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International Accounting Standards Board
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Dear Sir/Madam

Exposure Draft: Classification of Liabilities Proposed amendments to IAS 1

The Australian Institute of Company Directors (AICD) is pleased to provide a submission to the International Accounting Standards Board (IASB) in response to its Exposure Draft, *Classification of Liabilities, Proposed amendments to IAS 1*¹(Exposure Draft).

The AICD is Australia's leading organisation for directors, dedicated to making a positive impact on society and the economy by promoting professional director education and excellence in corporate governance. We have a significant and diverse membership of more than 36,000 from across a wide range of industries, commerce, government, the professions, private and not-for-profit sectors.

The AICD has consistently and strongly advocated for the need to amend the disclosure requirements in the accounting standards to reduce the length and complexity of financial reports, and to provide useful and relevant information to the users of financial statements.

The AICD is responding to the following questions set out in the Exposure Draft:

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 with a 'right'.

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

¹ IAS 1, Presentation of Financial Statements

AICD's Response

The AICD supports the proposed amendments to IAS 1, *Presentation of Financial Statements*, which clarifies when a liability should be classified as either current or non-current. The classification of liabilities as either current or non-current has been an area of uncertainty and significant debate when an entity prepares its financial statements.

The AICD suggests that the IASB consider including the words "in place" after "right" in paragraph 69(d), so that it reads, "it does not have a right in place at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period." This insertion would mirror the language used in paragraph 72R and would clarify that the right needs to be in place at the end of the reporting period when making the determination of classification of the liability.

Further the AICD supports the provision of additional guidance and examples as proposed in the Exposure Draft by the revision of paragraphs 72R and 73R will assist preparers in determining the classification of liabilities.

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 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?

AICD's Response

The AICD supports the proposal in the Exposure Draft which makes clear the link between the settlement of the liability and the outflow of economic resources.

We hope our comments will be of assistance to you. If you would like to discuss any aspect of our views, please contact us on (02) 8248 6600.

Yours sincerely



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