

Our Ref: STA/001

18 March 2022

IFRS Foundation  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom

Dear Sir/Madam

**ED/2021/10 SUPPLIER FINANCE ARRANGEMENTS: PROPOSED AMENDMENTS TO IAS 7  
AND IFRS 7**

The Institute of Certified Public Accountants of Uganda (ICPAU) is pleased to share its comments on the above-named exposure draft.

ICPAU appreciates the initiatives of the International Accounting Standards Board (IASB) to improve the disclosures applicable to supplier finance arrangements to meet users' information needs.

Overall, we believe that the proposed amendments have the potential to enable users to understand the effects of supplier finance arrangements on an entity's liabilities and cashflows as well as on liquidity risk and risk management generally. Please refer to **Appendix 1** for our responses to the questions in the Exposure Draft.

For any inquiries relating to this comment letter, kindly contact CPA Charles Lutimba by email at [standards@icpau.co.ug](mailto:standards@icpau.co.ug)

Yours faithfully



CPA Mark Omona  
DIRECTOR STANDARDS AND REGULATION  
For: **SECRETARY/CEO**

Encl (ICPAU's Responses ED/2021/10 Supplier Finance Arrangements: Proposed Amendments to IAS 7 and IFRS 7)

NNN/.....

**Question 1—Scope of disclosure requirements**

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.

**Our Response**

- i. ICPAU supports the proposal to include a description of characteristics rather than a definition of supplier finance arrangements in the amendments to IAS 7 and IFRS 7. ICPAU further supports the inclusion of examples of the different forms of supplier finance arrangements in Paragraph 44G. This is in tandem with the principles-based approach to IFRS standards.
- ii. However, we invite the Board to consider a key fact about supplier finance arrangements which is that the finance provider would require an entity to confirm that the invoice from the supplier is valid. In consideration of this fact, we would be pleased if the Board amends the proposed description in paragraph 44G to include this fact. Also, the Board needs to clarify that both supplier finance arrangements providing early payment terms to suppliers and supplier finance arrangements providing extended credit terms to buyers are within the scope of the project.

## Appendix 1

Question 2—Disclosure objective and disclosure requirements
<p>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.</p> <p>To meet that objective, paragraph 44H of the [Draft] Amendments to IAS 7 proposes to require an entity to disclose:</p> <ul style="list-style-type: none"><li>(a) the terms and conditions of each arrangement;</li><li>(b) for each arrangement, as at the beginning and end of the reporting period:<ul style="list-style-type: none"><li>(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;</li><li>(ii) the carrying amount of financial liabilities disclosed under (i) for which suppliers have already received payment from the finance providers; and</li><li>(iii) the range of payment due dates of financial liabilities disclosed under (i); and</li></ul></li><li>(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.</li></ul> <p>Paragraph 44I would permit an entity to aggregate this information for different arrangements only when the terms and conditions of the arrangements are similar.</p> <p>Paragraphs BC12–BC15 and BC17–BC20 of the Basis for Conclusions explain the Board's rationale for this proposal.</p> <p>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.</p>

### Our Response

ICPAU agrees with the proposed disclosures in paragraph 44H. However, to clearly depict the concept of materiality, ICPAU suggests that paragraph 44H (a) be amended to include the word “material”. Subsequently, the new paragraph would read as follows:

“(a) the material terms and conditions of each arrangement”

Certainly, in all circumstances, not all terms and conditions of each supplier finance arrangement would meet the definition of material. With this, we believe there will be a limit on disclosure of excessive detail. Instead, only information relevant to an understanding of the effects of supplier finance arrangements on the entity's liabilities and cash flows considered to be material would be disclosed.



## Appendix 1

### Question 3—Examples added to disclosure requirements

Paragraph 44B of the [Draft] Amendments to IAS 7 and paragraphs B11F and IC18 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.

### Our Response

ICPAU supports this proposal. However, we believe that the disclosures surrounding supplier finance arrangements should be driven by the entity's use of those arrangements.