Supplier Finance Arrangements
Issues Paper

Objective

1 The purpose of this session is to provide an update and seek EFRAG FR TEG's views on the IASB's tentative decisions taken on its project on *Supplier Finance Arrangements* in November 2022.

Background

2 In November 2021, the IASB published its Exposure Draft on *Supplier Finance Arrangements* ('the ED'), which proposed amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* that would require entities to disclose additional information in the notes about supplier finance arrangements ('SFAs'). The ED comment period ended on 28 March 2022.

3 At its July 2022 meeting, the IASB received a summary of the feedback obtained on the proposals included in the ED. No decisions were taken during that meeting.

4 In November 2022, the IASB considered the feedback received from respondents together with the IASB staff analysis and recommendations on how to proceed on the project and took a number of tentative decisions related to the proposed disclosure requirements in the ED.

Overview of developments on SFAs project so far

5 This section of the issues paper is structured as follows:

(a) proposals included in the IASB's ED on SFAs;

(b) respondents' feedback received on these proposals by the IASB;

(c) EFRAG position on these proposals reflected in its comment letter on SFAs project; and

(d) the IASB tentative decisions on the project taken during its deliberations in November 2022.

SFA Project approach – narrow scope, disclosure-only project

6 IFRS Accounting Standards already include requirements that meet some of the information needs of investors with respect to SFAs. The IASB's proposed approach is to add disclosure requirements about SFAs in a way that complements the already existing requirements in IFRS Accounting Standards.

7 Without amendments to the current disclosure requirements, investors may be unable to obtain from financial statements some of the information they need to understand an entity's SFAs and may, therefore, be hindered in comparing one entity with another.

ED proposals

8 Disclosure objective in paragraph 44F of the ED: '*An entity shall disclose information about its supplier finance arrangements (as described in paragraph 44G) that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows*.'

IASB respondents' feedback

9 Most respondents agreed that there is a need to improve disclosure about an entity's SFAs.

10 A few respondents disagreed or expressed concerns about the project. Some of these respondents observed that current disclosure requirements are sufficient and adding new specific disclosure requirements may not be the most efficient way to proceed.

11 Suggestions made to the IASB:

(a) Many respondents suggested that the IASB either expand the scope of the current project or pursue a future project to address classification and presentation of liabilities and cash flows associated with SFAs in order to enhance transparency and consistency in application;

(b) the IASB should address when an entity classifies a financial liability as a 'borrowing' and no longer as a trade payable;

(c) the IASB should add requirements to IFRS 9 about when an entity derecognises a trade payable that is part of an SFA and recognises a liability to a finance provider;

(d) undertake a broader review of IAS 7 and improve disclosures on non-cash transactions.

(e) a few respondents suggested the IASB consider whether there is a need for standard-setting dealing with working capital arrangements more broadly.

EFRAG comment letter

12 In its comment letter, EFRAG observed that the IASB's approach to SFAs tended to be rather rules-based and noted that considering a more principle-based approach would benefit the improvements.

13 EFRAG considered that the proposed disclosure requirements will result in increased conformity with existing IFRS Accounting Standards. EFRAG noted that rather than complementing the current requirements (IFRS 7, IAS 7, IAS 1) the proposals in the ED should be seen as providing application guidance to them, when dealing with SFAs.

14 Furthermore, EFRAG observed that project did not completely address the wider issue of providing necessary transparency on liquidity risk and how entities leverage their working capital to effectively obtain finance. This includes presentation and classification in the statement of financial position, liquidity risk disclosures and relevance of the statement of cash flows in general.

15 EFRAG suggested that further efforts are needed in terms of reporting of such arrangements in the primary financial statements and encouraged the IASB to consider possible improvements related to SFAs in the future.

IASB tentative decisions

16 The IASB tentatively decided:

(a) to retain its current approach to this narrow-scope, disclosure-only project; and

(b) to proceed with the proposal to add disclosure requirements about SFAs to IFRS Accounting Standards.

Scope of SFAs project

ED proposals

17 Description of SFAs scope in paragraph 44G of the ED: *'A supplier finance arrangement is characterised by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay the finance providers at the same date as, or a date later than, suppliers are paid. These arrangements provide the entity with extended payment terms, or the entity's suppliers with early payment terms, compared to the related invoice payment due date. Supplier finance arrangements are often referred to as supply chain finance, payables finance or reverse factoring arrangements.'*

IASB respondents' feedback

18 Many respondents agreed with the IASB's approach for describing SFAs and with the proposed description.

19 Some respondents suggested the following changes to the proposed description:

(a) adding characteristics to the proposed description of SFAs such as:

(i) the entity proactively participates in the establishment or design of the arrangement; and

(ii) the entity confirms to the finance provider that a supplier invoice is valid or the entity issues an undertaking to pay an amount in favour of the finance providers;

(b) clarifying the term 'finance providers' by:

(i) determining whether it refers only to financial institutions or includes any type of entity or individual; and

(ii) expanding it to include an intermediary;

(c) clarifying the phrases 'finance providers offering to pay amounts an entity owes its suppliers' and 'the entity agreeing to pay the finance providers' - a few respondents commented that it was unclear whether the proposed description includes:

(i) a supplier financing its receivables - by independently entering into an agreement with one or more finance providers without involving the buyer; and

(ii) a finance provider being the legal owner of the supplier's receivables - such as the entity owes the finance providers rather than the suppliers;

(iii) a few respondents also noted that the phrase 'the entity agreeing to pay the finance providers' may be too narrow as the arrangement may allow or require an entity to pay its suppliers, rather than the finance providers;

(d) restricting the scope – many respondents considered whether the scope should include all types of SFAs and suggested restricting the scope to only arrangements that:

(i) affect the entity's working capital, cash flows, debt levels or concentration of liquidity risk;

(ii) change the 'original' terms and conditions negotiated between the entity and its suppliers or change the 'ordinary' payment terms; or

(iii) is an 'outlier' in terms of its size, number of suppliers or finance providers being used in the arrangement or the length of the payment timing benefit for the entity;

(iv) extinguish or substantially modify the trade payable i.e., the trade payable is derecognised applying IFRS 9 and a new financial liability is recognised;

(v) some respondents suggested an explicit scope exclusion for SFAs in which an entity pays its suppliers using particular instruments or services – i.e., payment processing services; credit cards; letters of credit; bank acceptance bills and negotiable securities; financial guarantees; and other forms of short-term financing such as import loans and overdraft facilities; and

(e) other comments – to add wording from paragraph BC8 of the Basis for Conclusions on the ED to clarify the description of SFAs scope.

EFRAG comment letter

20 EFRAG supported a narrow-scope project to develop specific disclosure requirements for SFAs that provide relevant information to users of financial statements.

21 EFRAG recommended that the IASB elevate paragraph BC8 of the ED to become part of the proposed amendments. This would strengthen the description of SFAs in paragraph 44G of the ED by clarifying that both SFAs providing early payment terms to suppliers and SFAs providing extending credit terms to buyers are within the scope of the project.

22 EFRAG observed that there might be other similar arrangements related to working capital and liquidity risk management for which there is a lack of disclosures (e.g., supplier inventory financing, receivables financing). EFRAG noted that such arrangements were increasingly used in practice and should be closely monitored by the IASB. EFRAG suggested that further efforts were needed in terms of reporting of such arrangements and that the IASB should take the opportunity to consider whether further clarifications or improvements could be done within a comprehensive project on SFAs in the future.

IASB tentative decisions

23 The IASB tentatively decided:

(a) to make no change to add characteristics to the description of SFAs, or to further define or describe 'finance providers';

(b) to make no change to the scope to include suppliers' receivables financing arrangements, or to introduce scope restrictions or exclusions - but, when drafting, to consider whether to add examples to illustrate payment arrangements or instruments excluded from the scope; and

(c) to specify that a SFA is characterised as an entity 'agreeing to pay according to the terms and conditions of the arrangement' rather than 'agreeing to pay the finance providers'.

Disclosure objective and requirements

ED proposals

24 Disclosure requirements in paragraph 44H of the ED: '*To meet the objective in paragraph 44F, an entity shall disclose:*

(a) the terms and conditions of each supplier finance arrangement (including, for example, extended payment terms and security or guarantees provided);

(b) for each supplier finance arrangement, as at the beginning and end of the reporting period:

(i) *the carrying amount of financial liabilities recognised in the entity's statement of financial position that are part of the arrangement and the line item(s) in which those financial liabilities are presented;*

(ii) *the carrying amount of financial liabilities disclosed under (i) for which suppliers have already received payment from the finance providers; and*

(iii) *the range of payment due dates (for example, 30 to 40 days after the invoice date) of financial liabilities disclosed under (i); and*

(c) as at the beginning and end of the reporting period, the range of payment due dates of trade payables that are not part of a supplier finance arrangement.'

25 Level of aggregation in paragraph 44I of the ED: '*An entity shall disclose additional information about its supplier finance arrangements necessary to meet the disclosure objective in paragraph 44F (for example, additional information about the range of payment due dates disclosed under paragraph 44H(b)(iii) or paragraph 44H(c), when that range is wide). An entity is permitted to aggregate the information provided to meet the disclosure objective in paragraph 44F for different arrangements only when the terms and conditions of those arrangements are similar*.'

IASB respondents' feedback

26 Most respondents agreed with the proposed disclosure objective.

Materiality judgements

27 A few respondents suggested to include a reference to 'materiality' to avoid entities providing excessive information.

28 A few respondents commented that the disclosure objective imposes undue burden on entities and introduces a checklist-type approach that could result in lengthy disclosures obscuring more relevant information.

Liquidity risk and risk management and financial performance

29 A few respondents suggested that the disclosure objective include the effects of SFAs on an entity's exposure to liquidity risk and risk management.

30 A few other respondents suggested that the disclosure objective include the effects of SFAs on an entity's financial performance.

SFAs effects vs information to calculate effects

31 A few respondents suggested that the IASB require an entity to disclose particular effects of SFAs rather than provide information that would enable them to calculate those effects.

Terms and conditions

32 Some respondents suggested adding 'key', 'relevant', 'significant' or 'material' before the phrase 'terms and conditions' to avoid entities providing irrelevant information.

33 A few respondents suggested that the IASB prescribe a list of terms and conditions that an entity would be required to disclose.

Carrying amount and presentation of liabilities

34 A few respondents suggested clarifying that an entity needs to disclose the carrying amount of liabilities that are part of SFAs presented within each relevant line item in the statement of financial position.

35 Many respondents asked for the same type of information for the statement of cash flows.

36 Some respondents suggested requiring disclosure of a reconciliation of the carrying amount of financial liabilities or requiring disclosure of the average carrying amount of financial liabilities under SFAs to enable investors to better understand the cash flow effects of the arrangements.

<u>The carrying amount of financial liabilities for which suppliers have already received payment from the finance providers</u>

37 Some respondents (mainly investors) agreed with this proposed disclosure. For some of them, this is the most important piece of information for their analysis of the effects and an entity's use of SFAs in order to analyse an entity's debt and consequential effects on operating and financing cash flows (i.e., the entity obtaining extended payment terms or assessing its exposure to liquidity risk). For others, it would be valuable and helpful to obtain this information in addition to the rest of the proposed disclosures.

38 Many respondents (mainly preparers) questioned the usefulness of this proposed disclosure and raised concerns about:

(a) the cost to obtain the information – it might be high because currently entities do not obtain such information from their finance providers; existing SFAs are silent on this point and making the information available might require modifications to the SFA contracts related to extra costs; additional fees to audit this information;

(b) an entity's ability to gather the information;

(c) the information not being relevant for all SFAs especially when an entity's payment due dates under SFAs do not extend beyond its normal payment terms;

(d) the information is not relevant to understanding an entity's financial position because it involves business activities of suppliers that are outside of the reporting entity;

(e) other information in the proposed disclosures satisfies the disclosure objective;

(f) the information is not necessarily representative of suppliers' use of SFAs i.e., some suppliers may choose to accelerate payments from finance providers during quarter- or year-end periods;

(g) the information may lead investors to make inappropriate conclusions by assuming the amount represents debt.

<u>Information about payment due dates</u>

39 Some respondents agreed with the proposed disclosure around payment due dates.

40 Many respondents disagreed with the proposed requirements because the information:

(a) would be irrelevant for lines of business for which SFAs are not used;

(b) could be misleading for liabilities that are part of SFAs in one business line or jurisdiction but may have shorter due dates than trade payables that are not part of such arrangements in in another business line or jurisdiction;

(c) there is overlap with the maturity analysis required in paragraph 39 of IFRS 7.

41 Some respondents suggested alternatives to disclosing the range of payment due dates such as:

(a) an entity disclose the 'original payment due dates' of financial liabilities that are part of SFAs or provide a narrative description about improved cash flows or extended payment terms with suppliers;

(b) an entity disclose the weighted average payment due dates because a range of payment due dates may not be useful, if the range is wide.

Comparative information

42 A few respondents agreed with the proposed requirement.

43 A few respondents disagreed because the short-term nature of the amounts limits the usefulness of the information, and IAS 1 already contains requirements about comparative information.

Level of aggregation

44 Some respondents agreed with the IASB's proposed level of aggregation.

45 A few respondents suggested that the IASB explain the term 'similar'.

46 Some respondents disagreed with the proposed level of aggregation because information about each SFA is unnecessary for investors to assess the effects of SFAs on an entity's liabilities and cash flows.

47 A few respondents suggested that an entity is required to disaggregate information:

(a) only when needed to meet the disclosure objective;

(b) based on the type of SFA - i.e., SFAs used to manage working capital and those used to assist suppliers; or

(c) for individually material SFAs.

48 A few respondents observed that investors needed disaggregated information about changes in the carrying amount of financial liabilities arising from obtaining or losing control of businesses and foreign exchange differences.

49 A few respondents also noted that providing the terms and conditions of each SFA could reveal commercially sensitive information about an entity's trading terms.

EFRAG comment letter

50 EFRAG supported the IASB proposals to add an overall disclosure objective and specific disclosure requirements in IAS 7 to help users of financial statements assess the effects of SFAs on an entity's liabilities and cash flows. EFRAG further suggested that the disclosure objective be expanded to also include the effects of those arrangements on an entity's liquidity risk and financial performance.

51 EFRAG also considered that providing a comprehensive package of disclosures that includes all disclosures related to SFAs would be helpful to users.

52 EFRAG observed that future efforts are needed to address also classification and presentation of those arrangements in the statement of financial position and in the statement of cash flows.

53 EFRAG recommended that the IASB consider further improvements to the proposed specific disclosure requirements, in particular:

(a) basis for preparation of the statement of cash flows - EFRAG encouraged the IASB to put emphasis on requiring disclosures that would enable users to understand cash flows arising from SFAs and their impact on the entity's liquidity;

(b) impact on cash flows - to provide information to enable users to understand cash flows arising from SFAs i.e., changes in the period to the liabilities under

SFAs and identification of their impact on cash flows; weighted average payment terms;

(c) to clarify the linkage between the definition of trade payables in IAS 37 and the proposed disclosures which relate to financing arrangements;

(d) terms and conditions of the arrangement - disclosure the terms and conditions of each SFA could be burdensome, not necessarily relevant and conflict with confidentiality agreements. EFRAG suggested disclosure of the ‘relevant’ terms and conditions of each SFA;

(e) accounting policy disclosures - EFRAG suggested the IASB to provide guidance to entities regarding disclosure of their accounting policies about SFAs in addition to general requirement in IAS 1 for entities to disclose material accounting policies;

(f) to clarify whether the range of payment due dates in accordance with paragraph 44H(b)(iii) of the ED refer to payment due date to the finance provider or payment due date to the supplier;

(g) to amend paragraph 44H(a) of the ED to highlight that the materiality principle and the usefulness of information are the leading ones when reporting for SFAs;

(h) to clarify the usage of the term ‘financial liability’ when applied to SFAs;

(i) to consider elevating the explanation in paragraph BC19 of the ED into the proposed amendments of IAS 7 in order to clarify that to the extent finance providers act as a paying agent on the entity’s behalf the entity would be able to obtain this information from its paying agent.

54 EFRAG observed that information about the carrying amounts of financial liabilities that are part of a SFAs for which suppliers have already received payment from finance providers might not be available to entities in all cases or require incurring additional costs. EFRAG recommended that the proposed disclosure requirement in paragraph 44H(b)(ii) to only require such disclosure when information is available without due costs and efforts.

<u>Level of aggregation</u>

55 EFRAG noted that the disclosure requirement in paragraph 44I of the ED lacked clarity and might result in providing excessive detail. Alternatively, EFRAG suggested the IASB to require entities to disclose aggregated information (when terms and conditions are similar) and require disaggregation at the level of a single arrangement when it is necessary in order to provide relevant information.

IASB tentative decisions

56 The IASB tentatively decided:

(a) **For the disclosure objective**:

(i) to add a reference to liquidity risk;

(ii) to make no change to add a reference to ‘materiality’ or to the effects of supplier finance arrangements on an entity’s financial performance; and

(iii) to proceed with requiring an entity to disclose information investors can use to calculate effects, rather than requiring the entity to disclose the effects;

(b) **For the level of aggregation** - to require an entity to aggregate information provided about its SFAs and to disaggregate information - if required - to avoid omitting or obscuring material information;

(c) **For disclosure of the terms and conditions** - to make no change to the proposal to require an entity to disclose the terms and conditions, and, in particular, to make no change to add the word 'key' to the proposal;

(d) **For disclosure of the carrying amount and presentation of financial liabilities that are part of SFAs**:

  (i) for the statement of financial position - to clarify that if the carrying amount of financial liabilities that are part of SFAs is presented in more than one line item, an entity would be required to disclose each line item and the associated carrying amount presented in that line item; and

  (ii) for the statement of cash flows - to add no requirement for an entity to disclose the line item(s) in which changes in financial liabilities that are part of SFAs are presented;

(e) **For disclosure of the range of payment due dates** - to clarify that when an entity discloses the range of payment due dates of financial liabilities that are part of a SFA and trade payables that are not part of such an arrangement, the financial liabilities and trade payables should be on a comparable basis; and

(f) **For comparative information** - to proceed with the proposal to require an entity to disclose quantitative information at the beginning and end of each reporting period.

(g) The IASB tentatively decided to proceed with requiring an entity to disclose the carrying amount of financial liabilities that are part of SFAs for which suppliers have already received payment from the finance providers.

Examples to existing disclosure requirements in IAS 7 and IFRS 7

ED proposals

<u>Amendments to IAS 7</u>

57 Changes in liabilities arising from financing activities – paragraph 44B(da) of the ED:

'*To the extent necessary to satisfy the requirement in paragraph 44A, an entity shall disclose the following changes in liabilities arising from financing activities:*

(da) non-cash changes arising from supplier finance arrangements (as described in paragraph 44G), for example when future cash outflows will be classified as cash flows from financing activities;'

<u>Amendments to IFRS 7</u>

58 Quantitative liquidity risk disclosures paragraph B11F of the ED:

'Other factors that an entity might consider in providing the disclosure required in paragraph 39(c) include, but are not limited to, whether the entity:

a) has committed borrowing facilities (e.g., commercial paper facilities) or other lines of credit (e.g., stand-by credit facilities or supplier finance arrangements (as described in paragraph 44G of IAS 7)) that it can access to meet liquidity needs;

j) has supplier finance arrangements (as described in paragraph 44G of IAS 7) that provide the entity with extended payment terms or that provide the entity's suppliers with early payment terms.'

IASB respondents' feedback

59 Most respondents agreed with the proposals to amend IAS 7 and IFRS 7 for the reasons explained in the ED.

<u>Amendments to IAS 7</u>

60 Many respondents raised questions about the applicability of the non-cash changes example to operating cash flows. These respondents commented that paragraph 44B(da) focuses only on the effect of SFAs on the changes in liabilities arising from financing activities and that paragraph either is unclear about, or explicitly excludes, the corresponding effect on changes in liabilities arising from operating activities.

<u>Amendments to IFRS 7</u>

61 Some respondents raised concerns that:

(a) the proposed amendments to paragraph B11F would result in no change in disclosure practices because of the way the amendment is worded – paragraph B11F refers to an entity's SFAs as one of a number of 'other factors' that an entity 'might consider' in providing disclosures;

(b) the proposed amendments to paragraph B11F(a) incorrectly imply that all SFAs are 'other lines of credit' or are similar to credit facilities or akin to loans, which may not always be the case.

62 Some respondents suggested that the IASB provided clarifications:

(a) whether the proposed amendments to paragraph IG18 would require disclosure of a 'whole chain' of finance providers involved in an SFA; and

(b) explicitly require disclosure of concentrations of risk arising from owing amounts to a specific supplier finance provider or providers and be more specific about information to be disclosed such as numbers and names of finance providers and any factoring limits.

EFRAG comment letter

63 EFRAG agreed with the IASB proposal to add SFAs as an example in paragraph 44B of IAS 7. This disclosure would emphasise that such disclosures are relevant for users to obtain better information about changes in liabilities arising from financing activities under SFAs.

64 EFRAG further suggested that the IASB include a cross-reference between paragraph 44F and paragraph 44B(da) of the ED as non-cash information is key for understanding changes in the statement of cash flows.

65 EFRAG agreed with the IASB proposal to add an example within the liquidity risk disclosure requirements in IFRS 7. This proposed disclosure would emphasise that such information is relevant for users to better assess the effects of SFAs on an entity's exposure to liquidity risk and its risk management.

66 However, EFRAG observed that the concentration of liquidity risk might vary and recommended the IASB consider adding an explicit proposal that would require disclosure of concentration of risk to specific supplier finance provider(s) instead of supplier finance arrangements in general.

IASB tentative decisions

67 The IASB tentatively decided against proceeding with the proposed amendments to add SFAs as example within the disclosure requirements about changes in liabilities arising from financing activities in paragraph 44B of IAS 7.

68 The IASB also tentatively decided against proceeding with the proposed amendments to add SFAs as an example within the disclosure requirements about liquidity risk in paragraph B11F(a) of IFRS 7.

69 The IASB tentatively decided to proceed with the proposed amendments to paragraphs B11F(j) and IG18 of IFRS 7 - without making those proposed amendments more prescriptive.

70 Appendix 1 provides a summary of other comments received by the IASB on the ED's proposals.

EFRAG Secretariat analysis

SFA project approach

71 EFRAG Secretariat observes that the IASB tentatively decided to keep its initial approach to the SFA project as laid out in the ED. The IASB decided to keep the narrow scope of the project (disclosure-only project) and not to expand it by including presentation and classification of these arrangements in the statement of financial position, liquidity risk disclosures and relevance of the statement of cash flows in general.

72 While EFRAG's recommendations on the project approach were not fully met by the IASB tentative decisions on project approach. EFRAG Secretariat notes that in July 2022, the IASB:

(a) added to its research pipeline a project on the statement of cash flows and related matters;

(b) added to its pipeline a project to review matters about amortised cost measurement that were identified through the *Post-Implementation Review of IFRS 9 Classification and Measurement*. This project will consider, among other matters, modifications of financial assets and liabilities; and

(c) continued to redeliberate proposals in the Exposure Draft General Presentation and Disclosures including to improve how information is communicated in the financial statements, with a focus on the statement of profit or loss.

Scope of SFAs project

73 In its comment letter, EFRAG constructively supported the IASB's project on SFA to timely enhance the transparency of reporting of supplier finance arrangements (i.e., to focus the project on the proposed disclosures as detailed in the ED) which would ensure that users receive the information they need for supplier finance arrangements in a timely manner.

74 EFRAG also supported a narrow-scope project to develop specific disclosure requirements for SFAs.

75 EFRAG Secretariat agrees with the IASB's tentative decision not to further restrict the scope as suggested by many respondents to the consultation as this will limit the investors' access to a broad range of SFAs and their effects on an entity's financial position, cash flows and exposure to liquidity risk.

76 EFRAG Secretariat observes that the IASB tentatively decided not to amend the description of SFA by elevating paragraph BC8 of the ED as suggested by EFRAG. EFRAG Secretariat acknowledges that the proposed description of an SFA already includes the key elements of paragraph BC8 of the ED.

Disclosure objective and requirements

77 Regarding the proposed disclosure requirements for SFAs, EFRAG Secretariat observes that some of the points suggested by EFRAG have been taken into account by the IASB, including:

(a) to add a reference to liquidity risk – in order to improve the disclosure objective by referring to an entity's exposure to liquidity risk and risk management;

(b) a level of aggregation – requiring an entity to aggregate information about its SFAs, would help to mitigate respondents' concerns that an entity might otherwise have been required to disclose commercially sensitive information about its trade terms with individual suppliers;

(c) disclosure of the carrying amount and presentation of financial liabilities that are part of SFAs – to clarify that if the carrying amount of financial liabilities that are part of SFAs is presented in more than one line item, an entity would be required to disclose each line item and the associated carrying amount presented in that line item;

(d) disclosure of the range of payment due dates – to clarify that when an entity discloses the range of payment due dates of financial liabilities under SFAs and trade payables that are not part of SFA, the financial liabilities and trade payables should be on a comparable basis.

78 However, some points have been rejected for the following reasons:

(a) a reference to 'materiality' – the IASB's view is that materiality is a pervasive concept in IFRS Accounting Standards and the IASB tentatively decided in October 2022 not to include a reference to paragraph 31 of IAS 1 at the beginning of the disclosure section of each IFRS Accounting Standard;

(b) financial performance – feedback from investors suggested no specific need for the IASB to develop disclosure requirements about the effects of SFAs on an entity's financial performance;

(c) disclosure of the terms and conditions – to make no change to the original proposals as detailed in the ED;

(d) to disclose the carrying amount of financial liabilities that are part of SFAs for which suppliers have already received payment from the finance providers – based on feedback, this information is important for investors. Without this data, the package of information about SFAs would be incomplete and fail to fully satisfy the disclosure objective.

Question for EFRAG FR TEG

79 Does EFRAG FR TEG have any question or comments on the IASB's tentative decisions on the *Supplier Finance Arrangements* project?

Appendix 1: Other comments received by the IASB on the SFAs project

Respondents suggestions	**IASB staff analysis and recommendations**
Require disclosure about an entity's accounting policies and its assumptions and judgements for its arrangements	No change recommended because paragraphs 117-122 of IAS 1 *Presentation of Financial Statements* already require disclosure of material accounting policy information and the most significant judgements (apart from those involving estimations) that the entity has made in the process of applying its accounting policies.
Develop illustrative examples or educational material to assist entities in applying requirements related to SFAs	The illustrative reconciliation of liabilities arising from financing activities currently includes long-term borrowings and lease liabilities. These labels do not suggest that the liabilities include those that are part of SFAs and it is unnecessary to explicitly state so.
Consider amending IAS 2 *Inventories* to clarify how an entity applies the term 'normal credit terms'	No change recommended because such an amendment would go beyond the narrow scope of this project about an entity's SFAs.
Consider the interactions of this project with related projects such as the Exposure Draft *Disclosure Initiative - Targeted Standards-level Review of Disclosures* and ongoing deliberations on the *Primary Financial Statements* project	The interaction with these projects has been considered in the SFAs project.
Consider the US Financial Accounting Standards Board's (FASB) project on *Disclosure of Supplier Finance Program Obligations*	In September 2022, the FASB issued Accounting Standards Update (ASU) 2022-04 – *Liabilities - Supplier Finance Programs* (*Subtopic 405-50): Disclosure of Supplier Finance Program Obligations* (FASB ASU).

Source: IASB November 2022 meeting – Agenda Paper 12F