

**PROPOSED AMENDMENTS FOR
SUPPLIER FINANCE ARRANGEMENTS**

Amendments to IPSAS 2, *Cash Flow Statements*

Paragraphs 55F–55H and their related heading and paragraphs 63L–63M are added. For ease of reading, these paragraphs and their headings have not been underlined. The heading before paragraph 63 is amended. New text in that heading is underlined.

Supplier Finance Arrangements

55F. An entity shall disclose information about its supplier finance arrangements (as described in paragraph 55G) 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.

55G. Supplier finance arrangements are characterized 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.

55H. To meet the objectives in paragraph 55F, 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 operations 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 54).

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Effective Date and Transition

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- 63L. [Supplier Finance Arrangements], issued in [MMMM YYYY], added paragraphs 55F–55H. An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 20YY. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.
- 63M. 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 55H(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 55F–55H for any interim period presented within the annual reporting period in which the entity first applies those amendments.

Amendments to IPSAS 30, *Financial Instruments: Disclosures*

Paragraph 52O is added. In Appendix A, paragraph AG18 is amended. In Guidance on implementing IFRS 7, paragraph IG20A is added. Some text from paragraph IG20 is moved to form part of the newly-added paragraph IG20A. Deleted text is struck through and new or repositioned text is underlined.

Effective Date and Transition

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52O. [Supplier Finance Arrangements], issued in [MMM 202X], which also amended IPSAS 2, amended paragraph [B11F]. An entity shall apply that amendment when it applies the amendments to IPSAS 2.

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Application Guidance

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Nature and Extent of Risks Arising from Financial Instruments (38-49)

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Quantitative Liquidity Risk Disclosures (paragraphs 41(a), and 46(a) and (b))

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- AG18. Other factors that an entity might consider in providing the disclosure required in paragraph 46(c) include, but are not limited to, whether the entity:
- (a) Has committed borrowing facilities (e.g., commercial paper facilities) or other lines of credit (e.g., 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 (e.g., on the downgrade of the entity's credit rating);
 - (g) Has instruments that could require the posting of collateral (e.g., margin calls for derivatives);
 - (h) Has instruments that allows 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 55G of IPSAS 2) that provide the entity with extended payment terms or the entity's suppliers with early payment terms.

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Implementation Guidance

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Nature and Extent of Risks Arising from Financial Instruments (paragraphs 38–49 and AG6–AG30)

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Quantitative Disclosures (paragraphs 41–49 and AG7–AG30)

IG20. Paragraph 41 requires disclosure of quantitative data about concentrations of risk. For example, concentrations of credit risk may arise from:

- (a) Industry sectors. Thus, if an entity's counterparties are concentrated in one or more industry sectors (such as retail or wholesale), it would disclose separately exposure to risks arising from each concentration of counterparties.
- (b) Credit rating or other measure of credit quality. Thus, if an entity's counterparties are concentrated in one or more credit qualities (such as secured loans or unsecured loans) or in one or more credit ratings (such as investment grade or speculative grade), it would disclose separately exposure to risks arising from each concentration of counterparties.
- (c) Geographical distribution. Thus, if an entity's counterparties are concentrated in one or more geographical markets (such as Asia or Europe), it would disclose separately exposure to risks arising from each concentration of counterparties.
- (d) A limited number of individual counterparties or groups of closely related counterparties.

~~Similar principles apply to identifying concentrations of other risks, including liquidity risk and market risk. For example, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realize liquid assets. Concentrations of foreign exchange risk may arise if an entity has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together.~~

IG20A. Similar principles apply to identifying concentrations of other risks, including liquidity risk and market risk. For example:

- (a) Concentrations of liquidity risk may arise from:
 - (i) The repayment terms of financial liabilities;
 - (ii) Sources of borrowing facilities;
 - (iii) Reliance on a particular market in which to realize liquid assets; or
 - (iv) Supplier finance arrangements (as described in paragraph 55G of IPSAS 2) resulting in the entity concentrating with finance providers a portion of its financial liabilities originally owed to suppliers.
- (b) Concentrations of foreign exchange risk may arise if an entity has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together.