

17 March 2022

International Accounting Standards Board
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Board Members,

RESPONSE TO EXPOSURE DRAFT – SUPPLIER FINANCE ARRANGEMENTS (PROPOSED AMENDMENTS TO IAS 7 AND IFRS 7) (“ED”)

For this ED, ISCA sought views from its members through a two-month public consultation and from the ISCA Financial Reporting Committee which comprises experienced technical professionals from audit firms, preparers of financial statements and other stakeholders.

We are supportive of the Board’s timely efforts towards meeting the information needs of users of financial statements by enhancing the transparency about the use of supplier finance arrangements and its impact to an entity’s liabilities and cashflows.

We note that the proposals in the ED are intended to complement the IFRS Interpretations Committee’s agenda decision titled *Supply Chain Financing Arrangements – Reverse Factoring* published in December 2020 and we agree with this approach. The addition of an overall disclosure objective and specific disclosure requirements in IAS 7 *Statement of Cash Flows* will help users of financial statements to assess the effects of supplier finance arrangements on an entity’s liabilities and cash flows. Having said that, we have received feedback from preparers on the practical challenges they will face in obtaining the required information for the proposed disclosures in the ED.

Our detailed comments to specific questions in the ED are set out below.

Question 2 - Disclosure objective and disclosure requirements

Paragraph 44F of the [Draft] Amendments to IAS 7 would require an entity to disclose information in the notes about supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on an entity's liabilities and cash flows.

To meet that objective, paragraph 44H of the [Draft] Amendments to IAS 7 proposes to require an entity to disclose:

- (a) the terms and conditions of each arrangement;
- (b) for each arrangement, as at the beginning and end of the reporting period:
 - (i) the carrying amount of financial liabilities recognised in the entity's statement of financial position that are part of the arrangement and the line item(s) in which those financial liabilities are presented;
 - (ii) the carrying amount of financial liabilities disclosed under (i) for which suppliers have already received payment from the finance providers; and
 - (iii) the range of payment due dates of financial liabilities disclosed under (i); and
- (c) 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.

Paragraph 44I would permit an entity to aggregate this information for different arrangements only when the terms and conditions of the arrangements are similar.

Paragraphs BC12–BC15 and BC17–BC20 of the Basis for Conclusions explain the Board's rationale for this proposal.

Do you agree with this proposal? Why or why not? If you agree with only parts of the proposal, please specify what you agree and disagree with. If you disagree with the proposal (or parts of it), please explain what you suggest instead and why.

As proposed in paragraph 44H(a) and (b) of the ED, an entity is required to disclose a list of information for each supplier finance arrangement. We are concerned that there is a lack of clarity on whether "each supplier arrangement" refers to each individual arrangement or each type of arrangement. From our reading of proposed paragraph 44G, it seems to imply each individual arrangement as the proposed paragraph 44I allows the aggregation of information for different arrangements only when the terms and conditions of those arrangements are similar. On that note, requiring the disclosure of "each individual arrangement", even if on an aggregated basis of different arrangements as aforementioned, would be onerous for entities which have many such individual arrangements.

We note that the Board is of the view that the information would be readily available or obtainable upon request from finance providers. However, collation of the required information for disclosure will involve many internal teams, from finance to treasury and operational departments like procurement. Inputs will also have to be obtained from external finance providers. Entities will

have to establish a system and/or process with controls in place over the collection of these information with sufficient details. Furthermore, for group entities with overseas subsidiaries, the availability and retrieval of information on supplier finance arrangements may be challenging due to local business practices, and applicable laws and regulations in the respective jurisdictions.

In addition, there might be restrictions in obtaining information on the repayments made by finance providers to the suppliers if separate arrangements for the repayments are made between the finance provider and supplier without the involvement of the entity. Therefore, finance providers might not be able to provide such information to the entity due to confidentiality reasons.

Moreover, there may be challenges faced in the audit of the collated information disclosed as it would require additional verification with the finance providers by the auditors which might involve sensitive information of suppliers which the finance providers are reluctant to confirm.

Given the above, we suggest the Board to consider issuing application guidance to assist entities in meeting the disclosure requirements.

Should you require any further clarification, please feel free to contact Ms Felicia Tay at felicia.tay@isca.org.sg or Ms Jezz Chew at jezz.chew@isca.org.sg.

Yours faithfully,



Mr Wai Geat, KANG
Director
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