

Classification of liabilities as current or non-current and Non-current Liabilities with Covenants – Amendments to Ind AS 1

We agree with the proposed removal of the carve-out made in paragraph 74 to achieve convergence with IFRS. However, it must be noted that

- This will bring changes in the financial structure of an entity most importantly impacting working capital ratio, current ratio, liquidity ratio and debt equity ratio, and
- Comparability with previous years will not be straightforward.

Furthermore,

1. We support the suggested change in 69(d) that classification of liability should be based on the right to defer settlement making it explicit that only rights in place at the end of the reporting period affect the classification of a liability, together with addition of new paragraph 72B clarifying that 'conditions with which an entity must comply within twelve months after the reporting period do not affect classification of a liability as current or non-current'.
2. We agree that addition of paragraph 75A will enable the users of financial statements to understand the impact of timing of settlement of liability on an entity's financial position.
3. We also support the introduction of paragraph 76ZA (a) & (b), disclosure required under these paragraphs will jointly be useful in assessing liquidity risk of an entity. However, the need to disclose information under above paragraphs could be assessed together with paragraph 31 which suggests that an entity need not provide a specific disclosure required by an IND AS if the information is not material except when required by the law. would generally be assessed based on its quantum rather than based on a qualitative appreciation.
4. We agree with other proposed changes and necessary updates in Ind AS 10 – events after the reporting period.

Best Regards,

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