SOCPA
الهيئة السعودية
للمراجعين والمحاسبين

VISION رؤية 2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

March 27, 2022

IFRS Foundation
7 West ferry Circus
Canary Wharf
London E14 4HD, United Kingdom

Dear Colleagues,

The Saudi Organization for Chartered and Professional Accountants (SOCPA) appreciates the efforts of the IASB and welcomes the opportunity to comment on the Exposure Draft Draft ED/2021/10, ***Supplier Finance Arrangements- Proposed amendments to IAS 7 and IFRS 7.***

SOCPA agrees with the proposal to describe the characteristics of the different types of supplier finance arrangements to reflect the scope of the proposal. SOCPA also agrees with the inclusion of the specific disclosure objective in paragraph 44H of IAS 7 and the inclusion of specific disclosure requirements to meet this objective.

To ensure users of financial statements understand the effects of supplier finance arrangements on an entity's liabilities and cash flows in addition to the liquidity risk and risk management, SOCPA believes while describing the characteristics of the different types of supplier finance arrangements to ensure disclosures are based on the substance of the arrangement, there is a need for the Board to evaluate the classification and presentation of supplier finance arrangements to better address the specificities of such arrangements.

Paragraph 44H (a) of IAS 7 of the proposed amendment requires the disclosure of "the terms and conditions of each supplier finance arrangement". An arrangement would include several terms and conditions and disclosing all terms and conditions will not be practical. Therefore, SCOPA suggests amending paragraph 44H (a) to read "significant terms and conditions of each supplier finance arrangement".

The full details of our responses to the questions included in the ED are attached in the Appendix to this letter.

Please feel free to contact Dr. Abdulrahman Alrazeen at (razeena@socpa.org.sa) for any clarification or further information.

Sincerely,

Dr. Ahmad Almeghames
SOCPA Chief Executive Officer

Saudi Organization for Chartered and Professional Accountants
P.O.Box:22646 Riyadh 11416
920009493
www.socpa.org.sa
Info@socpa.org.sa
الهيئة السعـودية للمراجعين والمحاسـبين
صندوق البريد: ٢٢٦٤٦ الرياض ١١٤١٦
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Appendix

SOCPA Comments on Exposure Draft ED/2021/10: Supplier Finance Arrangements- Proposed amendments to IAS 7 and IFRS 7

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.

SOCPA Comments:
SOCPA agrees with the proposal to describe the characteristics of the different types of supplier finance arrangements to reflect the scope of the proposal. SOCPA also believes that disclosures should be based on the substance of the arrangement, not its type. The purpose of the [Draft] Amendments to IAS 7 and IFRS 7 is to ensure users of financial statements primarily understand the effects of supplier finance arrangements on an entity's liabilities and cash flows in addition to the liquidity risk and risk management. Therefore, SOCPA believes while describing the characteristics of the different types of supplier finance arrangements to ensure disclosures are based on the substance of the arrangement, there is a need for the Board to evaluate the classification and presentation of supplier finance arrangements to better address the specificities of such arrangements.

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

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(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.

SOCPA Comments:

SOCPA agrees with the inclusion of the specific disclosure objective in paragraph 44H of IAS 7 and the inclusion of specific disclosure requirements to meet this objective.

Paragraph 44H (a) of IAS 7 of the proposed amendment requires the disclosure of "the terms and conditions of each supplier finance arrangement". An arrangement would include several terms and conditions and disclosing all terms and conditions will not be practical. Therefore, SCOPA suggests amending paragraph 44H (a) to read "significant terms and conditions of each supplier finance arrangement".

Question 3 — Examples added to disclosure requirements

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.

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.

SOCPA Comments:

SOCPA agrees with the proposal to include supplier finance arrangements as an example for disclosure of information about changes in liabilities arising from financing activities (IAS 7) and exposure to liquidity risk (IFRS 7).

However, SOCPA believes disclosures relating to an entity's exposure to risks resulting from supplier finance arrangements are important to users. SOCPA therefore believes IG18 which addresses these disclosures should be included as part of the disclosure requirements in the Standard rather than including it in "implementation guidance", which will ensure due importance is given to the disclosure.

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