

Exposure Draft – ICAI

Amendments to Ind AS 1

Question for respondents:

Do you agree with removal of the carve-out made in paragraph 74 of Ind AS 1? If not, why?

Response - agreed

1. The proposed amendments in Ind AS 1 specify that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. The proposed amendments require disclosure of information that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

In the past, during initial days of Ind AS transition, certain carve-outs were made to smoothen the convergence to Ind AS. As a matter of policy, it was intended that since the objective is to achieve convergence with IFRS Accounting Standards over a period of time, the carve-outs shall be reviewed from time-to-time once Ind AS implementation gets stabilised. Now that 6 years have elapsed since introduction of Ind AS, in tandem with the above-mentioned policy, the ASB has rightly considered to remove this carve-out, which will ensure greater financial discipline amongst the reporting entities since a breach of a loan covenant even if subsequently condoned by a lender signifies an inherent weakness in the financial condition of an entity.

2. A suitable illustration may be added in the new para 75 A to explain the principle explained therein.

3. The Consequential Amendments to Ind AS 10, *Events after the Reporting Period*, has been carried out, as required.