

[REDACTED]

Sent: 28 December 2023 14:43
To: UKFRS
Subject: Fred 84 Draft amendments to FRS 102 – Supplier Finance Arrangements

[REDACTED]

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To : Accounting and Reporting Policy team
Financial Reporting Council
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Submission by email to: ukfrs@frc.org.uk - 28 December 2023

Fred 84 Draft amendments to FRS 102 – Supplier Finance Arrangements

The Financial Reporting Sub Committee (FRSC) of the Institute of Certified Public Accountants in Ireland welcome the opportunity to provide commentary on FRC’s Fred 84- Draft amendments to FRS 102, Supplier Finance Arrangements.

Please refer to appendix one below for our responses included in the “Invitation to comment.”

Should you wish to discuss any of the comments further , please do not hesitate to contact us.

Yours sincerely,

[REDACTED]

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Appendix 1

Q 1 - Do you agree with the introduction of the proposed disclosure requirements in relation to supplier finance arrangements into FRS 102? If not, why not?

We agree with the proposed disclosure requirements in relation to supplier finance arrangements into FRS 102. The proposals impact on Section 1 (Scope) and Section 7 (Statement of cash flows) of FRS 102 arise from amendments to IAS 7 (Statement of cash flows) and IFRS 7 (Financial instruments: disclosures) as issued by the International Accounting Standards Board. We believe that the proposed disclosures will assist in increasing transparency in relation to finance obtained under the supplier finance arrangements that they will enhance the quality of financial reporting of the affected entities. It will provide consistency of reporting with regard to the scope of useful information supplied on supplier finance arrangements for those entities affected and that it will provide consistency of reporting with regard to the scope of useful information supplied on supplier finance arrangements for those entities affected.

We welcome the transitional relief from the provision of comparatives in the first period of application and the decision to limit the amendments to FRS 102 to Section 1 and Section 7 which will result in no impact for small entities which apply full FRS 102 but take advantage of the exemption available from preparing a statement of cash flows.

We also welcome that small entities are not required to prepare a statement of cash flows and so will not be required to apply the proposed amendments. (8)

Q 2 - Do you believe that the disclosure required by sub-paragraph 7.20C (b)(ii) will provide useful information to users, proportionate to the cost and effort involved for preparers?

We believe that the disclosure required by sub-paragraph 7.20C (b)(ii) will provide useful information to the users of the financial statements, proportionate to the cost and effort involved for reporting entities. Although some of the information required to prepare the disclosures will need to be obtained from the entity's providers of finance, we believe that the provision of the required information should be available, given the related amendments made to IFRS Accounting Standards and to UK-adopted IFRS Accounting Standards. Although the time associated with the implication of this change will have a financial impact, we believe it will be proportionate to the information it provides and the enhanced transparency with regard to those financial statements. A financial impact may also be felt in an increased audit costs for entities affected however as these costs should only be a one-off cost in the year of application, we believe they are warranted and cost effective to apply.

Q 3 - Do you agree with the proposed effective date for these amendments? If not, what difficulties do you foresee?

We support the proposed effective date of accounting periods beginning on or after 1 January 2025 and believe that this date is achievable especially considering the relief from providing comparative information in the first year of adoption.

We are also in favour of early application being permitted and that if an entity applies these amendments early it shall disclose that fact, unless it is a small entity in the Republic of Ireland, in which case it is encouraged to disclose that fact. (1.36). We agree that the proposed amendments are concise and should not require significant time to understand, especially as accountants dealing with these arrangements should already be familiar with their general operation. (14)

Q 4 - Do you have any comments on the consultation stage impact assessment, including those relating to assumptions, sources of relevant data, and the costs and benefits that have been identified and assessed? Please provide evidence to support your views. In particular, feedback is invited on the assumptions about the prevalence of supplier finance arrangements amongst entities applying FRS 102

We have confidence that the proposed update of the accounting standard related to supplier finance arrangements aligns with best practice and the benefits of these proposals prevail over any potential costs of implementation. We have no further comments regarding the consultation stage impact assessment.

