



IFRS Alert

IASB Issues Classification of Liabilities as Current or Non-Current

January 2020 - Issue 2020-02

Background

IAS 1 says that if a company has an unconditional right to delay settlement of a liability for at least 12 months from the end of the reporting period, then it can be classified as non-current, if not it is classified as current. Some preparers have found this statement confusing and consequently similar liabilities have been classified differently, making comparisons by investors difficult.

The IASB have therefore issued these amendments to IAS 1 to clarify this guidance and rectify the above issue.

The amendments do this by:

- clarifying that the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period
- stating that managements expectations around whether they will defer settlement or not does not impact the classification of the liability
- adding guidance about lending conditions and how these can impact classification
- including requirements for liabilities that can be settled using an entity's own instruments.

Effective date and transition

The amendments are effective from accounting periods beginning on or after 1 January 2022. The amendments should be applied retrospectively, with entities being allowed to apply them to an earlier period, as long as they disclose that they have done so.

Contact

Fergus Condon
Partner, Financial Accounting
and Advisory Services
E fergus.condon@ie.gt.com
T +353 (0)1 680 5610

Stephen Murray
Partner, Audit and Assurance
E stephen.murray@ie.gt.com
T +353 (0)1 680 5689

Louise Kelly
Partner, Audit and Assurance
E louise.kelly@ie.gt.com
T +44 (0)28 9587 1100

© 2020 Grant Thornton International Ltd.

IFRS Alerts are developed as an information resource summarising new pronouncements issued by the International Accounting Standards Board and the IFRS Interpretations Committee. This document is intended as a guide only and the application of its contents to specific situations will depend on the particular circumstances involved. While every care has been taken in its presentation, personnel who use this document to assist in evaluating compliance with International Financial Reporting Standards should have sufficient training and experience to do so. No person should act specifically on the basis of the material contained herein without considering and taking professional advice. Neither Grant Thornton International Ltd (GTIL), nor any of its personnel nor any of its member firms or their partners or employees, accept any responsibility for any errors this document might contain, whether caused by negligence or otherwise, or any loss, howsoever caused, incurred by any person as a result of utilising or otherwise placing any reliance upon it.