23 July 2021 FASB | IASB Joint Education Meeting FASB Agenda Ref 27A IASB Agenda Ref 27A



## Disclosure of Supplier Finance Programs Involving Trade Payables

James Starkey, Supervising Project Manager

July 23, 2021

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## **Purpose of the Session**

- The purpose of the session is for the Boards to discuss the work undertaken to date, and recent tentative decisions made, on their respective projects on supplier finance.
- The staffs will provide a summary of each project before turning it over to the Boards for discussion.



## **FASB Project Timeline**

**FASB FASB** Agenda meeting request meeting Project added to the technical Big 4 firms submitted agenda request on disclosure and agenda to develop disclosure cash flow statement requirements related to disclosures presentation supplier finance programs involving trade payables Q4 2019 - Q3 2020 Q4 2020 Q1 2021 Q2 2021 Pre-Agenda Research Outreach and development of

Users had a range of views on presentation

Most users asked for disclosure of quantitative and qualitative information including:

- Program terms
- Description of financial statement presentation
- Risks of the program
- · A rollforward of the amount paid early to suppliers
- · Payment terms for participating suppliers
- Maximum size of the program

Met with the Board to discuss key attributes and potential

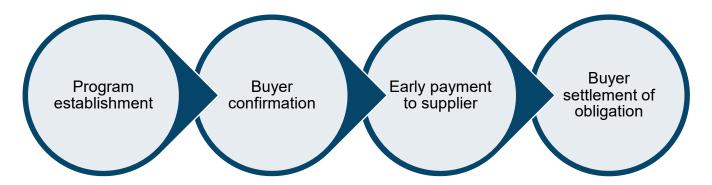
recommendations

Outreach with finance providers, preparers (buyers), and practitioners to understand the contractual structure of the programs and obtain feedback on:

- The key attributes of a program
- Information that companies monitor about overall payment terms
- Potential disclosures



### **Finance Provider Outreach**



- The staff conducted outreach with finance providers to understand the contractual structure of supplier finance programs and the information available to the buyer. Based on that outreach, the staff identified the key attributes of these programs.
- The staff shared certain key attributes (e.g., buyer confirmation) and potential disclosures with preparers and practitioners for feedback. Potential disclosures included:
  - Qualitative: Program nature and terms; presentation in balance sheet and cash flow statement
  - Quantitative: Rollforward of amounts owed to finance providers (both confirmed and paid early);
    average payment term for participating suppliers



## **Preparer & Practitioner Outreach**

#### **Observations on Key Attributes**

- Focusing only on contractual terms such as the buyer's confirmation could unintentionally scope-in other arrangements
- A more general description of the key attributes could give more flexibility to identify the programs
- Some suggested a broader approach including all "trade and other payables"

# Observations on Potential Disclosures

- Amount confirmed by buyer is known and relatively easy to access, but rollforward format may be confusing
- Amount paid early by finance provider is more challenging to access
- Preparers require more guidance to calculate average payment term



#### **Recent Board Discussions**

- Scope—describe the overall program and use certain contractual terms as indicators, rather than a prescriptive approach based only on buyer confirmation
- Disclosures—require the buyer to disclose the following:
  - The key terms of the program as identified by management
  - The amount confirmed by the buyer outstanding at period end and a description of where that amount is presented in the balance sheet
- Next steps—perform incremental outreach with users on the disclosure of a rollforward of the amount confirmed by the buyer

