



สภาวิชาชีพบัญชี ในพระบรมราชูปถัมภ์

FEDERATION OF ACCOUNTING PROFESSIONS
UNDER THE ROYAL PATRONAGE OF HIS MAJESTY THE KING

March 25, 2022

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board (IASB)
Columbus Building
7 Westferry Circus, Canary Wharf,
London E14 4HD, United Kingdom

Dear Mr. Hoogervorst,

Response on IFRS Standards Exposure Draft ED/2021/9 - Non-current Liabilities with Covenants

The Thailand Federation of Accounting Professions would like to show our appreciation on the opportunity to respond on **IFRS Standards Exposure Draft ED/2021/9 - Non-current Liabilities with Covenants**. Overall, we agree with the overall concept and direction of the proposal. However, we have some concerns to the application of the proposal in term of practical issues that may arise.

Please find our responses to the specific survey raised in **IFRS Standards Exposure Draft ED/2021/9 - Non-current Liabilities with Covenants** in an attachment. We believe that these responses will help the practitioners in the future and that our response will contribute positively to the IASB's due process. Should you need more information, please kindly contact the Thailand Federation of Accounting Professions.

The Thailand Federation of Accounting Professions avails itself of this opportunity to the International Accounting Standards Board the assurances of its highest consideration.

Yours sincerely,

Associate Professor Dr. Vorasak Toommanon
Chairman of Thai Accounting Standards Board
Thailand Federation of Accounting Professions
Bangkok, Thailand



IFRS Standards Exposure Draft ED/2021/9 - Non-current Liabilities with Covenants

Question 1—Classification and disclosure (paragraphs 72B and 76ZA(b))

The Board proposes to require that, for the purposes of applying paragraph 69(d) of IAS 1, specified conditions with which an entity must comply within twelve months after the reporting period have no effect on whether an entity has, at the end of the reporting period, a right to defer settlement of a liability for at least twelve months after the reporting period. Such conditions would therefore have no effect on the classification of a liability as current or non-current. Instead, when an entity classifies a liability subject to such conditions as non-current, it would be required to disclose information in the notes that enables users of financial statements to assess the risk that the liability could become repayable within twelve months, including:

- (a) the conditions (including, for example, their nature and the date on which the entity must comply with them);
- (b) whether the entity would have complied with the conditions based on its circumstances at the end of the reporting period; and
- (c) whether and how the entity expects to comply with the conditions after the end of the reporting period.

Paragraphs BC15–BC17 and BC23–BC26 of the Basis for Conclusions explain the Board’s rationale for this proposal.

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.

TFAC: We agree with the overall direction of the proposal and view that classification of liabilities based on the conditions an entity is required to comply with at the end of the reporting period, rather than within 12 months from that date, provides more appropriate information to the financial statements’ users.



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However, from the practicality perspective, we have the following observations on paragraph 72C. The potential inconsistency in interpreting “unaffected by the entity’s future actions” that prescribed in 72C (b). There could be numerous conditions (covenants) that could be debatable to be both affected and unaffected by the entity’s future actions depending on the point of view taken. Even though per BC20, it’s clarified that it is about being able to “affect”, not control, the occurrence of the event. It is unclear how direct and how significant the ability to influence/affect the occurrence of the uncertain future event must be in order for the condition to be regarded as outside of the “unaffected by the entity’s future actions” in paragraph 72C(b). We estimated that this could result in a significant difference in classification of such liabilities as it’s not so clear that whether such covenant & uncertain of future outcome is within the scope of paragraph 72B(b) or paragraph 72C(b). From practicality and theoretical perspectives, the meeting of numerous conditions are the results of combined actions from various parties involved, not just only from the entity. In various cases, if it’s required to assess the significant level of “influence”, it would require a weighing that whose action is more significance and for the most cases it’s extremely judgmental and by nature it’s a result of series of interactions between parties involved. Thus, for consistency between covenants we propose to remove paragraph 72C(b), and consequently the standard would require only to assess a right exist at the end of the reporting period regardless of an entity’s ability to affect the occurrence or non-occurrence of an uncertain future event or outcome.



Question 2—Presentation (paragraph 76ZA(a))

The Board proposes to require an entity to present separately, in its statement of financial position, liabilities classified as non-current for which the entity's right to defer settlement for at least twelve months after the reporting period is subject to compliance with specified conditions within twelve months after the reporting period.

Paragraphs BC21–BC22 of the Basis for Conclusions explain the Board's rationale for this proposal.

Do you agree with this proposal? Why or why not? If you disagree with the proposal, do you agree with either alternative considered by the Board (see paragraph BC22)? Please explain what you suggest instead and why.

TFAC: We do not view that a mandatory separation of this liabilities on the statement of financial position but should rather be left to judgement based on materiality, but we support that the additional disclosures proposed would be sufficient in many cases. In addition, since IAS 1 generally applies to all liabilities, thus it is reasonably assumed that the current proposal requires the application with all liabilities within the scope of other standards apart from TFRS 9 Financial liabilities (e.g., IFRS 2, IFRS 15, IFRS 16 Leases, IAS 37). If they are subject to such covenants/condition, the entity would have multiple lines of these items on the statement of financial position. If the original intention is to apply this current proposal with the financial liabilities, this requirement maybe considered to be placed in IFRS 7 instead. Nevertheless, as stated above we do not view that a mandatory separation of such presentation is necessary.



Question 3—Other aspects of the proposals

The Board proposes to:

- (a) clarify circumstances in which an entity does not have a right to defer settlement of a liability for at least twelve months after the reporting period for the purposes of applying paragraph 69(d) of IAS 1 (paragraph 72C);
- (b) require an entity to apply the amendments retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, with earlier application permitted (paragraph 139V); and
- (c) defer the effective date of the amendments to IAS 1, *Classification of Liabilities as Current or Non-current*, to annual reporting periods beginning on or after a date to be decided after exposure, but no earlier than 1 January 2024 (paragraph 139U).

Paragraphs BC18–BC20 and BC30–BC32 of the Basis for Conclusions explain the Board’s rationale for these proposals.

Do you agree with these proposals? Why or why not? If you disagree with any of the proposals, please explain what you suggest instead and why.

TFAC: The proposed deferral of the 2020 amendments to align with the effective date of the proposed amendments because this help reduce the confusion and unnecessary efforts by the financial statement preparers around the globe.