



1906/37213

April 14, 2015

International Accounting Standards Board  
30 Cannon Street  
London EC4M6XH  
United Kingdom

Dear Sir/Madam,

Re: **Exposure Draft – Classification of Liabilities (proposed amendments to IAS 1)**

We appreciate the opportunity to respond to the Exposure Draft "Classification of Liabilities (proposed amendments to IAS 1)" issued by the International Accounting Standards Board (IASB). This response represents the views of the Institute of Certified Public Accountants in Israel.

## **Question 2**

*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**

We believe that the proposed clarification may result in an apparent contradiction between:

- (1) the proposed additional paragraph, which states that a transfer of equity instruments to the counterparty that results in the extinguishment of the liability is considered a settlement of a liability for the purposes of classification as current or non-current; and

- (2) paragraph 69(d) which states that terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

We believe that the IASB should resolve this apparent inconsistency, so that the requirement mentioned in (2) above will remain untouched. In our opinion, the classification of a liability as current or non-current should be affected by the entity's use of its resources in order to settle the liability (i.e., does it represent an outflow of resources from the entity), and hence the requirement in paragraph 69(d) is appropriate. If the notion "transfer of equity instruments to the counterparty..." means a third party's equity instruments (held as assets by the reporting entity) it should be explicitly phrased as such.

Sincerely yours



Arnon Ratzkovsky  
Chair of the Financial Reporting Standards  
Committee

Copy:

David Goldberg, President of the Institute of Certified Public Accountants in Israel