

Draft Comment Letter

You can submit your comments on EFRAG's draft comment letter by using the '[Express your views](#)' page on EFRAG's website, then open the relevant news item and click on the 'Comment publication' link at the end of the news item.

Comments should be submitted by **[25 May 2020]**.

International Accounting Standards Board
7 Westferry Circus, Canary Wharf
London E14 4HD
United Kingdom

May 2020

Dear Mr Hoogervorst,

Re: ED/2020/3 *Classification of Liabilities as Current or Non-current - Deferral of Effective Date (Proposed amendments to IAS 1)*

On behalf of the European Financial Reporting Advisory Group (EFRAG), I am writing to comment on the Exposure Draft, *Classification of Liabilities as Current or Non-current - Deferral of Effective Date (Proposed amendments to IAS 1)*, issued by the IASB on 4 May 2020 (the 'ED').

This letter is intended to contribute to the IASB's due process and does not necessarily indicate the conclusions that would be reached by EFRAG in its capacity as advisor to the European Commission on endorsement of definitive IFRS Standards in the European Union and European Economic Area.

We agree with the proposal and the basis for our view is set out in the Appendix to this letter.

If you would like to discuss our comments further, please do not hesitate to contact Almudena Alcalá or me.

Yours sincerely,

Jean-Paul Gauzès
President of the EFRAG Board

Appendix - EFRAG's responses to the questions raised in the ED

Notes to constituents – Summary of proposals in the ED

- 1 *In January 2020, the IASB issued Classification of Liabilities as Current or Non-current, which amended IAS 1 Presentation of Financial Statements with an effective date of annual reporting period beginning on or after 1 January 2022.*
- 2 *Due to the covid-19 pandemic, the IASB published the current ED to propose deferring the effective date of those amendments to annual reporting periods beginning on or after 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments.*
- 3 *The IASB is not proposing any changes to the Classification of Liabilities as Current or Non-current amendments issued in January 2020 other than the deferral of the effective date. Earlier application of the amendments will continue to be permitted.*

Question 1

The IASB proposes to defer the effective date of amendments to IAS 1, *Classification of Liabilities as Current or Non-current*, to annual reporting periods beginning on or after 1 January 2023. Do you agree with the proposal? Why or why not?

EFRAG's response

EFRAG agrees with the proposal.

- 4 EFRAG supports the postponement of the application date by one year (from 1 January 2022 to 1 January 2023) considering that the amendments clarify the requirements for presentation of liabilities instead of fundamentally changing the required accounting. For some entities the amendments may result in the need to adjust their current practice of classification of some liabilities and this may have operational consequences, such as when adjustments to loan covenants are needed as a result of the different presentation. EFRAG acknowledges that in these circumstances, considering the additional operational complexities due to the ongoing pandemic, the IASB proposal to defer by one year the effective date offers a valuable operational relief. Consequently, EFRAG concludes that the advantages of a deferral during a time of significant disruption would outweigh the disadvantages, as earlier application of the amendments will continue to be permitted.
- 5 EFRAG also agrees with the IASB's conclusion that no additional disclosure requirements are needed as part of the proposed amendment, as paragraph 30 of IAS 8 will provide for the appropriate requirements.
- 6 EFRAG therefore supports the proposal included in the ED.