

## **Amendment proposed to Ind AS 1- Presentation of Financial Statements**

As you are kindly aware that the Indian Accounting Standards (Ind AS) are based on the IFRS Standards issued by the International Accounting Standards Board (IASB). As a part of convergence with IFRS Standards, the Ind AS may be issued/revised corresponding to the IFRS Standards. In this regard, the Accounting Standards Board (ASB) has issued the Exposure Draft on:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to Ind AS 1, Presentation of Financial Statements

### **Earlier situation: Carve-out to Ind AS 1**

**Para 74-** Where there is a breach of material 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, the entity does not classify the liability as current, 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.

### **Proposed Amendment-**

**Para 74-** 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, 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.

The above amendment is supported by amendment to Para 69(d) which specifies the conditions to disclose a liability as current or non-current. The amendment reads as: it does not have the right at the end of the reporting period to defer the settlement of liability for at least 12 months after the reporting period.

The entity shall disclose information in the notes that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, including:

- (a) information about the covenants (including the nature of the covenants and when the entity is required to comply with them) and the carrying amount of related liabilities.
- (b) facts and circumstances, if any, that indicate the entity may have difficulty complying with the covenants—for example, the entity having acted during or after the reporting period to avoid or mitigate a potential breach. Such facts and circumstances could also include the fact that the entity would not have complied with the covenants if they were to be assessed for compliance based on the entity's circumstances at the end of the reporting period.

### **Comment:**

The proposed amendment will incline the Ind AS-1 will the internationally accepted IFRS. The additional disclosure will keep the users of the financial statements like banks and financial institutions well informed about the deferral of the liability.

