THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)

Western India Regional Council

WIRC/ICAI/9226/2023 **28th January 2023**

CA. Parminder Kaur
The Secretary,
Accounting Standards Board,
The Institute of Chartered Accountants of India,
ICAI Bhawan, Post Box No. 7100,
Indraprastha Marg, New Delhi 110 002

Madam,

Sub.: <u>Comments on Exposure Drafts of Amendments to Ind AS 1</u>

Please find attached comments on **Exposure Draft of Amendments to Ind AS 1,** for your doing the needful.

Kindly acknowledge the receipt of the same.

Thanking You,

Yours truly,

CA. Murtuza Kachwala
Chairman - WIRC of ICAI

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Suggestions/ comments on Exposure Draft on Amendments to Ind AS 1 - Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to Ind AS 1, Presentation of Financial Statements

The proposed amendment to Ind AS 1 in respect of classification of liabilities looks a bit harsh to in terms of forcing an entity to classify the liability as current even if the lender agrees not to demand the payment as a consequence of breach of loan agreement. The said amendment is moved to align the standard with IAS 1.

Just to align Ind AS 1 with IAS 1, unilateral amendments are not desirable without analysing the country specific needs and complications as far as raising finance is concerned. Such classification in Annual FS will disturb the ratios and will create more difficulties to raise the finance because unless and until next set of FS is ready, an entity will have to struggle with old FS and consequent ratios derived from it.

It is suggested that instead of just forcing an entity to classify a liability as current even if lender is ready to renegotiate the repayment terms, an option should be given to classify the liability as non-current with detailed disclosure of the fact that breach of provisions in loan arrangement has happened to which the lender has agreed to reschedule the loan payment, and loan arrangement is modified to that extent. So, if the lender is ready for such modification, the standard should not be rigid to ignore developments that happen after the end of reporting period but before approval of FS for the issue.

Alternatively, the standard can mandate the full disclosure of facts with terms and conditions with which the lender has agreed to defer the settlement of liability.