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Delegations will find attached document ANNEX to D094515/01.

Encl.: ANNEX to D094515/01

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**ANNEX**

**D094515/01**

**Supplier Finance Arrangements**

Amendments to IAS 7 and IFRS 7

## Amendments to IAS 7 *Statement of Cash Flows*

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Paragraphs 44F–44H and their related heading and paragraphs 62–63 are added. For ease of reading, these paragraphs and their headings have not been underlined. The heading before paragraph 53 is amended.
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### Supplier finance arrangements

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- 44F** An entity shall disclose information about its supplier finance arrangements (as described in paragraph 44G) that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk.
- 44G** Supplier finance arrangements are characterised by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. These arrangements provide the entity with extended payment terms, or the entity's suppliers with early payment terms, compared to the related invoice payment due date. Supplier finance arrangements are often referred to as supply chain finance, payables finance or reverse factoring arrangements. Arrangements that are solely credit enhancements for the entity (for example, financial guarantees including letters of credit used as guarantees) or instruments used by the entity to settle directly with a supplier the amounts owed (for example, credit cards) are not supplier finance arrangements.
- 44H** To meet the objectives in paragraph 44F, an entity shall disclose in aggregate for its supplier finance arrangements:
- (a) the terms and conditions of the arrangements (for example, extended payment terms and security or guarantees provided). However, an entity shall disclose separately the terms and conditions of arrangements that have dissimilar terms and conditions.
  - (b) as at the beginning and end of the reporting period:
    - (i) the carrying amounts, and associated line items presented in the entity's statement of financial position, of the financial liabilities that are part of a supplier finance arrangement.
    - (ii) the carrying amounts, and associated line items, of the financial liabilities disclosed under (i) for which suppliers have already received payment from the finance providers.
    - (iii) the range of payment due dates (for example, 30–40 days after the invoice date) for both the financial liabilities disclosed under (i) and comparable trade payables that are not part of a supplier finance arrangement. Comparable trade payables are, for example, trade payables of the entity within the same line of business or jurisdiction as the financial liabilities disclosed under (i). If ranges of payment due dates are wide, an entity shall disclose explanatory information about those ranges or disclose additional ranges (for example, stratified ranges).
  - (c) the type and effect of non-cash changes in the carrying amounts of the financial liabilities disclosed under (b)(i). Examples of non-cash changes include the effect of business combinations, exchange differences or other transactions that do not require the use of cash or cash equivalents (see paragraph 43).
- ...

### Effective date and transition

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- ...
- 62** *Supplier Finance Arrangements*, issued in May 2023, added paragraphs 44F–44H. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.
- 63** In applying *Supplier Finance Arrangements*, an entity is not required to disclose:

- (a) comparative information for any reporting periods presented before the beginning of the annual reporting period in which the entity first applies those amendments.
- (b) the information otherwise required by paragraph 44H(b)(ii)–(iii) as at the beginning of the annual reporting period in which the entity first applies those amendments.
- (c) the information otherwise required by paragraphs 44F–44H for any interim period presented within the annual reporting period in which the entity first applies those amendments.

## **Amendments to IFRS 7 *Financial Instruments: Disclosures***

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Paragraph 44JJ is added. In Appendix B, paragraph B11F is amended.
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### **Effective date and transition**

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- ...
- 44JJ     *Supplier Finance Arrangements*, issued in May 2023, which also amended IAS 7, amended paragraph B11F. An entity shall apply that amendment when it applies the amendments to IAS 7.
- ...

### **Appendix B Application guidance**

#### **Nature and extent of risks arising from financial instruments (paragraphs 31–42)**

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- ...
- Quantitative liquidity risk disclosures (paragraphs 34(a) and 39(a) and (b))**
- ...
- B11F     Other factors that an entity might consider in providing the disclosure required in paragraph 39(c) include, but are not limited to, whether the entity:
- (a)        has committed borrowing facilities (eg commercial paper facilities) or other lines of credit (eg stand-by credit facilities) that it can access to meet liquidity needs;
  - (b)        holds deposits at central banks to meet liquidity needs;
  - (c)        has very diverse funding sources;
  - (d)        has significant concentrations of liquidity risk in either its assets or its funding sources;
  - (e)        has internal control processes and contingency plans for managing liquidity risk;
  - (f)        has instruments that include accelerated repayment terms (eg on the downgrade of the entity's credit rating);
  - (g)        has instruments that could require the posting of collateral (eg margin calls for derivatives);
  - (h)        has instruments that allow the entity to choose whether it settles its financial liabilities by delivering cash (or another financial asset) or by delivering its own shares;
  - (i)        has instruments that are subject to master netting agreements; or
  - (j)        has accessed, or has access to, facilities under supplier finance arrangements (as described in paragraph 44G of IAS 7) that provide the entity with extended payment terms or the entity's suppliers with early payment terms.