

Accounting Alert – Supplier finance arrangements

Executive Summary

The International Accounting Standards Board (IASB) has amended IAS 7, *Cash flow Statements*, and IFRS 7, *Financial Instruments: Disclosures*, through the increase of disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.

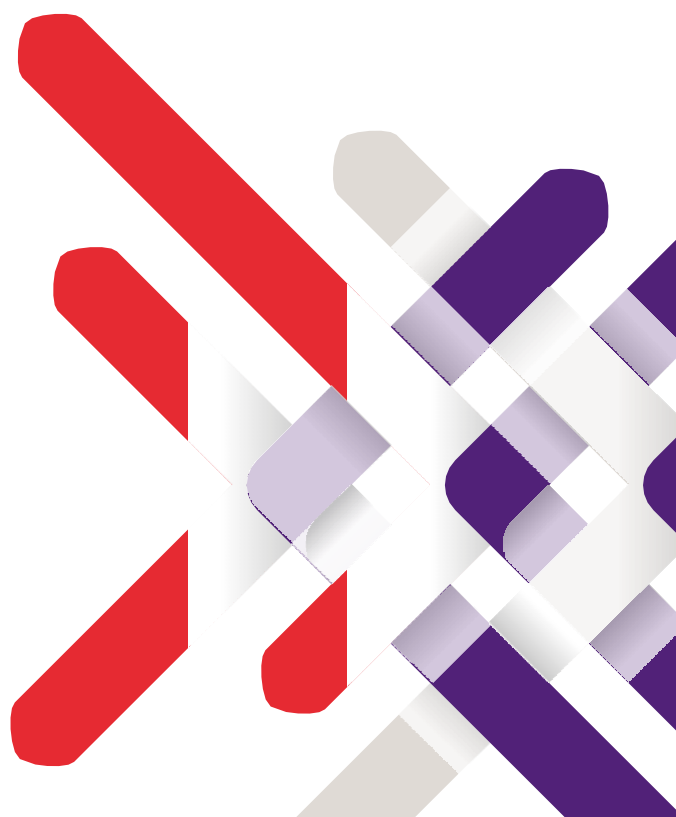


The Amendments

- the terms and conditions of the arrangement;
- the amount of the liabilities that are part of the arrangements, breaking out the amounts for which the suppliers have already received payment from the finance providers, and stating where the liabilities are included on the statement of financial position;
- ranges of payment due dates; and,
- liquidity risk information.

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Our thoughts

We welcome these amendments. In jurisdictions where supplier financing arrangements are common, we acknowledge there is a need to explain to the users of financial statements what the effects of such arrangements are on an entity's liabilities and its cash flows. These amendments will provide the visibility investors require on such arrangements because the disclosures made could impact their assessment of debt covenant arrangements and leverage ratios.

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