

Explanatory Statement

Accounting Standard AASB 2023-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements*

June 2023



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Standards Amended by AASB 2023-1

This Standard makes amendments to AASB 107 *Statement of Cash Flows* (August 2015) and AASB 7 *Financial Instruments: Disclosures* (August 2015).

These amendments arise from the issuance of International Financial Reporting Standard *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7) by the International Accounting Standards Board (IASB) in May 2023.

Main Features of AASB 2023-1

This Standard amends AASB 107 and AASB 7 to require an entity to provide additional disclosures about its supplier finance arrangements. The additional information will enable users of financial statements to assess how supplier finance arrangements affect an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments require an entity to disclose the terms and conditions of the arrangements, the carrying amount of the liabilities that are part of the arrangements, the carrying amounts of those liabilities for which the suppliers have already received payment from the finance providers, the range of payment due dates and the effect of non-cash changes.

Marked-up Text

This Standard incorporates marked-up text to clearly identify some of the amendments to AASB 107 and AASB 7. All amendments are incorporated using clean text into the compilations of the pronouncements when they are prepared, based on the legal commencement date of the amendments.

Application Date

This Standard applies to annual periods beginning on or after 1 January 2024. Earlier application is permitted.

Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 317 *Supplier Finance Arrangements* in December 2021 for public comment, with comments due by 3 February 2022. ED 317 incorporated IASB Exposure Draft ED/2021/10 *Supplier Finance Arrangements*.

The AASB received informal feedback on ED 317 via targeted outreach activities. The feedback indicated that, in general, stakeholders supported the project's objective. However, some respondents expressed concerns about some of the proposals. After considering stakeholder feedback, the AASB made a submission to the IASB on ED/2021/10 supporting the IASB's proposed amendments and recommending some other matters for the IASB to consider.

The IASB analysed the feedback it received on the proposed amendments and decided to finalise the amendments after making some changes. The changes included amending the description of what characterises a supplier finance arrangement and clarifying the disclosure requirements where supplier finance arrangements cover financial liabilities that are presented in more than one line item of the financial statements. The IASB concluded that these amendments should enable users to obtain the information they need to understand the effects of supplier finance arrangements on the entity's financial statements and to compare one entity with another. The IASB set an effective date for the amendments of annual periods beginning on or after 1 January 2024, with earlier application permitted.

The AASB considered and adopted the amendments made by the IASB to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* in finalising AASB 2023-1 and the amendments to AASB 107 and AASB 7. The AASB set an effective date of annual periods beginning on or after 1 January 2024, with earlier application permitted.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2023-1 as the amendments made do not have a substantial direct or indirect impact on business or competition.

Legislative Features of Accounting Standards

Power to Make Amendments

Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any instrument of a legislative or administrative character (including rules, regulations or by-laws), the power shall be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend, or vary any such instrument. Accordingly, the AASB has the power to amend the Accounting Standards that are made by the AASB as legislative instruments under the *Corporations Act 2001*.

References to Other AASB Standards

References in this Standard to the titles of other AASB Standards that are legislative instruments are to be construed as references to those other Standards as originally made and as amended from time to time and incorporate provisions of those Standards as in force from time to time.

Copyright

This Standard, like all Accounting Standards promulgated by the AASB, is published with Commonwealth of Australia copyright. Educational, commercial and other publishers are able to request the AASB for permission to reprint all or parts of this Standard, which is given without charge.

Exemption from Sunsetting

Accounting Standards promulgated by the AASB that are legislative instruments are exempt from the sunsetting provisions of the *Legislation Act 2003* through section 12 of the *Legislation (Exemptions and Other Matters) Regulation 2015* (Item 18(a)).

The AASB's Standards incorporate Standards set by the International Accounting Standards Board in respect of publicly accountable for-profit entities. The AASB's Standards are exempt from sunsetting because a more stringent review process than sunsetting applies to the Standards. This review process ensures Australia's Accounting Standards regime remains consistent with international Standards. Typically, the AASB Standards are revised at least once within a ten-year period, with most of the Standards subject to much more frequent revisions. Each revision follows the stringent review process (which includes the opportunity for public comment) in order to remain consistent with international Standards. It is very unlikely that any AASB Standard would not have been amended (or else considered for amendment) within a ten-year period through these review processes. Therefore, if it applied, a ten-year sunsetting regime would have very limited practical application to AASB Standards. Parliamentary oversight is retained whenever a Standard is replaced or amended since the Standards are disallowable instruments and subject to the normal tabling and scrutiny process as required by the *Legislation Act 2003*.

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the
Human Rights (Parliamentary Scrutiny) Act 2011

Accounting Standard AASB 2023-1 ***Amendments to Australian Accounting Standards – Supplier Finance Arrangements***

Overview of the Accounting Standard

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The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The additional information will enable users of financial statements to assess how supplier finance arrangements affect an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments require an entity to disclose the terms and conditions of the arrangements, the carrying amount of the liabilities that are part of the arrangements, the carrying amounts of those liabilities for which the suppliers have already received payment from the finance providers, the range of payment due dates and the effect of non-cash changes.

These amendments arise from the issuance of International Financial Reporting Standard *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7) by the International Accounting Standards Board (IASB) in May 2023.

Human Rights Implications

This Standard is issued by the AASB in furtherance of the objective of facilitating the Australian economy. It does not diminish or limit any of the applicable human rights or freedoms, and thus does not raise any human rights issues.

Conclusion

This Standard is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.