

March 14, 2022

IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

By e-mail: commentletters@ifrs.org

Re: Exposure Draft ED/2021/9 – *Non-current Liabilities with Covenants*
Proposed amendments to IAS 1

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 21,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above-captioned exposure draft.

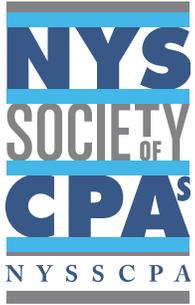
The NYSSCPA's International Accounting and Auditing Committee deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with us, please contact Richard C. Jones, Chair of the International Accounting and Auditing Committee, at (516) 463-6990, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

A handwritten signature in black ink, which appears to read "Rumbi Bwerinofa-Petrozzello". The signature is written over a faint, semi-transparent watermark of the NYSSCPA logo.

Rumbi Bwerinofa-Petrozzello
President

Attachment



**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

COMMENTS ON

**EXPOSURE DRAFT ED/2021/9 – *NON-CURRENT LIABILITIES WITH COVENANTS
PROPOSED AMENDMENTS TO IAS 1***

March 14, 2022

Principal Drafter

Richard C. Jones

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New York State Society of Certified Public Accountants

Comments on

**Exposure Draft ED/2021/9 – *Non-current Liabilities with Covenants*
*Proposed amendments to IAS 1***

We welcome the opportunity to respond to the International Accounting Standards Board’s (IASB or the Board) invitation to comment on its Exposure Draft – *Non-current Liabilities with Covenants, Proposed amendments to IAS 1* (ED).

We offer our responses to the Questions for Respondents below.

Questions for Respondents

Question 1—Classification and disclosure (paragraphs 72B and 76ZA(b))

The Board proposes to require that, for the purposes of applying paragraph 69(d) of IAS 1, specified conditions with which an entity must comply within twelve months after the reporting period have no effect on whether an entity has, at the end of the reporting period, a right to defer settlement of a liability for at least twelve months after the reporting period. Such conditions would therefore have no effect on the classification of a liability as current or non-current. Instead, when an entity classifies a liability subject to such conditions as non-current, it would be required to disclose information in the notes that enables users of financial statements to assess the risk that the liability could become repayable within twelve months, including:

- a) the conditions (including, for example, their nature and the date on which the entity must comply with them);
- b) whether the entity would have complied with the conditions based on its circumstances at the end of the reporting period; and
- c) whether and how the entity expects to comply with the conditions after the end of the reporting period.

Paragraphs BC15–BC17 and BC23–BC26 of the Basis for Conclusions explain the Board’s rationale for this proposal.

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.

Response:

Yes, we agree with the Board’s proposed amendments to IAS 1, *Presentation of Financial Statements*, clarifying the application of ¶69(d) for the specific condition indicated in ¶72B(b) in which the “entity is required to comply with the condition only within twelve months after

the reporting period (for example, a condition based on the entity’s financial position six months after the end of the reporting period).”

Additionally, when an entity classifies a liability subject to such conditions as non-current, we agree with the Board’s proposed requirements, as proposed in ¶76ZA of the ED, that the entity:

- a) Present such liabilities separately in its balance sheet, and
- b) Provide disclosures (a) and (b) above (and as specified in ¶76ZA(b) of the ED) in the financial statement notes to enable financial statement users to assess the risk that the liability could become repayable within twelve months.

However, with respect to disclosure (c), we believe such disclosure should be required when the entity determines that they might be unable “to comply with the conditions” of the obligation at the reporting period or the entity anticipates that they might be unable to comply with the related conditions at the time such conditions become effective.

Question 2—Presentation (paragraph 76ZA(a))

The Board proposes to require an entity to present separately, in its statement of financial position, liabilities classified as non-current for which the entity’s right to defer settlement for at least twelve months after the reporting date is subject to compliance with specified conditions within twelve months after the reporting period.

Paragraphs BC21–BC22 of the Basis for Conclusions explain the Board’s rationale for this proposal.

Do you agree with this proposal? Why or why not? If you disagree with the proposal, do you agree with either alternative considered by the Board (see paragraph BC22)? Please explain what you suggest instead and why.

Response:

We agree with the Board’s intent as stated in paragraphs BC 21 a-c. However, we do not support separate presentation in the statement of financial position for all liabilities with conditions with which an entity has complied at the reporting date, based on its circumstances at that date, because we believe that requirement to be too broad and, in some circumstances, would include a significant portion of an entity’s reported liabilities, particularly when the related conditions are subjective, i.e., non-financial.

Thus, we agree with the alternative view expressed in paragraph BC22(b) that the Board should specifically require “separate presentation only for liabilities with conditions with which an entity would not have complied based on its circumstances at the reporting date” provided the Board can develop criteria on “how an entity assesses compliance with non-financial conditions or financial performance conditions for the purposes of that separate presentation, which would introduce complexity.”

Question 3—Other aspects of the proposal

The Board proposes to:

- a) clarify circumstances in which an entity does not have a right to defer settlement of a liability for at least twelve months after the reporting period for the purposes of applying paragraph 69(d) of IAS 1 (paragraph 72C);
- b) require an entity to apply the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, with earlier application permitted (paragraph 139V); and
- c) defer the effective date of the amendments to IAS 1, Classification of Liabilities as Current or Non-current, to annual reporting periods beginning on or after a date to be decided after exposure, but no earlier than 1 January 2024 (paragraph 139U).

Paragraphs BC18–BC20 and BC30–BC32 of the Basis for Conclusions explain the Board’s rationale for these proposals.

Do you agree with these proposals? Why or why not? If you disagree with any of the proposals, please explain what you suggest instead and why.

Response:

Yes, we agree with the proposals above for the following reasons:

- a) We believe paragraph 72C clarifies situations in which an entity “does not have the right to defer settlement of a liability” as required by paragraph 69(d) of IAS 1,
- b) Requiring retrospective application of the proposed amendments provides comparable information to financial statement users, and
- c) Because the proposals in this exposure draft “would amend some of the requirements introduced by the 2020 amendments before those requirements are in effect,” we support the proposed deferral of the effective date of the amendments to IAS 1.