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Via email to [director@fasb.org](mailto:director@fasb.org)

Ms. Hillary H. Salo, Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, Connecticut 06856-5116

**Re: Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations (File Reference No. 2021-007)**

Dear Ms. Salo:

We appreciate the opportunity to respond to the Board's exposure draft on the disclosure requirements for supplier finance program obligations in Topic 405, *Liabilities*, and support enhancing the transparency of disclosures for entities acting as the buyer party in these programs.

We agree with the Board's proposed changes to require an entity to disclose qualitative and quantitative information about the nature of the arrangement in order to provide decision-useful information for investors and other financial statement users. We suggest the Board consider clarifying the scope of the proposed amendments and providing examples illustrating the nature of these arrangements for consistency in the application of this disclosure objective. In this context, it will be important for the final amendments to clarify the types of arrangements intended to be scoped in and also the narrative required to provide information about the nature of these arrangements.

We also support the Board's efforts to consider the costs associated with the application of these proposed amendments while also enhancing the disclosure requirements for supplier finance programs. We note that if the proposed disclosure requirements are to be implemented on a retrospective basis for each balance sheet date presented, this application will potentially increase comparability for prior periods for entities but may also increase costs and efforts to adopt for preparers and auditors. We suggest the Board consider an alternative transition method that allows for prospective disclosure in the year of adoption, which may limit costs for certain entities to adopt.

Our detailed responses and suggestions to the Questions for Respondents are contained in the attached Appendix.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Angela Newell at (214) 689-5669 or Adam Brown at (214) 665-0673.

Very truly yours,

*BDO USA, LLP*

BDO USA, LLP

## Appendix

**Question 1— Would the amendments in this proposed Update provide decision-useful information for investors and other financial statement users to consider the effect of supplier finance programs on an entity’s working capital, liquidity, and cash flows? Please explain why or why not.**

We support the Board’s efforts to enhance transparency of the supplier finance programs and provide decision useful information on these programs. Specifically, the disclosure objective in BC20 requires an entity to disclose the qualitative and quantitative information on the nature of the arrangement. While we understand why the Board decided against identifying key terms for disclosure in BC20, we believe this may lead to broad interpretation of what constitutes adequate disclosure about the nature of these programs by these entities, which would decrease the effectiveness and consistency of these disclosures. As such, we recommend the Board consider providing example criteria that may be disclosed to provide for consistency in the application of this disclosure objective. For example, entities could provide the costs, benefits and risks associated with the supplier finance program along with the effects the program has on the company’s working capital, liquidity, and cash flows.

**Question 2— Are any additional disclosures or enhancements to the proposed amendments needed to understand the effect of supplier finance programs on an entity’s working capital, liquidity, and cash flows? If so, please explain what that information is and how it would be used.**

Consistent with our response to question 1 above, we recommend additional clarification of the types of information that should be disclosed to illustrate the nature of the arrangement. We defer to users of financial statements on whether any incremental disclosures would be helpful.

**Question 3— Is the proposed scope guidance, including the indicator in paragraph 405-50-15-3, understandable and operable, and does it appropriately capture the overall population of supplier finance programs? If not, please explain why and what alternative would be more appropriate. Please also indicate whether any additional indicators should be included in the proposed scope guidance and the basis for including those indicators.**

We suggest including additional guidance to clarify the scope of the arrangements to be captured by the proposed amendments. For example, paragraph 405-50-15-2(a)<sup>1</sup> refers to an arrangement entered into with a finance provider or intermediary, without further clarification. We recommend clarifying the agreement’s objective, such as (proposed addition underlined) “an agreement in which the finance provider or intermediary will act as paying agent for the buyer.”

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<sup>1</sup> Paragraph 405-50-15-2: *The guidance in this Subtopic applies to obligations incurred in connection with supplier finance programs. A supplier finance program is an arrangement that has all the following characteristics:*

- a. *An entity enters into an agreement with a finance provider or an intermediary.*
- b. *The entity confirms supplier invoices as valid to the finance provider or intermediary under the agreement described in (a).*
- c. *The entity’s supplier has the option to request early payment from a party other than the entity for invoices that the entity has confirmed as valid.*

Additionally, we recommend clarifying the program structures to be included in the scope of the proposed amendments. Based on paragraph BC15, it appears that supplier programs where the seller establishes the structure are scoped out of these proposed amendments. If that is the Board's intent, we recommend removing the indicator in paragraph 405-50-15-3<sup>2</sup> as it would potentially include arrangements where the seller establishes the arrangement. Similarly, a literal read of paragraph 405-50-15-4 states an entity is subject to this Subtopic when it "has established" a supplier finance program.

However, if the intent of these proposed amendments is to provide disclosures about most arrangements under which the buyer is receiving financing, then we suggest revising the criterion in paragraph 405-50-15-2(c)<sup>1</sup>. Currently as written, paragraph 405-50-15-2(c) may inappropriately scope out arrangements where the entity's supplier does not have the option to request early payment from a party other than the entity, but instead the buyer has the option to extend payment terms through paying a party other than the supplier.

***Question 4— Should an entity be required to disclose the rollforward of obligations outstanding at the end of the reporting period that the entity has confirmed as valid to the finance provider or intermediary under a supplier finance program (see paragraph 405-50-50-3(b)(2))?***

We support requiring the disclosure of the rollforward of obligations outstanding at the end of the reporting period that the entity has confirmed as valid under a supplier finance program as we believe this would help users understand the magnitude of a company's use of supplier finance programs.

***Question 4(a)— For investors and other financial statement users, would that rollforward provide decision-useful information? If so, how would that information be used and for what purpose? Please provide specific examples of what calculations would be done and how that information could influence investment and capital allocation decisions.***

We defer to investors and other financial statement users on this question.

***Question 4(b)— For preparers and practitioners, what are the incremental cost and operability concerns with disclosing the rollforward in comparison with the cost of disclosing only the outstanding confirmed amount? Please be specific and explain the nature, significance, and frequency (one time or recurring) of the incremental cost.***

In many cases, companies may have already put in place systems and/or processes to track which invoices are part of a supplier finance program. However, for those that have not done so already, preparers may be required to design, implement and/or update systems, processes, and controls to determine the completeness and accuracy of invoices and payments in developing the rollforward disclosure, which may require initial, one-time incremental costs to implement and potentially fewer costs on a recurring basis. There may also be some interreliance on a bank or intermediary's platform or processes, and entities and practitioners may need to verify and assess the information provided therein. In contrast, entities confirming the outstanding amounts may

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<sup>2</sup> Paragraph 405-50-15-3: *Although not determinative, an indicator that an entity may have a supplier finance program is the commitment to pay a party other than the supplier for a confirmed invoice.*

incur recurring costs to confirm these amounts each period. Likewise, regardless of whether those systems, processes and controls already exist or must be implemented and/or developed, practitioners would then need to test these systems, processes and controls put in place by entities for design and effectiveness of disclosures regardless of the nature of the disclosure each period.

***Question 5— The proposed disclosure guidance allows an entity that uses more than one supplier finance program to aggregate disclosures, so long as useful information is not obscured by the aggregation of programs with substantially different characteristics. Is that proposed disclosure guidance understandable and operable or is additional guidance needed to distinguish characteristics that would be considered substantially different? If so, please explain what information would be useful for investors and other financial statement users to differentiate between substantially different supplier finance programs and how that information would be used.***

As noted in our response to question 1, we suggest the Board provide example criteria that could be disclosed to illustrate the nature of the arrangement for consistency in the interpretation of this disclosure objective. When the nature of the arrangements is fully disclosed, it may require entities to use judgment about whether aggregation is appropriate. For example, depending on how the disclosure objective is defined, a buyer may disaggregate two supplier finance programs in which one extends obligations by 90 days from another program that extends obligations for over 365 days to help users understand whether the buyer utilizes such programs for working capital or financing purposes.

***Question 6— Are the proposed disclosure requirements operable and auditable in terms of systems, internal controls, or other similar considerations related to the required information? If not, please explain which proposed disclosure requirements would pose operability or auditability issues and why.***

We believe that this is dependent on the specificity of the disclosure objective. Please refer to our responses in questions 1 and 4(b).

***Question 7— Would any of the proposed disclosures require special consideration for entities other than public business entities? If so, please explain which proposed disclosures would require special consideration and why.***

We support providing an alternative to the rollforward disclosure in paragraph 405-50-50-3(b)(2) for entities other than public business entities as this is consistent with other standard setting efforts based on the Private Company Decision-Making Framework. One such disclosure alternative could be a non-tabular description or narrative of significant changes to supplier finance programs with a requirement to disclose the amounts of obligations outstanding at the end of the reporting period.

***Question 8— Should an entity be required to disclose the outstanding confirmed amount and the rollforward of those obligations at each interim reporting period, or should it be required to provide such quantitative disclosures only in an interim reporting period when, as determined by the entity, a significant event or transaction related to the programs has***

***occurred that has a material effect on the entity (consistent with the proposed principle<sup>3</sup> in Topic 270, Interim Reporting)? Please explain your position.***

We believe an entity should disclose the outstanding confirmed amount and the rollforward of those obligations at each interim reporting period when a significant event or transaction related to the supplier finance programs has occurred that has a material effect on the entity, consistent with the proposed principle in Topic 270, *Interim Reporting*. Given the broad nature of Topic 270, we suggest the Board provide examples of its application for supplier finance programs to ensure consistent interpretation by entities.

***Question 8(a)– For investors and other financial statement users, would requiring that disclosures be provided each interim period (in addition to annual periods) provide more decision-useful information than requiring that disclosures be provided upon the occurrence of a significant event or transaction related to the programs that has a material effect on the entity? If so, how would those additional interim disclosures be used? Please provide specific examples, including what calculations would be done and how that information could influence investment and capital allocation decisions.***

We defer to investors and other financial statement users on this question.

***Question 8(b)– For preparers and practitioners, would requiring that disclosures be provided each interim period (in addition to annual periods) add more cost than requiring that disclosures be provided on an interim basis upon the occurrence of a significant event or transaction related to the programs that has a material effect on the entity? Please be specific and explain the nature, significance, and frequency (one time or recurring) of the incremental cost.***

Once an entity implements appropriate systems and processes, we believe there would likely be little recurring costs for preparers to replicate the disclosure each period if it is required to be disclosed each period. Conversely, the cost for practitioners to audit the disclosures in an interim period would likely be very similar to the costs of auditing those disclosures in an annual period, thus increasing the overall cost of compliance. However, if interim disclosures are only required when a significant transaction has occurred, the additional requirement to assess each period whether a significant transaction has occurred might require significance judgment and potential additional costs by preparers and auditors every period. As noted in our response to question 8, Topic 270, *Interim Reporting*, is written broadly. To assist preparers and auditors with determining the occurrence of a significant event or transaction related to the programs has a material effect on the entity, we suggest the Board consider adding additional examples or clarification on what constitutes a “significant event or transaction” in relation to supplier finance programs.

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<sup>3</sup> The principle refers to the disclosure guidance on significant events or transactions that have a material effect on an entity in the amendments in the proposed Accounting Standards Update, Interim Reporting (Topic 270): Disclosure Framework—Changes to Interim Disclosure Requirements, issued on November 1, 2021. Those proposed amendments state:  
270-10-50-9 . . . In addition to the disclosures required by this Topic, if a significant event or transaction has occurred that has a material effect on an entity that is not required explicitly to be disclosed in this Topic, an entity shall provide, in the interim financial statements, information that would explain the effects of the significant event or transaction on the entity.  
. . .

***Question 9— In the period of initial application, should all the proposed disclosure requirements be implemented on a retrospective basis for each balance sheet date presented? If not, please explain which proposed disclosure requirements should be implemented on a prospective basis and why.***

We note that if proposed disclosure requirements are to be implemented on retrospective basis for each balance sheet date presented, this application will increase comparability of prior periods for entities but also increase costs and efforts to adopt the proposed amendments for preparers and auditors. We suggest the Board consider an alternative transition method that allows for prospective disclosure in the year of adoption, which may cut down on costs for certain entities to adopt.

***Question 10— How much time would be needed to implement the proposed amendments? Should entities other than public business entities be provided an additional year to implement the proposed amendments? If so, please explain why.***

We defer to preparers on the amount of time needed to implement the proposed amendments, as this may differ based on an entity's existing processes and systems. We support providing entities other than public business entities an additional year to implement the proposed amendments as this is consistent with the requirements related to other recent, new standards. In addition, we note that entities other than public business entities are in the process of adopting other new standards, for example, Topic 842, *Leases*, and thus may benefit from additional time.