



Purpose of this session

Background

- Exposure Draft Supplier Finance Arrangements was published on 26 November 2021
- Open for comment until 28 March 2022

Purpose of this session

- To provide a brief recap of the proposals and their rationale
- To hear feedback from ASAF members and from ASAF members' jurisdictions on the proposals Questions for ASAF members are set out in slide 12

Background

Exposure Draft Supplier Finance Arrangements

Questions for ASAF members





Background – IASB Activities

Questions to IFRIC (IFRS Interpretations Committee)

How does a company present liabilities to which reverse factoring arrangements relate?

What information about reverse factoring arrangements is a company required to disclose in its financial statements?

Outcomes (Interpretations Committee & IASB)

Presentation

Current standards allow for a variety of treatments on balance sheet depending on circumstances

Disclosure

Current disclosures around liquidity risk and non-cash transfers on cash flow statement Targeted IASB project on improving disclosures

Arrangements that finance receivables or inventories

Classification and presentation in the statements of financial position and cash flows





Investors' Information Requirements

Balance Sheet Adjustments

Adjust a company's balance sheet for the effects of supplier finance arrangements

Liquidity Risk

 Understand how supplier finance arrangements have changed a company's liquidity risk, particularly through concentration and increased usage

Cash Flows

 Enable adjustments to operating cash flows based on changes in supplier finance arrangement usage to separate out organic vs. arrangement-led cash flows

Proposed disclosure objective and requirements to be added to IAS 7

Agenda ref 4

Disclosure objective: To enable investors to assess the effects of supplier finance arrangements on a company's liabilities and cash flows.

A company would be required to disclose:

- (a) the terms and conditions of each supplier finance arrangement.
- (b) as at the beginning and end of the reporting period:
 - i) the carrying amount of financial liabilities recognised in the company's statement of financial position that are part of each supplier finance arrangement and the line item(s) in which they are presented;
 - ii) the carrying amount of the financial liabilities disclosed under i) for which suppliers have already received payment from the finance providers;
 - iii) the range of payment due dates of financial liabilities disclosed under i); and
 - iv) the range of payment due dates of trade payables that do not form part of a supplier finance arrangement.

A company would be permitted to aggregate the information for different arrangements when the terms and conditions are similar.

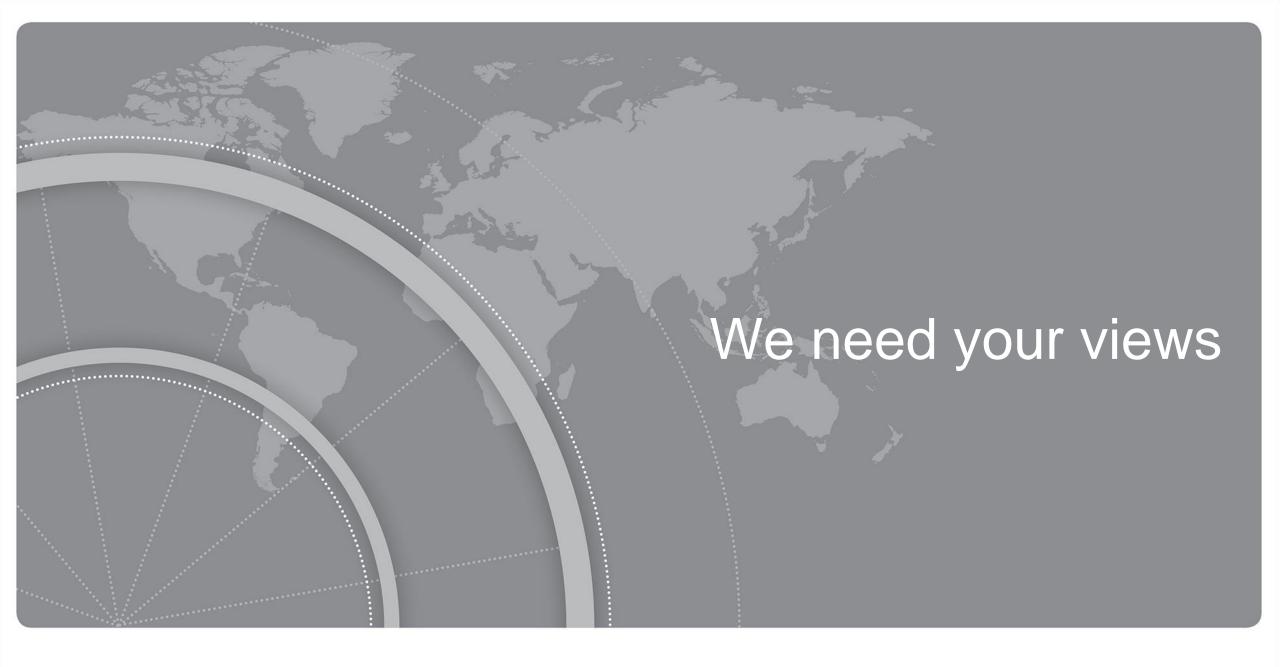
A company would be required to disclose additional information about its supplier finance arrangements if necessary to meet the disclosure objective.

Example of quantitative information

Annual financial statements for the reporting period ended 31 December 20X1

For each supplier finance arrangement

	At 31 December	At 31 December
	20X0	20X1
Carrying amount of liabilities part of the arrangement		
Presented in 'trade and other payables'	CU1,000	CU1,500
- of which suppliers have been paid by finance providers	CU800	CU1,050
Range of payment due dates		
Liabilities that are part of the arrangement	80-90 days	85-90 days
Trade payables that are not part of an arrangement	after invoice date 60-65 days	after invoice date 60-70 days
	after invoice date	after invoice date





Questions for ASAF members

- Do you agree with the proposed disclosure objective?
- Do you think the proposed disclosures would enable investors to assess the effects supplier finance arrangements have on a company's liabilities and cash flows?
- Which of the proposed disclosures do you expect will be most useful to you? Which would be least useful to you, or what do you think is missing?

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