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Bringing transparency on supplier finance

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Key points

Supplier finance arrangements provide companies with solutions for managing working capital. As the use of these solutions expands, it has become increasingly important that investors have transparency over the effect on a company's liabilities, cash flows and exposure to liquidity risk.

Starting in 2024, IFRS® reporters will be required to provide additional disclosures about these arrangements to fulfil those investor needs.

1 Contents

2 Introduction

To efficiently manage working capital, some companies look for solutions to extend the term of their trade payables. Supplier finance arrangements are an example of an agreement between a company (as the buyer), its supplier and a bank (or other finance provider) that can serve several purposes:

(1) to extend the buyer's payment terms, by having a payment date to the bank later than the original due date of the invoice;	(2) for the bank to act as the buyer's paying agent, and to pay the buyer's suppliers on its behalf on the date the payables are due;	(3) to provide liquidity to the buyer's suppliers seeking payment before the due date.

These arrangements can be substantial in size, and so it is important to understand the impacts that they can have on the financial statements - particularly for the buyer. There can be significant impacts on presentation in the statement of financial position and the cash flow statement, as well as disclosures.

Judgement and careful analysis of terms and conditions will often be needed when accounting for supplier financing arrangements. The fundamental underlying principle is to provide investors with clear and transparent information about material arrangements.

IAS 1 explains that: *"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.*

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole."

PwC Observation

Investors want to understand the size and key terms of supplier finance arrangements. It will be important for companies to take this into consideration when assessing whether these arrangements are material.

International Accounting Standards Board (IASB) guidance

What guidance?	When was it issued?	When does it apply?
Supplier finance - how derecognition and presentation requirements apply (IFRS Interpretations Committee agenda decision)	December 2020	After December 2020
Supplier finance - disclosure requirements (IASB® amendments to IAS 7 and IFRS 7)	May 2023	1 January 2024, with reliefs in the first year

3 Scope

What is a supplier finance arrangement?

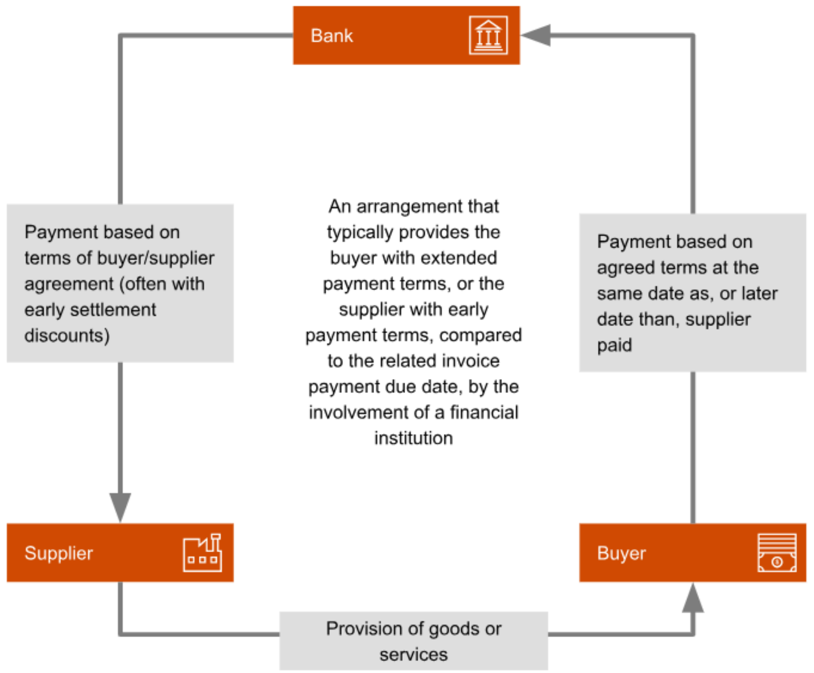
Supplier finance arrangements often go by a number of names, including ‘reverse factoring’, ‘supply chain finance’ or ‘payables finance’. A supplier finance arrangement is identified through its characteristics, rather than how it is labelled. A key characteristic is that three parties (that is, a buyer, a supplier and a finance provider) are interacting to achieve a financing objective for at least one of the parties.

In many cases, it will be clear with little analysis whether an arrangement is supplier finance. However, it will be difficult to draw the line in other cases.

For the purpose of the specific supplier finance disclosure requirements (see section 7), IFRS Accounting Standards explain that:

“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.”

Key steps in a supplier finance arrangement



A typical supplier finance arrangement will often include most or all of the following steps:

1. The supplier delivers goods to the buyer, creating a trade payable for the buyer and a trade receivable for the supplier.
2. The buyer confirms the trade payable - that is, confirms the amount, the due date, and the fact that the goods have been delivered and/or that it will pay the trade payable by the date agreed with the finance provider (depending on the arrangement in place, this might be by the due date or later).
3. The supplier’s trade receivable is assigned or novated to the bank, in exchange for the buyer committing to pay the bank.
4. The supplier receives payment from the bank, either at the original due date or earlier.
5. The buyer pays the bank, typically on or after the due date of the invoice.

What is not a supplier finance arrangement?

Some other types of financing might have some similar characteristics to supplier finance arrangements, but not all of the characteristics. For the purpose of the reporting requirements discussed in this In depth, the following are examples or arrangements that are not supplier finance arrangements for the buyer:

1. Arrangements that finance an entity's receivable or inventory. One of the key characteristics of supplier finance arrangements is that they finance 'amounts an entity owes its suppliers'.
2. Arrangements that are solely credit enhancements for the buyer, or instruments used by the buyer to settle directly with a supplier the amounts owed, such as:
   a. financial guarantees, including letters of credit used as guarantees; and
   b. credit cards used to directly settle the amount owed to a supplier.
3. Some commodity intermediation agreements under which a financial institution purchases and obtains control of commodities and sells those commodities as a principal to a company as needed.

PwC Observation

While analysing whether an arrangement is a supplier finance arrangement, it might be helpful to keep the following points in mind:

- The reporting requirements in this In depth are for the buyer (although there are typically three parties involved in these arrangements, including the buyer).
- Arrangements under which the buyer does not have a liability are not supplier finance arrangements.
- The arrangement has a financing purpose either for the buyer or the supplier.

The IASB had extensive discussions about the scope of the disclosures requirements for supplier finance arrangements. It decided to confine the scope to arrangements that finance amounts an entity owes its suppliers, and therefore concluded that an entity is not required to identify other actions its suppliers might have taken to finance their receivables (for example, factoring of receivables).

Paragraphs 31- 33 of the Basis for Conclusions on IAS 7[1] provide further information on the IASB's rationale.

[1] Viewpoint subscription required

4 Recognition and derecognition

Recognition of a trade payable

The buyer recognises a trade payable liability when goods or services are purchased from the supplier. This is generally pretty straightforward.

Derecognition of the trade payable

IFRS 9 derecognition requirements apply to trade payables. When applying those requirements to trade payables included in supplier finance arrangements, careful consideration of all of the terms and conditions is required. Typically, one of the key questions is whether the buyer:

- continues to recognise that trade payable liability up until the point in time when the buyer pays the bank; or instead
- derecognises the trade payable liability, and replaces it with a new liability, when that trade payable becomes part of a supplier finance arrangement.

See section 5 for guidance on presentation in the statement of financial position.

Applying IFRS 9, a financial liability (trading or other) is derecognised when it is extinguished (that is, when the obligation is discharged, is cancelled or expires) [IFRS 9 para 3.3.1].

A financial liability (or part of it) is extinguished when the debtor either:

- discharges the liability (or part of it) by paying the creditor (normally with cash, other financial assets, goods or services); or
- is legally released from primary responsibility for the liability (or part of it), either by process of law or by the creditor.

[IFRS 9 App B para B3.3.1]

In addition, a substantial modification of the terms of an existing financial liability (or part of it) is an extinguishment of the original financial liability and recognition of a new financial liability [IFRS 9 para 3.3.2].

As such, the buyer in a supplier finance arrangement needs to assess whether the arrangement has substantially modified the trade payable, such that it should be considered as a new arrangement.

FAQ 44.102.2 – Factors to consider when determining whether a supplier financing arrangement results in the derecognition of the trade payables[2]

If the buyer derecognises a trade payable and recognises a new financial liability, the possible effects on the cash flow statement need to be carefully considered (see section 6).

PwC Observation

While the derecognition analysis should consider all the indicators mentioned in FAQ 44.102.2[3] in totality, some indicators might carry more weight than others – for example, the inclusion of jointly and severally liable or cross-default clauses or guarantees is an important indicator that the original trade payable should be derecognised.

[2] Viewpoint subscription required
[3] Viewpoint subscription required

5 Measurement

If the buyer derecognises its original liability (the trade payable) and recognises a new liability with the bank (see section 3), it will recognise:

- the new financial liability at fair value; and
- a gain or loss, based on the difference between the carrying amount of the original liability and the fair value of the new liability. [IFRS 9 para 3.3.3].

6 Presentation - statement of financial position

IAS 1 sets out how to present liabilities in the statement of financial position.

Given that 'trade and other payables' are sufficiently different in nature or function from other liabilities, paragraph 54 of IAS 1 requires these payables to be presented separately from other financial liabilities. Additional line items or disaggregation of existing line items in the statement of financial position are required, if such presentation is relevant to the understanding of the entity's financial position [IAS 1 para 55].

The buyer in a supplier finance arrangement needs to determine where to present a liability that is a part of a supplier finance arrangement, applying IAS 1.

Fair presentation

The description of the chosen line item needs to be carefully considered, so as to fairly present the entity's financial position, in a way that faithfully represents the effect of the transaction [IAS 1 para 15]. To provide information that is useful to users of financial statements, similar items should be presented together, and dissimilar items should be presented separately [IAS 1 para 57].

No derecognition applying IFRS 9

If the liability to the supplier is not derecognised (see section 3), the liability might be presented:

- within trade and other payables;
- within bank liabilities, borrowings or a similarly described line item; or
- as a line item separate from other items.

In 2020, the IFRS Interpretations Committee (the 'Committee') published an agenda decision on the presentation of a liability that is part of a supplier finance arrangement. The agenda decision explained that an entity presents a financial liability as a trade payable only when the liability:

- represents a liability to pay for goods or services,
- is invoiced or formally agreed with the supplier; and
- is part of the working capital used in the entity's normal operating cycle.

As such, liabilities that are part of a supplier finance arrangement:

- can be presented as part of 'trade and other payables' only when those liabilities have a similar nature and function to trade payables (for example, when those liabilities are part of the working capital used in the entity's normal operating cycle); and

- must be presented separately when the size, nature or function of those liabilities makes separate presentation relevant to the understanding of an entity's financial position.

Whilst FAQ 44.102.2[4] is about factors to consider when assessing whether derecognition is required, those factors might also be helpful to consider when determining whether the nature or function of the liability warrants separate presentation even if the trade payable is not derecognised.

FAQ 44.102.2 – Factors to consider when determining whether a supplier financing arrangement results in the derecognition of the trade payables[5]

Judgement might be needed to make this determination. Some factors that might be considered to assess presentation include:

- whether additional security is provided as part of the supplier finance arrangement that would not be provided without the arrangement; and
- the extent to which the terms of liabilities that are part of the arrangement differ from the terms of the entity's trade payables that are not part of the arrangement.

Derecognition applying IFRS 9

If the original liability to the supplier has been derecognised (see section 3), and replaced with a new liability to the bank, the presentation considerations set out above ('no derecognition applying IFRS 9') are also relevant. However, in our view, the nature of a new liability with a new counterparty (representing a finance provider) is typically sufficiently different from a trade payable to require presentation within bank financing (or similarly described line item) or a separate line item.

Disclosures relating to reclassification in the statement of financial position

As part of the 2023 amendment to IAS 7, the IASB included a specific disclosure requirement for non-cash changes in the carrying amounts of the financial liabilities related to supplier finance arrangements (see IAS 7 disclosure requirement number 3 in section 7).

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[4] Viewpoint subscription required
[5] Viewpoint subscription required

7 Presentation - cash flow statement

The buyer in a supplier finance arrangement needs to carefully consider the presentation of the cash flows from these transactions in the statement of cash flows. This is an important consideration whatever the impact on the statement of financial position.

The 2020 Committee agenda decision noted that the entity's assessment of the nature of the liabilities that are part of the arrangement might help in determining whether the related cash flows arise from operating or financing activities. For example, if the entity considers the related liability to be a trade or other payable that is part of the working capital used in the entity's principal revenue-producing activities, the entity presents cash outflows to settle the liability as arising from operating activities in its statement of cash flows. In contrast, if the entity considers that the related liability is not a trade or other payable because the liability represents borrowings of the entity, the entity presents cash outflows to settle the liability as arising from financing activities in its statement of cash flows.

Is there a cash flow for the buyer when the bank pays the supplier?

The first assessment is whether there is a cash flow for the buyer when the bank pays the supplier.

The 2020 Committee agenda decision notes that, if a cash inflow and cash outflow occurred for a buyer when an invoice is factored as part of a supplier financing arrangement, the buyer presents those cash flows in its statement of cash flows.

However, IAS 7 does not provide explicit guidance on how an entity determines whether a cash flow occurred for the buyer in circumstances that another party makes a payment on the entity's behalf.

Cash flows are generally seen as movements in the entity's bank account. However this might not always be the case. An entity might incur a cash flow even though the cash does not flow through the entity's bank account (for example, when an entity directs another party to transfer the cash on its behalf). In the case of a supplier financing arrangement, judgement will need to be exercised when making this assessment.

It is important to contrast this principle with a non-cash transaction. In a non-cash transaction, there is no cash flow (for example, an entity initially acquiring an asset directly with the lessor via a lease arrangement). In a supplier finance arrangement, there is a cash flow (that is, the payment from the bank to the supplier) and the buyer needs to make a judgement as to whether it is a party to that cash flow (that is, whether a cash flow occurred for the buyer).

A cash flow has occurred for the buyer when the bank pays the supplier

In some circumstances, the buyer might judge that at the point in time the bank pays the supplier, the buyer has effectively incurred an operating cash outflow and a financing cash inflow. The rationale is that this is appropriate because the bank, in substance, is considered to be acting as a payment agent on behalf of the buyer.

When the buyer then subsequently makes the payment to the bank, the cash flow is presented as a financing cash outflow.

A cash flow has not occurred for the buyer when the bank pays the supplier

In other circumstances, the buyer might judge that it is not a party to the cash flow between the bank and the supplier. In this case, the only cash flow that will be presented in the buyer's cash flow statement is the cash outflow when the buyer pays the bank.

This might be presented as either a financing cash outflow or an operating cash outflow.

The judgement applied to determine the classification of cash flows should be clearly disclosed, if material, following IAS 1 requirements (see next section).

PwC Observation

When considering the classification and presentation of supplier finance arrangements in the statement of financial position and cash flow statement, entities should also consider the views of securities regulators in their respective jurisdictions.

For example, we understand that the US SEC staff's view is that if the economic substance of the trade payable has changed as a result of a supplier finance arrangement, an in-substance financing will be deemed to have occurred. The trade payable should therefore be reclassified to debt on the balance sheet. In this situation, the US SEC's staff position is that the reporting entity should reflect (impute) an operating cash outflow and financing cash inflow related to the affected trade payable.

Additionally, where the buyer does not reflect an operating cash outflow and a financing cash inflow (unlike the US SEC staff's views described above), but presents the liabilities that are part of the supplier finance arrangement as finance payables, clear disclosures about this non-cash transfer should be provided. This is because non-cash transfers can have significant ramifications for the investor's analysis of operating cash flows or free cash flows, and transparency on these transfers should be provided in the notes.

Illustration

Consider the following example:

- 1 January: the buyer receives goods from the supplier for a price of 50 and records a trade payable. No cash flows occur on this date. The invoice due date is 31 March.
- 1 February: the trade payable becomes part of the supplier finance arrangement (SFA), and the buyer reclassifies the 'trade payable' to be a 'short term loan' in the statement of financial position.
- 31 March: per the terms of the SFA, the bank pays the supplier on the invoice due date.
- 31 May: per the terms of the SFA, the buyer pays the bank two months later.
- The reporting period is the six months ending 30 June.
- For simplicity, assume that the buyer pays the bank the exact same amount as the bank pays the supplier (that is, 50) and ignore the time value of money or any fees and costs.

Statement of financial position

Balance as at:	**1 January** **Trade payable is recognised**	**1 February** **Trade payable becomes part of SFA**	**31 May** **Buyer pays finance provider**
Trade payable	50	-	-
Short-term loan	-	50	-

If the entity assesses that it has incurred cash flows at the point when the bank pays the supplier, the effect on the cash flow statement would be as follows:

Cash flow statement

Cash flows recorded on:	**1 February** **Trade payable becomes part of SFA**	**31 March** **Finance provider pays supplier**	**31 May** **Buyer pays finance provider**	**Total for period ending 30 June**
Operating cash flows	No cash flow exists- non-cash transfer	-50	-	-50
Financing cash flows		+50	-50	-
Total cash flows				-50

If, alternatively, the entity assesses that it has not incurred cash flows at the point in time the bank pays the supplier, the effect on the cash flow statement would be as follows:

Cash flow statement

Cash flows recorded on:	**1 February** **Trade payable becomes part of SFA**	**31 March** **Finance provider pays supplier**	**31 May** **Buyer pays finance provider***	**Total for period ending 30 June**
Operating cash flows	No cash flow exists - non-cash transfer	A cash payment takes place, but it is *not* a cash flow for the buyer	-	-
Financing cash flows			-50	-50
Total cash flows				-50

* For illustration purposes, assume that the buyer has decided to present the cash outflow as financing.

PwC Observation

In this example, the timing of derecognition of the trade payable and recognition of a short term loan is different from the timing of occurrence of the cash flows in the cash flow statement. In practice, entities might apply a practical expedient and record a cash flow in the cash flow statement at the same date as the derecognition of the trade payable and the recognition of the short term loan. An entity might apply such a practical expedient when it reasonably expects that application of the expedient would not differ materially from the accounting demonstrated in the example above.

FAQ 7.20.6 – How should the cash flows in respect of a reverse factoring arrangement be classified in the cash flow statement?[6]

FAQ 7.12.1 – Factors to consider when assessing if another entity is acting on behalf of the reporting entity for presenting cash receipts or payments in the cash flow statement[7]

[6] Viewpoint subscription required
[7] Viewpoint subscription required

8 Disclosures

For reporting periods beginning before 1 January 2024, IFRS Accounting Standards do not provide explicit disclosure requirements for supplier finance arrangements. However, general disclosure requirements, including the requirements of IAS 1, apply and need to be considered. Entities need to apply judgement to decide the disclosure required for this period. The 2020 Committee agenda decision includes consideration in this regard.

This section reflects the disclosure requirements issued by the IASB in May 2023. These disclosures are effective from 1 January 2024, with reliefs provided in the first year of application.

General objective

The general objective of the disclosure requirements is for an entity to disclose information about its supplier finance arrangements that enables users of financial statements to assess:

a. the effects of those arrangements on the entity’s liabilities and cash flows; and

b. the entity’s exposure to liquidity risk and how the entity would be affected if the arrangements were no longer available to it.

Disclosures about the impact on liabilities and cash flows (IAS 7)

An entity is required to disclose:

1. The terms and conditions of its supplier finance arrangements (for example, extended payment terms and security or guarantees provided). If the terms and conditions of individual arrangements are not similar, an entity is required to disclose the dissimilar terms and conditions of individual arrangements.

PwC Observation

The qualitative information can be presented on an aggregated basis when the characteristics of the arrangements are similar. Judgement might be required to assess whether a specific arrangement is dissimilar in nature to other arrangements. An arrangement would be dissimilar if it has unusual or unique terms and conditions. Examples of an arrangement that might be disaggregated could include a specific arrangement for one supplier with bespoke terms, such as an unusual interest rate, which a buyer might enter into in addition to other supplier finance arrangements with similar terms.

In addition, entities should consider whether the aggregation meets the objective of providing information about concentrations of liquidity risk with supplier finance providers. For example, consider a situation where there are five supplier finance arrangements that all have similar terms, but there is a significant concentration with a single provider amongst the five. In this case additional disclosure might be necessary to meet the requirements in paragraph 39(c) of IFRS 7 to provide information about management of liquidity risk, since concentrated funding sources are provided as an example of a liquidity risk factor in paragraph B11F(d) of IFRS 7 and also highlighted in paragraph IG18A(a)(iv) of IFRS 7.

See section A of the illustrative disclosure included below

2. As at the beginning and end of the reporting period:

   a. the carrying amounts of the financial liabilities that are part of a supplier finance arrangement and the line items in which those liabilities are presented.

   b. the carrying amounts and associated line items of the financial liabilities disclosed under 2(a) for which suppliers have already received payment from the finance providers.

See section B of the illustrative disclosure included below.

c. the range of payment due dates for both financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement. For example, a comparable trade payable that is not part of a supplier finance arrangement might be due within 30 days, whereas the trade payable that is part of a supplier finance arrangement is due within 60 days.

Comparable trade payables are, for example, trade payables within the same business line or jurisdiction as the financial liabilities that are part of a supplier finance arrangement. If ranges of payment due dates are wide, an entity is required to disclose explanatory information about those ranges or disclose additional ranges (for example, stratified ranges).

See section C of the illustrative disclosure included below.

PwC Observation

Entities might face challenges initially in obtaining the information needed to disclose the carrying amounts for which suppliers have already been paid, and in setting up appropriate controls over the completeness and accuracy of that information. Entities should engage with their finance provider as soon as possible to ensure that they have access to the information needed on a timely basis and are able to put in place appropriate processes and controls over that information.

3. The type and effect of non-cash changes in the carrying amounts of the financial liabilities disclosed under 2(a) (that is, liabilities that are part of a supplier finance arrangement). Examples of non-cash changes include the effect of business combinations, exchange differences and other transactions that do not require the use of cash or cash equivalents. This disclosure requirement also applies for reclassifications between line items in the statement of financial position that are not accompanied by a cash movement (see section 5 and section 6 above).

See section D of the illustrative disclosure included below.

PwC Observation

The disclosure of non-cash changes is a critical element of the disclosure requirements. When the IASB developed these requirements, it received a clear message from investors that they need information to understand the impact of supplier finance arrangements on an entity's cash flows. Without specific disclosures about non-cash changes, the cash flow impact would not always be apparent.

Example supplier finance arrangements IAS 7 disclosures

Note X - Supplier Finance Arrangements

A	The entity entered into arrangements with the following terms and conditions: • Type A... • Type B...		
	Carrying amount of liabilities	Reporting date 20X5	Reporting date 20X4
	Presented within trade and other payables	CU1,500	CU1,000
	• Of which suppliers have received payment	CU1,050	CU800
B	Presented within finance payables	CU1,000	CU750
	• of which suppliers have received payment	CU900	CU650

Range of payment due dates			
C	Liabilities that are part of the arrangement	85 - 90 days after invoice date	80 - 90 days after invoice date
	Comparable trade payables that are not part of an arrangement	60 - 70 days after invoice date	60 - 65 days after invoice date
D	Non-cash changes		
	There were no material business combinations or foreign exchange differences in either period. There were non-cash transfers from trade payables to finance payables of CU1,200 and CU900 in 20X2 and 20X1.		

Other IAS 7 disclosure requirements that might apply for supplier finance arrangements

Investing and financing transactions that do not require the use of cash or cash equivalents are excluded from an entity's statement of cash flows [IAS 7 para 43]. If no cash inflow or cash outflow occurs for an entity in a financing transaction, the entity discloses the transaction elsewhere in the financial statements in a way that provides all of the relevant information about the financing activity [IAS 7 para 43].

Additionally, paragraphs 44A–44E of IAS 7 require disclosures to assess the changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Reliefs for first year adoption

The disclosure requirements are effective for annual reporting periods beginning on or after 1 January 2024 (early adoption is permitted), with the following reliefs in the first year of application:

a. Disclosure of comparative information: comparative information is not required during the first year that the entity applies the amendments - that is an entity with a closing reporting date of 31 December 2024 will not need to present comparative information for 2023.

b. Disclosure of specified opening balances: some of the quantitative disclosures in IAS 7 (see disclosure requirement number 2 above) are normally required at the opening and closing of each reporting period. However, considering the complexity that might exist for disclosures 2(b) and 2(c) above, in the first year of application, entities are provided with transition relief meaning that those disclosures are only required as of year-end.

c. Interim financial statements: the disclosures are required only for the annual periods during the first year of application, and not interim financial statements.

Disclosures about exposure to liquidity risk (IFRS 7)

IFRS 7 requires an entity to provide information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed. IFRS 7 defines liquidity risk as *"the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset"*.

The IASB amended IFRS 7 to specifically include the access to facilities under supplier finance arrangements as an example of factors that an entity might consider when providing the disclosure required in relation to liquidity risk. These disclosures will be particularly important if a significant portion of an entity's liabilities are a part of supplier finance arrangements with one of a few providers. In this case, it is important for investors to understand what the impact would be on the entity if the arrangements were no longer available (for example, if a finance provider has the right to withdraw one or more arrangements during times of financial stress).

PwC Observation

The liquidity risk disclosures should consider:

- the likelihood of the supplier financing arrangements becoming unavailable as well as the description of the termination of the arrangement (if relevant);
- the financial condition of the provider of the supplier financing; and
- the extent of the buyer's reliance on continued availability of the supplier finance arrangement.

Further guidance and discussion of liquidity risk disclosures can be found in the PwC Manual of accounting chapter 47 paras 107 to 110.[8]

IAS 1 additional disclosures

An entity applies judgement in determining whether to provide additional disclosures in the notes about the effect of supplier finance arrangements on its financial position, financial performance and cash flows - beyond those disclosures required by IAS 7 and IFRS 7. If this type of arrangement has a material effect in the financial statements, information should be provided to the extent that such information is relevant to an understanding of those financial statements [IAS 1 para 112].

IAS 1 also requires an entity to disclose judgements that have the most significant effect on the amounts recognised in the financial statements. Supplier finance arrangements might have material effects in an entity's financial statements. Making materiality judgements involves both quantitative and qualitative considerations [IAS 1 para 122].

9 Illustrative examples

Supplier finance arrangements might be structured in a variety of ways. This section illustrates how to apply the IFRS standards to some common supplier finance arrangements seen in practice.

EX 44.102.5 – Presentation of supplier finance arrangements[9]

[8] Viewpoint subscription required
[9] Viewpoint subscription required