**Invitation to Comment:**

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

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| **Deadline for completion of this Invitation to Comment:****Close of business Friday 4 March 2022****Please submit to:**  **UKEndorsementBoard@endorsement-board.uk**  |

**UK Endorsement Board**

The UK Endorsement Board (UKEB) is responsible for endorsement and adoption of IFRS for use in the UK and therefore is the UK’s National Standard Setter for IFRS. The UKEB also leads the UK’s engagement with the IFRS Foundation (Foundation) on the development of new standards, amendments and interpretations. This letter is intended to contribute to the IASB’s due process. The views expressed by the UKEB in this letter are separate from, and will not necessarily affect the conclusions in, any endorsement and adoption assessment on new or amended International Accounting Standards undertaken by the UKEB.

**Introduction**

The objective of this Invitation to Comment is to obtain input from stakeholders on the UKEB’s draft comment letter on the [IASB’s Exposure Draft ED/2021/10 *Supplier Finance Arrangements: Proposed amendments to IAS 7 and IFRS 7*.](https://www.ifrs.org/content/dam/ifrs/project/supplier-finance-arrangements/ed-2021-10-sfa.pdf)

**Who should respond to this Invitation to Comment?**

Stakeholders with an interest in the quality of accounts that apply IFRS.

**How to respond to this Invitation to Comment**

Please download this document, answer any questions on which you would like to provide views, and return to UKEndorsementBoard@endorsement-board.uk by close of business on Friday 4 March 2022.

We welcome responses providing views on individual questions as well as comprehensive responses to all questions.

**Privacy and other policies**

The data collected through submitting this document will be stored and processed by the UKEB. By submitting this document, you consent to the UKEB processing your data for the purposes of influencing the development of and adopting IFRS for use in the UK. For further information, please see our Privacy Statements and Notices and other Policies (e.g. Consultation Responses Policy and Data Protection Policy)[[1]](#footnote-2).

The UKEB’s policy is to publish on its website all responses to formal consultations issued by the UKEB unless the respondent explicitly requests otherwise. A standard confidentiality statement in an e-mail message will not be regarded as a request for non-disclosure. If you do not wish your signature to be published please provide UKEB with an unsigned version of your submission. The UKEB prefers to publish responses that do not include a personal signature. Other than the name of the organisation/individual responding, information contained in the “Your Details” document will not be published. The UKEB does not edit personal information (such as telephone numbers, postal or e-mail addresses) from any other document submitted; therefore, only information that you wish to be published should be submitted in such responses.

**Questions**

A Support for the IASB’s Exposure Draft *Supplier Finance Arrangements: Proposed amendments to IAS 7 and IFRS 7*.

The UKEB’s draft comment letter indicates that the UKEB supports the amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*, proposed by the IASB ED. The UKEB also provides some recommendations to enhance the proposed amendments.

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| 1. Do you agree with the UKEB’s support for, and proposed recommendations to enhance, the amendments to IAS 7 and IFRS 7 being proposed by the IASB in the ED? Please explain why or why not.
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Response:

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| 1. The proposed paragraph IAS 7.44G describes the characteristics of a supplier finance arrangement that is in the scope of the ED.

Question 2.1As noted in Basis for Conclusions BC10 the IASB decided to describe supplier finance arrangements in a manner that would capture all arrangements that provide financing of amounts an entity owes its suppliers in a similar way to reverse factoring arrangements.Do you have any views on the scope of the ED or the description of the characteristics of supplier finance arrangements as presented in paragraph IAS 7.44G?Question 2.2Do you agree with the concern set out in paragraph A2 that the description in paragraph IAS 7.44G may encompass arrangements that have no effect on the entity’s liabilities or or cash flows and so do not meet the disclosure objective in paragraph IAS 7.44F. In particular, the description in paragraph IAS 7.44G would seem to extend to many factoring arrangements as well as reverse factoring arrangements. If so, what changes would you suggest to the ED’s proposals to deal with this concern? |

Response:

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| 1. Do you agree with the UKEB’s recommendation on paragraph A6c) on disclosure of cash flow information? Please explain why or why not.
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**Response:**

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| 1. The UKEB’s draft comment letter (paragraph A6d))expresses concerns about the proposed amendment to IAS 7.44H(b)(ii) to require disclosure of the carrying amount of financial liabilities (related to supplier finance arrangements) for which suppliers have already received payment from the finance providers.

Question 4.1.If you are responding on behalf of a user of financial statements: 1. how relevant is the information required in IAS 7.44H(b)(ii) for your analysis of financial statements?
2. If it is relevant, please provide examples of how you would use this information.

Question 4.2.The Basis for Conclusions BC19 to the ED notes that for some supplier finance arrangements, entities do not currently obtain the information that would be disclosed in accordance with the proposed paragraph IAS 7.44H(b)(ii). However, the IASB expects that 1. Finance providers would generally be able to make this information available to a buyer (in certain cases on an aggregated and anonymised basis); and
2. The benefit of the information for users of financial statements would outweigh the costs.

Do you agree with the IASB’s expectations as noted in a) and b) above? If not, can you explain your rationale and views on any alternative disclosures you suggest instead? |

Response:

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B Impact of proposed amendments.

The UKEB is interested to hear feedback on the potential impact of the amendments to IAS 7 and IFRS 7 being proposed by the IASB in the ED.

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| 1. If the amendments proposed in the IASB’s ED are implemented:

Question 5.1 How significant do you expect the impact on financial reporting by UK companies to be?Question 5.2 Do you consider the proposed amendments strike the right balance between costs for preparers and benefits for users of accounts? |

Response:

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C Any other comments.

The UKEB welcomes any other feedback on its draft comment letter or the IASB’s ED.

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| 1. Do you have any additional feedback that the UKEB should consider when responding to the IASB’s ED?
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Response:

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Thank you for completing this Invitation to Comment

1. These policies can be accessed from the footer in the UKEB website here: <https://www.endorsement-board.uk> [↑](#footnote-ref-2)