

AASB Standard

AASB 2023-Z
[Month] 2023

Amendments to Australian Accounting Standards – Supplier Finance Arrangements

[AASB 7 & AASB 107]



Australian Government

**Australian Accounting
Standards Board**

Obtaining a copy of this Accounting Standard

This Standard is available on the AASB website: www.aasb.gov.au.

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Australian Accounting Standard AASB 2023-Z *Amendments to Australian Accounting Standards – Supplier Finance Arrangements* is set out on pages 5–7. All the paragraphs have equal authority.

Preface

Standards amended by AASB 2023-Z

This Standard makes amendments to AASB 107 *Statement of Cash Flows* (August 2015) and AASB 7 *Financial Instruments: Disclosures* (August 2015).

These amendments arise from the issuance of International Financial Reporting Standard *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7) by the International Accounting Standards Board (IASB) in May 2023.

Main features of this Standard

Main requirements

This Standard amends AASB 107 and AASB 7 to require an entity to provide additional disclosures about its supplier finance arrangements. The additional information will enable users of financial statements to assess how supplier finance arrangements affect an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments require an entity to disclose the terms and conditions of the arrangements, the carrying amount of the liabilities that are part of the arrangements, the carrying amounts of those liabilities for which the suppliers have already received payment from the finance providers, the range of payment due dates and the effect of non-cash changes.

Application date

This Standard applies to annual periods beginning on or after 1 January 2024. Earlier application is permitted.

Accounting Standard AASB 2023-Z

The Australian Accounting Standards Board makes Accounting Standard AASB 2023-Z *Amendments to Australian Accounting Standards – Supplier Finance Arrangements* under section 334 of the *Corporations Act 2001*.

Dated ... [date]

Keith Kendall
Chair – AASB

Accounting Standard AASB 2023-Z *Amendments to Australian Accounting Standards – Supplier Finance Arrangements*

Objective

This Standard amends:

- (a) AASB 107 *Statement of Cash Flows* (August 2015); and
- (b) AASB 7 *Financial Instruments: Disclosures* (August 2015);

as a consequence of the issuance of International Financial Reporting Standard *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7) by the International Accounting Standards Board in May 2023.

Application

The amendments set out in this Standard apply to entities and financial statements in accordance with the application of AASB 107 and AASB 7 set out in AASB 1057 *Application of Australian Accounting Standards*.

This Standard applies to annual periods beginning on or after 1 January 2024. This Standard may be applied to annual periods beginning before 1 January 2024. When an entity applies this Standard to such an annual period, it shall disclose that fact.

This Standard uses underlining, striking out and other typographical material to identify some of the amendments to a Standard, in order to make the amendments more understandable. However, the amendments made by this Standard do not include that underlining, striking out or other typographical material. Ellipses (...) are used to help provide the context within which amendments are made and also to indicate text that is not amended.

Amendments to AASB 107

Paragraphs 44F–44H and their related heading and paragraphs 62–63 are added. For ease of reading, these paragraphs and the heading have not been underlined. The heading before paragraph 53 is amended. New text in that heading is underlined.

Supplier finance arrangements

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

- 53 ...
- 62 AASB 2023-Z *Amendments to Australian Accounting Standards – Supplier Finance Arrangements*, issued in June 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 AASB 2023-Z, 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 AASB 7

Paragraph 44JJ is added. In Appendix B, paragraph B11F is amended. Deleted text is struck through and new text is underlined.

Effective date and transition

...

44JJ AASB 2023-Z Amendments to Australian Accounting Standards – Supplier Finance Arrangements, issued in June 2023, which also amended AASB 107 *Statement of Cash Flows*, amended paragraph B11F. An entity shall apply that amendment when it applies the amendments to AASB 107.

...

Appendix B Application guidance

...

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

...

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; ~~or~~
- (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 AASB 7) that provide the entity with extended payment terms or the entity's suppliers with early payment terms.

Commencement of the legislative instrument

For legal purposes, this legislative instrument commences on 31 December 2023.