28 March 2022

Dr Andreas Barckow
Chair, International Accounting Standards Board
7 Westferry Circus
Canary Wharf
London
E14 4HD
United Kingdom

Via online submission: www.ifrs.org

Dear Dr Barckow

Exposure Draft ED/2021/10: Supplier Finance Arrangements

As the representatives of over 300,000 professional accountants in Australia, New Zealand and around the world, CPA Australia and Chartered Accountants Australia and New Zealand (CA ANZ) thank you for the opportunity to comment on the above Exposure Draft (ED).

Supplier finance arrangements are becoming increasingly prevalent and diverse in nature and there are currently no explicit disclosure requirements in IFRS for such arrangements. We recognise that improved disclosures around these arrangements would enhance users' ability to assess the impact on an entity's future cash flows and its liquidity risks.

While we acknowledge the need for improved disclosures around these arrangements, rather than the approach proposed in the ED, we believe more effective outcomes can be achieved by:

(a) Providing more expansive and broadly applicable guidance and educative material building on the relevant Agenda Decision that the IASB's Interpretation Committee (IFRIC) published in December 2020 (the Agenda Decision); and/or
(b) Considering whether there is evidence for a standard setting project dealing with working capital arrangements more broadly, rather than a narrow focus on just some types of supplier finance arrangements that is proposed in the ED.

We support the position reached in the Agenda Decision and believe this clearly sets out how the existing principles and requirements in IFRS provide an adequate basis to determine the presentation of liabilities and related cashflows, and the information to disclose. Notwithstanding, we consider that, in light of that decision, preparers worldwide should be provided with time to appropriately implement the clarified requirements. Further guidance and support from the IASB would be valuable, in contrast to the ED which essentially presents quite complex and prescriptive narrow scope amendments that would result in potentially excessive disclosures.

Supplier finance arrangements are only one type of working capital arrangement that can have significant economic relevance. Limiting the scope of this standard-setting project, principally in the interests of time, is a rules-based approach to standard-setting that will detract from the principles-based approach that underpins IFRS. It would also lead to voluminous reporting requirements as and when each such alternative finance arrangement is addressed.

CHARTERED ACCOUNTANTS™
AUSTRALIA • NEW ZEALAND

Chartered Accountants Australia and New Zealand
33 Erskine Street, Sydney, NSW 2000
P: +61 2 9290 1344
W: charteredaccountantsanz.com
ABN 50 084 642 571

CPA AUSTRALIA

CPA Australia
Level 20, 28 Freshwater Place,
Southbank Victoria 3006
P: 1300 73 73 73
W: cpaaustralia.com.au
ABN 64 008 392 452

Additional reasons why we believe the IASB should not proceed with the narrow-scope amendments proposed in the ED are as follows:

- We agree with the IASB's rationale that defining supplier finance arrangements could risk the definition becoming outdated as the nature and make-up of such arrangements evolve over time. However, unless these characteristics are comprehensively described, it is difficult to ensure that both preparers and auditors have the necessary clarity about the scope of the disclosures. In particular, the existing scope does not deal with the range of agreements that involve an intermediary who in turn may involve multiple finance providers
- The proposed disclosures around terms and conditions could be extensive and difficult to meaningfully aggregate for entities with numerous such arrangements. While paragraph 44I does allow aggregation where terms and conditions are similar, we believe that such an assessment will be extremely judgmental and practically challenging
- There could be practical impediments in obtaining, and auditing, information concerning the type of arrangement explained in paragraph BC8(a) and the disclosure requirements covered in paragraph 44H(b)(ii), as entities are unlikely to have access to suppliers' financial records. We also question the usefulness of this disclosure in contributing to an understanding of the entity's use of supplier finance arrangements (which is the objective of these disclosures).

Instead of a narrow-scope standard-setting project, we believe that the IASB and its stakeholders would be better served by focusing the IASB's resources on developing educational resources re-emphasising how the existing principles and requirements within IFRS apply to supplier finance arrangements, including greater amplification of the Agenda Decision. In doing this, we encourage the IASB to expand on the commentary in the Agenda Decision to take account of any new additional information the IASB now has on the information needs of users in relation to supplier finance arrangements. The expanded commentary would also facilitate the application of this material to a wider set of circumstances.

If the IASB has further evidence of a widespread need for more detailed requirements in this area, then we would support the IASB considering the inclusion of a longer-term standard-setting project on the adequacy of the principles and requirements around working capital arrangements writ large in IFRS. This would include an assessment of whether there remains evidence that the Agenda Decision is being inadequately applied to meet the information needs of a broad group of stakeholders.

If you have any questions about our submission, please contact either Ram Subramanian (CPA Australia) at ram.subramanian@cpaaustralia.com.au or Amir Ghandar (CA ANZ) at amir.ghandar@charteredaccountantsanz.com.

Yours sincerely

Dr Gary Pflugrath FCPA
Executive General Manager
Policy and Advocacy
CPA Australia

Simon Grant FCA
Group Executive – Advocacy, Professional Standing and International Development
Chartered Accountants Australia and New Zealand