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Our ref RD/288

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Dear Mr Barckow

Comment letter on Exposure Draft ED/2021/9 *Non-current Liabilities with Covenants (Proposed amendments to IAS 1)*

We appreciate the opportunity to comment on the International Accounting Standards Board's (the Board) Exposure Draft ED/2021/9 *Non-current Liabilities with Covenants (Proposed amendments to IAS 1)*. We have consulted with, and this letter represents the views of, the KPMG network.

We acknowledge the Board's efforts to respond to stakeholder concerns about the outcomes and potential consequences of the 2020 amendments[1] to IAS 1 *Presentation of Financial Statements,* particularly in applying the requirements of paragraph 72A, as introduced by these amendments, with IAS 1.69(d).

We welcome the proposed narrow-scope amendments in this ED that, for purposes of applying IAS 1.69(d), clarify in new paragraph 72B that conditions with which an entity must comply within twelve months *after* the reporting period do *not* affect classification of a liability as current or non-current.

However, we have significant concerns with other aspects of the proposals – in particular, the introduction in paragraph 72C(b) of a new 'criterion' regarding occurrence (or non-occurrence) of uncertain future events or outcomes that may or may not be 'affected' by the entity's future actions and its impact on an entity's right to defer settlement for at least twelve months. We believe the intended application of the proposed requirement is unclear and would appreciate the Board providing more guidance on its use and interaction with paragraph 72B. See examples in our response to Question 1 which highlight lack of clarity as to how the proposals would apply in some common scenarios in loan agreements.

[1] Classification of Liabilities as Current or Non-current (2020 amendments).

We believe that without further clarity and guidance as to how to operationalise new paragraphs 72B and 72C as a whole against the IAS 1.69(d) requirement, the proposed amendments may not be effective in eliminating divergent practice.

With regard to the proposed presentation and disclosure requirements, we have the following comments.

— In view of the existing requirements in IAS 1.55 and 1.58 to present line items separately when such presentation is relevant to an understanding of an entity's financial position, we question the need for an explicit requirement for the separate presentation in the statement of financial position for non-current liabilities subject to compliance with future conditions.

— While we support the introduction of certain specific disclosures for non-current liabilities subject to conditions, their application in practice would be further supported/strengthened if the Board:

  — introduced a general and/or specific disclosure objective underlying the proposed additional disclosure requirements – i.e. why this information is important to users, and

  — explained how these proposed disclosures interact with/complement other IFRS disclosure requirements – e.g. liquidity risk disclosures in IFRS 7 *Financial Instruments: Disclosure* or IAS 1 going concern disclosures.

We therefore ask the Board to consider our specific recommendations outlined in this letter before finalising the proposed amendments.

We have set out our detailed comments and responses to the specific questions in the exposure draft in Appendix I to this letter.

Please contact Reinhard Dotzlaw at reinhard.dotzlaw@kpmgifrg.com or Gabriela Kegalj at gabrielakegalj@kpmg.ca if you wish to discuss any of the issues raised in this letter.

Yours sincerely

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Appendix I: Responses to specific questions

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.

Comments related to classification proposals

We agree with the proposed amendments that specify for the purposes of applying IAS 1.69(d), conditions with which an entity must comply within twelve months *after* the reporting period do *not* affect classification of a liability as current or non-current.

However, we have concerns with other aspects of the proposals, primarily stemming from the newly introduced paragraph 72C(b) and the lack of clarity regarding its application and interaction with the new paragraph 72B. Paragraph BC18 explains the Board's reason for adding paragraph 72C is "to avoid the proposed amendments being applied inappropriately to other liabilities" but we do not fully understand how the new paragraph 72B is intended to be interpreted and applied in the context of common scenarios in loan agreements, as illustrated with the examples below.

The addition of paragraph 72C(b) is referred to in Question 3(a) of the ED, but we address that question below in discussing the potential interaction between paragraph 72B and 72C(b).

Classification - the application of new paragraphs 72B and 72C(b)

The relationship between the two new paragraphs, how they interact, and how they would be applied when classifying a liability against the IAS 1.69(d) criterion is not clear.

Part of the initial misunderstanding may stem from the various terminology introduced in the ED. The proposals use four different terms when discussing an entity's compliance in determining whether it has the right to defer settlement of a liability: "specified conditions", "covenants", "conditions" in paragraphs 72B and 76ZA, and "other conditional settlement terms" in the sub-header to BC18. Moreover, the reference to "other conditional settlement terms" appears to have been included only in the rationale behind paragraph 72C in relation to ***other liabilities*** - i.e. liabilities other than those to which paragraph 72B would apply. We believe that practice would benefit from consistent terminology – as currently drafted, it isn't clear what type of liability or "condition" is subject to the requirements in paragraph 72B and if another liability or "condition" is subject to the requirements in paragraph 72C.

Consider the following example.

Example 1 - Loan agreement requires entity to deliver an 'unqualified' audit report 3 months after year-end

Scenario

A loan agreement requires the entity to deliver to the lender an 'unqualified' audit report on its financial statements no later than three months after year-end, failing which the loan becomes repayable immediately.

Question

Which paragraph is applicable for classification of the loan at the year-end reporting date?

Possible views

— ***View A*** *– Paragraph 72B(a) applies. This is a condition based on the entity's financial position/performance as of the end of the reporting period, but it is assessed for compliance only after the reporting period. Proponents of this view would classify the loan as:*

  — *Current if the entity fails to deliver an unqualified audit report to the lender within three months of the reporting date; or*

  — *Non-current if the entity successfully delivers an unqualified audit report to the lender within three months of the reporting date.*

— ***View B*** *– Paragraph 72B(b) applies. This is a condition that the entity is required to comply with only within twelve months after the reporting period. The condition does not affect the classification of the loan at the reporting date.*

— ***View C*** *– Paragraph 72C(b) applies. This is an uncertain future event or outcome that may or may not be affected by the entity's future actions. Proponents of this view would classify the loan as:*

  — *Non-current if the entity determines that it can affect the timely delivery of an unqualified audit report to the lender; or*

  — *Current if the entity determines that the timely delivery of an unqualified audit report is unaffected by the entity's future actions (and paragraph 72B does not apply).*

Due to the lack of clarity on how to interpret these two paragraphs, divergent views may develop.

In our experience, under current IAS 1, practice may vary. And with the inclusion of paragraph 72C in the proposals, it is unclear how this example might be analysed should the proposals be finalised as drafted.

Conditions (or 'covenants') may be affirmative - i.e. the entity will adhere to certain terms and requirements - or negative - i.e. the entity is restricted from performing certain actions. Conditions may be financial or non-financial, and some may be objectively determinable - e.g. a mathematically derived ratio using amounts in the financial statements - while others more subjective - e.g. a lender's ability to call a loan if a material adverse event occurs. In practice, repayment of a single liability is often subject to both conditions and uncertain future events or outcomes within the same loan agreement. In all of these cases, in order to achieve consistent application of the proposed requirements guidance as to how paragraphs 72B and/or 72C apply will be needed. Consider the following example.

Example 2 - Loan agreement subject to a financial position covenant and a future uncertain event

Scenario

A loan is subject to a Debt/Equity ratio covenant that is tested at year-end (which if breached renders the loan callable), while another clause in the same agreement stipulates that the loan may be called if a material adverse change (MAC) in the entity's operations occurs throughout the term of the agreement.

Question

Which paragraph is applicable in determining the classification of the loan at the year-end reporting date?

Possible views

— ***View A*** *– Paragraph 72B(a) applies. Proponents of this view would classify the loan as:*

- *Non-current if the entity complies with the Debt/Equity ratio covenant at the reporting date; or*
- *Current if the entity does not comply with the Debt/Equity ratio covenant at the reporting date.*

— ***View B*** *– Paragraph 72C(b) applies. Proponents of this view would classify the loan as:*

- *Non-current if the entity determines that it can affect whether a MAC in its operations occurs in the future; or*
- *Current if the entity determines that a MAC in its operations is unaffected by the entity's future actions.*

— ***View C*** *– Both paragraph 72B(a) and 72C(b) apply. Proponents of this view would consider both paragraphs and if either of them indicate that the loan is current, the loan must be classified as such.*

Due to the lack of clarity on how to interpret these two paragraphs, divergent views may develop.

In our experience, under current IAS 1, practice generally views the Debt/Equity ratio covenant and the subjective MAC clause both as conditions with which the entity must comply at the reporting date. If either is violated, the loan is classified as current. Due to the inclusion of paragraph 72C in the proposals, it is unclear if/how the MAC clause fits in the analysis – is it a "covenant" or "specified condition" as paragraph 72B suggests, or is it an "other conditional settlement term" meant to be assessed under new paragraph 72C as discussed in paragraphs BC18-20?

Classification – "affected" versus "unaffected" in new paragraph 72C(b)

In addition, it is not clear how the new 'criterion' introduced in paragraph 72C(b) is intended to be applied and what "affected"/"unaffected" by the entity's future actions actually means – i.e. when would an uncertain future event or outcome be "affected" or "unaffected" by the entity's future actions?

In absence of specific clarification or examples illustrating the types of events or outcomes this new guidance is intended to capture (or what classification outcomes it intends to prevent), divergent interpretations will likely emerge, especially given the complex legalities in some loan agreements. The nature and extent of future events or outcomes that are "affected"/"unaffected" by an entity's future actions could be extremely broad and their assessment may involve significant judgement, including legal interpretation.

Common conditions in loan agreements that may be considered "uncertain future events" to which paragraph 72C(b) could potentially apply are (a) the occurrence of a successful initial public offering (IPO) and (b) the occurrence of a change in control. Consider the following examples 3(a) and 3(b).

Example 3(a) - Loan agreement requires occurrence of successful IPO within 12 months of reporting date

Scenario

A loan agreement requires a successful IPO to complete within 12 months of the reporting date, failing which the loan becomes repayable immediately.

Question

Assuming paragraph 72C(b) is applicable, how should the loan be classified at the reporting date?

Possible views

— ***View A*** *– The loan is Non-current at the reporting date. Proponents of this view believe that the occurrence (or non-occurrence) of a successful IPO can always be affected by the entity, even if its occurrence is beyond the entity's control.*

— ***View B*** *– The classification of the loan at the reporting date depends on the specific facts and circumstances:*

  — *Depending on the scenario, it may be assessed that the entity can affect (but not control) the occurrence (or non-occurrence) of a successful IPO. In this case, the loan would be classified as Non-current.*
  — *However, if it is assessed that the entity cannot affect the occurrence (or non-occurrence) of a successful IPO, the loan would be classified as Current.*

Due to the lack of clarity on how to interpret these two paragraphs, divergent views may develop. Significant judgement and/or legal interpretation may be necessary to interpret an entity's ability to affect the occurrence of a successful IPO: some may argue that an entity can affect the occurrence (or non-occurrence) of an IPO itself - e.g. initiate and execute the process through various regulatory steps and requirements - but cannot affect whether the IPO will ultimately be 'successful'. As such, the loan would be classified as current.

In our experience, under current IAS 1, practice may view this clause akin to a non-financial covenant with which the entity must only comply after the reporting date. Due to the inclusion of paragraph 72C in the proposals, it is unclear how the 'successful IPO' clause should be analysed. If paragraph 72C applies, additional complexity could arise, thereby contributing to divergence in practice.

Example 3(b) - Loan agreement includes a change in control clause

Scenario

A loan agreement requires the immediate repayment of an otherwise long-term loan in the event the entity undergoes a change in control within 12 months of reporting date.

> *Question*
>
> *Assuming paragraph 72C(b) is applicable, how should the loan be classified at reporting date?*
>
> *Possible views*
>
> *Similar to example 3(a) above, different views and interpretations could emerge. It is questionable whether the occurrence (or non-occurrence) of a change in control over the entity can be affected by the entity itself in all cases.*

Most contractual loan agreements contain multiple terms and conditions with which an entity must comply in order to avoid an otherwise long-term loan/liability from being called by the lender, including clauses relating to future events or outcomes that are, arguably, unaffected by an entity's future actions and could lead to current classification – e.g. material adverse change clauses, change in control clauses, change in management clauses. We urge the Board to provide guidance and further clarification in order to achieve consistent application.

Classification – reference to insurance liabilities as an example in paragraph 72C(b)

We do not believe that the example provided in paragraph 72C(b) referring to insurance liabilities is helpful given the following.

— Most insurers present their statements of financial position based on the order of liquidity per the current paragraph 60 of IAS 1 instead of a classified statement of financial position.

— It overlooks complex application issues arising for classification of an insurance contract liability accounted for under IFRS 17 – i.e. an insurance contract liability under IFRS 17 represents a portfolio of contracts, may embody a mixture of cash inflows and outflows, including attributable overheads and potentially an obligation to provide coverage over multiple future periods, and is measured on a probability-weighted basis.

In addition, as noted below, we are seeking clarification as to whether the proposed disclosures would apply to entities that prepare their statements of financial position based on the order of liquidity per the current paragraph 60 of IAS 1.

Classification – "substance" requirement

The 2020 amendments introduced paragraph 72A into IAS 1 stating that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have "substance". However, neither the 2020 amendments nor the current proposals provide additional guidance on how an entity assesses whether its right has substance.

As noted in our response to the TAD *Classification of Debt with Covenants as Current or Non-current (IAS 1 Presentation of Financial Statements)*, we believe an explanation is needed as to how an entity assesses appropriately and consistently whether its right to defer settlement has substance. Without further guidance, different interpretations may arise in practice. For example, some may suggest that classification outcomes based on paragraphs 72B and 72C can be overridden based on the 'substance' requirement in paragraph 72A.

Classification - Roll-over facilities

The 2020 amendments clarified that the classification of roll-over facilities would be unaffected by expectations and instead, it would be based solely on the right, at the end of the reporting period, to roll over an obligation for at least twelve months after the reporting period. Given that the new proposed paragraphs 72A, 72B and 72C are all inserted in the section headed with "Right to defer settlement for at least twelve months (paragraph 69(d))", it appears that these new requirements apply to classification of roll-over facilities mentioned in paragraph 73, but it is not clear. It would be helpful for the Board to confirm.

As commented above, in absence of further guidance on what the 'right' means and how to interpret 'substance' of the right, it might be subject to different interpretations.

Classification - Our overall recommendation

We recognise that there is an imminent need to clarify the 2020 amendments and we support the Board's efforts in providing further clarity.

In order for the proposed amendments to be operational and effective, we recommend that the Board:

— clarify the intended application of the proposed requirements, specifically paragraph 72C(b) and its interaction with paragraph 72B, and

— confirm whether the classification outcome is as intended when applied to loan agreements or other liabilities with conditions that are common in practice. We believe that examples 1 to 3(b) as outlined above should be considered before the amendments are finalised.

Classification - Longer-term considerations

Reflecting on this project's ongoing deliberations that began with Exposure Draft ED/2015/1 *Classification of Liabilities – Proposed amendments to IAS 1*, we encourage the Board to consider a broader rethink as to what is the fundamental principle of the classification of liabilities as current or non-current, or even whether such concept remains relevant, given disclosures on liquidity risk and contractual maturity that are now required by other standards (e.g. IFRS 7); possibly as part of broader discussions within the Primary Financial Statements project which would replace IAS 1.

In the longer-term, the Board might also consider revisiting the guidance in IAS 1 on classification of current/non-current liabilities to address the following aspects.

— ***Waivers and application of the existing paragraph 75 of IAS 1***. We believe that the Board should revisit existing paragraph 75 of IAS 1 related to waivers and periods of grace granted by lenders ending at least twelve months after the reporting date, in particular in a scenario where there is a breach at the year-end and conditions are tested each quarter. In Case 1 in the TAD *Classification of Debt with Covenants as Current or Non-current* (IAS 1 *Presentation of Financial Statements*), the conclusion was that the entity does not have a right to defer settlement for at least twelve months from the reporting period as the waiver was for only three months after the reporting period. While we do not disagree with the conclusion, its rationale may not be entirely clear. Classification as current seems appropriate if the lender only agreed, prior to the reporting date, not to call the loan at any time in the next three months as a result of the covenant breach at 31 December, i.e. the lender is waiving its right to call the loan in respect of a specific covenant breach as covenant compliance will next be assessed as at 31 March. In other words, the lender did not 'waive/remove' the subsequent tests. In contrast, a borrower may obtain from a lender – before the reporting date – an agreement to amend a loan arrangement (typically it is a bilateral agreement to change certain terms and conditions of the existing arrangement). Such amendments may defer the date as at which information is assessed for testing covenant compliance from a date at or before the reporting date to a later date. Alternatively, amendments might completely remove the specific covenants from the loan arrangement. We believe that under existing IAS 1, in such situations, whether the borrower would have breached the related covenant had the agreement not been amended does not affect the classification of the liability at the reporting date – i.e. there is no breach under the amended agreement and paragraphs 69(d) and 75 are not relevant.

In absence of a definition of a waiver in current IAS 1, it may not always be clear what the waiver is actually for and how it interacts with quarterly covenant testing. We continue to observe diversity in practice in the classification of liabilities in such cases.

— ***Other classification aspects.*** As highlighted in our response to Exposure Draft ED/2015/1 *Classification of Liabilities – Proposed amendments to IAS 1*, we suggest that the Board consider improvements to other related issues, such as how to classify derivatives as current or non-current, and how to estimate the current portion of a long-term loan.

Comments related to disclosures proposals

With respect to the proposed additional disclosure requirements, we have the following comments.

Disclosures - Disclosure objectives

The proposals introduce a specific requirement to disclose "information that enables users of financial statements to assess the risk that the liability could become repayable within twelve months", but they do not explain ***why*** this information is important to users.

Consistent with our response to Exposure Draft ED 2021/3 *Disclosure Requirements in IFRS Standards—A Pilot Approach, Proposed amendments to IFRS 13 and IAS 19*, we believe understanding why the information is of relevance to users will drive meaningful disclosure.

As such, we recommend the Board develop overall and specific objectives for the proposed disclosures that describe user information needs based on an informed outreach.

It would also be useful for the Board to consider more broadly how the proposed disclosure requirements interact with/complement other IFRS disclosure requirements – e.g. IFRS 7.18-19 (defaults and breaches disclosures), IFRS 7.39 (liquidity risk disclosures) or IAS 1.25 (going concern material uncertainty disclosures).

Disclosures - Compliance based on a 'hypothetical' assessment of compliance with future conditions (paragraph 76ZA(b)(ii))

The proposed disclosures regarding a 'hypothetical' assessment of compliance may not be meaningful in all circumstances. For example, due to the cyclical nature of the entity's business, compliance with a covenant may be expected at a specific date(s) during the year but not necessarily at the reporting date. We therefore suggest that the Board include a disclosure objective that would enable entities to make effective materiality judgements.

Furthermore, given the vast range of covenants that exist in practice, we believe the Board should provide guidance on how the 'hypothetical' assessment of compliance would be performed in order to promote consistency of the proposed new disclosures. As noted in our comment letter on the TAD *Classification of Debt with Covenants as Current or Non-current (IAS 1 Presentation of Financial Statements)*, this assessment is straight-forward for covenants based on tests of financial position, however, it is not clear how to perform the assessment for other common types of covenants - e.g. those based on tests of financial performance or qualitative (i.e. non-financial) covenants. Consequently, different interpretations may arise.

Disclosures - Compliance with future conditions (paragraph 76ZA(b)(iii))

The proposed disclosures regarding compliance with future conditions require clarity in certain areas, namely:

— whether the assessment should be performed at the reporting date or the date of authorisation for issue per IAS 10, and

— what type and extent of information is expected - e.g. judgements and estimates applied when making the assessment, forward-looking information, detailed plans for future compliance with conditions, etc.

We request that the Board clarify the above matters via an illustrative example to help explain expectations and discourage disclosure of irrelevant information that may obscure material information.

Disclosures - Scope of additional disclosure requirements (paragraph 76ZA(b))

It appears that the proposed disclosures would only apply for 'term loans' but not for 'roll-over facilities' discussed in the current paragraph 73 of IAS 1. Given that these are economically similar arrangements, we believe that the proposed disclosures should apply to both.

As noted above, it is also unclear whether the proposed disclosures would apply to entities that prepare their statements of financial position based on the order of liquidity per the current paragraph 60 of IAS 1.

We request that the Board clarify to which liabilities these disclosure requirements would apply.

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 period 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.

We question the need for an explicit requirement for the separate presentation in the statement of financial position for non-current liabilities subject to compliance with future conditions. In our experience it is rare that contractual loan arrangements are "unconditional"; the introduction of a specific requirement to present liabilities subject to compliance with conditions could result in many, if not most, liabilities being presented separately such that the information provided on the face of the statement of financial position is not useful.

We agree with the Alternate Views outlined in BC22(a) of the exposure draft – i.e. the specific presentation requirement proposed seems contrary to the principle-based nature of IFRS Standards, which already include a requirement to present line items separately when such presentation is relevant to an understanding of an entity's financial position (see IAS 1.55, 58).

We would appreciate clarification as to whether separate presentation would apply to all liabilities or only those to which paragraph 69(d) applies. It is our understanding that the classification criteria in IAS 1.69-76 apply to all liabilities unless exempt elsewhere in IFRS Standards - e.g. IAS 12 deferred taxes. In addition to loans, the criteria apply also to, for example, provisions in IAS 37 and cash-settled share-based payment liabilities in IFRS 2, as well as contingent consideration liabilities in IFRS 3 and contract liabilities in IFRS 15. These other liabilities are often subject to conditions that may affect an entity's right to defer their settlement beyond twelve months. Requiring their separate presentation in the statement of financial position may only result in a re-labelling of the related item as having "conditions" which may not be meaningful to users.

Finally, the Board may also consider how this proposed requirement aligns with the ongoing deliberations on the Primary Financial Statement Project, specifically the proposals related to principles of aggregation and disaggregation, minimum line items and roles of the primary financial statements and the notes.

Question 3—Other aspects of the proposals

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.

3(a) With respect to newly introduced paragraph 72C, refer to our comments in response to question 1. We have concerns with paragraph 72C(b), and we therefore ask the Board to clarify the intended application of the proposed paragraph, including its interaction with paragraph 72B.

3(b) While we agree with the Board that it should not be onerous for an entity to provide comparative disclosures, we wish to highlight that retrospective application would require entities to restate disclosures related to the classification of prior-period liabilities, which is arguably not relevant by the date of authorisation of the current period financial statements.

We encourage the Board to consider the relevance of its transitional proposals as it finalises these amendments.

3(c) We support the proposal to defer the effective date of the 2020 amendments to no earlier than 1 January 2024, as this would mean that entities would not be required to change their assessment of the classification of liabilities before the proposed amendments come into effect.