

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

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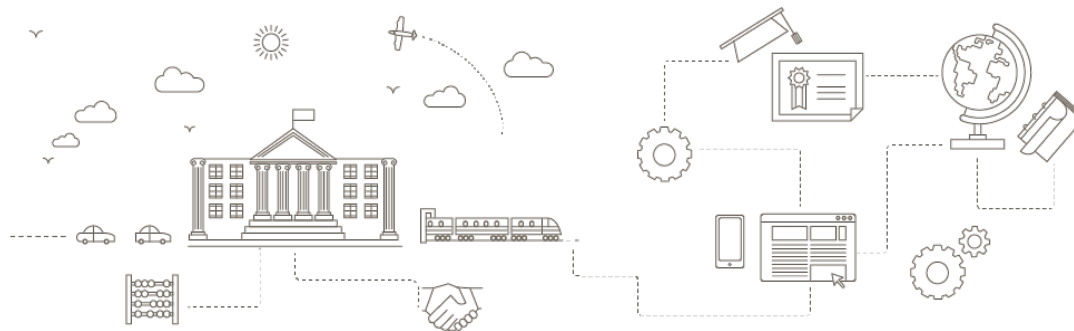
Introduction

Effective date

On 23th January 2020, IASB issued Amendments to IAS 1 – Classification of Liabilities as Current or Non-current in order to modify and clearly define Current and Non-current Liabilities to correspond to reality. The amendments will be effective on or after **01 January 2023**

Scope of amendments

Classification of Liabilities as Current or Non-current affects many key ratios when analyse financial statements or financial health, therefore the amendments is necessary for Financial Statement's user. The amendments applies to the classification of all liabilities (financial liabilities, provisions,...)



Amendments

Content	Before	After
Đoạn 69 (d)	Require an entity to classify a liability as current when an entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period	Require an entity to classify a liability as current when an entity does not have the the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period
Paragraph 72A (right to defer settlements)	N/a	An entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and, as illustrated in paragraphs 73–75, must exist at the end of the reporting period
Paragraph 73	If an entity expects , and has the discretion , to refinance or roll over an obligation for at least twelve months after the reporting period under an existing loan facility, it classifies the obligation as non-current	If an entity has the right, at the end of the reporting period , to roll over an obligation for at least twelve months after the reporting period under an existing loan facility, it classifies the obligation as non-current
Paragraph 75A (clarify about para 73 after amend)	N/a	If a liability meets the criteria in paragraph 69 for classification as non-current, it is classified as non-current even if management intends or expects the entity to settle the liability within twelve months after the reporting period

Description
<p>1. By experience practices, right to defer settlement liability mostly depend on compliance with conditions on contract. Therefore amendment states that instead of having unconditional rights, entity only have the right to defer settlement liability</p> <p>2. Amendments emphasizes the right to defer settlement liability that must exist at the end of the reporting period</p> <p>3. After amendments, IAS 01 requires classification liability as Current or Non-current only depend on right to defer settlement liability, not entity's intentions</p>

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