



Financial Reporting Standards Council

***Classification of Liabilities as
Current or Non-current
(Amendments to PAS 1)***

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(Amendments to PAS 1)***

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FRSC PREFACE TO CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT (AMENDMENTS TO PAS 1)

1. The Financial Reporting Standards Council (FRSC) has approved on February 12, 2020 the adoption of amendments to IAS 1 *Presentation of Financial Statements, Classification of Liabilities as Current or Non-current*, issued by the International Accounting Standards Board (IASB) in January 2020 as amendments to PAS 1 *Presentation of Financial Statements, Classification of Liabilities as Current or Non-current*.
2. The FRSC has further approved on August 19, 2020 the deferral of the effective date adoption of abovementioned amendments to IAS 1 by one year to annual reporting periods beginning on or after January 1, 2023 as issued by the IASB in July 2020.
3. The amendments clarify the requirements for classifying liabilities as current or non-current. More specifically:
 - The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
 - Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant
 - The amendments clarify the situations that are considered settlement of a liability.
4. An entity shall apply these amendments to annual reporting periods beginning on or after January 1, 2023. Earlier application of these amendments is permitted.

* * * * *

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(AMENDMENTS TO PAS 1)**

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AMENDMENTS TO THE BASIS FOR CONCLUSIONS ON IAS 1 PRESENTATION OF FINANCIAL STATEMENTS

January 2020

IFRS® Standards

Classification of Liabilities as Current or Non-current

Amendments to IAS 1

IASB®



Classification of Liabilities as Current or Non-current

Amendments to IAS 1

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Amendments to IAS 1 *Presentation of Financial Statements*

Paragraphs 69, 73, 74 and 76 are amended. Paragraphs 72A, 75A, 76A, 76B and 139U are added. Paragraph 139D is deleted. Headings are added before paragraphs 70, 71, 72A and 76A. Paragraphs 70, 71, 72 and 75 are not amended, but are included for ease of reading. New text is underlined and deleted text is struck through.

Structure and content

...

Statement of financial position

...

Current liabilities

69 An entity shall classify a liability as current when:

- (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 ~~an unconditional~~ the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period ~~(see paragraph 73). Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.~~

An entity shall classify all other liabilities as non-current.

Normal operating cycle (paragraph 69(a))

70 Some current liabilities, such as trade payables and some accruals for employee and other operating costs, are part of the working capital used in the entity's normal operating cycle. An entity classifies such operating items as current liabilities even if they are due to be settled more than twelve months after the reporting period. The same normal operating cycle applies to the classification of an entity's assets and liabilities. When the entity's normal operating cycle is not clearly identifiable, it is assumed to be twelve months.

Held primarily for the purpose of trading (paragraph 69(b)) or due to be settled within twelve months (paragraph 69(c))

71 Other current liabilities are not settled as part of the normal operating cycle, but are due for settlement within twelve months after the reporting period or held primarily for the purpose of trading. Examples are some financial liabilities that meet the definition of held for trading in IFRS 9, bank overdrafts, and the current portion of non-current financial liabilities, dividends payable, income taxes and other non-trade payables. Financial

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liabilities that provide financing on a long-term basis (ie are not part of the working capital used in the entity's normal operating cycle) and are not due for settlement within twelve months after the reporting period are non-current liabilities, subject to paragraphs 74 and 75.

72 An entity classifies its financial liabilities as current when they are due to be settled within twelve months after the reporting period, even if:

- (a) the original term was for a period longer than twelve months; and
- (b) an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorised for issue.

Right to defer settlement for at least twelve months (paragraph 69(d))

72A An entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and, as illustrated in paragraphs 73–75, must exist at the end of the reporting period. If the right to defer settlement is subject to the entity complying with specified conditions, the right exists at the end of the reporting period only if the entity complies with those conditions at the end of the reporting period. The entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

73 ~~If an entity expects, and has the discretion, right, at the end of the reporting period, to refinance or roll over an obligation for at least twelve months after the reporting period under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period. However, when refinancing or rolling over the obligation is not at the discretion of the entity (for example, there is no arrangement for refinancing) If the entity has no such right, the entity does not consider the potential to refinance the obligation and classifies the obligation as current.~~

74 When an entity breaches a ~~provision~~ condition 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 authorisation 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~~ the right to defer its settlement for at least twelve months after that date.

75 However, an entity classifies the liability as non-current if the lender agreed by the end of the reporting period to provide a period of grace ending at least twelve months after the reporting period, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.

75A Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. If a liability meets the criteria in paragraph 69 for classification as non-current, it is classified as non-current even if

management intends or expects the entity to settle the liability within twelve months after the reporting period, or even if the entity settles the liability between the end of the reporting period and the date the financial statements are authorised for issue. However, in either of those circumstances, the entity may need to disclose information about the timing of settlement to enable users of its financial statements to understand the impact of the liability on the entity's financial position (see paragraphs 17(c) and 76(d)).

76 ~~In respect of loans classified as current liabilities, if~~ If the following events occur between the end of the reporting period and the date the financial statements are authorised for issue, those events are disclosed as non-adjusting events in accordance with IAS 10 *Events after the Reporting Period*:

- (a) refinancing on a long-term basis of a liability classified as current (see paragraph 72);
- (b) rectification of a breach of a long-term loan arrangement classified as current (see paragraph 74); and
- (c) the granting by the lender of a period of grace to rectify a breach of a long-term loan arrangement ending at least twelve months after the reporting period, classified as current (see paragraph 75); and
- (d) settlement of a liability classified as non-current (see paragraph 75A).

Settlement (paragraphs 69(a), 69(c) and 69(d))

76A For the purpose of classifying a liability as current or non-current, settlement refers to a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of:

- (a) cash or other economic resources—for example, goods or services; or
- (b) the entity's own equity instruments, unless paragraph 76B applies.

76B Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments do not affect its classification as current or non-current if, applying IAS 32 *Financial Instruments: Presentation*, the entity classifies the option as an equity instrument, recognising it separately from the liability as an equity component of a compound financial instrument.

...

Transition and effective date

...

139D [Deleted]

...

CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

139U *Classification of Liabilities as Current or Non-current*, issued in January 2020 amended paragraphs 69, 73, 74 and 76 and added paragraphs 72A, 75A, 76A and 76B. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2022 retrospectively in accordance with IAS 8. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

July 2020

IFRS® Standards

Classification of Liabilities as Current or Non-current—Deferral of Effective Date

Amendment to IAS 1

IASB®

 IFRS®

Classification of Liabilities as Current or Non-current – Deferral of Effective Date

Amendment to IAS 1

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Amendment to IAS 1 *Presentation of Financial Statements*

Paragraph 139U is amended. Deleted text is struck through and new text is underlined.

Transition and effective date

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