An abstract graphic on the left side of the slide. It features a central red circle surrounded by several concentric rings in blue and orange. These rings are overlaid on a background of white dotted and dashed circles, and thin white lines that intersect to form a grid-like pattern.

19 November 2020
FASB | IASB Joint Education Meeting

Supply Chain Financing

IASB Agenda ref 27A
FASB Agenda ref 27A

Patrina Buchanan

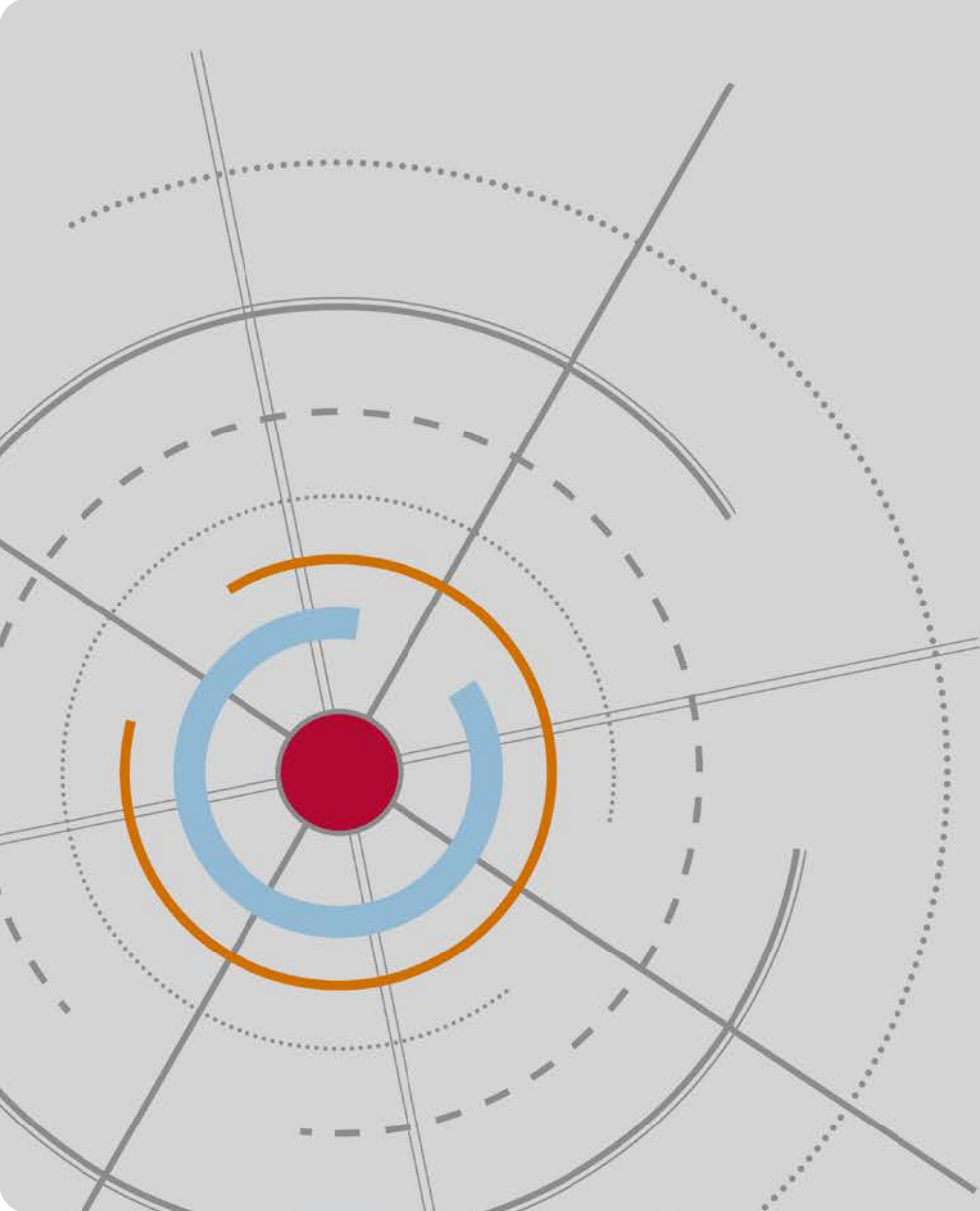
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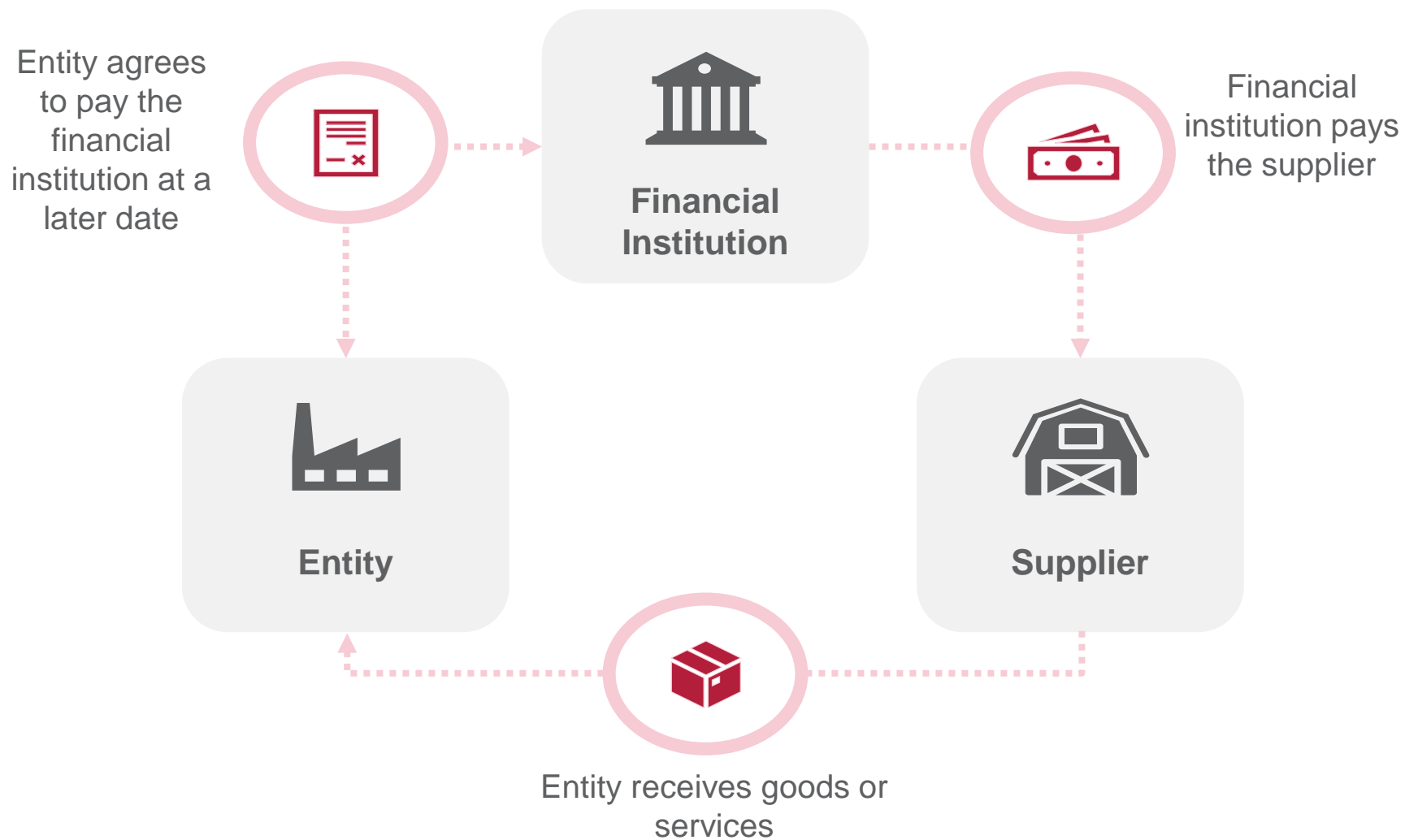
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What are supply chain financing arrangements?

Supply chain financing arrangements





Question submitted to the IFRS Interpretations Committee

Moody's submission

Supply chain financing arrangements

Questions asked

How does an entity present liabilities to which supply chain financing (reverse factoring) arrangements relate?

What information about reverse factoring arrangements is an entity required to disclose in its financial statements?

Tentative agenda decision—what IFRS Standards require

Balance sheet presentation

An entity presents ‘trade and other payables’ separately from other financial liabilities

An entity presents a financial liability as a trade payable only when it:

- represents a liability to pay for **goods or services**
- is invoiced or **formally agreed with the supplier**
- is part of the **working capital** used in the entity’s normal operating cycle

An entity presents liabilities that are part of a reverse factoring arrangement separately **when the size, nature or function of those liabilities makes separate presentation relevant** to an understanding of the financial position

Factors to consider

✓ additional security is provided

✓ terms are substantially different

Tentative agenda decision—what IFRS Standards require (cont.)

Statement of cashflows

The assessment of the nature of the liabilities helps in determining the nature of the cash flows:

Balance sheet classification

Cash flow classification

Trade and other payables

Operating

Borrowing

Financing

Notes

An entity is required to provide:

- disclosures on **changes in liabilities arising from financing activities** (if cash flows are classified as financing)
- **liquidity risk disclosures** required by IFRS 7
- **information about reverse factoring arrangements** to the extent that such information is **relevant to an understanding** of financial statements

IFRS Interpretations Committee discussion

Expected in December 2020—the Committee will consider comments received and decide whether to finalise the agenda decision.

Possible narrow-scope standard-setting

Possible narrow-scope standard-setting project to develop specific disclosure requirements for supply chain financing arrangements:

- information about the nature of the arrangements (including any extensions to credit terms, restrictions/conditions imposed, total amount of liabilities committed)
- information about risks arising from the arrangements
- information that explains the effects on the entity's financial position and cash flows

Board discussion

No discussion as yet. Expected in 2021.



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