

19 November 2020 FASB | IASB Joint Education Meeting

FASB Agenda Ref 27B

IASB Agenda Ref 27B



Supply Chain Financing

Disclosure of Supplier Finance Programs Involving Trade Payables

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Agenda Request

- The Big 4 firms submitted an agenda request to the FASB in October 2019 for guidance on **disclosure** and **cash flow statement presentation** of supplier finance programs involving trade payables (the programs)
- Practice addresses **balance sheet presentation** of the programs by reference to:
 - GAAP on derecognition of liabilities
 - SEC speeches
 - Certain indicators developed in practice
 - Requirements in SEC Regulations to separately present within current liabilities (i) amounts payable to banks for borrowings and (ii) amounts payable to trade creditors

Pre-Agenda Research

- Staff conducted research throughout 2020 and held outreach calls with:
 - Financial statement users – debt rating agencies, equity analysts, investors
 - Public companies that use the programs
 - Big 4 firms
 - Academics
 - SEC staff
- Financial statement users had a range of views on financial statement presentation, but **most users asked for disclosure of quantitative and qualitative information** to enable them to make their own assessments of the programs and, if appropriate, adjust leverage ratios and operating cash flows

Board Decision and Next Steps

- At the October 21, 2020 Board meeting, the Board decided to add a project to its agenda to develop disclosure requirements related to supplier finance programs involving trade payables (a narrow scope)
- The staff plans to conduct additional research and outreach with a focus on the following:
 - Refining our understanding of (i) the distinguishing characteristics of the programs and (ii) the information about the programs that is available for disclosure
 - Developing an understanding of the information that companies collect about their payment terms more broadly
- The staff will continue to monitor public company disclosures in SEC filings
 - SEC staff issued letters and MD&A guidance related to the programs
 - Some companies recently increased their disclosure about the programs

Questions for the Boards

- Do the Boards have any questions or comments on the work done or findings to date?
- Do the Boards have any observations regarding the next steps for either (a) the FASB's project or (b) the IFRS Interpretations Committee's tentative agenda decision and IASB's possible narrow-scope disclosure project?