

IFRS in Focus

IASB defers effective date for *Classification of Liabilities as Current and Non-Current*

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This *IFRS in Focus* discusses the amendment to IAS 1 *Presentation of Financial Statements* titled *Classification of Liabilities as Current or Non-current—Deferral of Effective Date* published by the International Accounting Standards Board (Board) in July 2020.

- In January 2020, the Board issued amendments to IAS 1 titled *Classification of Liabilities as Current or Non-current* with an effective date for annual reporting periods beginning on or after 1 January 2022.
- Due to pressures of COVID-19 that could delay the implementation of any changes in classification resulting from the application of these amendments, the Board defers the effective date of the amendments by one year to annual reporting periods beginning on or after 1 January 2023.

Background

The Board issued amendments to IAS 1 in January 2020 titled *Classification of Liabilities as Current or Non-current*.

The amendments:

- clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period;
- specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. If a liability otherwise meets the criteria for classification as non-current, it is classified as non-current regardless of whether management intends or expects to settle the liability within 12 months or settles the liability between the end of the reporting period and the date the financial statements are authorised for issue;
- explain that rights are in existence if covenants are complied with at the end of the reporting period; and
- introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

For more information please
see the following websites:

www.iasplus.com

www.deloitte.com

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Please see our [IFRS in Focus](#) from January 2020 for more detail on the amendments.

The amendments were due to be applied retrospectively for annual reporting periods beginning on or after 1 January 2022, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Subsequent to publishing the amendments, the Board noted that COVID-19 has created pressures that could delay the implementation of any changes in classification resulting from the application of these amendments. It could also delay the start and extend the duration of the renegotiation of loan covenants.

The Board therefore provides entities with an operational relief.

The amendment

The Board defers the effective date of the amendments by one year to annual reporting periods beginning on or after 1 January 2023. The Board did not make any other changes to the amendments.

Earlier application of the amendments will continue to be permitted.

Observation

The Board considered whether to introduce disclosure requirements as part of the amendment but concluded that this was unnecessary because an entity is required to comply with IAS 8, which requires disclosure of known or reasonably estimable information relevant to assessing the possible impact of the application of the amendments issued in January 2020 on an entity's financial statements.

Further information

If you have any questions about the amendment to IAS 1 please speak to your usual Deloitte contact or get in touch with a contact identified in this *IFRS in Focus*.

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