



<b>Project:</b>	<b>Supplier Finance Arrangements</b>	<b>Meeting:</b>	March 2024 (M201)
<b>Topic:</b>	<b>Ballot Draft AASB 2024-X Amendments to Australian Accounting Standards – Supplier Finance Arrangements: Tier 2 Disclosures for AASB member Voting</b>	<b>Agenda Item:</b>	5.1
		<b>Date:</b>	20 February 2024
<b>Contact(s):</b>	Claire Thomson <a href="mailto:cthomson@asb.gov.au">cthomson@asb.gov.au</a>  Helena Simkova <a href="mailto:hsimkova@asb.gov.au">hsimkova@asb.gov.au</a>	<b>Project Priority:</b>	Medium
		<b>Decision-Making:</b>	High
		<b>Project Status:</b>	Ballot draft for AASB member voting

## Objective of this paper

- The objective of this paper is to provide the AASB with:
  - a **summary** of the feedback received from stakeholders on [ED 328 Supplier Finance Arrangements: Tier 2 Disclosures](#), which proposed amendments to AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* for supplier finance arrangements, and
  - details about the ED’s alignment with the international and New Zealand standards.
- Agenda paper 5.2 sets out a ballot draft version of amending Standard AASB 2024-X *Amendments to Australian Accounting Standards – Supplier Finance Arrangements: Tier 2 Disclosures* for **voting**.

## Attachments

- Agenda paper 5.2      Ballot Draft: AASB 2024-X *Amendments to Australian Accounting Standards – Supplier Finance Arrangements: Tier 2 Disclosures*
- Agenda paper 5.3      Submission received on ED 328 [supporting material folder]

## Background

- At the [October 2023 meeting](#), the AASB decided to issue ED 328 proposing amendments to AASB 1060 to require Tier 2 entities to disclose information relating to their supplier finance arrangements. Specifically, ED 328 proposed amendments to require an entity to disclose in aggregate the following:
  - the terms and conditions of the arrangements;
  - 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; and
  - (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); and
- (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.
- 4 ED 328 also provided transition reliefs such that an entity is not required to disclose comparative information for any reporting periods presented before the beginning of the annual reporting period in which the entity first applies those amendments. The information in paragraph 3(b) is not required as at the beginning of the annual reporting period in the year when the standard is applied.
- 5 The proposed effective date of ED 328 was annual periods beginning on or after 1 January 2024 that end on or after 30 June 2024, with earlier application permitted.

## International alignment

### *Alignment with the IFRS Standards*

- 6 Staff note the IASB intends to issue an Addendum Exposure Draft proposing further amendments to the *IFRS for SMEs Accounting Standard* as part of its comprehensive review of the Standard. The IASB has tentatively decided to include disclosure requirements relating to supplier finance arrangements in this Addendum Exposure Draft.
- 7 The IASB also intends to issue a Catch-Up Exposure Draft that will be published after it issues the new *Subsidiaries without Public Accountability: Disclosures* Standard. The Catch-Up Exposure Draft is also expected to propose amendments to the *Subsidiaries without Public Accountability: Disclosures* Standard to require entities to disclose information about their supplier finance arrangements.
- 8 The disclosures expected to be proposed in the Addendum Exposure Draft and the Catch-Up Exposure Draft (based on the latest IASB staff papers) are broadly consistent with ED 328, except as noted below.<sup>1</sup>

---

<sup>1</sup> Staff note that the [Subsidiaries without Public Accountability: Disclosures](#) staff paper recommended the IASB include only the requirements of paragraph 44H(b)(i)-(ii) of IAS 7 and not the requirements of 44H(b)(iii) (equivalent to paragraph 119B(b)(iii) in ED 328 (see paragraph 3(b)(iii) above)). However, the IASB decided that paragraph 44H(b)(iii) complements the information required in 44H(b)(ii) and therefore should be also added to the Catch-Up Exposure Draft.

## Disclosure objective

- 9 The proposed Addendum Exposure Draft and Catch-Up Exposure Draft (based on the latest IASB staff papers) do not propose adding the disclosure objective (the disclosure objective was proposed in ED 328 as paragraph 119A)<sup>2</sup>.
- 10 At its October 2023 meeting, the IASB considered possible amendments to the *IFRS for SMEs* Accounting Standard for recent amendments to full IFRS Accounting Standards as part of the IASB's comprehensive review of the Standard. In considering the amendments relating to supplier finance arrangements, IASB staff suggested that the disclosure objective does not need to be included in the *IFRS for SMEs* Accounting Standard because "*The IFRS for SMEs Accounting Standard generally does not include the disclosure objectives in full IFRS Accounting Standards because it reduces the specific disclosure requirements needed to satisfy those disclosure objectives using the principles in paragraph BC157 of the Basis for Conclusions of the Standard. Therefore, the staff think it would be sufficient to only consider the disclosure requirements in paragraphs 44G–44H of IAS 7 for SMEs*".<sup>3</sup> Further, at its December 2023 meeting, the [IASB tentatively decided](#) to issue an Addendum Exposure Draft proposing amendments to the *IFRS for SMEs* Accounting Standard to align with amendments to the full IFRS Standards. Staff note that the amendments expected in the Addendum Exposure Draft do not include the disclosure objective paragraph.<sup>4</sup>
- 11 At its [January 2024 meeting](#), the IASB *Subsidiaries without Public Accountability: Disclosures* staff paper suggested that a disclosure objective should not be included in the Catch-Up Exposure Draft. The [IASB tentatively decided](#) to include in the Catch-Up Exposure Draft only the disclosure requirements from paragraphs 44G to 44H of IAS 7 and not the disclosure objective.
- 12 Considering the above and following stakeholder feedback received on ED 328, staff have made the recommendation below to also remove the disclosure objective from the amending standard (see paragraphs 25 to 29).

## Transition reliefs

- 13 The proposed Addendum Exposure Draft ([based on the latest IASB staff papers](#)) does not include transition reliefs. However, paragraph 119D as proposed in ED 328 does. The Addendum Exposure Draft does not include transition reliefs because the IASB aims to finalise the amendments and include them in the third edition of the *IFRS for SMEs* Accounting Standard, which is expected to be issued with an effective date that is a minimum of two years from the date the amended Standard is issued. The IASB does not consider transition reliefs are needed because, unlike entities applying full IFRS Accounting Standards, SMEs will have sufficient time to design internal processes and collect information for the comparative period when the amendments become effective.
- 14 The IASB staff papers addressing the Catch-Up Exposure Draft do not consider transition relief. However, AASB staff understand that further discussion will occur in March 2024.<sup>5</sup>
- 15 As the Australian amendments are proposed to be effective for annual periods beginning on or after 1 January 2024 that end on or after 30 June 2024, staff consider that transition reliefs are required for Australian entities given the short time frame between the issue of the amendments and their application date.
- 16 Staff, therefore, recommend no changes to paragraph 119D as proposed in ED 328.

---

2 ED 328 paragraph 119A: An entity shall disclose information about its supplier finance arrangements (as described in paragraph 119B) 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.

3 Paragraphs 44G-44H are broadly consistent with proposed paragraphs 119B-119C in ED 328.

4 See Appendix B of IASB [staff paper 29](#).

5 See paragraph 10 of [Agenda Paper 32](#) to the IASB November 2023 meeting.

## Characteristics of supplier finance arrangements

- 17 Staff note that the Addendum Exposure Draft ([based on the latest IASB staff papers](#)) does not include the final sentence in paragraph 119B as proposed in ED 328 as marked up below:

*“... 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.”*

- 18 Appendix B of the October 2023 [IASB staff paper](#) considered the paragraph describes the arrangements in the scope of the disclosure requirements and considered this important information for SMEs. However, when assessing any disclosure additions to IFRS for SMEs, the IASB staff consider whether the full disclosures could be further reduced to retain the simplicity of the standard. As a result of this assessment, the final sentence of the paragraph will not be added to the Addendum Exposure Draft.
- 19 Staff note that the Catch-Up Exposure Draft ([based on the latest IASB staff papers](#)) does include the final sentence in paragraph 119B as proposed in ED 328. The IASB staff paper notes *“This explains what a supplier finance arrangement is. Although it is a disclosure guidance it is part of the disclosure requirements section. The staff recommend proposing this paragraph in the catch-up Exposure Draft.”*<sup>6</sup>
- 20 Whilst staff see merit in omitting the final sentence because it does not result in entities disclosing information on cash flows and liquidity that are considered useful for users<sup>7</sup>, staff consider that the additional information clarifies those disclosure requirements. The information will help to ensure that relevant information is disclosed. For this reason, staff do not suggest any amendments to paragraph 119B as proposed in ED 328.

### *Australia/New Zealand convergence*

- 21 Staff note that the NZASB [issued](#) amending standard *Supplier Finance Arrangements* in July 2023. This New Zealand amending standard is consistent with AASB 2023-1 *Amendments to Australian Standards Supplier Finance Arrangements* that amended the disclosure requirements for Tier 1 entities. In November 2023, the NZASB issued amending standard *Supplier Finance Arrangements RDR*. This amending standard applies to New Zealand’s Tier 2 entities and exempts them from all disclosure requirements introduced by the July 2023 amending standard.<sup>8</sup>
- 22 Staff acknowledge that requiring Australian Tier 2 entities to disclose information about their supplier finance arrangements is different from the approach taken in New Zealand for Tier 2 entities. However, the limited feedback received by the AASB suggests the information is useful to users of Tier 2 financial statements, and no feedback was received suggesting the information is not useful. Further, requiring Tier 2 entities to disclose information about their supplier finance arrangements is consistent with the tentative decisions made by the IASB about proposed amendments to the *IFRS for*

---

6 See Table 1 in [Agenda Paper 32](#) to the January 2024 meeting.

7 See paragraph BC41 of AASB 1060 which outlines the broad principles applied by the AASB in determining what disclosures to add to the Standard.

8 Staff note that the NZASB Exposure Draft preceding the November 2023 amending standard proposed the same RDR concessions (i.e., the supplier finance arrangements disclosures would not apply to Tier 2 entities). Staff also note that no comments on that Exposure Draft were received from New Zealand stakeholders. The topic of RDR concessions was discussed by the NZASB at the August 2023 meeting (see [Agenda Item 6.1](#)). The draft signing memo in the October 2023 Board papers sets out the matters considered by the NZASB when deciding on this approach (See [Agenda Item 8.1](#)).

*SMEs and Subsidiaries without Public Accountability: Disclosures* Accounting Standards (see [Alignment with the IFRS Standards](#) section above).

- 23 For these reasons, staff recommend the AASB proceed with requiring Tier 2 entities to disclose information about their supplier finance arrangements. Staff also suggest that when the IASB finalises its amendments to the *IFRS for SMEs* Accounting Standard, the AASB also consider whether further amendments are required to AASB 1060 for alignment with the *IFRS for SMEs* Accounting Standard.<sup>9</sup>

#### **Stakeholders feedback on ED 328**

- 24 ED 328 was issued in December 2023, and the comment period closed on 5 February 2024. As of that date, the AASB received one comment letter.
- 25 The comment letter expressed support for the proposed disclosures, agreeing that the information provided by the disclosures is relevant to users of the financial statements of Tier 2 entities. The comment letter also suggested that adding proposed paragraph 119A (disclosure objective) to AASB 1060 was inconsistent with the IASB's general approach in developing the *IFRS for SMEs* Accounting Standard on which AASB 1060 is based. Proposed paragraph 119A is a disclosure objective.<sup>10</sup>
- 26 The stakeholder also observed that not including disclosure objectives in a Tier 2 equivalent standard is also consistent with the approach proposed by the IASB in ED/2021/7 *Subsidiaries without Public Accountability: Disclosures*.
- 27 Staff acknowledge that stakeholder feedback received in response to ED 328, as outlined in paragraph 25, indicates the usefulness of the proposed disclosures.
- 28 When developing AASB 1060, the AASB adopted a bottom-up approach, starting with the existing disclosures in the *IFRS for SMEs* Accounting Standard. Essentially, AASB 1060 is based on the premise that the disclosures in the *IFRS for SMEs* Accounting Standard should be retained where the recognition and measurement requirements and options are the same or similar in the *IFRS for SMEs* Accounting Standard and full IFRS. Disclosures relating to recognition and measurement options or treatments in the *IFRS for SMEs* Accounting Standard that are not available in full IFRS will be removed. Disclosures have only been added in comparison with the *IFRS for SMEs* Accounting Standard base where the recognition and measurement principles were significantly different or certain topics are not addressed under the *IFRS for SMEs* Accounting Standard.<sup>11</sup> The AASB did not specifically consider the inclusion or exclusion of specific disclosure objective paragraphs. Instead, the AASB followed the IASB's approach.
- 29 After considering the stakeholder feedback, staff agree that the proposed paragraph 119A is not necessary. Therefore, staff recommended that the proposed paragraph 119A be removed in the amending Standard and subsequent paragraphs (currently paragraphs 119B-119D) be amended as necessary. Removal of the disclosure objective is also consistent with the IASB's proposed approaches outlined in paragraphs 9 to 11 above.

#### *Finalisation of ED 328 proposals*

- 30 Staff recommend that AASB members vote to make *AASB 2024-X Amendments to Australian Accounting Standards – Supplier Finance Arrangements: Tier 2 Disclosures* (including any revisions agreed by the members at the AASB meeting).
- 31 If AASB members vote to make the proposed amending Standard, the content of the Standard will be finalised by replacing "AASB 2024-X" with the next Standard number in the sequence and the various

---

9 This approach aligns with the stakeholder feedback received on ED 328.

10 See footnote 2 above.

11 See paragraphs BC35 and BC37 of AASB 1060.

dates formally inserted into the Standard as indicated. The Standard would then be registered on the Federal Register of Legislation and published on the AASB website.

**Question to AASB members**

- Q1: Do AASB members have any questions or comments?
- Q2: Do AASB members agree with the staff recommendation in paragraph 16 that no changes are required to paragraph 119D as proposed in ED 328? If not, what do AASB members suggest?
- Q3: Do AASB members agree with the staff recommendation in paragraph 20 that no changes are required to paragraph 119B as proposed in ED 328? If not, what do AASB members suggest?
- Q4: Do AASB members agree with the staff recommendation in paragraph 22 to require Tier 2 entities to disclose information about supplier finance arrangements in their financial statements? If not, what do AASB members suggest?
- Q5: Do AASB members agree with the staff recommendation in paragraph 29 to remove paragraph 119A as proposed in ED 328 and amend subsequent paragraphs as required? If not, what do AASB members suggest?
- Q6: Subject to AASB member decisions on earlier questions, do AASB members vote in favour of making *AASB 2024-X Amendments to Australian Accounting Standards – Supplier Finance Arrangements: Tier 2 Disclosures*?