



# Classification of Liabilities (Proposed amendments to AASB 101)

## Project summary

The IASB is undertaking a narrow-scope project to clarify the criteria for the classification of a liability as either current or non-current. The proposed amendments:

- (a) require an entity to classify liabilities based on the rights that are in existence at the end of the reporting period;
- (b) clarify the link between settlement of the liability and the outflow of resources from the entity;
- (c) reorganise guidance in the Standard so that similar examples are grouped together; and
- (d) apply retrospectively.

The IASB is currently redeliberating the project based on comments received on its proposals.

(Note: Amendments pertaining to the classification of liabilities were proposed, but not finalised, in ED 225 *Annual Improvements to IFRSs 2010-2012 Cycle*.)

## Project contacts

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**Project priority: High**

### Issued documents

- ED 259 *Classification of Liabilities* (Proposed amendments to AASB 101) (Feb 2015)

### AASB outreach

- Comment letters on ED 259

### Project status

- ED 259 closed

### Board deliberations

- AASB Action Alert Update and AASB Board papers

- [Link to AASB 101](#)

### AASB communications

- AASB comment letter to IASB ED/2015/1 (June 2015)

## Latest project news

### Date

### News

29 May 2015

May 2015 Action Alert

24 October 2014

October 2014 Action Alert

10 April 2014

April 2014 Action Alert

13 December 2013

December 2013 Action Alert

The staff of the AASB have prepared this summary for information purposes only. The Board decisions described are tentative and do not change current accounting pronouncements unless otherwise indicated. Official positions of the AASB are determined only after extensive due process and deliberations. While this summary is regularly updated, it does not provide a comprehensive review or statement of events and should not be treated as such.

Last updated: **21 April 2016**

## AASB Action Alert Update and Selected Board Papers

Meeting Date	Update
May 2015	<p>The Board tentatively decided its submission to the IASB on Exposure Draft ED/2015/1 <i>Classification of Liabilities (Proposed amendments to IAS 1)</i> [incorporated into AASB ED 259] should:</p> <ul style="list-style-type: none"><li>(a) note that although the AASB is supportive of the IASB's efforts to clarify issues surrounding the classification of liabilities as current or non-current. The proposals as currently drafted do not achieve the intended clarity;</li><li>(b) agree with the proposed deletion of the word 'unconditional' from paragraph 69(d) of IAS 1 <i>Presentation of Financial Statements</i>. However, clarification is required as to what a right is. For example, the IASB conclusions noted in paragraph BC4 addressing rights at the end of the reporting period could be included in the body of any final Standard;</li><li>(c) note that the proposed changes to paragraph 72R(a) result in ambiguity in relation to the classification of loans under an existing loan facility when the loans are held with a consortium and/or there is a second counterparty included in the loan facility and that it is not clear how these relate to requirements in IAS 39 <i>Financial Instruments: Recognition and Measurement</i> and AASB 9 <i>Financial Instruments</i>; and</li><li>(d) express disagreement with the proposed transition requirements. The Board considers the proposed amendments should be applied prospectively on the basis that in determining the classification of a liability an entity needs to have an understanding of the terms and conditions at that point in time. The Board considers that retrospective application would require an entity to use hindsight. The Board also decided to note in its submission that it views the proposals in the nature of a change in classification and accordingly that the requirements in IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> should not be specifically referred to.</li></ul> <p><b><u>4.1</u></b> Memorandum from Lisa Panetta and Ahmad Hamidi dated 12 May 2015 re ED 259 <i>Classification of Liabilities (Proposed amendments to AASB 101)</i></p> <p><b><u>4.3</u></b> Staff Issues Paper – ED 259 <i>Classification of Liabilities (Proposed amendments to AASB 101)</i> Summary of Submission and Outreach Comments</p> <p><b><u>4.4</u></b> Comment letters on ED 259 [subs 1-4]</p> <p><b><u>4.5</u></b> ED 259 <i>Classification of Liabilities (Proposed amendments to AASB 101)</i></p>
October 2014	<p>The Board received an update on the recent tentative decisions made by the IASB in its Disclosure Initiative.</p> <p>The Board noted the tentative decisions made at the IASB's September 2014 meeting in relation to the following Disclosure Initiative projects:</p> <ul style="list-style-type: none"><li>(a) Amendments to IAS 1 <i>Presentation of Financial Statements</i>;</li><li>(b) Amendments to IAS 7 <i>Statement of Cash Flows</i>: reconciliation of liabilities related to financing activities;</li><li>(c) Amendments to IAS 7: disclosure about restrictions on cash and cash equivalents;</li><li>(d) Materiality, including accounting policy disclosures;</li><li>(e) Current/non-current classification of liabilities; and</li></ul>

## AASB Action Alert Update and Selected Board Papers

Meeting Date	Update
	<p>(f) Distinction between a change in accounting policy and a change in accounting estimate.</p> <p>Board members expressed concern about the IASB's tentative decision that the upcoming Amendments to IAS 7 ED on disclosure about restrictions on cash and cash equivalents should propose an example as the basis for clarifying the principle underpinning restrictions on cash and cash equivalents. The Board would prefer that the text of a standard articulates the principle, rather than relying on an example.</p> <p><b>9.1</b> Memorandum from Lisa Panetta dated 7 October 2014 re IASB's Disclosure Initiative – Project Update</p> <p><b>9.2</b> AASB staff issues paper – Disclosure Initiative: Analysis of recent IASB decisions</p> <p><b>9.3</b> AASB staff issues paper – Disclosure Initiative – Summary of IASB discussion</p>
<b>April 2014</b>	<p>The Board received an update on the recent tentative decisions made by the IASB in its Disclosure Initiative and related IAS 1 <i>Presentation of Financial Statements</i> projects. The Board noted the tentative decisions made by the IASB discussed at the IASB March 2014 meeting in relation to the following projects:</p> <p>(a) Amendments to IAS 1 and the issuance of the AASB Exposure Draft ED 249 <i>Disclosure Initiative (Proposed amendments to AASB 101)</i>, which incorporates the IASB issued IASB Exposure Draft ED/2014/1 <i>Disclosure Initiative</i>;</p> <p>(b) Materiality;</p> <p>(c) Changes in debt (net debt); and</p> <p>(d) IAS 1 <i>Presentation of Financial Statements</i> – current/non-current classification of liabilities.</p> <p>The Board expressed concern in relation to the IASB's decision to proceed with the proposals to add disclosures relating to net debt. Despite these concerns the Board decided there were no issues that ought to be raised with the IASB at this stage of the projects.</p> <p><b>5.1</b> Memorandum from Lisa Panetta dated 3 April 2014 re: IASB's Disclosure Initiative &amp; Current/Non-Current Classification of Liabilities: Project Update</p>
<b>December 2013</b>	<p>The Board received an update on the recent tentative decisions made by the IASB in its Disclosure Initiative project, including the tentative decisions made by the IASB at its October and November 2013 meetings regarding the following proposed amendments to IAS 1 <i>Presentation of Financial Statements</i>:</p> <p>(a) proposed narrow-scope amendments to IAS 1;</p> <p>(b) clarifying the requirements in IAS 1 concerning the current/non-current classification of liabilities; and</p> <p>(c) disclosure requirements about an assessment of going concern.</p> <p>The Board decided to write to the IASB expressing concern regarding the IASB's decision that it is not necessary to clarify the requirements in IAS 1 relating to disclosures about going concern uncertainties. In its letter to the IASB, the Board decided to provide the IASB with examples of disclosures made by entities in Australia in relation to significant uncertainty about going concern and to comment on observed diversity in approach</p>

## AASB Action Alert Update and Selected Board Papers

Meeting Date	Update
	between countries.
	<b><u>13.1</u></b> Memorandum from Lisa Panetta dated 26 November 2013 re IASB's Disclosure Initiative: Project Update
	<b><u>13.2</u></b> IASB's Disclosure Initiative: Project Update – Tentative decisions made by the IASB - October and November 2013
	<b><u>13.3</u></b> IASB's Disclosure Initiative: Disclosure Requirements about an Assessment of Going Concern - Tentative decisions made by the IASB - November 2013
<b>October 2013</b>	<p>The Board received an update on the recent tentative decisions made by the IASB in its Disclosure Initiative project.</p> <p>The Board noted the tentative decisions made by the IASB discussed at the IASB September 2013 meeting regarding the following proposed amendments to IAS 1 <i>Presentation of Financial Statements</i>:</p> <ul style="list-style-type: none"><li>(a) proposed narrow-scope amendments to IAS 1;</li><li>(b) clarifying the requirements in IAS 1 concerning the current/non-current classification of liabilities; and</li><li>(c) presentation of items of other comprehensive income arising from equity accounted investments.</li></ul> <p>The Board decided there were no issues that ought to be raised with the IASB before the IASB publishes proposals in relation to this topic.</p>
	<b><u>16.1</u></b> Memorandum from Lisa Panetta dated 8 October 2013 re IASB's Disclosure Initiative: Project Update
	<b><u>16.2</u></b> IASB's Disclosure Initiative: Project Update – Tentative decisions made by the IASB – September 2013