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By email: [ukfrs@frc.org.uk](mailto:ukfrs@frc.org.uk)

Dear Mr Maloney,

**Financial Reporting Exposure Draft 84 Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland - *Supplier finance arrangements***

We welcome the opportunity to respond to Financial Reporting Exposure Draft 84 Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – *Supplier finance arrangements* (FRED 84).

We commend the FRC for acting promptly to address this issue and appreciate that the proposals in FRED 84 are consistent with our request in our response to FRED 82.

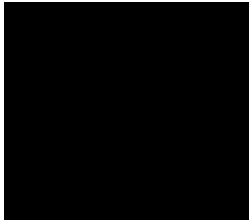
We support the FRC's overall approach to improve the disclosures an entity provides about its supplier financing arrangements. However, we believe that these disclosures will also be relevant to the users of a qualifying entity and propose to expand the scope of these requirements to those entities as well, unless equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated. We also believe that financial institutions reporting under FRS 102 should be providing similar disclosures to financial institutions reporting under IFRS Accounting Standards. We propose that the FRC clarifies in the 'Basis for Conclusions' to FRS 102 that the principles in FRS 102 related to liquidity risk disclosures are based on requirements and application guidance under IFRS Accounting Standards. Lastly, we do not support the proposal that an entity that enters into supplier finance arrangements should disclose the carrying amount of financial liabilities for which the suppliers have already been paid by finance providers.

Our responses to specific questions are set out in the Appendix to this letter.

If you have any questions, please contact



Yours sincerely



Vice-Chair and UK National Head of Accounting and Corporate Reporting  
Deloitte LLP

## Appendix: Responses to detailed 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, subject to the following comments:

- We believe that the disclosure requirements in relation to supplier finance arrangements may also be useful to the users of a qualifying entity's financial statements, except in cases where equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated. We therefore propose that the scope of entities covered by the proposed disclosure requirements be extended to include qualifying entities by either:
  - Updating paragraph 1.12 of FRS 102 to state that the exemption is conditional on equivalent disclosures being included in the consolidated financial statements of the group in which the entity is consolidated; or
  - Including the new requirements in Section 11 rather than in Section 7, with an exemption for qualifying entities conditional on equivalent disclosures being included in the consolidated financial statements of the group in which the entity is consolidated.
- We believe that there should not be a requirement for an entity that enters into supplier finance arrangements to disclose the carrying amount of financial liabilities for which the suppliers have already been paid by finance providers (explained further in our response to Question 2).
- We also believe that financial institutions reporting under FRS 102 should be providing similar disclosures to financial institutions reporting under IFRS Accounting Standards. We propose that the FRC clarifies in the 'Basis for Conclusions' to FRS 102 that the principles in FRS 102 related to liquidity risk disclosures are based on requirements and application guidance under IFRS Accounting Standards.

### 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 whilst the disclosure required by sub-paragraph 7.20C(b)(ii) may provide some useful information to users and would be aligned to the requirements of IFRS Accounting Standards, we do not believe the benefits to the users outweigh the costs required to comply with this requirement. Further, an entity would need to obtain this information from the finance provider(s) and as such we are concerned about the entity's ability to obtain and verify this information given it would not be subject to the entity's internal controls. We also believe that the resulting disclosure provides more relevant information about the liquidity of the supplier given it shows the extent to which suppliers choose to draw down funds from the financial provider which is of limited relevance in assessing the liquidity of the reporting entity. Whether the supplier chooses to be repaid earlier than the invoice date does not impact the liquidity of the reporting entity. We believe the liquidity information about the entity that is already contained in the other disclosures required by paragraph 7.20C is sufficient. As such, we suggest that the FRC reconsiders

whether entities would be able to provide reliable information and, if so, whether the costs required to comply with this requirement outweigh the benefits to the users.

### Question 3

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

We are supportive of the proposed effective date of 1 January 2025. We also agree with the proposal to provide relief from providing comparative information in the first year of adoption, including in respect of the opening balance information for the amounts for which suppliers have received payments (should the FRC decide to proceed with this requirement – see our comment in response to Question 2 above) and the range of due dates.

### 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 concur that, except as mentioned in our response to Question 2 above regarding disclosure required by sub-paragraph 7.20C(b)(ii), the benefits of these proposals outweigh any potential costs of implementation. In our experience, supplier finance arrangements are more common amongst the larger entities applying FRS 102 than smaller entities.