

## **Exposure Draft on Ind AS 1**

I would like to share comments regarding this draft which are as follows:

### **1. Meaning of Current and Non-current liability:**

An entity shall classify liability as current if

- (a) It expects to settle the liability in its normal operating cycle.
- (b) It holds the liability primarily for the purpose of trading
- (c) the liability is due to be settled within twelve months after the reporting period or
- (d) it does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

An entity shall classify all other liabilities as Non-Current.

**Question:** Do you agree with removal of the carve-out made in paragraph 74 of Ind AS 1? If not, why?

**Ans:** Yes, I agree that amendment will add clarity. After amendment in paragraph 74, if any entity breaches 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 and they do not demand payment as a consequence of the breach.

**As a result, 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.**