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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 IND AS 1
2) My view

Amendments	My views
Para 69 (d) it does not have the ~~an unconditional~~ right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period ~~(see paragraph 73). Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.~~	Right to defer the liability should be unconditional, if its conditional it might have impact in classification Proposed amendment has removed the word unconditional which is not appropriate Even a smaller conditional right might have its own implications in the future when compliances have to take place (d) it does not have the unconditional right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period
Para 73 If an entity ~~expects, and~~ has the right, at the end of the reporting period ~~discretion~~, to refinance or roll over an obligation for at least twelve months after the reporting period under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period. If the entity has no such right ~~However, when refinancing or rolling over the obligation is not at the discretion of the entity (for example, there is no arrangement for refinancing)~~, the entity does not consider the potential to refinance the obligation and classifies the obligation as current.	Agreed
Para 72B do not affect whether that right exists at the end of the reporting period if an entity is required to comply with the covenant only after the reporting period (for example, a covenant based on the entity's balance sheet six months after the end of the reporting period).	If there are indicators of entities ability to compliance is week or there are issues of going concern or there are other challenges which will affect compliances after 6 months needs to be considered for classifications A borrower considers the impact of covenant breaches and other relevant factors and assesses whether there

	are material uncertainties over its ability to continue as a going concern. Even though a breach may not occur until after the reporting date, it must still be considered. If material uncertainties are found to exist, they must be disclosed. Disclosure as per para 76ZA is important
Para 74 When an entity ~~Where there is a~~ breaches ~~of a material~~ covenant ~~provision~~ of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand ~~on the reporting date~~, it classifies the ~~entity does not classify~~ the liability as current, even if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach. An entity classifies the liability as current because, at the end of the reporting period, it does not have the right to defer its settlement for at least twelve months after that date.	When an entity breaches a covenant of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand within 12 months from the reporting date, it classifies the liability as current, even if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach. An entity classifies the liability as current because, at the end of the reporting period, it does not have the right to defer its settlement for at least twelve months after that date. As regards non-fund-based arrangements if covenants not complied it should be disclosed as current or non-current basis the terms agreed with bankers In the absence of covenants in the agreement but there is a practice of assessment by bankers, there are intimations then the practice becomes an important element for disclosure of information by the entity. Eventhough bankers cannot legally demand the repayment immediately as its not part of the agreement still there are possibilities of impact to the organisation which requires disclosures for better understanding of financial statements including all off balance sheet commitments.
Para 75 However, an entity classifies the liability as non-current if the lender agreed by the end of the reporting period to provide a period of grace ending at least twelve months after the reporting period, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.	Disclosure as per para 76ZA is important
Para 75 A Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. If a liability meets the criteria in paragraph 69 for classification as non-current, it is classified as non-current even if management intends	Agreed

or expects the entity to settle the liability within twelve months after the reporting period, or even if the entity settles the liability between the end of the reporting period and the date the financial statements are approved for issue. However, in either of those circumstances, the entity may need to disclose information about the timing of settlement to enable users of its financial statements to understand the impact of the liability on the entity's financial position (see paragraphs 17(c) and 76(d)).	
Para 76 If the following events occur between the end of the reporting period and the date the financial statements are approved for issue, those events are disclosed as non-adjusting events in accordance with Ind AS 10, Events after the Reporting Period: (a) refinancing on a long-term basis of a liability classified as current (see paragraph 72); (b) rectification of a breach of a long-term loan arrangement classified as current (see paragraph 74); (c) the granting by the lender of a period of grace to rectify a breach of a long-term loan arrangement classified as current (see paragraph 75); and (d) settlement of a liability classified as non-current (see paragraph 75A).	 Agreed
Para 76 A and 76 B 76 A For the purpose of classifying a liability as current or non-current, settlement refers to a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of: (a) cash or other economic resources—for example, goods or services; or (b) the entity's own equity instruments, unless paragraph 76B applies. 76B Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments do not affect its classification as current or non-current if, applying Ind AS 32 Financial Instruments: Presentation, the entity classifies the option as an equity instrument, recognising it separately from the liability as an equity component of a compound financial instrument.	 Agreed

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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