

May 2020

IFRS® Standards
Exposure Draft ED/2020/3

Classification of Liabilities as Current or Non-current—Deferral of Effective Date

Proposed amendment to IAS 1

Comments to be received by 3 June 2020

IASB®

 IFRS®

Exposure Draft

Classification of Liabilities as Current or Non-current – Deferral of Effective Date

Proposed amendment to IAS 1

Comments to be received by 3 June 2020

Exposure Draft ED/2020/3 *Classification of Liabilities as Current or Non-current – Deferral of Effective Date* is published by the International Accounting Standards Board (Board) for comment only. Comments need to be received by **3 June 2020** and should be submitted by email to commentletters@ifrs.org or online at <https://www.ifrs.org/projects/open-for-comment/>.

All comments will be on the public record and posted on our website at www.ifrs.org unless the respondent requests confidentiality. Such requests will not normally be granted unless supported by a good reason, for example, commercial confidence. Please see our website for details on this policy and on how we use your personal data.

Disclaimer: To the extent permitted by applicable law, the Board and the IFRS Foundation (Foundation) expressly disclaim all liability howsoever arising from this publication or any translation thereof whether in contract, tort or otherwise to any person in respect of any claims or losses of any nature including direct, indirect, incidental or consequential loss, punitive damages, penalties or costs.

Information contained in this publication does not constitute advice and should not be substituted for the services of an appropriately qualified professional.

ISBN: 978-1-911629-73-3

Copyright © 2020 IFRS Foundation

All rights reserved. Reproduction and use rights are strictly limited. Please contact the Foundation for further details at permissions@ifrs.org.

Copies of Board publications may be ordered from the Foundation by emailing publications@ifrs.org or visiting our webshop at <https://shop.ifrs.org>.



The Foundation has trade marks registered around the world (Marks) including 'IAS®', 'IASB®', the IASB® logo, 'IFRIC®', 'IFRS®', the IFRS® logo, 'IFRS for SMEs®', the IFRS for SMEs® logo, 'International Accounting Standards®', 'International Financial Reporting Standards®', the 'Hexagon Device', 'NIIF®' and 'SIC®'. Further details of the Foundation's Marks are available from the Foundation on request.

The Foundation is a not-for-profit corporation under the General Corporation Law of the State of Delaware, USA and operates in England and Wales as an overseas company (Company number: FC023235) with its principal office in the Columbus Building, 7 Westferry Circus, Canary Wharf, London, E14 4HD.

CONTENTS

	<i>from page</i>
INVITATION TO COMMENT	4
[DRAFT] AMENDMENT TO IAS 1 <i>PRESENTATION OF FINANCIAL STATEMENTS</i>	6
APPROVAL BY THE BOARD OF EXPOSURE DRAFT <i>CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT—DEFERRAL OF EFFECTIVE DATE</i> PUBLISHED IN MAY 2020	7
BASIS FOR CONCLUSIONS ON THE EXPOSURE DRAFT	8

Invitation to comment

In January 2020 the International Accounting Standards Board (Board) issued *Classification of Liabilities as Current or Non-current*, which amended IAS 1 *Presentation of Financial Statements*. The Board published this Exposure Draft to propose deferring the effective date of those amendments to annual reporting periods beginning on or after 1 January 2023. Earlier application of those amendments would continue to be permitted.

The Board invites comments on the proposal in this Exposure Draft *Classification of Liabilities as Current or Non-current—Deferral of Effective Date*. Comments are most helpful if they:

- (a) address the question as stated;
- (b) indicate the specific paragraph(s) to which they relate;
- (c) contain a clear rationale;
- (d) identify any wording in the proposal that is difficult to translate; and
- (e) include any alternative the Board should consider, if applicable.

The Board is not requesting comments on matters in the amendments to IAS 1 issued in January 2020 that are not addressed in this Exposure Draft.

Question for respondents

Question
The Board proposes to defer the effective date of amendments to IAS 1, <i>Classification of Liabilities as Current or Non-current</i> , to annual reporting periods beginning on or after 1 January 2023. Do you agree with the proposal? Why or why not?

Deadline

The Board will consider all comments received in writing by 3 June 2020.

How to comment

The IFRS Foundation's offices are closed temporarily in line with government measures to stem the covid-19 pandemic. However, we are working and will consider your views in finalising the proposed amendment. Please submit your comments electronically.

Online <https://www.ifrs.org/projects/open-for-comment/>

By email commentletters@ifrs.org

Your comments will be on the public record and posted on our website unless you request confidentiality and we grant your request. We do not normally grant such requests unless they are supported by a good reason, for example, commercial confidence. Please see our website for details on this policy and on how we use your personal data.

Next step

The Board will consider comments it receives on the proposal in this Exposure Draft and will decide whether to proceed with a deferral of the effective date of the amendments.

[Draft] Amendment to IAS 1 *Presentation of Financial Statements*

Paragraph 139U is amended. Deleted text is struck through and new text is underlined.

Transition and effective date

...

139U *Classification of Liabilities as Current or Non-current*, issued in January 2020 amended paragraphs 69, 73, 74 and 76 and added paragraphs 72A, 75A, 76A and 76B. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January ~~2022~~2023 retrospectively in accordance with IAS 8. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

Approval by the Board of Exposure Draft *Classification of Liabilities as Current or Non-current—Deferral of Effective Date* published in May 2020

The Exposure Draft *Classification of Liabilities as Current or Non-current—Deferral of Effective Date*, which proposes an amendment to IAS 1, was approved for publication by all 14 members of the International Accounting Standards Board.

Hans Hoogervorst Chairman

Suzanne Lloyd Vice-Chair

Nick Anderson

Tadeu Cendon

Martin Edelmann

Françoise Flores

Gary Kabureck

Jianqiao Lu

Darrel Scott

Thomas Scott

Chungwoo Suh

Rika Suzuki

Ann Tarca

Mary Tokar

Basis for Conclusions on Exposure Draft *Classification of Liabilities as Current or Non-current—Deferral of Effective Date*

This Basis for Conclusions accompanies, but is not part of, the proposed amendment. It summarises the considerations of the International Accounting Standards Board (Board) when developing the proposed amendment. Individual Board members gave greater weight to some factors than to others.

- BC1 In January 2020 the Board issued *Classification of Liabilities as Current or Non-current*, which amends IAS 1 *Presentation of Financial Statements*, to clarify the requirements in IAS 1 for the presentation of liabilities. The Board noted that these amendments would result in some entities reclassifying debt from non-current to current, potentially affecting those entities' compliance with loan covenants. The effective date for the amendments was therefore set to allow affected entities enough time to renegotiate their debt covenants if necessary. The Board decided that an entity shall apply the amendments for annual reporting periods beginning on or after 1 January 2022 retrospectively, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.
- BC2 In April 2020 the Board discussed the effect of the covid-19 pandemic on financial reporting. The Board noted that the pandemic has created pressures that could delay the implementation of any changes in classification resulting from the application of these amendments. It could also delay the start and extend the duration of the renegotiation of loan covenants.
- BC3 The Board noted that deferring the effective date would delay the implementation of the improvements to the classification of liabilities that the amendments intend to bring about. However, the amendments clarify the requirements for presentation of liabilities instead of fundamentally changing the required accounting; recognition and measurement requirements are unaffected by the amendments. Consequently, the Board concluded that the advantages of a deferral during a time of significant disruption would outweigh the disadvantages. Therefore, to provide entities with operational relief, the Board decided to propose a one-year deferral of the effective date of the amendments to annual reporting periods beginning on or after 1 January 2023.
- BC4 The Board considered whether to introduce disclosure requirements as part of the proposed amendment but concluded that this was unnecessary because an entity is required to comply with paragraph 30 of IAS 8. Application of that paragraph requires disclosure of known or reasonably estimable information relevant to assessing the possible impact of the application of the amendments issued in January 2020 on an entity's financial statements.
- BC5 The Board is not proposing any changes to the *Classification of Liabilities as Current or Non-current* amendments issued in January 2020 other than the deferral of the effective date. Earlier application of the amendments will continue to be permitted.



International Financial Reporting Standards®

IFRS Foundation®

IFRS®

IAS®

IFRIC®

SIC®

IASB®

Contact the IFRS Foundation for details of countries where its trade marks are in use or have been registered.

The International Accounting Standards Board is the independent standard-setting body of the IFRS Foundation

Columbus Building | 7 Westferry Circus | Canary Wharf
London E14 4HD | United Kingdom
Telephone: +44 (0)20 7246 6410
Email: info@ifrs.org | Web: www.ifrs.org

Publications Department
Telephone: +44 (0)20 7332 2730
Email: publications@ifrs.org

IAS®

ISBN 978-1-911629-73-3



9 781911 629733 >