

Snapshot

OCTOBER 4, 2022
SNAPSHOT 2022-14

Disclosure of supplier finance program obligations

The FASB recently issued [ASU 2022-04, *Disclosure of Supplier Finance Program Obligations*](#), which adds to the Codification a new Subtopic, ASC 405-50, *Liabilities – Supplier Finance Programs*. ASC 405-50 requires certain annual and interim disclosures for buyers involved in supplier finance programs, which are also referred to as reverse factoring, payables finance, or structured payables arrangements.

A supplier finance program involves a supplier and a buyer of goods and services, as well as a third-party finance provider or intermediary. Typically, a buyer enters into an agreement with the finance provider, purchases goods and services from the supplier on credit, and then notifies the finance provider of the purchase. The supplier may then request early payment from the finance provider for valid invoices confirmed by the buyer.

New disclosure requirements

There are currently no explicit disclosure requirements in U.S. GAAP for supplier finance programs. Therefore, the amendments in ASU 2022-04 aim to enhance transparency by requiring a buyer to disclose information about its participation in a supplier finance program on both an annual and interim basis.

The amendments do not address the buyer's recognition, measurement, or presentation of supplier finance program obligations, nor do they apply to parties other than the buyer involved in a supplier finance program.

Annual disclosure requirements

The amendments require a buyer to disclose the following qualitative and quantitative information in each annual reporting period:

1. The key terms of the program, including a general description of the payment terms and assets pledged as security or other forms of guarantees provided to the finance provider
2. For the obligations that the buyer has confirmed as valid:
 - a. The amount outstanding that remains unpaid by the buyer.
 - b. A description of where the obligations are presented on the balance sheet. If presented in more than one line item, then the buyer must disclose the amount outstanding within each line item.
 - c. A rollforward of the obligations during the annual period, including the amounts (1) outstanding at the beginning and at the end of the period, (2) confirmed during the period, and (3) settled during the period.

Interim disclosure requirements

The amendments also require a buyer to disclose the amount of obligations outstanding that the buyer has confirmed as valid as of the end of each interim period.

Effective date and transition

The amendments, with one exception, are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, and apply retrospectively to each period in which a balance sheet is presented.

The amendment in ASC 405-50-50-3(b)(2), which requires the buyer to disclose rollforward information, is effective for fiscal years beginning after December 15, 2023, and applies prospectively.

Early adoption is permitted.

For each interim period within the fiscal year of adoption, entities must disclose information that is otherwise required to be disclosed on an annual basis, excluding the rollforward information. Therefore, the qualitative disclosures in ASC 405-50-50-3(a) must be included in interim periods within the fiscal year of adoption.

Contacts



Ryan Brady
Partner
Accounting Principles Group
T +1 312.602.8741
E Ryan.Brady@us.gt.com



Rahul Gupta
Partner
Accounting Principles Group
T +1 312.602.8084
E Rahul.Gupta@us.gt.com



Andrea Willette
Director
Accounting Principles Group
T +1 646.899.7950
E Andrea.Willette@us.gt.com

© 2022 Grant Thornton LLP, U.S. member firm of Grant Thornton International Ltd. All rights reserved.

This Grant Thornton LLP bulletin provides information and comments on current accounting issues and developments. It is not a comprehensive analysis of the subject matter covered and is not intended to provide accounting or other advice or guidance with respect to the matters addressed in the bulletin. All relevant facts and circumstances, including the pertinent authoritative literature, need to be considered to arrive at conclusions that comply with matters addressed in this bulletin. For additional information on topics covered in this bulletin, contact your Grant Thornton LLP professional.