



IFRS® Foundation

Supplier Finance Arrangements

Capital Markets Advisory Committee

Agenda Paper 4

March 2022

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Exposure Draft *Supplier Finance Arrangements*

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Exposure Draft *Supplier
Finance Arrangements*

Investors' Information Requirements

Balance Sheet Adjustments

- Adjust a company's balance sheet for the effects of supplier finance arrangements

Liquidity Risk

- Understand how supplier finance arrangements have changed a company's liquidity risk, particularly through concentration and increased usage

Cash Flows

- Enable adjustments to operating cash flows based on changes in supplier finance arrangement usage to separate out organic vs. arrangement-led cash flows

Proposed disclosure objective and requirements to be added to IAS 7

Disclosure objective: To enable investors to assess the effects of supplier finance arrangements on a company's liabilities and cash flows.

A company would be required to disclose:

- (a) the terms and conditions of each supplier finance arrangement.
- (b) as at the beginning and end of the reporting period:
 - i) the carrying amount of financial liabilities recognised in the company's statement of financial position that are part of each supplier finance arrangement and the line item(s) in which they are presented;
 - ii) the carrying amount of the financial liabilities disclosed under i) for which suppliers have already received payment from the finance providers;
 - iii) the range of payment due dates of financial liabilities disclosed under i); and
 - iv) the range of payment due dates of trade payables that do not form part of a supplier finance arrangement.

A company would be permitted to aggregate the information for different arrangements when the terms and conditions are similar.

A company would be required to disclose additional information about its supplier finance arrangements if necessary to meet the disclosure objective.

A grayscale world map is the background of the slide. Overlaid on the map are several thick, light gray curved lines that sweep across the continents. Additionally, there are several dotted lines that form a grid-like pattern across the map, intersecting the curved lines.

Feedback thus far

Report of feedback received to date

- Feedback is preliminary and at an early stage
- Early themes include:
 - General agreement with project objective
 - Some comments focusing on:
 - The description of supplier finance arrangements
 - The level of detail in the proposed disclosure requirements
 - Requests to expand scope of the project to address presentation and classification in statement of cash flows

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Questions to CMAC Members

Tell us what you think

- Do you have any questions on the IASB's supplier finance arrangements proposals?
- Do you have new or different comments or insights on whether the proposed disclosures would enable investors to assess the effects supplier finance arrangements have on a company's liabilities and cash flows?

The proposals are open for comment until **28 March 2022**

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