

## Supplier Financing Agreements and Cash Flows

**Abstract:** Supplier financing is a potential win-win scenario for a firm and its suppliers, providing the option to the supplier of receiving early or on-time payment while also allowing the buyer to potentially extend payment terms and manage working capital. ASU 2022-04 requires that firms disclose details about their supplier financing arrangements, including the amount of payables that have been financed and whether payment terms have been extended. Using 10-Qs from the first nine months following this new disclosure requirement, we identify firms with supplier financing arrangements and examine the impact of those arrangements on cash holdings and analysts' cash flow forecasts. We find that firms with supplier financing have lower abnormal cash flows, lower excess cash holdings, and a higher likelihood of analysts forecasting their cash flows. Additionally, we find that cash flow forecasts are revised downwards and have greater forecast dispersion following disclosure of supplier financing arrangements.