

Meeting Notes—GPF Meeting

The Global Preparers Forum (GPF) held a hybrid meeting on 11 March 2022, broadcast from the London offices of the International Accounting Standards Board (IASB).

Members discussed:

- Supplier Finance Arrangements (paragraphs 1–9)
- Non-current Liabilities with Covenants (paragraphs 10–19)
- IASB and IFRS Interpretations Committee update (paragraph 20–21)

Supplier Finance Arrangements

Purpose of the session

1. The purpose of this session was to provide GPF members with an overview of the IASB's Exposure Draft *Supplier Finance Arrangements* and ask for preliminary feedback from members.
2. The staff asked whether GPF members:
 - a. think the description of supplier finance arrangements adequately reflects the characteristics of supplier finance arrangements they see in practice;
 - b. agree with the proposed disclosure objective;
 - c. think the proposed disclosures would be effective in achieving the disclosure objective; and
 - d. agree that the information necessary to populate the proposed disclosures is readily available (or could be made available) to preparers before the effective date of any final amendments.

Feedback on the proposals

3. A few GPF members said if the IASB adds specific disclosure requirements for each type of arrangement or every time a new reporting problem arises, it may lead to disclosure overload and unnecessary cost. Some members said the issued disclosure requirements are sufficient, for example, those in IFRS 7 *Financial Instruments: Disclosures*.
4. One GPF member said the IASB has taken a flexible and pragmatic approach with the proposals. That member expects that larger companies will be able to obtain the proposed information from their IT systems or from the finance provider involved in the supplier finance arrangement.
5. One GPF member suggested a precise definition, rather than a description, of a supplier finance arrangement.
6. One GPF member said the disclosure objective is too broad and would require an entity to assess the usefulness of information for third-party investors.
7. Some GPF members suggested that the IASB reconsider the disclosure's level of aggregation to avoid asking for an unnecessary volume of information.
8. Some GPF members expressed concern about their knowledge of, and ability to obtain, information about whether suppliers have received early payment from finance providers.

Next steps

9. The staff will consider GPF members' comments together with the feedback on the Exposure Draft and present a summary to the IASB.

Non-current Liabilities with Covenants

10. The purpose of this session was to seek GPF members' views on the Exposure Draft *Non-current Liabilities with Covenants*, which proposes amendments to IAS 1 *Presentation of Financial Statements*. The staff provided an overview of the Exposure Draft before asking members whether they agreed with the IASB's proposals on:
 - a. *classification of liabilities as current or non-current*—only covenants with which an entity must comply on or before the reporting date would affect a liability's classification as current or non-current.
 - b. *separate presentation*—an entity would be required to present separately in its statement of financial position non-current liabilities subject to compliance with covenants within 12 months after the reporting date.
 - c. *disclosure of information about covenants*—an entity would be required to disclose information that enables investors to assess the risk that the liability could become repayable within 12 months, including:
 - i. the covenants (their nature and the date on which the entity must comply with them);
 - ii. whether the entity would have complied with the covenants at the reporting date; and
 - iii. whether and how the entity expects to comply with the covenants in the future.

Overall agreement

11. GPF members welcomed the IASB's decision to propose amendments to IAS 1 in response to stakeholders' concerns about the outcomes of applying *Classification of Liabilities as Current or Non-current* (the amendments to IAS 1 issued in January 2020).

Classification of liabilities as current or non-current

12. GPF members supported the IASB's proposals on the classification of liabilities as current or non-current. One GPF member said entities should be allowed to consider waivers obtained after the reporting date when classifying a liability as current or non-current.

Separate presentation of non-current liabilities with covenants

13. GPF members generally said it was unnecessary to require separate presentation of non-current liabilities with covenants in the statement of financial position. One GPF member said it may be costly to obtain the information required for separate presentation, and disclosing that information in the notes would be enough. Another GPF member said entities should apply judgement in determining whether separate presentation is necessary based on their particular circumstances.

Disclosure of information about covenants in the notes

14. One GPF member said disclosing information about covenants was a legitimate request from investors. However, that member asked whether the proposals would require an entity to

provide information even when the risk of a breach is remote, saying the disclosures would be too extensive if that was the case. Another GPF member said disclosure is unnecessary unless there is a risk of non-compliance—entities should provide information only when it is useful for investors.

15. One GPF member said that entities consider compliance with covenants when assessing their ability to continue as a going concern, and that information about covenants might be relevant in that context.
16. A few GPF members expressed concerns about the requirement to disclose whether the entity expects to comply with the covenants in the future. One GPF member said such disclosure could create litigation risk.
17. One GPF member said it was unclear how an entity should assess whether it would comply with non-financial and cumulative performance conditions at the reporting date.

Other aspects of the proposals

18. One GPF member said it might be impracticable for entities to apply the proposals retrospectively without using hindsight.

Next steps

19. The staff will consider GPF members' comments together with the feedback on the Exposure Draft and present a summary to the IASB.

IASB and IFRS Interpretations Committee Update

20. The GPF members received a summary of the IASB's current workplan, including an update on the Goodwill and Impairment project, a summary of the conclusions on the Post-implementation Review of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* and an updated summary of the feedback on the Third Agenda Consultation.
21. The GPF members received an update on the November 2021 and February 2022 meetings of the IFRS Interpretations Committee. Details of these meetings were published in the IFRIC Update November 2021 and IFRIC Update February 2022.

Next meetings

22. The next GPF meeting will be held jointly with CMAC on 16–17 June 2022.