

Response to Exposure Draft ‘Non-Current Liabilities with Covenants’ Proposed amendments to IAS 1

Question 1: Classification and Disclosure (Paragraphs 72B and 76ZA(b))	Remarks
<p>The Board proposes to require that, for the purposes of applying paragraph 69(d) of IAS 1, specified conditions with which an entity must comply within twelve months after the reporting period have no effect on whether an entity has, at the end of the reporting period, a right to defer settlement of a liability for at least twelve months after the reporting period. Such conditions would therefore have no effect on the classification of a liability as current or non-current. Instead, when an entity classifies a liability subject to such conditions as non-current, it would be required to disclose information in the notes that enables users of financial statements to assess the risk that the liability could become repayable within twelve months, including:</p> <p>(a) the conditions (including, for example, their nature and the date on which the entity must comply with them);</p> <p>(b) whether the entity would have complied with the conditions based on its circumstances at the end of the reporting period; and</p> <p>(c) whether and how the entity expects to comply with the conditions after the end of the reporting period.</p> <p>Paragraphs BC15–BC17 and BC23–BC26 of the Basis for Conclusions explain the Board’s rationale for this proposal. Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.</p>	<p>Agreed with the view. Enhanced disclosure is welcome which would affect the classification and presentation aspects.</p> <p>Suggestion: Please look into whether there needs to be an amendment in IFRS 7 as well which would require certain disclosures on financial management aspects and key risks.</p>

<p>Question 2 – Presentation (paragraph 76ZA(a))</p> <p>The Board proposes to require an entity to present separately, in its statement of financial position, liabilities classified as non-current for which the entity’s right to defer settlement for at least twelve months after the reporting period is subject to compliance with specified conditions within twelve months after the reporting period. Paragraphs BC21–BC22 of the Basis for Conclusions explain the Board’s rationale for this proposal. Do you agree with this proposal? Why or why not? If you disagree with the proposal, do you agree with either alternative considered by the Board (see paragraph BC22)? Please explain what you suggest instead and why</p>	<p>Yes, Agreed. The classification would have a material impact on the financial statements and should be presented separately. A mere note in the financial statements may not help is my view.</p>
<p>Question 3 – Other aspects of the proposals</p> <p>The Board proposes to:</p> <p>(a) clarify circumstances in which an entity does not have a right to defer settlement of a liability for at least twelve months after the reporting period for the purposes of applying paragraph 69(d) of IAS 1 (paragraph 72C);</p> <p>(b) require an entity to apply the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, with earlier application permitted (paragraph 139V); and</p> <p>(c) defer the effective date of the amendments to IAS 1, Classification of Liabilities as Current or Non-current, to annual reporting periods beginning on or after a date to be decided after exposure, but no earlier than 1 January 2024 (paragraph 139U). Paragraphs BC18–BC20 and BC30–BC32 of the Basis for Conclusions explain the Board’s rationale for these proposals. Do you agree with these proposals? Why or why not? If you disagree with any of the proposals, please explain what you suggest instead and why</p>	<p>A. Agreed; B. Agreed, since this would impact the previous year financial statements; C. Agreed, only to the extent if there is any impact on retained earnings.</p>

The above views are personal and not in the official capacity in the firm where I work or whom I represent.

Regards,

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