

## STAFF PAPER

September 2022

## IASB Meeting

Project	Non-current Liabilities with Covenants (IAS 1)	
Paper topic	Sweep issue	
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS<sup>®</sup> Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB<sup>®</sup> Update.

**Introduction and purpose**

1. In June 2022, the International Accounting Standards Board (IASB) decided to finalise its proposed amendments to IAS 1 *Presentation of Financial Statements* published in the [Exposure Draft Non-current Liabilities with Covenants \(2022 amendments\)](#), with some changes to the proposals.
2. The purpose of this paper is to consider a sweep issue that has arisen during the drafting process of the 2022 amendments. We are asking the IASB whether it agrees with our recommendation regarding the requirements for early application of the amendments in *Classification of Liabilities as Current or Non-current (2020 amendments)*, issued in January 2020.

**Structure of the paper**

3. This paper is structured as follows:
  - (a) early application of the 2020 amendments (paragraphs 4–7); and
  - (b) question for the IASB.

## Early application of the 2020 amendments

4. In June 2022, the IASB tentatively decided to allow an entity to early apply the 2022 amendments or the 2020 amendments, but only if the entity applies both amendments at the same time.
5. The staff has since found that such a requirement would force entities that have already early applied the 2020 amendments to reverse the application of these amendments until they apply the 2022 amendments. In our view, such an outcome would be inappropriate.
6. The IASB could avoid that outcome by allowing entities that have already early applied the 2020 amendments to retain the application of these amendments until they apply the 2022 amendments. However, in line with its decision in June 2022, the IASB could require entities that early apply the 2020 amendments *after the issue of the 2022 amendments* to apply both amendments at the same time.
7. Therefore, we recommend that the IASB:
  - (a) allow early application of the 2020 amendments; but
  - (b) require entities that early apply the 2020 amendments after the issue of the 2022 amendments to apply both amendments at the same time.

## Question for the IASB

### Question for the IASB

1. Does the IASB agree with the staff recommendations to:
  - (a) allow early application of the 2020 amendments; but
  - (b) require entities that early apply the 2020 amendments after the issue of the 2022 amendments to apply both these amendments at the same time.