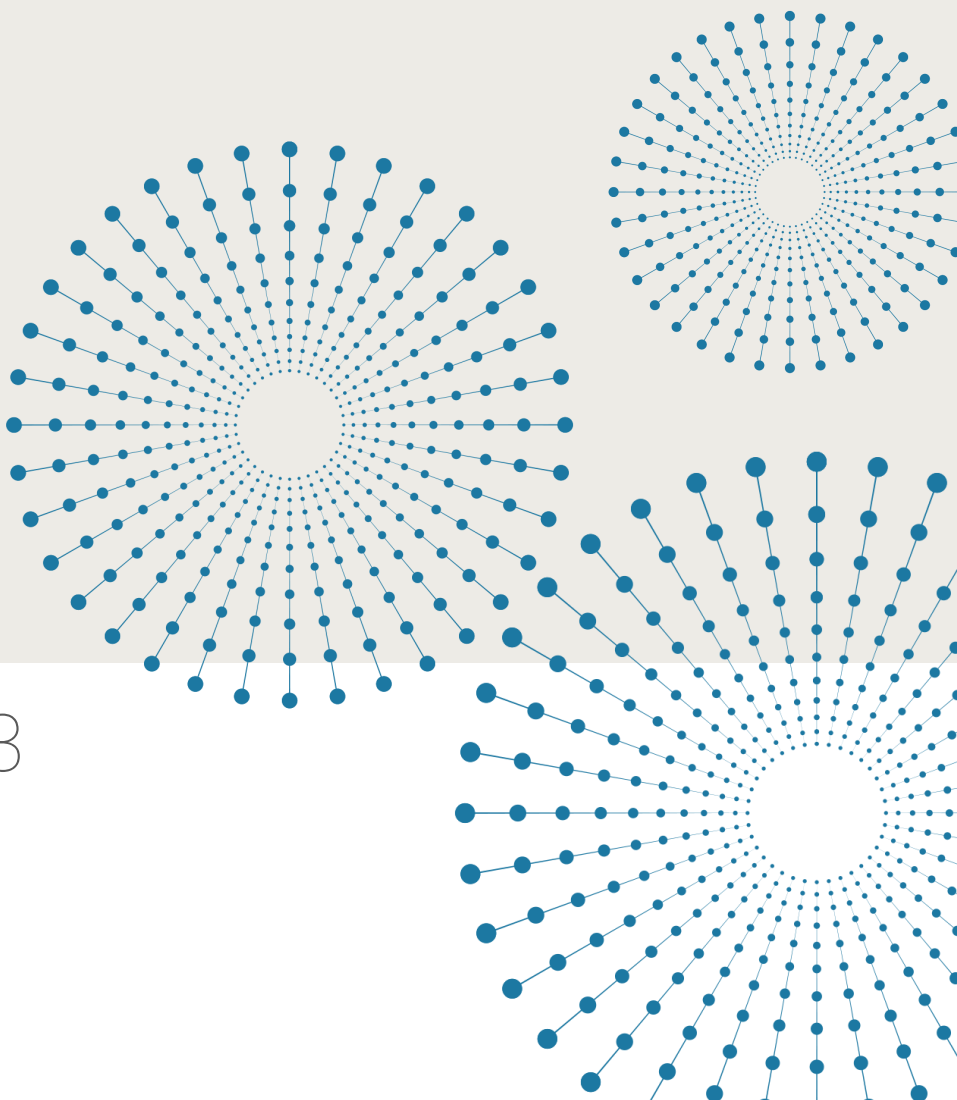


Supplier Finance Arrangements



Issued July 2023



SUPPLIER FINANCE ARRANGEMENTS



Supplier Finance Arrangements

Issued July 2023

This Tier 1 and Tier 2 for-profit amending Standard is based on *Supplier Finance Arrangements*, issued by the International Accounting Standards Board, which amended IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*. This amending Standard introduces disclosures to enhance transparency of an entity's supplier finance arrangements and their effects on its liabilities, cash flows and exposure to liquidity risk.

In finalising this Standard, the New Zealand Accounting Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

Legal status of amending Standard

This amending Standard was issued on 13 July 2023 by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This amending Standard is secondary legislation for the purposes of the Legislation Act 2019.

The amending Standard, pursuant to section 27(1) of the Financial Reporting Act 2013, takes effect on the 28th day after the date of its publication. The amending Standard was published under the Legislation Act 2019 on 13 July 2023 and takes effect on 10 August 2023.

Commencement and application

The amending Standard has a mandatory date of 1 January 2024, meaning it must be applied by Tier 1 and Tier 2 for-profit entities for accounting periods that begin on or after this date.

Application to an earlier accounting period is permitted for accounting periods that end after this amending Standard takes effect – refer to paragraphs 62 – NZ 63.3 of this amending Standard.

SUPPLIER FINANCE ARRANGEMENTS

COPYRIGHT

© External Reporting Board (XRB) 2023

This XRB standard contains International Financial Reporting Standards (IFRS®) Foundation copyright material. Reproduction within New Zealand in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgement of the source.

Requests and enquiries concerning reproduction and rights for commercial purposes within New Zealand should be addressed to the Chief Executive, External Reporting Board at the following email address: enquiries@xrb.govt.nz and the IFRS Foundation at the following email address: permissions@ifrs.org

All existing rights (including copyrights) in this material outside of New Zealand are reserved by the IFRS Foundation. Further information and requests for authorisation to reproduce for commercial purposes outside New Zealand should be addressed to the IFRS Foundation.

ISBN 978-1-99-100543-4

Copyright

IFRS Accounting Standards are issued by the International Accounting Standards Board
Columbus Building, 7 Westferry Circus, Canary Wharf, London, E14 4HD, United Kingdom.
Tel: +44 (0) 20 7246 6410
Email: info@ifrs.org Web: www.ifrs.org

Copyright © International Financial Reporting Standards Foundation All rights reserved.

Reproduced and distributed by the External Reporting Board with the permission of the IFRS Foundation.

This English language version of the IFRS Accounting Standards is the copyright of the IFRS Foundation.

1. The IFRS Foundation grants users of the English language version of IFRS Accounting Standards (Users) the permission to reproduce the IFRS Accounting Standards for
 - (i) the User's Professional Use, or
 - (ii) private study and education

Professional Use: means use of the English language version of the IFRS Accounting Standards in the User's professional capacity in connection with the business of providing accounting services for the purpose of application of IFRS Accounting Standards for preparation of financial statements and/or financial statement analysis to the User's clients or to the business in which the User is engaged as an accountant.

For the avoidance of doubt, the abovementioned usage does not include any kind of activities that make (commercial) use of the IFRS Accounting Standards other than direct or indirect application of IFRS Accounting Standards, such as but not limited to commercial seminars, conferences, commercial training or similar events.

2. For any application that falls outside Professional Use, Users shall be obliged to contact the IFRS Foundation for a separate individual licence under terms and conditions to be mutually agreed.
3. Except as otherwise expressly permitted in this notice, Users shall not, without prior written permission of the Foundation have the right to license, sublicense, transmit, transfer, sell, rent, or otherwise distribute any portion of the IFRS Accounting Standards to third parties in any form or by any means, whether electronic, mechanical or otherwise either currently known or yet to be invented.
4. Users are not permitted to modify or make alterations, additions or amendments to or create any derivative works, save as otherwise expressly permitted in this notice.
5. Commercial reproduction and use rights are strictly prohibited. For further information please contact the IFRS Foundation at permissions@ifrs.org.

SUPPLIER FINANCE ARRANGEMENTS

The authoritative text of IFRS Accounting Standards is that issued by the International Accounting Standards Board in the English language. Copies may be obtained from the IFRS Foundation's Publications Department.

Please address publication and copyright matters in English to:

IFRS Foundation Publications Department

Columbus Building, 7 Westferry Circus, Canary Wharf, London, E14 4HD, United Kingdom.

Tel: +44 (0) 20 7332 2730 Fax: +44 (0) 20 7332 2749

Email: publications@ifrs.org Web: www.ifrs.org

Trade Marks



The IFRS Foundation logo, the IASB logo, the IFRS for SMEs logo, the “Hexagon Device”, “IFRS Foundation”, “eIFRS”, “IAS”, “IASB”, “IFRS for SMEs”, “IASs”, “IFRS”, “IFRSs”, “International Accounting Standards” and “International Financial Reporting Standards”, “IFRIC”, and “SIC” are **Trade Marks** of the IFRS Foundation.

Disclaimer

The authoritative text of the IFRS Accounting Standards is reproduced and distributed by the External Reporting Board in respect of their application in New Zealand. The International Accounting Standards Board, the Foundation, the authors and the publishers do not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.

SUPPLIER FINANCE ARRANGEMENTS

CONTENTS

	<i>from page</i>
PART A: INTRODUCTION	5
PART B: SCOPE	5
PART C: AMENDMENTS TO NZ IAS 7 <i>STATEMENT OF CASH FLOWS</i>	5
• STRUCTURE AND CONTENT	
• COMMENCEMENT AND APPLICATION	
PART D: AMENDMENTS TO NZ IFRS 7 <i>FINANCIAL INSTRUMENTS: DISCLOSURES</i>	7
• STRUCTURE AND CONTENT	
• COMMENCEMENT AND APPLICATION	

The following is available within New Zealand on the XRB website as additional material

APPROVAL BY THE IASB OF *SUPPLIER FINANCE ARRANGEMENTS* ISSUED IN MAY 2023

AMENDMENTS TO THE BASIS FOR CONCLUSIONS ON IAS 7 *STATEMENT OF CASH FLOWS*

AMENDMENTS TO THE BASIS FOR CONCLUSIONS ON IFRS 7 *FINANCIAL INSTRUMENTS: DISCLOSURES*

SUPPLIER FINANCE ARRANGEMENTS

Part A – Introduction

This amending Standard sets out amendments to NZ IAS 7 *Statement of Cash Flows* and NZ IFRS 7 *Financial Instruments: Disclosures*. The amendments introduce additional disclosures to enhance transparency over an entity's supplier finance arrangements and their effect on the entity's liabilities, cash flows and exposure to liquidity risk.

Tier 2 entities are required to comply with all the requirements in this amending Standard.

Part B – Scope

This Standard applies to Tier 1 and Tier 2 for-profit entities.

Part C – Amendments to NZ IAS 7 *Statement of Cash Flows*

Paragraphs 44F–44H and their related heading and paragraphs 62–63 are added. For ease of reading, these paragraphs and their headings have not been underlined. The heading of the section which includes paragraph 62–63.3 is amended. New text in that heading is underlined.

Structure and content

...

Supplier finance arrangements

44F An entity shall disclose information about its supplier finance arrangements (as described in paragraph 44G) that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk.

44G 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. Supplier finance arrangements are often referred to as supply chain finance, payables finance or reverse factoring arrangements. Arrangements that are solely credit enhancements for the entity (for example, financial guarantees including letters of credit used as guarantees) or instruments used by the entity to settle directly with a supplier the amounts owed (for example, credit cards) are not supplier finance arrangements.

44H To meet the objectives in paragraph 44F, an entity shall disclose in aggregate for its supplier finance arrangements:

- (a) the terms and conditions of the arrangements (for example, extended payment terms and security or guarantees provided). However, an entity shall disclose separately the terms and conditions of arrangements that have dissimilar terms and conditions.
- (b) as at the beginning and end of the reporting period:
 - (i) the carrying amounts, and associated line items presented in the entity's statement of financial position, of the financial liabilities that are part of a supplier finance arrangement.
 - (ii) the carrying amounts, and associated line items, of the financial liabilities disclosed under (i) for which suppliers have already received payment from the finance providers.
 - (iii) the range of payment due dates (for example, 30–40 days after the invoice date) for both the financial liabilities disclosed under (i) and comparable trade payables that are not part of a supplier finance arrangement. Comparable trade payables are, for example, trade payables of the entity within the same line of business or jurisdiction as the financial liabilities disclosed under (i). If ranges of payment due dates are wide, an entity

SUPPLIER FINANCE ARRANGEMENTS

shall disclose explanatory information about those ranges or disclose additional ranges (for example, stratified ranges).

- (c) the type and effect of non-cash changes in the carrying amounts of the financial liabilities disclosed under (b)(i). Examples of non-cash changes include the effect of business combinations, exchange differences or other transactions that do not require the use of cash or cash equivalents (see paragraph 43).

...

Effective date and transition Commencement and application

...

62 The amending Standard *Supplier Finance Arrangements*, published in May 2023, added paragraphs 44F–44H. An entity shall apply those amendments in accordance with the commencement and application date provisions in paragraphs NZ 63.1–NZ 63.3. An entity that applies those amendments to an ‘early adoption accounting period’ shall disclose that fact.

63 In applying *Supplier Finance Arrangements*, an entity is not required to disclose:

- (a) comparative information for any reporting periods presented before the beginning of the annual reporting period in which the entity first applies those amendments.
- (b) the information otherwise required by paragraph 44H(b)(ii)–(iii) as at the beginning of the annual reporting period in which the entity first applies those amendments.
- (c) the information otherwise required by paragraphs 44F–44H for any interim period presented within the annual reporting period in which the entity first applies those amendments.

When amending Standard takes effect (section 27 Financial Reporting Act 2013)

NZ 63.1 The amending Standard takes effect on the 28th day after the date of its publication under the Legislation Act 2019. The amending Standard was published on 13 July 2023 and takes effect on 10 August 2023

Accounting period in relation to which standards commence to apply (section 28 Financial Reporting Act)

NZ 63.2 The accounting periods in relation to which this amending Standard commences to apply are:

- (a) for an **early adopter**, those accounting periods following and including, the **early adoption accounting period**.
- (b) for any other reporting entity, those accounting periods following, and including, the first accounting period for the entity that begins on or after the **mandatory date**.

NZ 63.3 In paragraph NZ 63.2:

early adopter means a reporting entity that applies this amending Standard for an early adoption accounting period

early adoption accounting period means an accounting period of the early adopter:

- (a) that begins before the mandatory date but has not ended or does not end before this amending Standard takes effect (and to avoid doubt, that period may have begun before this amending Standard takes effect); and
- (b) for which the early adopter:
 - (i) first applies this amending Standard in preparing its financial statements; and
 - (ii) discloses in its financial statements for that accounting period that this amending Standard has been applied for that period.

mandatory date means 1 January 2024.

SUPPLIER FINANCE ARRANGEMENTS

Part D – Amendments to NZ IFRS 7 *Financial Instruments: Disclosures*

Paragraph 44JJ is added. In Appendix B, paragraph B11F is amended. Deleted text is struck through and new text is underlined.

Structure and content

...

~~Effective date and transition~~ **Commencement and application**

...

44JJ *Supplier Finance Arrangements*, issued in July 2023, which also amended NZ IAS 7, amended paragraph B11F. An entity shall apply that amendment when it applies the amendments to NZ IAS 7.

...

Appendix B **Application guidance**

...

Nature and extent of risks arising from financial instruments **(paragraphs 31–42)**

...

Quantitative liquidity risk disclosures (paragraphs 34(a) and 39(a) and (b))

...

B11F Other factors that an entity might consider in providing the disclosure required in paragraph 39(c) include, but are not limited to, whether the entity:

- (a) has committed borrowing facilities (eg commercial paper facilities) or other lines of credit (eg stand-by credit facilities) that it can access to meet liquidity needs;
- (b) holds deposits at central banks to meet liquidity needs;
- (c) has very diverse funding sources;
- (d) has significant concentrations of liquidity risk in either its assets or its funding sources;
- (e) has internal control processes and contingency plans for managing liquidity risk;
- (f) has instruments that include accelerated repayment terms (eg on the downgrade of the entity's credit rating);
- (g) has instruments that could require the posting of collateral (eg margin calls for derivatives);
- (h) has instruments that allow the entity to choose whether it settles its financial liabilities by delivering cash (or another financial asset) or by delivering its own shares; ~~or~~
- (i) has instruments that are subject to master netting agreements; or
- (j) has accessed, or has access to, facilities under supplier finance arrangements (as described in paragraph 44G of IAS 7) that provide the entity with extended payment terms or the entity's suppliers with early payment terms.

...