AGENDA PAPER

Due Process Oversight Committee

By teleconference	April 2020	Agenda ref	1A
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Classification of Liabilities as Current or Non-current — Comment letter period for effective date deferral

Purpose

1. **The purpose of this paper is to seek the approval of the Due Process Oversight Committee (DPOC) for a shortened comment period for a potential exposure draft to defer the effective date of *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*.**
2. In accordance with paragraph 6.7 of the *Due Process Handbook*, the International Accounting Standards Board (the Board) normally allows a minimum period of 120 days for comment on an exposure draft. If the matter is narrow in scope and urgent the Board may consider a comment period of no less than 30 days, but it will only set a period of less than 120 days after consulting, and obtaining approval from, the DPOC.

Proposed amendment

3. In January 2020, the Board issued *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*. These narrow-scope amendments clarify one of the criteria in IFRS Standards for classifying liabilities as current or non-current. The amendments are effective for annual periods beginning on or after 1 January 2022.
4. In setting this effective date, the Board considered feedback from respondents to the Exposure Draft and subsequent targeted consultation that stressed the need for enough time between the issuance date and the effective date of the amendments for affected entities to re-negotiate covenants.
5. Since the issuance of the amendments, the coronavirus pandemic has created unprecedented challenges for stakeholders, which may mean that any such re-negotiations may not be able to start as early as planned and may be more

protracted. Therefore, they might not be completed by the specified effective date as the Board and stakeholders contemplated.

6. As a result, at a supplementary Board meeting on 17 April 2020, the Board will consider a staff recommendation to defer the effective date of *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)* by one year to annual periods beginning on or after 1 January 2023. Should the Board decide in favour of this recommendation, it will need to issue an exposure draft to propose this change.

7. The recommendation in paragraph 6 is part of a larger package of staff recommendations to adjust Board timelines to assist stakeholders during the covid-19 pandemic. However, this recommendation is the only timeline adjustment that currently requires an exposure draft.

Recommended comment period

8. The staff is asking the DPOC to approve a shortened comment period of 30 days for the Exposure Draft, should the Board decide to proceed with its publication. We recognise that in the midst of the coronavirus pandemic, stakeholders are occupied by priorities other than standard-setting. However, we believe that this is a simple amendment and that stakeholders would not be unduly burdened in responding on an accelerated timeframe. In addition, we believe that stakeholders would benefit from clarity within an accelerated timeframe that a shortened comment period would facilitate as to whether this proposed relief will be finalised as proposed.

Question for the DPOC

9. **Does the DPOC give its approval for a shortened comment period of 30 days for a potential exposure draft to defer the effective date of *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*?**