

IASB increases transparency of companies' supplier finance

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The International Accounting Standards Board (IASB) has today issued disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk.

The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

The amendments supplement requirements already in IFRS Accounting Standards and require a company to disclose:

- the terms and conditions;
- 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 sit on the balance sheet;
- ranges of payment due dates; and
- liquidity risk information.

Supplier finance arrangements are often referred to as supply chain finance, trade payables finance or reverse factoring arrangements.

Andreas Barckow, Chair of the IASB, said:

The new disclosure requirements will make visible a company's usage of supplier finance arrangements and allow investors to make better-informed investment decisions by demonstrating how that usage has affected the company's operations.

The amendments, which affect IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*, will become effective for annual reporting periods beginning on or after 1 January 2024.

For further information on the new requirements and the benefits they bring:

- [watch our webcast](#); and
- [read our *Investor Perspectives* article by IASB Member Zach Gast](#).

IFRS Digital Subscribers and IFRS Digital and Print subscribers can download the document from the [IFRS Accounting Standards Navigator](#) and the [Supplier Finance Arrangements project page](#). IFRS Digital and Print subscribers will be sent a printed copy of the document, and printed copies will also be available to order from the [Web Shop](#). The amendment will be consolidated into IAS 7 and IFRS 7 in March 2024, at which point it will be available for users with [a free website registration](#).

