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24 March 2022

Mr Andreas Barckow
Chairman
International Accounting Standards Board
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD

Re: Exposure Draft ED/2021/10 – Supplier Finance Arrangements Proposed amendments to IAS 7 and IFRS 7

Dear Mr Barckow,

On behalf of RSM International Limited, a worldwide network of independent audit, tax and consulting firms, we are pleased to comment on the IASB's Exposure Draft ED/2021/10 – Supplier Finance Arrangements Proposed amendments to IAS 7 and IFRS 7.

We appreciate the IASB's efforts to enhance the accounting and reporting for supplier finance programs. Overall, we believe the Board's proposal would address several important elements of stakeholders' requests for additional information about these arrangements and that the changes being proposed would result in useful information being provided to users of financial statements. However, we believe that important issues related to presentation on the statement of cash flows remain unaddressed. While we understand the Board's rationale (as discussed in paragraph BC20), we hope that the Board intends to address those in a later project.

Our comments and detailed responses to the questions set out in the Invitation to Comment section of the ED are detailed hereafter.

We would be pleased to respond to any questions the Board or its staff may have about any of our response. If you have any questions or comments, please do not hesitate to contact Gary Stevenson (+852 2583 1220) or me (+44 (0)207 601 1842).

Yours faithfully,



Marion Hannon
Global Leader, Quality & Risk
RSM International

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Question 1—Scope of disclosure requirements

The [Draft] Amendments to IAS 7 and IFRS 7 do not propose to define supplier finance arrangements. Instead, paragraph 44G of the [Draft] Amendments to IAS 7 describes the characteristics of an arrangement for which an entity would be required to provide the information proposed in this Exposure Draft. Paragraph 44G also sets out examples of the different forms of such arrangements that would be within the scope of the Board’s proposals. Paragraphs BC5–BC11 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 disagree with the proposal, please explain what you suggest instead and why.

We agree with the proposal not to provide a definition of a supplier finance arrangement. We recommend that the proposal be clarified to make clear that the finance providers alluded to in the characteristics should be third-party finance providers.

Overall, however, we recommend the Board consider the views of financial statement users as to whether additional indicators should be used to capture a desired population of programs.

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) (ii) the carrying amount of financial liabilities disclosed under (i) for which suppliers have already received payment from the finance providers; and
 - (iii) (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.

We believe that a literal interpretation of the requirement in paragraph 44H(a) would lead to excess disclosures and therefore recommend that the wording be amended such that disclosures of material terms be required.

We are concerned that it seems unlikely that the reporting entity would have the information needed to make the disclosure proposed by paragraph 44H(b)ii. Consequently, we ask the Board to consider whether the efforts required by preparers to obtain the information to provide the disclosure and by auditors to audit the disclosure would exceed the benefit of the disclosure.

Question 3—Examples added to disclosure requirements

Paragraph 44B of the [Draft] Amendments to IAS 7 and paragraphs B11F and IG18 of the [Draft] Amendments to IFRS 7 propose to add supplier finance arrangements as an example within the requirements to disclose information about changes in liabilities arising from financing activities and about an entity’s exposure to liquidity risk, respectively.

Paragraphs BC16 and BC21–BC22 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 disagree with the proposal, please explain what you suggest instead and why.

We agree with the proposal to include supplier finance arrangements as an example within the requirements to disclose information about changes in liabilities arising from financing activities and about an entity’s exposure to liquidity risk.

We recommend that the IASB consider expanding the disclosure requirements to include disclosure of any concentrations of risks with an individual supplier finance provider.

[We have no other comments on the ED.](#)
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