

May 15, 2015

Comment Letter  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear Sir/Madam

**Exposure Draft ED/2015/02**

The Financial Accounting Issues Task Force of the Taiwan Financial Reporting Standards Committee (TFRSC) of Accounting Research and Development Foundation in Taiwan appreciates the opportunity to respond to the above exposure draft.

The attachments (Attachment 1) are our comments to this exposure draft. The comments are those of the Financial Accounting Issues Task Force and do not necessarily represent official opinions of the TFRSC.

If you have any question about our comments, please contact me (via my email: [ccliu@management.ntu.edu.tw](mailto:ccliu@management.ntu.edu.tw)) or Ms. Louise Wu (via her email: [louise@ardf.org.tw](mailto:louise@ardf.org.tw)).

Sincerely Yours,



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Chi-Chun Liu, Ph.D.  
Chairman,  
Taiwan Financial Reporting Standards Committee,  
Accounting Research and Development Foundation, Taiwan

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**Attachment 1**

Exposure Draft ED/2015/02 Classification of Liabilities

## Classification of Liabilities

**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 by ‘a right’.

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

**Response to the above Question:**

We agree with the proposed amendments (a) and (b) but disagree with the proposed amendment (c).

We suggest making further clarification on ‘a right’ in paragraph 69(d) of the Exposure Draft. More specifically, the IASB should provide more specific guidelines, so that companies can determine whether a short-term obligation can be classified as non-current in the case of conditional right. The proposed wording might imply or lead to believing that when an entity has a conditional right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period, the liability can be classified as non-current, even when the entity is unable to comply with the conditions. Despite the paragraph BC4 of the Exposure Draft stated that “when a right is subject to a condition, it is whether the entity complies with that condition as at the end of the reporting period that determines whether the right should affect classification”, on the basis of proposed wording in paragraph 69(d) and 72R, it is unclear that when an entity has a right to defer settlement of a liability for at least twelve months after the reporting period, whether the entity should classify the liability as current while it substantially has the obligation to settle the liability

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## Attachment 1

### Exposure Draft ED/2015/02 Classification of Liabilities

within twelve months after the reporting period. Therefore, it is necessary for the IASB to clarify the meaning of paragraph 69(d) by explaining it in more detail.

#### 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 the 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?

#### Response to the above Question:

We agree with the Board’s proposal since it links the substance of settlement of a liability with the definition of a liability and the examples of settlement of a present obligation illustrated in paragraph 4.17 of *Conceptual Framework*.

#### Question 3—Transition arrangements

The IASB proposes that the proposed amendments should be applied retrospectively.

Do you agree with that proposal? Why or why not?

#### Response to the above Question:

We agree with the Board’s proposal since the proposed transition arrangements are in line with the reclassification requirement in paragraph 41 of IAS1.

#### Other Comments

Apart from the questions listed in the Exposure Draft, we would like to comment on paragraph 73R of the proposed amendment. We suggest to replace the wording of ‘non-adjusting events’ in paragraph 73R(c) with ‘non-adjusting events after the reporting period’ to align it with the requirements of paragraph 3(b) of IAS 10.