

EFRAG TEG/CFSS Meeting

17.02.2022

Agenda paper 02-01

IAS 1 project team:

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IAS 1 Amendments – Classification of Liabilities as Current or Non-current

EFRAG TEG/CFSS

17 February 2022





ED 2021/09 Non-Current Liabilities with Covenants

Cover note

Objective of the session

- Present an overview of EFRAG's views on ED/2021/09
- Discuss ED/2021/09 and receive EFRAG TEG/CFSS views on ED/2021/09 and the DCL
- Present an overview of the outreach activities

Background

IASB published Amendments to IAS 1 in 2020 with changes to the concept of classification of Non-Current Liabilities with Covenants. Subsequently the IFRS IC received a submission to clarify the application of the amendment. Feedback received led to a narrow scope amendment.

Agenda paper

02-01 Agenda paper – IAS 1 Amendments – Classification Non-current Liabilities with Covenants

02-02 Agenda paper – Draft comment letter ED-2021-09

Consultation open until 9 March 2022

DCL can be found [here](#).

Survey open until 4 March 2022

Survey can be found [here](#).

EFRAG's position on the IASB's amendments

IASB's amendment	EFRAG's position	DCL
The efforts for the amendments ED/2021/9 and the general approach.	EFRAG supports the IASB efforts to solve the issue that was addressed to the IFRS IC.	
Presentation		
Separate presentation for non-current liabilities that have to comply with a specified condition within twelve months after the reporting period.	EFRAG does not support the separate presentation requirement because specified conditions (triggering a repayment during the subsequent period) are common.	.76ZA(a)
Disclosures		
...disclose information in the notes that enables users of financial statements to assess the risk that the liability could become repayable within twelve months...	EFRAG supports the requirement.	.76ZA(b)
... the conditions with which the entity is required to comply.	EFRAG supports the requirement.	.76ZA(b)(i)
... whether the entity would have complied with the conditions based on its circumstances at the end of the reporting period	EFRAG supports the requirement.	.76ZA(b)(ii)
... whether and how the entity expects to comply with the conditions after the end of the reporting period.	EFRAG does not support the requirement to present forward looking information (e.g., whether the entity...).	.76ZA(b)(iii)

EFRAG's position on the IASB's amendments

IASB's amendment	EFRAG's position	DCL
Classification		
Conditions affect classification if an entity is required to comply with the condition on or before the end of the reporting period, even if compliance with the condition is assessed only after the reporting period (present as current).	EFRAG supports the requirement.	.72B(a)
Conditions do not affect classification if an entity is required to comply with the condition after the end of the reporting period within the next twelve months (present as non-current).	EFRAG supports the requirement.	.72B(b)
An entity does not have the right to defer settlement of a liability for at least twelve months if the liability could become repayable within twelve months after the reporting period72C
... at the discretion of the counterparty or a third party (callable loan by lender at any time).	EFRAG supports the requirement.	.72C(a)
... if an uncertain future event or outcome occurs (or does not occur) and its occurrence (or non-occurrence) is unaffected by the entity's future actions.	EFRAG does not support the requirement.	.72C(b)

Questions & Discussions

Presentation & disclosures

- 1) Scope of presentation (see polling question #1)

- 2) Scope of disclosures (see polling question #2)

- 3) Some EFRAG members had doubts about the usefulness of the disclosures. Do you agree with the usefulness of the disclosures required by 76ZA(b) (i)-(iii)?

- 4) Forward-looking disclosures
 - ✓ Forward-looking information and legal issues? (see polling question #3)
 - ✓ Forward-looking information and the basis for judgement? (see polling question #4)

Questions & Discussions

Classification

5) Dividing line .72B(b) and .72C(b) (see polling question #5)

a) If yes, do you agree with the solution brought forward in the draft comment letter?

- *“Obligations to repay as a consequence of a discrete event occurring after the end of the reporting period do not affect the presentation at the end of the reporting period and*
- *that items such as financial guarantees would be classified as current, as the underlying contractual agreement do not provide a fixed payment schedule after 12 months.”*

b) If yes, do you envisage other solutions?

Questions & Discussions

Classification

6) Do you agree that also other potential inconsistencies might arise from the amendment and the exception made by .72B(b): Do you agree with the analysis? Do you think that this should be addressed?

	Reporting period end		
	31.12.	31.03	
Scenario A	No compliance required (NCR)	Compliance required (CR)	.72B(b) non-current
Scenario B	CR + breach + grace period	CR after grace period	.75 current
Scenario C	CR + grace period received before breach	CR after grace period	.72B(b) or .75 (not clearly stated)

Other

7) Would you prefer if the classification would be aligned with the measurement (e.g., based on the expected cash outflows within the next twelve months after reporting period end)?

8) Any other comments?

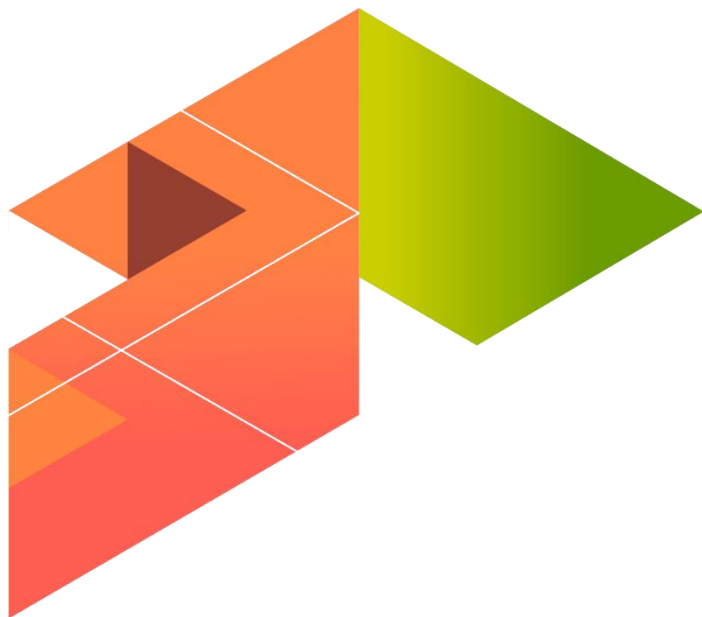
Outreach plan - way forward towards the FCL

Event	Date	
EFRAG FIWG	Dec 2021	Consulted with FIWG members on views on the amendment
EFRAG UP	Dec 2021	Consulted with UP members on views on the amendment
EFRAG TEG	Dec 2021	To receive TEGs views and approve DCL for Board
EFRAG Board	Jan 2022	Approve DCL for publication
EFRAG TEG/CFSS	17.02.2022	To receive the views on the amendment and the DCL
EFRAG UP closed session	17.02.2022	To receive users' views on the amendment and the DCL
EFRAG Academic panel	tbd	To receive academics views on the amendment and the DCL
EFRAG FIWG	15.03.2022	To receive views on the amendment and the DCL
EFRAG IAWG	17.03.2022	To receive views on the amendment and the DCL
EFRAG TEG/CFSS	22.03.2022	To receive the views on the FCL and approve for Board
EFRAG Board	28.03.2022	Approve FCL for publication



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Thank you!



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