Association pour la participation des entreprises françaises à l'harmonisation comptable internationale

International Accounting Standards Board (IASB)

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Exposure Draft ED/2021/10—Supplier Finance Arrangements

We understand the users' expressing their need for more information about supplier finance arrangements, however, we are very cautious about the elements that the Board is proposing to require to be disclosed, particularly because of the very broad range of schemes that the description of the schemes proposed in the ED would cover.

Indeed, as indicated in the basis for conclusions, the arrangements captured by the description in paragraph 44G include a variety of different mechanisms and different purposes- "An entity may enter into supplier finance arrangements for different reasons. Typically, these arrangements aim to <u>improve working capital</u> (for example, through extended payment terms) and, additionally or alternatively, <u>to assist the entity's suppliers</u> (for example, through alternative and more affordable financing)".

Although the entirety of the arrangements has in common the intervention of a financial institution between the entity and its suppliers - and this may perhaps justify disclosure of a similar set of information about the amounts involved and the concentration risk – we think that the objective of managing working capital (which may not always be the case) should be differentiated from the others when it comes to the other elements of information required. When the working capital is not affected by those arrangements that have been put in place purely to assist suppliers, it is not relevant for the entity to provide information about the amounts that the bank has already made available to the supplier or the impact on the due date of payment (the impact being non-existent for the entity, in the case of the latter). We would therefore suggest, with due respect, that the Board adapt the approach according to the purpose of the different schemes, and in particular differentiate between those intended to manage working capital and the rest.

Furthermore, we are concerned that this description might be interpreted by some to include arrangements between the reporting entity and the bank which are intended only to simplify the management of the payment of supplier debts for the entity without modifying the credit period. In such cases the supplier is typically not a party to the arrangement. In our view, it should be made clear that such schemes are not intended to fall within the scope of the requirements of the amendments in the ED.

In addition, we are concerned by the proposal to require information for each arrangement. This approach seems to us to be complex, onerous, difficult for the user to utilise and may result in the disclosure of commercially sensitive information. We would suggest, therefore, that there be the possibility of aggregating information while, nevertheless, maintaining the distinction between those arrangements used by the entity to manage working capital and those others put in place solely to assist suppliers.

For the latter, on the basis of relevance, only the information required by paragraph 44H(b)(i) should be required and aggregation of them as a unit should be permitted as we can see no utility in providing the information for each arrangement.

In respect of those arrangements intended to facilitate working-capital management, the information required by paragraphs 44H(b)(i) and (ii) could also be required on an aggregated basis. We understand that the Board thinks that the information required about the range of supplier-credit periods in paragraph 44H(b)(iii) can be useful for the users in facilitating their understanding of the impact of these arrangements on the working capital. However, we do not see how the users can assess this impact by comparing a range of payment due dates for scheme liabilities (which are often specific to a jurisdiction independently of their being included in an arrangement) with a range of payment due dates for the liabilities outside such arrangements, which comprise the whole of the remainder of the supplier liabilities of the group and for which many other factors may influence the payment period, including, for example, the nature of the goods or services and local regulations. The required information does not seem relevant, in our view.

It might be preferable to require an indication of the average number of days' increase in credit from which the entity has benefitted as a result of the arrangements put in place. Finally, the Board might encourage, but not require, entities to provide an estimate of the impact of such increases in credit terms on their working capital.

If you require any more information on any of these topics, please do not hesitate to contact us.

Yours sincerely,

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