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ED – *Supplier Finance Arrangements*

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Dear Andreas,

EFFAS' Commission on Financial Reporting ("Commission", "we") would like to share with you its views on the IASB's Exposure Draft on *Supplier Finance Arrangements* ("ED").

Following the revision and discussion of the Exposure Draft, the Commission would like to address the following points.

Q-1.- Scope of disclosures requirements

We agree that the ED describes the characteristics of the arrangement instead of defining a supplier finance arrangement. Disclosing the characteristics of the arrangement should be sufficient to understand the terms and conditions of the agreement. We agree with paragraph 44B and consider paragraph 44D illustrative of the reconciling information that the arrangements should depict.

Regarding paragraph 44G, we would like to note that based on BC5, additional information would be desirable. This information should provide further clarity of the terms and conditions of the different types of arrangements.

Q- 2.- Disclosure objectives and disclosure requirements

We agree with the proposals as depicted in the ED. We also consider that providing information that permits users to reconcile terms and conditions for each supplier finance agreement from the beginning to the end of the reporting period is very useful.

An entity should be able to aggregate information needed to meet its disclosure objectives for different arrangements when the terms and conditions of those arrangements are similar. However, it would be helpful to provide an example of what 'similar' means in this context. It should be ensured that entities describe the arrangements using the same principles and that the language and terminology used has the same meaning for everyone. As noted, providing relevant disclosures will be appropriate for users.

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Q-3.- Examples added to disclosure requirements

The Commission agrees with the approach presented in BC14 providing guidance when developing disclosure proposals. We agree that requiring information of how supplier finance arrangements affect an entity's labilities and cash flow is useful information for users.

Moreover, to properly understand cash flow movements an entity should report both cash-outflows and cash-inflows unless the no reporting of cash-inflow implies that a non-cash change in liabilities has occurred arising from financing activities.

The commission supports the ED proposal.

If you would like to further discuss the views expressed in this letter, please contact us.

Yours sincerely,

Javier de Frutos, Chairman
On behalf of EFFAS Commission on Financial Reporting

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