

3 June 2020

Hans Hoogervorst  
Chair  
International Accounting Standards Board  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London  
E14 4HD

Dear Mr Hoogervorst

## **Exposure Draft 2020/3 – Classification of Liabilities as Current or Non-Current – Deferral of Effective Date**

Deloitte Touche Tohmatsu Limited is pleased to respond to the International Accounting Standards Board's ('the IASB's') exposure draft *Classification of Liabilities as Current or Non-Current – Deferral of Effective Date* ('the ED').

We support the deferral of the effective date of the recent amendments to IAS 1 on classification of liabilities as current or non-current until annual reporting periods beginning on or after 1 January 2023 for the reasons stated in the Basis of Conclusions on the ED. We believe that it is important that entities have sufficient time to analyse the potential effect of the amendments on the classification of their liabilities and, if necessary, renegotiate their debt covenants. The current situation may cause delays in this implementation.

We would like to take this opportunity to bring to the attention of the Board the fact that we have become aware of diversity in views on how the recent amendments should be applied. In particular, there appear to be diverse views on application of the requirements in IAS 1:72A that "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." For example, the right to defer payment of a liability may be subject to an entity's working capital being in excess of a certain threshold on 31 March only. If the entity has a 31 December 20X0 reporting date, some are of the view that if the working capital is below the required threshold at 31 December 20X0, the liability should be classified as current at that date because the condition, being the working capital amount, is not met at that date. Others are of the view that the working capital amount at 31 December 20X0 is not relevant to the classification of the liability at that date because the "condition" referred to in IAS 1:72A is the working capital amount at 31 March. Still others believe that the conditions for long-term classification cannot be met at December 31 20X0 because there is a test that must be met at March 31 20X1, the outcome of which is uncertain; some wonder whether, at December 31 20X0, the entity might need to project the outcome of the test at March 31 20X1 in order to support long-term classification at December 31 20X0.

To promote consistency in application of the recent amendments, we suggest that the Board should consider providing additional guidance, for example, through publication of an illustrative example.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0) 20 7007 0884.

Yours sincerely

**Veronica Poole**  
Global IFRS Leader