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Subject: Comments on Exposure draft on Non-current Liabilities with Covenants Proposed amendments to IAS 1

1) I welcome the opportunity provided for sending comments on Exposure draft on Non-current Liabilities with Covenants Proposed amendments to IAS 1
2) My view

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

My Comments: -

I agree, today management is required to disclose commentary on financial statements, business model, risk and others

It would be appropriate to disclose the information envisaged under exposure draft.

Further it will also be appropriate to given additional disclosure in next financial year or in interim financial information if assessment of management has changed, along with reason for changes & explanation covering factors of changes which was not available at the time of disclosure during earlier financial year to ensure the expectation & judgment of management is reasonable after considering all available information as of reporting date and date of approval of financial statement by those charged with governance.

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.

My Comments

a) Alternative considered by board is appropriate, I agree to the view of disclosing information as there is a reasonable expectation of investors, users of financial statement about assessment of future by management. Also, in my view the requirement is not driving a picture of rule-based standards, still allows preparers of financial statement to principally decide the disclosure and flexibility in providing information to the extent that financial statement is not misleading & users can take informed decision making.
b) Further it will also be appropriate for the management to disclose greater detailed information to bring transparency in financial statement and the level of confidentiality should be limited more from operational perspective, critical inputs of manufacturing, critical competitive and non-compete information.

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.

My Comments

a) I agree for (a), as it gives better presentation in financial statements
b) I disagree, as this proposal affects only disclosure in balance sheet and no effect in retained earnings or profit/loss in the Income statement of earlier years.
c) I disagree to the view of not providing exemption for first time preparers of IFRS financial statement. It would be appropriate to provide exemption as this affects only disclosure in balance sheet and no effect in retained earnings or profit/loss in the Income statement of earlier years.

I concur that views stated above are my individual opinion and not of any organization where I am working or not of any committee or organization I am connected with.

Regards

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