



29 November 2021

To: **Members of the Hong Kong Institute of CPAs**
All other interested parties

**INVITATION TO COMMENT ON IASB EXPOSURE DRAFT
ED/2021/10 *Supplier Finance Arrangements*
(Proposed amendments to IAS 7 and IFRS 7)**

Comments to be received by 15 February 2022

The Financial Reporting Standards Committee (FRSC) of the Hong Kong Institute of Certified Public Accountants (Institute) is seeking comments on the IASB Exposure Draft ED/2021/10 *Supplier Finance Arrangements* (Proposed amendments to IAS 7 and IFRS 7). The Exposure Draft is available on the Institute's website:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/financial-reporting/exposure-drafts/>.

The International Accounting Standards Board (IASB) has proposed amendment to disclosure requirements in IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities and cash flows.

Supplier finance arrangements are often referred to as supply chain finance, payables finance or reverse factoring arrangements. The proposed amendments to the current disclosure requirements are designed to meet investors' demands for more detailed information to help them analyse and understand the effects of such arrangements.

Under the IASB's proposals, a company would be required to disclose information that enables investors to assess the effects of the company's supplier finance arrangements on its liabilities and cash flows. These proposals would amend IAS 7 and IFRS 7 and complement an [agenda decision](#) (*Supply Chain Financing Arrangements—Reverse Factoring*) published by the IFRS Interpretations Committee in December 2020.

The proposed amendments would affect a company that, as a buyer, enters into one or more supplier finance arrangements, under which the company, or its suppliers, can access financing for amounts the company owes its suppliers.

The FRSC invites your comments on the proposal as set out in the Exposure Draft by **15 February 2022** to allow your comments to be considered in developing its response to the IASB. Comments should be submitted in written form.

Comments may be sent by mail, fax or e-mail to:

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Comments will be acknowledged and may be made available for public review unless otherwise requested by the respondent.