



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

Western India Regional Council

WIRC/ICAI/ 9227/2023

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.: Comments on Exposure Drafts of Amendments to Ind AS 1

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



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

When there is a breach in provision of a long-term arrangement, on or before the end of reporting period, affecting the liability to be paid on demand, then, even if the lender has agreed not to demand its payment for a minimum of 12 months, the liability still should be classified as current liability. Reasons for the same:

1. The financial impact of breach of a long-term arrangement is greater than impact of any subsequent agreement between the lender and the entity, as the entity would have no legal right to delay the payment for a minimum of 12 months.
2. In most of the cases, when an entity prepares and presents its financial statements in accordance with the governing law and Accounting Standards, it is quite evident that all its legal liabilities as well as all its known liabilities are properly estimated and provided for. The fact that the lender condones the payment after the reporting date, itself signifies a weakness in the internal control system of the entity, as well as non-transparency at higher management level.
3. More so ever, if the entity is a financial institution, the risk involved in classifying the said liability as non-current, will convey a misleading information to the readers of financial statements, even though adequate disclosures are made to that effect. This is because the users/readers of financial statements, (small investors) in case of financial institutions may not be well acquainted to correlate the financials with the disclosures.
4. By maintaining the wordings : "When an entity breaches a 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, 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 an unconditional right to defer its settlement for at least twelve months after that date." the Indian accounting standards shall not only be aligned to the IAS, but also will ensure greater financial discipline in preparation and presentation of an entity's financial statements.

Thus, the proposed paragraph 74 in IND AS-1 to prevail, resulting in a true classification of such a liability as 'Current Liability.