

## Invitation to Comment:

### Draft Comment Letter - Exposure Draft ED/ 2021/ 9 – Non-current Liabilities with Covenants

**Deadline for completion of this Invitation to Comment:**

**Close of business Monday 7 March 2022**

**Please submit to:**

**[UKEndorsementBoard@endorsement-board.uk](mailto:UKEndorsementBoard@endorsement-board.uk)**

## UKEndorsement Board

The UKEndorsement Board (UKEB) is responsible for endorsement and adoption of IFRS for use in the UK and therefore is the UK's National Standard Setter for IFRS. The UKEB also leads the UK's engagement with the IFRS Foundation (Foundation) on the development of new standards, amendments and interpretations. This letter is intended to contribute to the IASB's due process. The views expressed by the UKEB in this letter are separate from, and will not necessarily affect the conclusions in, any endorsement and adoption assessment on new or amended International Accounting Standards undertaken by the UKEB.

## Introduction

The objective of this Invitation to Comment is to obtain input from stakeholders on the UKEB's draft comment letter on the [IASB's Exposure Draft ED/2021/9 Non-current Liabilities with Covenants](#).

## Who should respond to this Invitation to Comment?

Stakeholders with an interest in the quality of accounts that apply IFRS.

## How to respond to this Invitation to Comment

Please download this document, answer any questions on which you would like to provide views, and return to [UKEndorsementBoard@endorsement-board.uk](mailto:UKEndorsementBoard@endorsement-board.uk) by close of business on Monday 7 March 2022.

We welcome responses providing views on individual questions as well as comprehensive responses to all questions.

## Privacy and other policies

The data collected through submitting this document will be stored and processed by the UKEB. By submitting this document, you consent to the UKEB processing your data for the purposes of influencing the development of and adopting IFRS for use in the UK. For further information, please see our Privacy Statements and Notices and other Policies (e.g. Consultation Responses Policy and Data Protection Policy)<sup>1</sup>.

The UKEB's policy is to publish on its website all responses to formal consultations issued by the UKEB unless the respondent explicitly requests otherwise. A standard confidentiality statement in an e-mail message will not be regarded as a request for non-disclosure. If you do not wish your signature to be published please provide UKEB with an unsigned version of your submission. The UKEB prefers to publish responses that do not include a personal signature. Other than the name of the organisation/individual responding, information contained in the "Your Details" document will not be published. The UKEB does not edit personal information (such as telephone numbers, postal or e-mail addresses) from any other document submitted; therefore, only information that you wish to be published should be submitted in such responses.

## Questions

### A Support for the IASB's Exposure Draft Non-current Liabilities with Covenants.

1. The UKEB's draft comment letter supports the amendments to paragraph 72A proposed by the IASB in the Exposure Draft. Do you agree with this proposal? Please explain why or why not.

Response:

We agree with the IASB's proposed amendments to the paragraph 72A in the Exposure Draft. We did not think that categorising liabilities as current on the basis that future covenant compliance conditions were not met at the reporting date should affect the classification as either current or non-current.

2. The UKEB's draft comment letter (paragraph A1) supports the principle in paragraph 72B that the classification of a liability as current or non-current should be based on conditions that exist at the end of the reporting period, even if that compliance is only tested later. Do you agree with this principle? Please explain why or why not.

Response:

We fully support that the categorisation of a liability as either current or non-current should be based on the conditions at the reporting date even if the assessment of compliance with those specified conditions takes place after the reporting date.

3. The UKEB's draft comment letter (paragraph A2) raises concerns that the reference to specified conditions (or 'covenants') in paragraph 72B may lead to diversity in practice. We also believe that the paragraph could be amended to enhance clarity. Do you agree with the concerns raised, and the proposed rewording to help clarify the paragraph? Please explain why or why not.

Response:

We agree with the concerns raised by the UKEB on the use of 'specified conditions' and agree that the proposed amendment to paragraph 72B should make the requirements clearer to understand.

4. The UKEB's draft comment letter (paragraph A6) supports the proposals for additional disclosure of information about non-current liabilities with material specified conditions with which an entity must comply within twelve months after the reporting period. However, we note (paragraph A7) that concerns have been raised about the requirement to provide forward looking information. Do you agree that the additional disclosures could provide more useful information to users of financial statements? Do you have any comments on the requirement to provide forward looking information?

Response:

Overall, we are supportive of the additional disclosures that the IASB have proposed in the ED. However, we felt that such information might be more helpfully be included within the IFRS 7 disclosures that are required to be given about liquidity risks. We did not have any particular concerns with the provision of forward-looking information.

5. The UKEB's draft comment letter (paragraph A8) does not support the proposals in paragraph 76ZA(a) for separate presentation of liabilities subject to conditions described in paragraph 72B(b) as non-current on the face of the statement of financial position. Do you agree that separate presentation should not be required? Please explain why or why not.

Response:

We do not support the separate presentation of liabilities subject to the conditions set out in 72B(b) as non-current on the face of the statement of financial position.

We are of the view that the proposed disclosure requirements in the ED coupled with the principles for disaggregation should enable a user of the accounts that certain non-current liabilities may fall due for payment with 12 months.

6. The UKEB's draft comment letter (paragraph A14) raises concerns that paragraph 72C(b) would likely lead to a diversity in practice. We believe paragraph 72C could be removed in its entirety from the proposed amendments. Do you agree with the concerns raised about paragraph 72C(b), and the proposed deletion of paragraph 72C? Please explain why or why not.

Response:

We agree with the concerns raised by the UKEB on the application of paragraph 72C and the concern that the interpretation of 'unaffected' could lead to significant diversity in practice. We are supportive of the Board to either explain clearly how 'unaffected' should be interpreted in applying the Standard or, alternatively, consider removing the paragraph altogether.

## B Impact of proposed amendments.

The UKEB is interested to hear feedback on the potential impact of the amendments to IAS 1 proposed by the IASB in the Exposure Draft.

7. Would the implementation of the amendments proposed in the IASB's Exposure Draft lead to significant impacts on financial reporting by UK companies? What are the likely impacts? Please describe.

Response:

We do not think that compliance with the new requirements should be too onerous for preparers of financial statements.

## C Any other comments.

8. Do you have any additional feedback that the UKEB should consider when responding to the IASB's Exposure Draft?

Response:

No.

Thank you for completing this Invitation to Comment