



## Need to know

### IASB proposes to defer effective date for *Classification of Liabilities as Current or Non-current*

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##### Background

This *Need to know* discusses the proposed amendment to IAS 1 *Presentation of Financial Statements* set out in Exposure Draft ED/2020/3 *Classification of Liabilities as Current or Non-current—Deferral of Effective Date* (the 'ED') published by the International Accounting Standards Board (IASB) in May 2020.

##### The proposed amendment

##### Further information

- In January 2020, the IASB 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 IASB proposes to defer the effective date of the amendments by one year to annual reporting periods beginning on or after 1 January 2023.
- The comment period ends on 3 June 2020.

For more information please see  
the following websites:

[www.ukaccountingplus.co.uk](http://www.ukaccountingplus.co.uk)

[www.deloitte.co.uk](http://www.deloitte.co.uk)

## Background

The IASB 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.

Please see our [Need to know](#) 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 IASB 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 IASB therefore proposes to provide entities with an operational relief.

## The proposed amendment

The IASB proposes that the effective date of the amendments is deferred by one year to annual reporting periods beginning on or after 1 January 2023. The IASB is not proposing any other changes to the amendments.

Earlier application of the amendments will continue to be permitted.

Comments on the proposals are requested by 3 June 2020.

### Observation

The IASB considered whether to introduce disclosure requirements as part of the proposed 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.

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