Suggestion for Exposure draft for Amendment proposed in Ind AS 1:

The exposure draft proposes to remove the Carve out given under Ind AS 1 to not to classify the long-term loan arrangement as a 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.

The proposed amendment could have effect on the key financial ratios like current ratios. The entity will show the liability as a current, in pursuant to this amendment even though management has information available that such loan is not repayable in at least 12 months from the date of financial statement. Schedule III now mandates disclosure of such key ratios and hence the it is publicly available information. Banks and Financial Institutions lends/charges Interest rates based on the certain financial ratios. Also the investors does look at these ratios.

This being an information which can influence the decision of the stakeholders, it is very much important that such events should still be treated as an adjusting events and not the non-adjusting one. As far as the disclosure is concerned, showing that the entity has already negotiated the terms with the banks or financial institutions and banks/financial institutions agrees to not to demand the payment, will defeat the purpose of true and fair view.

Treating this as an adjusting event (treating it as non-current) rather than non-adjusting (treating it as current) event and showing the same in disclosure would give the incorrect picture to the readers of the financial statement.