



IFRS® Foundation

Supplier Finance Arrangements

What is being proposed

Global Preparers Forum

Agenda Paper 1
March 2022

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Exposure Draft *Supplier Finance Arrangements*

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Background

In November 2021, the IASB published the **Exposure Draft *Supplier Finance Arrangements***

The Exposure Draft sets out the IASB's proposal for new disclosure requirements about supplier finance arrangements.

Purpose of session

- Provide an overview of the Exposure Draft
- Allow GPF members to ask questions and share views on the IASB's proposals

A grayscale world map is centered in the background. Overlaid on the map are several thick, light gray curved lines that sweep across the frame from the bottom left towards the top right. A network of thin, dotted lines is also visible, connecting various points across the map, suggesting a global network or data flow.

Background

Background – IASB Activities

Questions to IFRIC (IFRS Interpretations Committee)

How does a company present liabilities to which reverse factoring arrangements relate?

What information about reverse factoring arrangements is a company required to disclose in its financial statements?

Outcomes (Interpretations Committee & IASB)

Presentation

Current standards allow for a variety of treatments on balance sheet depending on circumstances

Disclosure

Current disclosures around liquidity risk and non-cash transfers on cash flow statement
Targeted IASB project on improving disclosures

The ED *Supplier Finance Arrangements* does not cover

Arrangements that finance receivables or inventories

Classification and presentation in the statements of financial position and cash flows

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 frame from the bottom left towards the top right. A network of thin, dotted white lines is also visible, connecting various points across the map, suggesting a global or interconnected theme.

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

What is a 'supplier finance arrangement'?

A supplier finance arrangement is characterised by one or more finance providers offering to pay amounts a company owes its suppliers and the company agreeing to pay the finance providers at the same date as, or a date later than, suppliers are paid. These arrangements provide the company with extended payment terms, or the company's suppliers with early payment terms, compared to the related invoice payment due date. Supplier finance arrangements are often referred to as supply chain finance, payables finance or reverse factoring arrangements.

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.

Example of *quantitative* information

Annual financial statements for the reporting period ended 31 December 20X1

For each supplier finance arrangement

	At 31 December 20X0	At 31 December 20X1
Carrying amount of liabilities part of the arrangement		
Presented in 'trade and other payables'	CU1,000	CU1,500
- of which suppliers have been paid by finance providers	CU800	CU1,050
Range of payment due dates		
Liabilities that are part of the arrangement	80-90 days after invoice date	85-90 days after invoice date
Trade payables that are not part of an arrangement	60-65 days after invoice date	60-70 days after invoice date



Questions for GPF members

Tell us what you think

- Do you think the description of supplier finance arrangements adequately reflects the characteristics of supplier finance arrangements you see in practice?
- Do you agree with the proposed disclosure objective?
- Do you think the proposed disclosures would be effective in achieving the disclosure objective?
- Is the information to populate the proposed disclosures readily available or could be made available before the effective date of any final amendments?

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

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