

## STAFF PAPER

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## IASB Meeting

Project	Supplier Finance Arrangements		
Paper topic	Sweep issue		
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**Background and objective**

1. In July 2021, the Board gave staff permission to begin the balloting process for the Exposure Draft *Supplier Finance Arrangements*, which proposes to amend IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* (see [July 2021 Agenda Paper 12B](#)). At its June 2021 meeting, the Board tentatively decided on the package of disclosure objectives and requirements that it would propose to add to IAS 7 and IFRS 7 (see [June 2021 Agenda Paper 12A](#)).
2. The purpose of this paper is to consider a sweep issue that has arisen during the drafting of the proposed amendments. Specifically, we are asking the Board whether it agrees with our recommendation to add a requirement for an entity to disclose, as at the beginning and end of the reporting period, the line item(s) in the statement of financial position in which the entity presents the carrying amount of financial liabilities that are part of a supplier finance arrangement.
3. This paper is structured as follows:
  - (a) Disclosure scope, objective and requirements (paragraphs 4-5);
  - (b) Staff analysis and recommendation (paragraphs 6-8); and
  - (c) Question for the Board (page 4)

## Disclosure scope, objective and requirements

4. In June 2021, the Board made tentative decisions to propose amendments to IAS 7 to:
- (a) describe supplier finance arrangements in a manner that captures the characteristics of such arrangements that give rise to particular information needs of users of financial statements;
  - (b) add a disclosure objective for an entity to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows;
  - (c) complement current requirements in IFRS Standards, as explained in the December 2020 Agenda Decision [\*Supply Chain Financing Arrangements—Reverse Factoring\*](#), by adding requirements for entities to disclose:
    - (i) the terms and conditions of each supplier finance arrangement;
    - (ii) for each arrangement, as at the beginning and end of the reporting period:
      - (1) the carrying amount of financial liabilities that are part of the arrangement;
      - (2) the carrying amount of financial liabilities disclosed under (1) for which suppliers have already received payment from the finance providers;
      - (3) the range of payment due dates (for example, 30 to 40 days after the invoice date) of financial liabilities disclosed under (1); and
    - (iii) 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.
5. The Board also tentatively decided to propose adding supplier finance arrangements as an example within the liquidity risk disclosure requirements in IFRS 7.

## Staff analysis and recommendation

6. The proposed amendments to IAS 7 include a requirement for an entity to disclose, as at the beginning and end of the reporting period, the carrying amount of financial liabilities that are part of a supplier finance arrangement (see paragraph 4(c)(ii)(1) of this paper). If an entity does not present separately in its statement of financial position financial liabilities that are part of a supplier finance arrangement – for example, it presents those liabilities within ‘trade and other payables’ or ‘other financial liabilities’ – users of financial statements may find it difficult to assess the effects of the arrangement on the entity’s liabilities and cash flows.
7. Because entities—applying IAS 1 *Presentation of Financial Statements*—might present liabilities that are part of a supplier finance arrangement within different line items, we understand that users of financial statements would benefit from an entity identifying where (that is, in which line item(s)) in its statement of financial position the entity presents those financial liabilities. At the June 2021 Board meeting, some Board members also observed the need for users of financial statements to be able to link the disclosure of the carrying amounts of financial liabilities that are part of a supplier finance arrangement to amounts presented in an entity’s statement of financial position.
8. We therefore recommend that, to meet the disclosure objective specified in the proposed amendments, the Board propose to require an entity to disclose, as at the beginning and end of the reporting period, the line item(s) in the statement of financial position in which the entity presents the carrying amount of financial liabilities that are part of a supplier finance arrangement.

**Question for the Board**

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Does the Board agree with the staff recommendation to add to the proposals a requirement for an entity to disclose, as at the beginning and end of the reporting period, the line item(s) in the statement of financial position in which the entity presents the carrying amount of financial liabilities that are part of a supplier finance arrangement?