

Explanatory Statement

Accounting Standard AASB 2020-6 ***Amendments to Australian Accounting Standards –*** ***Classification of Liabilities as Current or Non-current –*** ***Deferral of Effective Date***

August 2020



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Standards Amended by AASB 2020-6

This Standard makes amendments to Australian Accounting Standard AASB 101 *Presentation of Financial Statements* (July 2015). These amendments arise from the issuance of International Financial Reporting Standard *Classification of Liabilities as Current or Non-current – Deferral of Effective Date* (Amendments to IAS 1) by the International Accounting Standards Board (IASB) in July 2020.

Marked-up Text

This Standard incorporates marked-up text to clearly identify some or all of the amendments made to the Standards. Those amendments are incorporated using clean text into the compilations of those Standards when they are prepared, based on the legal commencement date of the amendments.

Power to Make Amendments

Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any instrument of a legislative or administrative character (including rules, regulations or by-laws), the power shall be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend, or vary any such instrument. Accordingly, the AASB has the power to amend the Accounting Standards that are made by the AASB as legislative instruments under the *Corporations Act 2001*.

Main Features of AASB 2020-6

This Standard amends AASB 101 to defer requirements for the presentation of liabilities in the statement of financial position as current or non-current that were added to AASB 101 in AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (March 2020).

Those requirements will now apply mandatorily to annual reporting periods beginning on or after 1 January 2023 instead of 1 January 2022, with earlier application permitted.

The deferred amendments, for example, clarified that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability was also clarified in those amendments.

Application Date

AASB 2020-6 is applicable to annual periods beginning on or after 1 January 2022, which was the original mandatory effective date of the amendments.

References to Other AASB Standards

References in this Standard to the titles of other AASB Standards that are legislative instruments are to be construed as references to those other Standards as originally made and as amended from time to time and incorporate provisions of those Standards as in force from time to time.

Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 301 *Classification of Liabilities as Current or Non-current – Deferral of Effective Date* (May 2020) for comment by 22 May 2020. ED 301 incorporated the IASB's ED/2020/3, of the same title. The IASB proposed the deferral as one response to the COVID-19 pandemic. The AASB did not receive any submissions on ED 301, and did not make a submission to the IASB on its ED.

The IASB analysed the feedback it received on the proposed amendments and decided to finalise the amendments as exposed for comment. The AASB considered the amendments made by the IASB to IAS 1 *Presentation of Financial Statements* in finalising AASB 2020-6 and the deferral of the previous amendments to AASB 101.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2020-6 as the amendments made do not have a substantial direct or indirect impact on business or competition.

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the
Human Rights (Parliamentary Scrutiny) Act 2011

Accounting Standard AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date*

Overview of the Accounting Standard

This Standard amends AASB 101 *Presentation of Financial Statements* to defer requirements for the presentation of liabilities in the statement of financial position as current or non-current that were added to AASB 101 in AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (March 2020).

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Human Rights Implications

This Standard is issued by the AASB in furtherance of the objective of facilitating the Australian economy. It does not diminish or limit any of the applicable human rights or freedoms, and thus does not raise any human rights issues.

Conclusion

This Standard is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.