



IKATAN AKUNTAN INDONESIA
(INSTITUTE OF INDONESIA CHARTERED ACCOUNTANTS)

Jakarta, 28th March 2022

Ref.: 331/DSAK/IAI/III/2022

To:
International Accounting Standards Board (IASB)
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Comment on the Exposure Draft Supplier Finance Arrangements – Proposed amendments to IAS 7 and IFRS 7

As part of the Institute of Indonesia Chartered Accountants, the Indonesian Financial Accounting Standards Board (DSAK IAI) is the national accounting standard-setter in Indonesia. On behalf of DSAK IAI, I am writing to comment on the Exposure Draft Supplier Finance Arrangements – Proposed amendments to IAS 7 and IFRS 7.

During our desk study on limited samples of local listed companies and limited outreach, we identified potential issues with regard to the presentation and disclosures of supplier finance arrangements. In our comments (attached), we noted other matters relating to the presentation in statement of financial position of liabilities arising from supplier finance arrangement.

We hope our comments could contribute to your future deliberations. Should you have any questions regarding our comments, please do not hesitate to contact us at dsak@iaiglobal.or.id.

Thank you.

Best regards,

Indra Wijaya

Chairman
The Indonesian Financial Accounting Standards Board
Institute of Indonesia Chartered Accountants

Appendix

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.

DSAK IAI Response:

We agree with the Board's proposal on the scope of disclosure requirements since it will provide more information to users of financial statement about supplier finance arrangement.

Question 2—Disclosure objective and disclosure requirements

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. To meet that objective, paragraph 44H of the [Draft] Amendments to IAS 7 proposes to require an entity to disclose:

- (a) the terms and conditions of each arrangement;
- (b) for each arrangement, as at the beginning and end of the reporting period:
 - (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;
 - (ii) the carrying amount of financial liabilities disclosed under (i) for which suppliers have already received payment from the finance providers; and
 - (iii) the range of payment due dates of financial liabilities disclosed under (i); and
- (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.

Paragraph 44I would permit an entity to aggregate this information for different arrangements only when the terms and conditions of the arrangements are similar.

Paragraphs BC12–BC15 and BC17–BC20 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 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.

DSAK IAI response:

We agree with the Board’s proposal on the disclosure objectives and disclosure requirements since it will provide clarity on what supplier finance arrangement which entity are entails so that users of financial statement able to assess its effects on entity’s liabilities and cash flows.

<p>Question 3—Examples added to disclosure requirements</p> <p>Paragraph 44B of the [Draft] Amendments to IAS 7 and paragraphs B11F and IG18 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.</p> <p>Paragraphs BC16 and BC21 – BC22 of the Basis for Conclusion explain the Board’s rationale for this proposal.</p> <p>Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.</p>

DSAK IAI response:

We agree with the Board’s proposal on the examples added to disclosure requirements regarding supplier finance arrangements.

Other matter:

Based on our desk study and limited outreach, we found several companies that partially disclosed their supplier finance arrangement information on financial statements (refer to the Appendix). However, we found inconsistency in classification of liabilities arising from supplier finance arrangement. We also found that the entities are concerned about the clarity of the requirements for classification of supplier finance arrangement in statement of financial position.

Thus, we are of the view that there is a need for standard-setting activity in the area of presentation of supplier finance arrangements in the statement of financial position. We consider that more guidance is needed to help management properly assess the presentation of liabilities arising from supplier finance arrangements. For example, it may be useful to develop indicators of when a liability represents borrowings of the entity, and consequently can no longer be presented as part of trade payables. We understand that the Board’s intention in this proposed amendment is to focus on disclosures, hence we recommend the Board to address this issue in a related project.

Appendix - Supplier Finance Arrangement Disclosure

There are 121 companies – subsector: property and real estate, building construction; mining; & healthcare – listed in Indonesia Stock Exchange. From those companies, we found 8 companies that disclose their supplier finance arrangement information. The detail information are presented as follow:

Disclosure on Notes to Financial Statement	Company name and industry sector							
	A	B	C	D	E	F	G	H
	Property and Real Estate, Building Construction				Mining			Healthcare
Amendment to IAS 7								
Non-cash changes arising from Supplier Finance Arrangements (ex: when future cash outflows will be classified as cash flows from financing activities)	X	X	X	X	√	X	X	X
Terms & Conditions of each SFA (ex: extended payment terms and security or guarantees provided)	∅	∅	∅	∅	∅	∅	∅	∅
(i) The carrying amount of financial liabilities recognized (part of arrangement and the line items in which financial liabilities are presented)	∅	∅	∅	∅	∅	X	∅	X
(ii) The carrying amount of financial liabilities disclosed under (i) for which suppliers have already received payment from the finance providers	X	X	X	X	X	X	X	X
(iii) The range of payment due dates (ex: 30 – 40 days after invoice date) of financial liabilities disclosed under (i)	X	X	X	X	X	X	X	X
The range of payment due dates of trade payables that are not part of a SFA	X	X	X	X	X	X	X	X
Amendment to IFRS 7								
Quantitative liquidity risk disclosures	∅	∅	∅	∅	√	∅	∅	∅

Reference:

Disclose = √

Partially disclose = ∅

Not disclose = X