International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Cc
Efrag

Stockholm March 27, 2022

Exposure Draft ED/2021/10

Supplier Finance Arrangements

Thank you for the opportunity to respond to the exposure draft. The Swedish Enterprise Accounting Group are aware of the debate regarding supplier financing and that some users find the binary classification of a liability as current or non-current provides insufficient information regarding the conditions the reporting entity has to defer settlement. However, we are not convinced that the general principles in IAS 1 regarding what should be classified as current and non-current liabilities, in combination with sufficient details concerning the assessments made by the reporting entity would not resolve most of this issue.

We have strong objections to the proposed detailed disclosure requirements regarding each supplier arrangement which we find way too granular. If introduced, they would contribute little to the information quality of the financial report while giving rise to a considerable administrative burden on reporting entities.

We have provided short comments to the specific question posed in the exposure draft in the appendix below.

Kind regards

CONFEDERATION OF SWEDISH ENTERPRISE

Sofia Bildstein-Hagberg

Appendix

Appendix

Question 1—Scope

The [Draft] Amendments to IAS 7 and IFRS 7 do not propose to define supplier finance arrangements. Instead, paragraph 44G of the [Draft] Amendments to IAS 7 describes the characteristics of an arrangement for which an entity would be required to provide the information proposed in this Exposure Draft. Paragraph 44G also sets out examples of the different forms of such arrangements that would be within the scope of the Board's proposals.

Paragraphs BC5–BC11 of the Basis for Conclusions explain the Board's rationale for this proposal.

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.

SEAG agrees with the Board that a broad description of supplier finance arrangements is preferable to a definition that may become outdated when the terms of supplier finance arrangements evolve over time. However, SEAG is not convinced that the proposed characteristics will be able to capture all existing financing arrangements that are similar in nature and purpose and therefore may be considered equal or comparable to supply chain financing. Questions whether some transactions meet the proposed description of a supply finance arrangement or not are likely to give rise to lengthy discussions with the auditors. In addition, the payment terms between the supplier and the finance provider may not be known to the reporting entity which risk making the description difficult to apply in practice.

Question 2—Objective and disclosure requirements

Paragraph 44F of the [Draft] Amendments to IAS 7 would require an entity to disclose information in the notes about supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on an entity's liabilities and cash flows. To meet that objective, paragraph 44H of the [Draft] Amendments to IAS 7 proposes to require an entity to disclose:

(a) the terms and conditions of each arrangement;

(b) for each arrangement, as at the beginning and end of the reporting period:

(i) the carrying amount of financial liabilities recognised in the entity's statement of financial position that are part of the arrangement and the line item(s) in which those financial liabilities are presented;

(ii) the carrying amount of financial liabilities disclosed under (i) for which suppliers have already received payment from the finance providers; and

(iii) the range of payment due dates of financial liabilities disclosed under (i);and

(c) as at the beginning and end of the reporting period, the range of payment due dates of trade payables that are not part of a supplier finance arrangement. Paragraph 44I would permit an entity to aggregate this information for different arrangements only when the terms and conditions of the arrangements are similar.

Paragraphs BC12–BC15 and BC17–BC20 of the Basis for Conclusions explain the Board's rationale for this proposal.

Do you agree with this proposal? Why or why not? If you agree with only parts of the proposal, please specify what you agree and disagree with. If you disagree with the proposal (or parts of it), please explain what you suggest instead and why.

SEAG believes the proposed disclosures are too far reaching. To provide information regarding each arrangement on a detailed level may give rise to extensive disclosures that will be both administratively demanding, and risk burden the information in the financial report with unnecessary details. It is not obvious from the ED how the proposed requirements should be regarded in light of materiality considerations. The granular level of the proposed disclosures risk putting the reporting entity in an unfavorable negotiating position. In addition, payment terms may be commercially sensitive information and subject to confidentiality agreements.

From a user perspective, it would be more helpful with information about the assessments made by the reporting entity as regards classification of liabilities as trade payables or long-term financial liabilities on an aggregated level.

Question 3—Examples

Paragraph 44B of the [Draft] Amendments to IAS 7 and paragraphs B11F and IG18 of the [Draft] Amendments to IFRS 7 propose to add supplier finance arrangements as an example within the requirements to disclose information about changes in liabilities arising from financing activities and about an entity's exposure to liquidity risk, respectively.

Paragraphs BC16 and BC21–BC22 of the Basis for Conclusions explain the Board's rationale for this proposal.

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.

We have no specific comments to this proposal.