

Dr Andreas Barckow
Chairman
International Accounting Standards Board
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Canary Wharf
London
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14 December 2023

Dear Dr Barckow

Exposure Draft Annual Improvements to IFRS Accounting Standards – Volume 11

1. The UK Endorsement Board (UKEB) is responsible for endorsement and adoption of IFRS Accounting Standards for use in the UK and therefore is the UK's National Standard Setter for IFRS Accounting Standards. The UKEB also leads the UK's engagement with the IFRS Foundation on the development of new standards, amendments and interpretations. This letter is intended to contribute to the Foundation'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.
2. There are currently approximately 1,500 entities with equity listed on the London Stock Exchange that prepare their financial statements in accordance with IFRS.¹ In addition, UK law allows unlisted companies the option to use IFRS and approximately 14,000 such companies currently take up this option.²
3. We welcome the opportunity to provide comment on the International Accounting Standards Board (IASB) Exposure Draft (ED) *Annual Improvements to IFRS Accounting Standards – Volume 11*. In developing this letter, we have consulted with stakeholders in the UK, including preparers of accounts, accounting firms and institutes and a regulator.

¹ UKEB calculation based on London Stock Exchange Group (LSEG) and Eikon data, May 2023. This calculation includes companies listed on the Main market as well as on the Alternative Investment Market (AIM).

² UKEB estimate based on FAME (company information in the UK and Ireland produced by Bureau Van Dijk, a Moody's analytics company), Company Watch financial analytics and other proprietary data.

4. We support the proposals in the ED as they are expected to improve the consistency and understandability of the IFRS Accounting Standards concerned. For detailed responses to the questions in the ED please see Appendix A.
5. If you have any questions about this response, please contact the project team at UKEndorsementBoard@endorsement-board.uk.

Yours sincerely

Pauline Wallace
Chair
UK Endorsement Board

Appendix A: Questions on ED *Annual Improvements to IFRS Accounting Standards—Volume II*

IFRS 1 First-time Adoption of International Financial Reporting Standards

Hedge Accounting by a First-time Adopter

Do you agree with the IASB's proposals to amend the IFRS Accounting Standards and accompanying guidance in the manner described in this Exposure Draft?

If not, why not? If you disagree with these proposals, please explain what you would suggest instead and why.

- A1. We agree with the IASB's proposals to align the terminology in the requirements of hedge accounting in IFRS 1 with IFRS 9 *Financial Instruments* and to add the cross-referencing to the relevant IFRS 9 paragraphs.
- A2. We agree these proposed amendments would improve the accessibility and understandability of the hedge accounting requirements for first-time adopters that are required to apply IFRS 9 instead of IAS 39.

IFRS 7 Financial Instruments: Disclosures

Gain or loss on derecognition

Do you agree with the IASB's proposals to amend the IFRS Accounting Standards and accompanying guidance in the manner described in this Exposure Draft?

If not, why not? If you disagree with these proposals, please explain what you would suggest instead and why.

- A3. We agree with the IASB's proposals to update the obsolete cross-reference in paragraph B38 of IFRS 7 and to streamline the wording in the last sentence of the paragraph in accordance with IFRS 13.
- A4. We agree these proposed amendments would improve the accessibility and understandability of the disclosure requirements on the gain or loss on derecognition relating to financial assets in which the entity has continuing involvement.

IFRS 7 Financial Instruments: Disclosures

Disclosure of deferred difference between fair value and transaction price

Do you agree with the IASB's proposals to amend the IFRS Accounting Standards and accompanying guidance in the manner described in this Exposure Draft?

If not, why not? If you disagree with these proposals, please explain what you would suggest instead and why.

- A5. We agree with the IASB's proposal to align the wording in paragraph IG14 of IFRS 7 with the wording in paragraph 28 of IFRS 7.
- A6. The illustrative example in paragraph IG14 of IFRS 7 is associated with the disclosure requirements in paragraph 28 of IFRS 7 therefore we agree the proposed amendments would improve the understandability of the disclosure requirements on the deferred difference between fair value and transaction price of financial instruments.

IFRS 7 Financial Instruments: Disclosures

Introduction and credit risk disclosures

Do you agree with the IASB's proposals to amend the IFRS Accounting Standards and accompanying guidance in the manner described in this Exposure Draft?

If not, why not? If you disagree with these proposals, please explain what you would suggest instead and why.

- A7. We agree with the IASB's proposal to add a statement in the introductory paragraph of the Implementation Guidance accompanying IFRS 7 and to remove the disclaimer in paragraph IG20B of IFRS 7.
- A8. We agree the proposed amendments would improve the understandability by clarifying that the illustrative examples in the Implementation Guidance do not illustrate all the requirements in the accompanying accounting standard.
- A9. We observe the disclaimer statement only appears in some illustrative examples (IEs) and implementation guidance (IG) accompanying IFRS Accounting Standards therefore we suggest the IASB to take into consideration the consistency of the disclaimer language across IEs and IG when drafting new IFRS Accounting Standards or amending existing ones.

IFRS 9 Financial Instruments

Transaction price

Do you agree with the IASB's proposals to amend the IFRS Accounting Standards and accompanying guidance in the manner described in this Exposure Draft?

If not, why not? If you disagree with these proposals, please explain what you would suggest instead and why.

- A10. We agree with the IASB's proposals to remove the reference to the IFRS 15's definition of the term 'transaction price' from Appendix A of IFRS 9 and to revise the wording around the term in paragraph 5.1.3 of IFRS 9.
- A11. We agree the proposed amendments would improve the understandability by maintaining only one meaning of "transaction price" within IFRS 9.

IFRS 9 Financial Instruments

Derecognition of lease liabilities

Do you agree with the IASB's proposals to amend the IFRS Accounting Standards and accompanying guidance in the manner described in this Exposure Draft?

If not, why not? If you disagree with these proposals, please explain what you would suggest instead and why.

- A12. We agree with the IASB's proposal to add a cross-reference to paragraph 3.3.3 of IFRS 9 in paragraph 2.1(b)(ii) of IFRS 9 which states the requirements of lessee accounting upon the derecognition of lease liabilities.
- A13. We agree the proposed amendments would improve the understandability and accessibility because the addition of the cross-reference explicitly states the application requirements of the derecognition of lease liabilities.

IFRS 10 Consolidated Financial Statements

Determination of a 'de facto' agent

Do you agree with the IASB's proposals to amend the IFRS Accounting Standards and accompanying guidance in the manner described in this Exposure Draft?

If not, why not? If you disagree with these proposals, please explain what you would suggest instead and why.

- A14. We agree with the IASB's proposals to address the inconsistency between paragraphs B73 and B74 by clarifying the requirements in paragraph B74.
- A15. We agree the proposed amendments would improve the understandability of the requirements of the assessment of de facto agency relationships and its interaction with the assessment of control.

IAS 7 Statement of Cash Flows

Cost method

Do you agree with the IASB's proposals to amend the IFRS Accounting Standards and accompanying guidance in the manner described in this Exposure Draft?

If not, why not? If you disagree with these proposals, please explain what you would suggest instead and why.

- A16. We agree with the IASB's proposal to replace the term 'cost method', which is no longer defined in IFRS Accounting Standards, with the term 'at cost'.
- A17. We agree the proposed amendment would improve understandability around the measurement requirement of an associate, a joint venture of a subsidiary by removing a term that is no longer defined.