

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

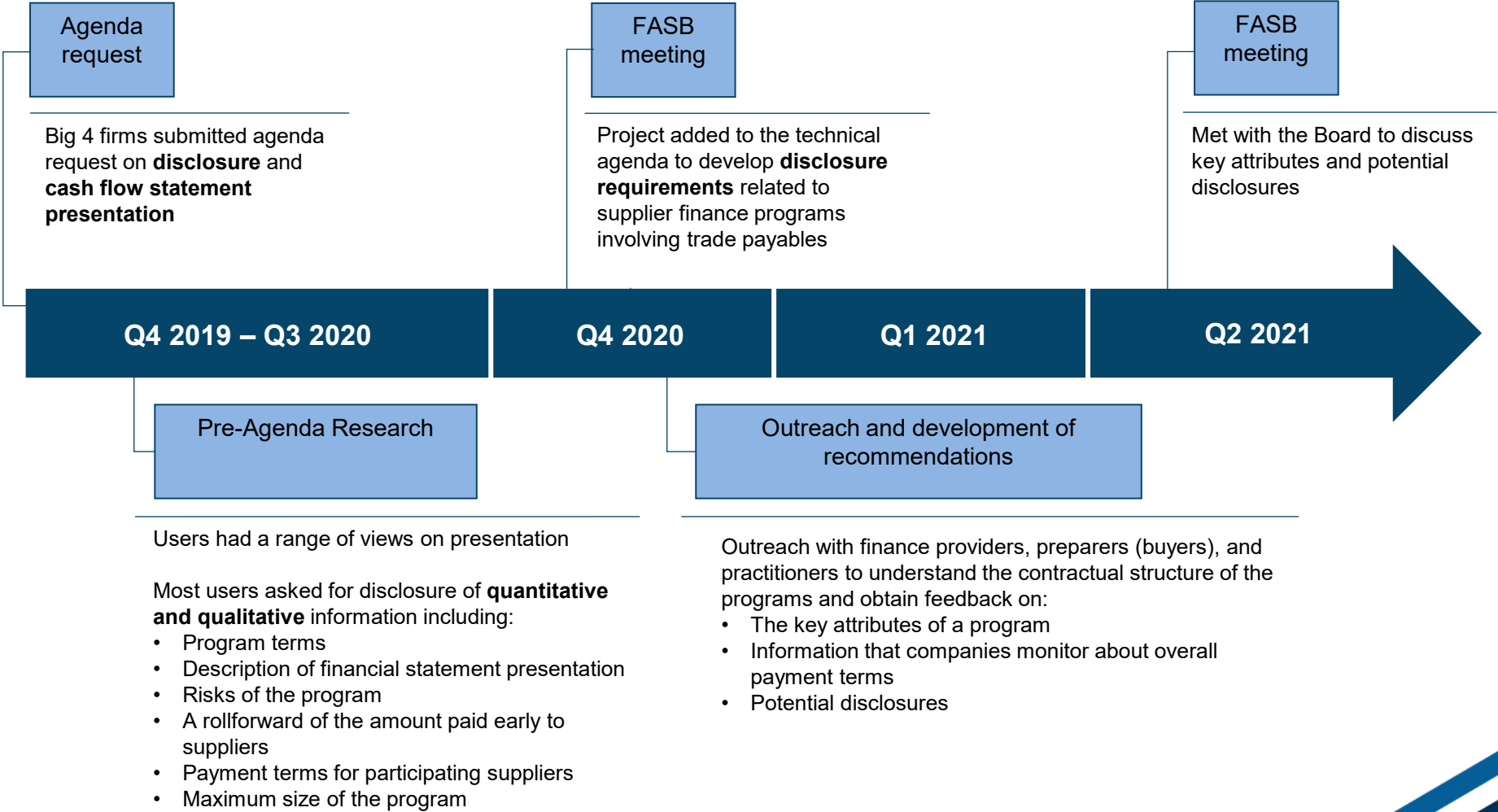
July 23, 2021

This presentation has been prepared for discussion at a public educational meeting of the US Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB). It is not intended to represent the views of the boards or any individual member of either board or the staff. Comments on the application of IFRS® Standards or US GAAP do not purport to set out acceptable or unacceptable application of IFRS Standards or US GAAP. Tentative technical decisions are made in public and reported in FASB Action Alert or in IASB Update. Official positions of the FASB or the IASB are determined after extensive due process and deliberations.

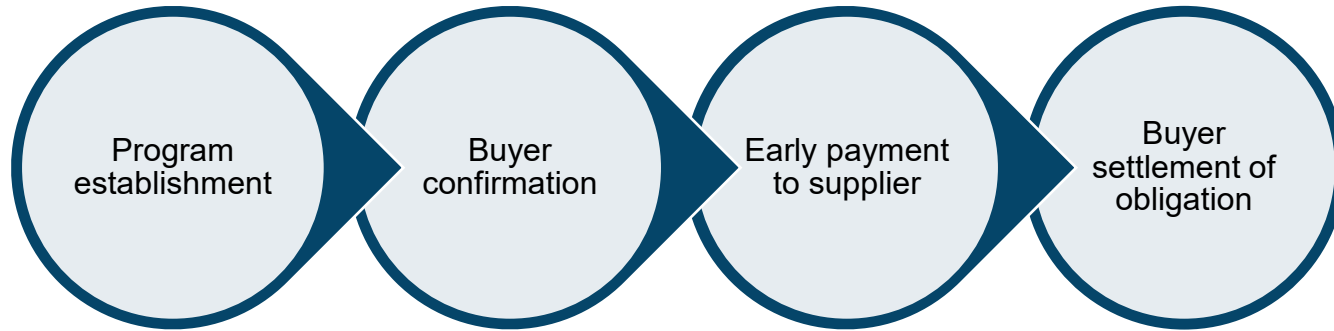
Purpose of the Session

- 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



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