

# IFRS Alert

## IASB Issues Classification of Liabilities as Current or Non-Current

February 2020

### Executive summary

On 23 January 2020 the IASB published 'Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)' which clarify the Standard's guidance on whether a liability should be classified as either current or non-current.

### 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.

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