flows because they fall under the definition of *cash* in IAS 7. If an entity was assessing a potential cash equivalent (e.g. money market fund) that had the same restriction as discussed in the TAD, it might be argued that the classification of that instrument as a cash equivalent would not be consistent with the description in paragraph 7 of IAS 7. This is because paragraph 7 states that '*cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes*'. As a result, two very similar assets might be presented differently, although the attached restrictions might be of the same nature. We believe that

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the guidance in assessing the attached restrictions and their impact to the presentation of the assets in the financial statements should be consistent regardless of whether it relates to *cash* or *cash equivalents*. We would recommend that this potential inconsistency is considered in the IAS 7 comprehensive review project that the IASB is considering to undertake and that we prioritised as one of the projects to be added to the IASB work plan for 2022 - 2026 in our comment letter to the IASB's Third Agenda Consultation.

If you have any questions in relation to this letter please do not hesitate to contact Henry Daubeney PwC Head of Reporting and Chief Accountant (henry.daubeney@pwc.com) or Gary Berchowitz (gary.x.berchowitz@pwc.com).

A handwritten signature in blue ink that reads 'PricewaterhouseCooper'.

Yours Sincerely
Henry Daubeney
Global Chief Accountant and Head of Reporting