



Comment Letter on the ED/2015/1 *Classification of Liabilities - Proposed amendments to IAS 1*

Comment Letters

European Financial Reporting Advisory Group

35 Square de Meeüs

Brussels B-1000

Belgium

Dear Madam/Sir,

In the present letter ICAC gives its view on EFRAG's position presented in your draft comment letter on IASB's Exposure Draft ED/2015/1 *Classification of Liabilities - Proposed amendments to IAS 1*.

To sum up, ICAC considers as positive the proposed amendments aimed to clarify the criteria in IAS 1 Presentation of Financial Statements for the classification of a liability as either current or non-current.

Our responses to the questions in the ED are explained below.

**Question 1 – Classification based on the entity's rights at the end of the reporting period**

The IASB proposes clarifying that the classification of liabilities as either current or non-current should be based on the entity's rights at the end of the reporting period. To make that clear, the IASB proposes:

- (a) replacing 'discretion' in paragraph 73 of the Standard with 'right' to align it with the requirements of paragraph 69(d) of the Standard;
- (b) making it explicit in paragraphs 69(d) and 73 of the Standard that only rights in place at the reporting date should affect this classification of a liability; and
- (c) deleting 'unconditional' from paragraph 69(d) of the Standard so that 'an unconditional right' is replaced by 'a right'.

Do you agree with the proposed amendments? Why or why not?



ICAC agrees with the proposals in order to remove inconsistencies in the Standard wording and also to make explicit that the assessment of a liability as current or non-current must be done with reference to the end of the reporting period, considering the circumstances at that date.

**Question 2 – Linking settlement with the outflow of resources**

The IASB proposes making clear the link between the settlement of the liability and the outflow of resources from the entity by adding ‘by the transfer to the counterparty of cash, equity instruments, other assets or services’ to paragraph 69 of the Standard.

Do you agree with that proposal? Why or why not?

ICAC thinks that is positive to make explicit the link between the settlement of a liability and the outflow of resources from the entity, and clarify that, for instance, a rollover of a borrowing does not constitute settlement and would not result in the liability being classified as current.

**Question 3 – Transition arrangements**

The IASB proposes that the proposed amendments should be applied retrospectively.

Do you agree with that proposal? Why or why not?

ICAC agrees with retrospective application proposed, taking into account that the amendments clarify existing requirements rather than impose additional ones and that their subject is uniquely classification, not recognition nor measurement.

Please don't hesitate to contact us if you would like to clarify any point of this letter.

Yours sincerely,

Ana Mª Martínez-Pina  
Chairman of ICAC  
Madrid, 26<sup>th</sup> May 2015