

UK Endorsement Board FEEDBACK STATEMENT

2021 Amendments to international accounting standards
(with an effective date of 1 January 2023)

Endorsement Criteria Assessment (ECA)

November 2022

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Function of the UK Endorsement Board

The UKEB is responsible for endorsement and adoption of IFRS for use in the UK and is therefore the UK's National Standard Setter for IFRS. The UKEB also leads the UK's engagement with the IFRS Foundation on the development of new standards, amendments and interpretations.

Purpose of the feedback statement

- This document presents the views of UK stakeholders received during the UKEB's public consultation on the draft ECA of three narrow-scope amendments that were published by the IASB in 2021 and explains how the UKEB has addressed those views in the final ECA. These amendments are:
- *Disclosure of Accounting Policies* (Amendments to IAS 1 *Presentation of Financial Statements and IFRS Practice Statement 2**)
- *Definition of Accounting Estimates* (Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*)
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Amendments to IAS 12 *Income Taxes*)

These amendments have an effective date of 1 January 2023 with earlier application permitted.

* The project on *Disclosure of Accounting Policies* amended IFRS Practice Statement 2 *Making Materiality Judgements* as well as IAS 1. However, the amendments to the Practice Statement 2 have not been included as part of the UKEB's 2021 Amendments project, as UK-adopted IAS comprises only the mandatory sections of the standards.

Description of the 2021 Amendments

A brief description of the 2021 Amendments is presented below:

Disclosure of Accounting Policies

**(Amendments to IAS 1
Presentation of Financial Statements)**

Amends paragraphs 117–122 of IAS 1 to require entities to disclose their material accounting policy information rather than their significant accounting policies.

Definition of Accounting Estimates

**(Amendments to IAS 8
Accounting Policies, Changes in Accounting Estimates and Errors)**

Introduces the definition of 'accounting estimates' and includes other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction

**(Amendments to IAS 12
Income Taxes)**

Narrows the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Background to the endorsement project

The IASB issues amendments to international accounting standards to maintain and improve IFRS Standards.

In 2021 the IASB finalised and published a set of three **narrow-scope amendments to IAS 1, IAS 8 and IAS 12** in mid-February (IAS 1 and IAS 8) and in early May 2021 (IAS 12). They comprise the “2021 Amendments”.

The 2021 Amendments have an effective date of 1 January 2023 with earlier application permitted.

The UKEB was not able to directly influence the development of the 2021 Amendments as they were finalised and published before the creation of the UKEB.

The UKEB Secretariat’s research indicated that comments from UK stakeholders had been submitted directly to the IASB and/or to the European Financial Reporting Advisory Group (EFRAG) and had been considered by the IASB in finalising the 2021 Amendments.

The work undertaken for the UKEB to adopt the 2021 Amendments was as follows:

- Consider and approve the Project Initiation Plan at its May 2022 meeting.
- Consider and approve the Draft Endorsement Criteria Assessment (DECA) at its June 2022 meeting.
- Open the DECA for stakeholder consultation for 90 day.

The narrow-scope nature of the 2021 Amendments meant that the UKEB’s consultation activities were focused on obtaining responses to the DECA.

UKEB public consultation on the draft ECA

- The DECA was published for comment for 90 days. Consultation on the DECA took place between 4 July 2022 and 3 October 2022.
- During the consultation period, the UKEB and its Secretariat promoted awareness of the DECA and encouraged stakeholders to respond through News Alerts and advertising through the usual channels.
- A total of seven formal responses were received by the UKEB from stakeholders.
- All stakeholder comments were considered in reaching the UKEB's final assessment of the 2021 Amendments. Stakeholder submissions received were made public on the UKEB website.

Stakeholder type	Number of responses
Accounting firms	4
Accounting and audit representative organisations	2
Preparers of accounts	1
Total	7

Overall assessment

- Respondents to the DECA concur with the UKEB's assessment based on the endorsement criteria in paragraph 1 of Regulation 7 SI 2019/685 and are fully supportive of the adoption of the 2021 Amendments.
- We received additional comments from some respondents to improve the wording in the ECA in the following areas:
 - Benefits for preparers (Amendments to IAS 1 and IAS 8)
 - True and fair view assessment (Amendments to IAS 1 and IAS 8)
 - Long term public good assessment (Amendments to IAS 1 and IAS 12)

Detailed assessment—Comments by respondents

Amendments to IAS 1—*Disclosure of Accounting Policies*

UKEB tentative assessment	Stakeholder views	UKEB final assessment
Benefits for preparers		
The draft ECA tentatively concluded that the revised guidance in IAS 1 will enable preparers to better exercise their judgement by focusing on accounting policy information which is material.	All respondents were supportive of the UKEB's tentative conclusion. Two respondents noted that the amendments will also provide greater clarity for preparers as the term 'material' is defined in IFRS standards and is better understood by them. This will encourage preparers to consider the information needs of users and disclose policies that are material.	In response to this feedback, we have revised relevant paragraphs in the ECA to reflect those benefits more comprehensively.
True and fair view assessment		
The draft ECA tentatively concluded that the Amendments to IAS 1 are not contrary to the true and fair view principle set out in Regulation 7(1) of SI 2019/685.	All respondents were supportive of the UKEB's tentative conclusion. One respondent also noted that the true and fair view analysis could be more nuanced because paragraphs 122 and 125 of IAS 1 on disclosure of 'other judgements and estimations' still require stakeholders to make judgements based on the concept of 'significance'.	The wording of the true and fair view assessment in the ECA was not revised. The amendments are about materiality in relation to an entity disclosing its 'material' accounting policy information and not about the requirements in paragraphs 122 and 125 of IAS 1 to disclose 'other judgements and estimations' that management has made in the process of applying the entity's accounting policies. However, a reference was inserted in the ECA to paragraph 117B(d) which includes an example of accounting policies that relate to significant areas of judgment.

Detailed assessment—Comments by respondents

Amendments to IAS 1—*Disclosure of Accounting Policies*

UKEB tentative assessment	Stakeholder views	UKEB final assessment
UK long term public good		
<p>The draft ECA tentatively concluded that, having considered all relevant aspects, including the trade-off between the costs and benefits of implementing the Amendments to IAS 1, these amendments are likely to be conducive to the long term public good in the UK as required by SI 2019/685.</p>	<p>All respondents were supportive of the UKEB's tentative conclusion. One respondent considered that the UKEB should additionally clarify its expectations about whether:</p> <ul style="list-style-type: none">• the Amendments to IAS 1 would result in incremental changes to accounting policy disclosures or a more wholesale rewrite.• preparers would have to conduct a full and detailed assessment of their accounting policy disclosures upon adoption of the Amendments to IAS 1. <p>The respondent thinks that the above information would be helpful to understand the impact on the cost of adoption, even though it acknowledged that the Amendments to IAS 1 would give rise to limited costs and incremental benefits, provided that these amendments do not entail an in-depth review of existing policy disclosure.</p>	<p>The role of the UKEB is to assess whether the Amendments to IAS 1 meet the adoption criteria in SI 2019/685 which includes a cost-benefit assessment. Stakeholder outreach confirmed that preparers generally will not have to conduct a full, detailed assessment of their accounting policy disclosures upon application of the Amendments to IAS 1. Therefore, we expect preparers' implementation costs to be minimal. We have revised the wording in the ECA to further clarify this point.</p>

Detailed assessment—Comments by respondents

Amendments to IAS 8—*Definition of Accounting Estimates*

UKEB tentative assessment	Stakeholder views	UKEB final assessment
Benefits for preparers		
The draft ECA tentatively concluded that the added guidance has the potential to help preparers better distinguish accounting policies from accounting estimates.	All respondents were supportive of the UKEB's tentative conclusion. One respondent observed that Amendments to IAS 8 have the potential to eliminate confusion in distinguishing accounting policies from accounting estimates.	In response to this feedback, we have revised relevant paragraphs in the ECA to reflect this benefit more comprehensively.
True and fair view assessment		
The draft ECA tentatively concluded that the Amendments to IAS 8 are not contrary to the true and fair view principle set out in Regulation 7(1) of SI 2019/685.	<p>All respondents were supportive of the UKEB's tentative conclusion. One respondent considered that the ECA could consider an apparent inconsistency between:</p> <ul style="list-style-type: none"> the Amendments to IAS 8 specifying that a change in measurement technique is an accounting estimate (refer to new paragraph 34A); and paragraph 36(a) of IAS 2 <i>Inventories</i> stating that “accounting policies adopted in measuring inventories, include the cost formula used” (thereby implying that selecting a cost formula constitutes selecting an accounting policy). 	<p>The wording of the true and fair view assessment in the ECA was not revised because:</p> <ul style="list-style-type: none"> the amendments are clear in what constitutes an accounting estimate; the apparent inconsistency between IAS 2 and the Amendments to IAS 8 existed before these amendments and was mentioned by the IASB only as part of its Basis for Conclusions (refer to paragraph BC53 in the Amendments to IAS 8), and the ECA considers only the mandatory sections of the standards; and the UKEB is not aware of problems in practice.

Detailed assessment—Comments by respondents

Amendments to IAS 12—*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

UKEB tentative assessment	Stakeholder views	UKEB final assessment
UK long term public good		
The draft ECA tentatively concluded that, having considered all relevant aspects, including the trade-off between the costs and benefits of implementing the Amendments to IAS 12, these amendments are likely to be conducive to the long term public good in the UK as required by SI 2019/685.	All respondents were supportive of the UKEB's tentative conclusion. One respondent suggested that the UKEB considers, as part of its assessment, the impact of applicable UK tax law in deciding whether tax deductions are attributable to the lease asset or lease liability.	In response to this feedback the UKEB noted that consideration of the impact of applicable UK tax law is outside the UKEB's remit. Consequently, no changes were made to the ECA in respect of this feedback.

Disclaimer

- This feedback statement has been produced in order to set out the UKEB response to stakeholder comments received on the Draft Endorsement Criteria Assessment for the 2021 Amendments with an effective date of 1 January 2023 and should not be relied upon for any other purpose.
- The views expressed in this feedback statement are those of the UKEB at the point of publication.
- Any sentiment or opinion expressed within this feedback statement will not necessarily bind the conclusions, decisions, endorsement or adoption of any new or amended IFRS by the UKEB.

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