IFRS Accounting

Staff paper

Agenda reference: 12D

IASB® meeting

Date	**July 2026**
Project	**Updates to Agenda Decisions for IFRS 18**
Topic	**Reverse Factoring Agenda Decision**
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Introduction and objective

1. In November 2025, the IFRS Interpretations Committee (Committee) decided to recommend to the International Accounting Standard Board (IASB) to withdraw the agenda decision *Supply Chain Financing Arrangements—Reverse Factoring* (reverse factoring agenda decision). In January 2026 meeting, the IASB:

    (a) deferred a decision on whether to agree with the Committee's recommendation to a future meeting; and

    (b) decided to undertake targeted outreach to identify any specific accounting matters that might arise from the recommended withdrawal of the reverse factoring agenda decision.

2. The purpose of this meeting is to ask the IASB whether it agrees with our recommendation to withdraw the reverse factoring agenda decision.

Structure of this paper

3. This paper includes:

    (a) background;

    (b) results of targeted outreach;

(c) staff analysis and recommendations; and

(d) question for the IASB.

Background

4. The reverse factoring agenda decision responds to the questions:

   (a) how an entity presents liabilities to pay for goods or services received when the related invoices are part of a reverse factoring arrangement; and

   (b) what information about reverse factoring arrangements an entity is required to disclose in its financial statements.

5. To address these questions, the agenda decision includes explanatory material about the requirements in IFRS Accounting Standards that apply to:

   (a) presentation in the statement of financial position;

   (b) derecognition of a financial liability;

   (c) presentation in the statement of cash flows; and

   (d) notes to the financial statements.

6. The IASB asked the Committee to consider how an entity applies the requirements in IFRS 18 *Presentation and Disclosure in Financial Statements* to the fact pattern addressed by the reverse factoring agenda decision. The Committee discussed the IASB's request at its June 2025 meeting and published proposed updates to the reverse factoring agenda decision as part of a package of proposed updates to a number of agenda decisions. The comment period ended on 6 October 2025.

7. At its meeting in November 2025, the Committee discussed feedback on the proposed updates to the reverse factoring agenda decision. The Committee considered whether it could respond to the concerns raised by respondents by making some changes to the proposed updates. However, the Committee noted:

(a) the 2023 Amendments *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7) (the SFA amendments) include disclosure requirements that apply to supplier finance arrangements (reverse factoring arrangements) and respond to concerns the submitter identified in relation to disclosure of information about reverse factoring arrangements.

(b) in respect of classification and presentation, the original agenda decision includes helpful explanatory material. The Committee noted that:

(i) the possible updated agenda decision would also include helpful explanatory material that entities would be required to consider when determining the appropriate classification and presentation. However, the possible updates—particularly to the section on 'Presentation in the statement of financial position' would refer more generally to requirements in IFRS 18 without specifically explaining the application of those requirements to reverse factoring arrangements.

(ii) additional and more specific analysis (and explanatory material) might be needed to help stakeholders better understand and apply—in the context of reverse factoring arrangements—the requirements in IFRS 18. Particularly, how requirements about the roles of the primary financial statements, principles of aggregation and disaggregation and characteristics of items work together when an entity makes its judgement to determine which line items to present in its statement of financial position and statement of cash flows. Adding such additional explanatory material would require significant additional resources from the Committee to develop such material and from our stakeholders to comment on the Committee's work. Also, such additional material risks adding content that goes beyond what the Committee originally considered (for example, by including additional explanatory material about how the general requirements in IFRS 18 interact with the requirements of IAS 7).

(c) The Committee did not have evidence to date of whether entities will have differing interpretations of the application of the requirements in IFRS 18 to reverse factoring arrangements.

8. Consequently, on balance the Committee decided to recommend that the IASB withdraw this agenda decision. The Committee observed that if stakeholders identify diversity in applying the requirements in IFRS 18 in the context of reverse factoring arrangements, they can submit a question to the Committee.

9. The IASB discussed the Committee's recommendation at its January 2026 meeting. At that meeting, the IASB did not disagree with the Committee's recommendation to withdraw the agenda decision for the reasons considered by the Committee. However, some IASB members asked whether withdrawing the reverse factoring agenda decision might negatively affect consistent application of requirements that the reverse factoring agenda decision facilitated. On that basis, the IASB decided to:

(a) defer reaching a decision on whether to withdraw the reverse factoring agenda decision to a future meeting; and

(b) undertake targeted outreach to identify any specific accounting matters that might arise from the recommended withdrawal of the reverse factoring agenda decision.

Results of targeted outreach

Purpose and approach

10. The purpose of our targeted outreach was to identify application questions—whether related to IFRS 18 or other IFRS Accounting Standards—specific to reverse factoring arrangements that might arise upon withdrawal of the reverse factoring agenda decision.

11. We decided to perform targeted outreach with members of the Committee and its official observers. As the Committee's webpage notes, Committee members provide

the best available technical expertise and diversity of international business and market experience relating to the application of IFRS Accounting Standards.

12. In particular, we asked Committee members and observers to help us identify application questions:

(a) that would arise from:

(i) the withdrawal of the reverse factoring agenda decision;

(ii) the application (or expected application) of the requirements in IFRS Accounting Standards (IFRS 18 or other IFRS Accounting Standards) specifically to reverse factoring arrangements as opposed to other transactions or events in general; *and*

(iii) differences (or expected differences) in understanding the requirements in IFRS Accounting Standards (IFRS 18 or other IFRS Accounting Standards) as opposed to differences in outcome that might result from the application of judgement to an entity's specific facts and circumstances; *and*

(b) that members think the IASB or the Committee can address in a cost-effective manner.[1]

Summary of feedback

Application questions and challenges

13. None of the members identified any application questions of the type described in paragraph 12.

[1] Paragraph 5.19(d) of the Due Process Handbook states that the IFRS Interpretations Committee (Committee) assesses the need for a standard-setting project based on, among others, whether the matter is sufficiently narrow in scope that the IASB or the Committee can address it efficiently, but not so narrow that it is not cost-effective for the IASB or the Committee and stakeholders to undertake the due process required to amend an IFRS Accounting Standard.

14. Some members said that classifying liabilities from reverse factoring arrangements in the statement of financial position remains a challenge. Particularly

    (a) the reverse factoring agenda decision didn't eliminate the need for judgment, as the outcome still depends on specific facts and circumstances and the application of broad presentation principles;

    (b) while IFRS 18 introduces helpful new principles for aggregation and disaggregation information, entities will still need to apply judgment based on their facts and circumstances and this is not something the IASB or the Committee can necessarily address.

15. A few members highlighted other matters:

    (a) *description of a 'trade payable'*—one member (from an accounting firm) said the reverse factoring agenda decision helpfully set out requirements in IAS 1 *Presentation of Financial Statements* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to explain what a 'trade payable' is;[2] and

    (b) *identifying cash flows*—another member (from an accounting firm) said entities have challenges in identifying cash flows that have occurred if a third party finance provider pays amounts on the entity's behalf—however this member acknowledged this is not a matter the Committee would be able to address because there are currently no specific requirements that apply.

Other considerations

16. Many members said the reverse factoring agenda decision helped highlight accounting matters related to reverse factoring arrangements. A few members and observers said withdrawing the reverse factoring agenda decision could leave a gap—one member (a preparer) suggested developing educational materials as a replacement. However, other members (from accounting firms) said the SFA amendments help highlight the

[2] The reverse factoring agenda decision stated, 'The Committee therefore concluded that an entity presents a financial liability as a trade payable only when it: a. represents a liability to pay for goods or services; b. is invoiced or formally agreed with the supplier; and c. is part of the working capital used in the entity's normal operating cycle.'

relevant accounting matters and that the reverse factoring agenda decision isn't necessary to prompt entities to appropriately consider the accounting for reverse factoring arrangements.

Staff analysis and recommendations

Staff analysis

17. Our outreach suggests that withdrawing the reverse factoring agenda decision will not give rise to specific accounting matters. None of the stakeholders we spoke with identified accounting matters like those described in paragraph 11. Consequently, we agree with the Committee's recommendation to withdraw the reverse factoring agenda decision.

18. We agree with the Committee that if stakeholders identify diversity in applying the requirements in IFRS 18 in the context of reverse factoring arrangements, they can submit a question to the Committee.

19. On specific matters raised:

    (a) *classifying liabilities from reverse factoring arrangements* (see paragraph 14 of this paper)—we accept classifying liabilities from reverse factoring arrangements in an entity's statement of financial position remains a matter of judgment based on facts and circumstances. The reverse factoring agenda decision didn't set out specific classification and presentation requirements; it explained how to consider the requirements in IAS 1. Entities would now apply that same type of judgement using the new principles of aggregation and disaggregation in IFRS 18. While judgement would be required, we have not been made aware of any particular challenges or diversity in reading the relevant requirements in the context of reverse factoring arrangements.

(b) *description of a 'trade payable'* (see paragraph 15(a) of this paper)—we acknowledge that this part of the agenda decision is helpful. We, however, note that these requirements continue to exist in IFRS 18 and IAS 37.

(c) *identifying cash flows* (see paragraph 15(b) of this paper)—we agree that the Committee is not able to address this matter. This matter is being considered as part of the IASB's project *Statement of Cash Flows and Related Matters*—particularly in considering improvements to the disclosure of non-cash transactions from investing and financing transactions.

Staff recommendations

20. In light of our analysis, we recommend that the IASB withdraw the reverse factoring agenda decision.

Question for the IASB

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Does the IASB agree with our recommendation in paragraph 20?