

6 DECEMBER 2023



Financial Reporting Council (FRC)

**Draft amendments to FRS 102 – Supplier
finance arrangements**

Response from ICAS

Financial Reporting Council

Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Supplier finance arrangements

About ICAS

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ICAS' diverse membership is made up of over 23,000 world class business professionals who work in the UK and in more than 80 countries around the globe. Members of ICAS are also known by the letters CA, an exclusive professional designation in the UK.

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Any enquiries should be addressed to Christine Scott, ICAS Head of Charities and Reporting via connect@icas.com.

General comments

ICAS welcomes the opportunity to respond to the Financial Reporting Council's (FRC's) [Financial Reporting Exposure Draft \(FRED\) 84](#) 'Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK – Supplier finance arrangements' which was published on 28 September 2023.

We support the approach taken by the FRC in FRED 84 in response to amendments to IAS 7 (Statement of cash flows) and IFRS 7 (Financial instruments: disclosures) issued by the International Accounting Standards Board in May 2023. This includes limiting the proposed amendments to Section 1 (Scope) and Section 7 (Statement of cash flows) of FRS 102.

Our comments on the consultation questions are set out below.

Consultation questions

Question 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.

The proposals impact on Section 1 (Scope) and Section 7 (Statement of cash flows) of FRS 102 and arise from amendments to IAS 7 (Statement of cash flows) and IFRS 7 (Financial instruments: disclosures) issued by the International Accounting Standards Board in May 2023.

We support the decision to offer 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. This means that the disclosure requirements will not impact on small companies and small LLPs which apply full FRS 102 but take advantage of the exemption available from preparing a statement of cash flows. Notwithstanding that supplier finance arrangements are predominantly entered into by large entities.

Question 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 financial statement users, proportionate to the cost and effort involved for reporting entities.

Although some of the data required to prepare the disclosures will need to be obtained from providers of finance, we believe that this information should be available, given the related amendments made to IFRS Accounting Standards and to UK-adopted IFRS Accounting Standards.

We note that for reporting entities applying UK-adopted IFRS Accounting Standards, the related disclosure requirements are effective for accounting periods beginning on or after 1 January 2024, a year in advance of the proposed effective date of the FRS 102 disclosure requirements.

Question 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. We are also in favour of early adoption being permitted.

We anticipate the final related amendments to FRS 102 will be published alongside the periodic review amendments to FRS 102 in the first six months of 2024, as per the commentary provided alongside FRED 84 when it was published.

Question 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 agree that the new disclosure requirements will predominately apply to large entities. However, we are aware, that although rare, there are some charities which have entered into supplier finance arrangements which will be impacted by the proposed disclosure requirements.

For example, we have identified a Scottish charity with a supplier finance arrangement which meets the Charities SORP (FRS 102) criteria for having to prepare a statement of cash flows (i.e. the charity's gross income exceeds £500,000).

This means that we expect there to be charities which have entered into supplier finance arrangements which are considered small for the purposes of FRS 102 but need to prepare a statement of cash flows to comply with the Charities SORP. This is perhaps more of an issue for the Charities SORP Committee to consider as it updates the Charities SORP, however, we thought it was worth highlighting in this response.



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