UK Endorsement Board

Endorsement Criteria Assessment

Annual Improvements to IFRS Accounting Standards – Volume 11

January 2025

Contents

Introduction

Purpose

1. The purpose of this Endorsement Criteria Assessment (ECA) is to determine whether *Annual Improvements to IFRS Accounting Standards–Volume 11* (the Amendments), issued by the International Accounting Standards Board (IASB) in July 2024, meet the UK's statutory requirements for adoption as set out in Regulation 7 of Statutory Instrument 2019/685[1] (SI 2019/685).

2. The Amendments have an effective date of 1 January 2026 with earlier application permitted.

3. The UKEB actively influenced the development of the Amendments. This included submitting a Final Comment Letter on 14 December 2023[2] in response to the IASB's Exposure Draft (ED) IASB/AI/ED/2023/1[3] *Annual Improvements to IFRS Accounting Standards–Volume 11.*

Background to the Amendments

4. The IASB issues amendments to international accounting standards as part of its continuous effort to maintain and improve IFRS Standards and to support consistent application.

5. The Amendments originate from questions submitted by external stakeholders to the IFRS Interpretations Committee[4]. The Amendments[5] to UK-adopted international accounting standards are listed below:

   a) Hedge accounting by a first-time adopter (Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*)

   b) Gain or loss on derecognition (Amendments to IFRS 7 *Financial Instruments: Disclosures*)

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1 See Regulation 7 of Statutory Instrument 2019/685 here.

2 UKEB Final Comment Letter – Annual Improvements to IFRS Accounting Standards–Volume 11

3 IASB/AI/ED/2023/1 Exposure Draft: Annual Improvements to IFRS Accounting Standards–Volume 11

4 The IFRS Interpretations Committee had initial consideration on the proposed amendments in November 2022 and March 2023 before the proposed amendments were considered by the IASB in February 2023 and May 2023. These were summarised in the UKEB board papers for meetings in March 2023 and June 2023.

5 In addition to the Amendments to UK-adopted international accounting standards listed in paragraph 5, the Amendments also include two amendments to the illustrative examples and implementation guidance to IFRS 7: *Disclosure of deferred difference between fair value and transaction price* and *Introduction and credit risk disclosures*. These are not amendments to UK-adopted international accounting standards and therefore do not form part of this endorsement and adoption (see paragraph 8).

c) Transaction price (Amendments to IFRS 9 *Financial Instruments*)

d) Derecognition of lease liabilities (Amendments to IFRS 9)

e) Determination of a 'de facto agent' (Amendments to IFRS 10 *Consolidated Financial Statements*)

f) Cost method (Amendments to IAS 7 *Statement of Cash Flows*)

6. Section 2 and Annex A in this ECA provides a brief description of the Amendments.

Scope of the adoption assessment

7. The scope of the adoption assessment is limited to endorsement and adoption of six Annual Improvements that relate to UK-adopted international accounting standards.

8. UK-adopted international accounting standards comprise only the mandatory sections[6] of standards[7]. The Bases for Conclusion, Implementation Guidance, and Illustrative Examples of the IFRS Accounting Standards (see footnote 5) are not adopted by the UKEB and amendments to these non-mandatory sections are not considered in this ECA.

Structure of the assessment

9. The UKEB's analysis is presented in the following sections:

a) **Section 1:** describes UK statutory requirements for adoption of new or amended international accounting standards; and

b) **Section 2:** discusses how the Amendments meet the criteria in Section 1.

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6 The introduction to the IASB's yearly bound volumes differentiates between mandatory and non-mandatory sections of the standards. Mandatory pronouncements relate to IFRS Standards, IAS Standards, Interpretations and Mandatory Application Guidance. These are UK-adopted international accounting standards. Non-mandatory guidance includes Bases for Conclusion, Dissenting Opinions, Implementation Guidance and Illustrative Examples, together with the IFRS Practice Statements. These are not adopted by the UKEB as they are not international accounting standards, as defined in SI 2019/685.

7 The term 'standard' is used to refer to amendments to international accounting standards, in line with the definition of 'international accounting standards' in SI 2019/685, which includes 'subsequent amendments to international accounting standards'.

Do the Amendments lead to a significant change in accounting practice?

10. A standard adopted by the UKEB under Regulation 6 of SI 2019/685 that it considers is likely to lead to a ‘significant change in accounting practice’, is subject to the requirements in paragraph 3 of Regulation 11 of SI 2019/685 that the UKEB:

> “(a) carry out a review of the impact of the adoption of the standard; and
>
> (b) publish a report setting out the conclusions of the review no later than 5 years after the date on which the standard takes effect (being the first day of the first financial year in respect of which it must be used)”.

11. **Section 2** of the ECA discusses whether the Amendments lead to a significant change in accounting practice and concludes that they do not.

Section 1: UK statutory requirements for adoption

UK statutory requirements

1.1 Paragraph 1 of Regulation 7 of SI 2019/685 requires that an international accounting standard only be adopted if:

> "(a) the standard is not contrary to either of the following principles—
>
> (i) an undertaking's accounts must give a true and fair view of the undertaking's assets, liabilities, financial position and profit or loss;
>
> (ii) consolidated accounts must give a true and fair view of the assets, liabilities, financial position and profit or loss of the undertakings included in the accounts taken as a whole, so far as concerns members of the undertaking;
>
> (b) the use of the standard is likely to be conducive to the long term public good in the United Kingdom; and
>
> (c) the standard meets the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management."

1.2 This ECA assesses the criteria above in the following order:

a) Whether the Amendments meet the criteria of relevance, reliability, understandability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management (Regulation 7(1)(c)).

b) Whether the Amendments are not contrary to the principle that an entity's accounts must give a true and fair view (Regulation 7(1)(a)).

c) Whether use of the Amendments is likely to be conducive to the long term public good in the UK (Regulation 7(1)(b)). Regulation 7(2) of SI 2019/685 includes specific areas to consider for this assessment. They are:

i. whether the Amendments are likely to improve the quality of financial reporting;

ii. the costs[8] and benefits that are likely to result from the use of the

8 As part of the assessment, the UKEB considered whether preparers would face costs related to familiarisation, design of data collection processes, IT system changes, governance processes, external audit and other costs.

Amendments; and

iii. whether the Amendments are likely to have an adverse effect on the economy of the UK, including on economic growth.

Relevance, Reliability, Understandability and Comparability[9]

1.3 Information is **relevant** if it is capable of making a difference in the decision-making of users[10] or in their assessment of the stewardship of management. The information may aid predictions of the future, confirm or change evaluations of the past, or both.

1.4 Financial information is **reliable** if, within the bounds of materiality, it:

a) can be depended on by users to represent faithfully what it either purports to represent or could reasonably be expected to represent;

b) is complete; and

c) is free from material error and bias.

1.5 Financial information should be readily **understandable** by users with a reasonable knowledge of business and economic activities and accounting, and a willingness to study the information with reasonable diligence.

1.6 Information is **comparable** if it enables users to identify and understand similarities in, and differences among, items. Information about an entity should be comparable with similar information about other entities and with similar information about the same entity for another period.

1.7 In conducting the overall assessment against the technical accounting criteria, the UKEB is required to adopt an absolute, rather than a relative, approach. This means that this assessment is an absolute one against the criteria (do the Amendments provide information that is understandable, relevant, reliable and comparable?) rather than a relative one (do the Amendments provide information that is more understandable, relevant, reliable and comparable than current, or any other, accounting?). When an assessment of any individual aspect or requirement of the Amendments uses comparative language (e.g. ‘enhances comparability’), this does not mean that the objective is to reflect a real comparison in relative terms. Instead, the objective is to explain that any individual aspect or requirement of the Amendments has the potential to “enhance” one or more of the qualitative characteristics. Consideration of whether the Amendments are likely to improve

9 These descriptions are based on the qualitative characteristics of financial statements in the *Framework for the Preparation and Presentation of Financial Statements* adopted by the IASB in April 2001. These qualitative characteristics became part of the criteria for endorsement and adoption of IFRS in the EU’s IAS Regulation (1606/2002), and, subsequently, in SI 2019/685.

10 In the *Framework for the Preparation and Presentation of Financial Statements* adopted by the IASB, the users of financial reports include present and potential investors, employees, lenders, suppliers and other trade creditors, customers, governments and their agencies and the public. While the UK has not adopted this *Framework*, in this document ‘users’ is taken to have a similar meaning.

the quality of financial reporting is separate from this assessment and is included within the UK long term public good assessment in Section 2.

True and fair view assessment

1.8 As noted above, the first adoption criterion set out in Regulation 7(1) of SI 2019/685 requires that an international accounting standard can be adopted only if:

> "[….] the standard is not contrary to either of the following principles—
>
> a) an undertaking's accounts must give a true and fair view of the undertaking's assets, liabilities, financial position and profit or loss;
>
> b) consolidated accounts must give a true and fair view of the assets, liabilities, financial position and profit or loss of the undertakings included in the accounts taken as a whole, so far as concerns members of the undertaking; [….]"

1.9 For the sake of brevity, the UKEB refers to the assessment against this endorsement criterion as 'the true and fair view assessment' and to the principles set out in Regulation 7(1)(a) as the 'true and fair principle'. However, these abbreviated expressions do not imply that the assessment has considered anything other than the full terms of the endorsement criterion set out above.

1.10 The duty of the UKEB under Regulation 7(1)(a) is to determine generically, before a standard is applied to a set of accounts, whether that standard is 'not contrary' to the true and fair principle. In other words, it is an ex-ante assessment. The UKEB has therefore considered whether the Amendments contain any requirement that would prevent accounts prepared using the Amendments from giving a true and fair view.

1.11 The approach is to determine whether the Amendments are not contrary to the true and fair principle in respect of any of the specific items identified in Regulation 7(1)(a) (namely, the assets, liabilities, financial position and profit or loss) in the context of the preparation of the accounts as a whole. A holistic approach has been taken to this assessment, considering the impact of the Amendments taken as a whole, including their interaction with other UK-adopted international accounting standards.

1.12 For the purposes of the assessment, the UKEB considers the requirement in IAS 1 *Presentation of Financial Statements* for financial statements to 'present fairly the financial position, financial performance and cash flows of an entity'[11] to be equivalent to the Companies Act 2006 requirement for accounts to give a true and fair view.

11 Paragraph 15 of IAS 1 *Presentation of Financial Statements*.

1.13 This assessment is separate from the duty of directors under section 393(1) of the Companies Act 2006, which requires directors to be satisfied that a specific set of accounts gives a true and fair view of an undertaking’s or group’s assets, liabilities, financial position and profit or loss.

Adoption decision

1.14 **Section 2** of this ECA discusses how the Amendments meet the statutory endorsement criteria set out in this **Section 1**.

1.15 On the basis of these assessments the UKEB concludes that each of the six Amendments meet the statutory endorsement criteria. The UKEB is therefore of the view that it will adopt each of the six Amendments for use in the UK.

Section 2: Description and assessment of the Amendments

A) Hedge accounting by a first-time adopter (Amendments to IFRS 1)	
Title and issue date of final amendments	*IFRS Accounting Standards Annual Improvements Volume 11* issued on 18 July 2024[12] – *Hedge accounting by a first-time adopter*
Origin	The IASB was informed of potential confusion arising from an inconsistency in wording between paragraph B6 of IFRS 1 *First-time Adoption of International Financial Reporting Standards* and the requirements for hedge accounting in IFRS 9 *Financial Instruments.*
What has changed?	The Amendments to IFRS 1: • clarify the requirements by adding cross-references to paragraph 6.4.1 of IFRS 9 in paragraphs B5–B6 of IFRS 1; and • clarify the wording by replacing the word 'conditions' with 'qualifying criteria' in paragraph B6 of IFRS 9.
Transition requirements	An entity shall apply the amendments for annual reporting periods beginning on or after 1 January 2026. If an entity applies the Amendments for an earlier period, it shall disclose that fact.
Technical criteria assessment	
Relevance, reliability, understandability and comparability	Paragraphs B5–B6 of IFRS 1 were originally written to be consistent with the requirements for hedge accounting in IAS 39 *Financial Instruments: Recognition and Measurement*. In particular, the use of the word 'conditions' in paragraph B6 is consistent with paragraph 88 of IAS 39. First-time adopters of IFRS Accounting Standards do not have an option to apply the hedge accounting requirements in IAS 39 and only apply IFRS 9. Replacing the word 'conditions' with 'qualifying criteria' ensures the wording in paragraph B6 of IFRS 1 uses terminology consistent with paragraph 6.4.1 of IFRS 9, thus improving understandability. Further, the addition of the cross-references to IFRS 9 is expected to avoid unintended consequences by clarifying that paragraph B5 of IFRS 1 sets out the 'eligibility' of hedge accounting while paragraph B6 of IFRS 1 sets out other 'qualifying criteria' of hedge accounting. This is expected to ensure consistent application of the requirements and therefore the comparability of the resulting information in the financial statements.

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A) Hedge accounting by a first-time adopter (Amendments to IFRS 1)	
Conclusion	Overall, the UKEB concludes that the Amendments meet the criteria of relevance, reliability, understandability, and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management, as required by Regulation 7(1)(c) of SI 2019/685.
True and fair view assessment	
Description	The Amendments clarify the wording and requirements in the IFRS Accounting Standards. As discussed above, the Amendments are expected to meet the technical accounting criteria of relevance, reliability, understandability, and comparability of financial information. Reliability includes the notion of faithful representation of the economic substance of transactions and events. The technical accounting criteria assessment underpins the overall true and fair view assessment.
Conclusion	The assessment has not identified any requirement of the Amendments, either alone or in conjunction with international accounting standards adopted for use in the UK, that would prevent individual or group accounts prepared using the Amendments from giving a true and fair view of the undertaking's or group's assets, liabilities, financial position and profit or loss. The UKEB is satisfied, therefore, that the circumstances in which the application of the Amendments would result in accounts which did not give a true and fair view would be extremely rare. Overall, the UKEB concludes that the Amendments are not contrary to the true and fair view principle set out in Regulation 7(1)(a) of SI 2019/685.
UK long term public good	
Description of entities that will be impacted	The Amendments to IFRS 1 are only relevant to the very few UK companies that are first-time adopters of IFRS Accounting Standards. Further, the Amendments merely clarify the wording and the requirements in paragraphs B5–B6 of IFRS 1. Therefore, the UKEB does not expect UK companies to be materially affected.
Do the amendments improve financial reporting?	The Amendments clarify the wording and requirements in the IFRS Accounting Standards. As discussed above in the technical accounting criteria assessment, these Amendments are expected to meet the technical accounting criteria of relevance, reliability, understandability, and comparability of financial information. Given

A) Hedge accounting by a first-time adopter (Amendments to IFRS 1)	
	this, it is expected that the Amendments will improve financial reporting.
Costs and benefits for preparers and users	Costs and benefits for preparers: Given that the Amendments are merely clarifying narrowly focused requirements in IFRS 1 for first-time adopters of the IFRS Accounting Standards, the UKEB believes that most preparers are not expected to be impacted. For first time adopters, the Amendments are not additive, they are simply expected to provide greater clarity with clearer language and make it easier for preparers to navigate the requirements through the updated cross-references. Therefore, the Amendments are not expected to generate any significant additional costs. Costs and benefits for users: The Amendments are not expected to have a material effect on the financial statements of the very few entities that are likely to be in scope. Therefore, users are not expected to face material costs in interpreting the information in the financial statements.
Whether the amendments are likely to have an adverse effect on UK economy	The Amendments are narrow in scope and expected to bring improved financial reporting when compared to current standards. More specifically, the Amendments are expected to clarify the wording and enhance the cross-references in the IFRS Accounting Standards therefore leading to comparable and better information in the financial statements. The UKEB has not identified any factors that would indicate that these Amendments would lead to changes that are detrimental to the UK economy.
Conclusion	Having considered all relevant aspects, including the trade-off between the costs and benefits of implementing the Amendments jointly, the UKEB concludes that the use of the Amendments is likely to be conducive to the long term public good in the UK as required by Regulation 7(1)(b) of SI 2019/685.

B) Gain or loss on derecognition (Amendments to IFRS 7)	
Title and issue date of final amendments	*IFRS Accounting Standards Annual Improvements Volume 11* issued on 18 July 2024[13] – *Gain or loss on derecognition*
Origin	The IASB was informed of potential confusion in paragraph B38 of IFRS 7 *Financial Instruments: Disclosures* arising from the reference to a paragraph that has been deleted from the IFRS Accounting Standard (paragraph 27A).
What has changed?	The Amendments to IFRS 7: • correct a minor oversight by replacing the reference to paragraph 27A of IFRS 7, which no longer exists, with a reference to paragraphs 72–73 of IFRS 13; and • clarify the wording by replacing the phrase 'inputs that were not based on observable market data' with 'unobservable inputs'.
Transition requirements	An entity shall apply the amendments for annual reporting periods beginning on or after 1 January 2026. If an entity applies the Amendments for an earlier period, it shall disclose that fact.
Technical criteria assessment	
Relevance, reliability, understandability and comparability	The Amendments replace the reference to paragraph 27A of IFRS 7, a paragraph that no longer exists, with a reference to paragraphs 72–73 of IFRS 13 *Fair Value Measurement.* The current reference to paragraph 27A is from an oversight during issuance of IFRS 13 in May 2011 when no consequential amendment was made to paragraph B38 of IFRS 7. The Amendments also replace the phrase 'inputs that were not based on observable market data' with 'unobservable inputs' in paragraph B38 of IFRS 7. The term 'unobservable inputs' is a defined term in IFRS 13 and well understood by stakeholders. The removal of the obsolete cross-reference and the revised wording are expected to ensure understandability of the requirements and consistent implementation of the requirements leading to reliable and comparable information in the financial statements.

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B) Gain or loss on derecognition (Amendments to IFRS 7)	
Conclusion	Overall, the UKEB concludes that the Amendments meet the criteria of relevance, reliability, understandability, and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management, as required by Regulation 7(1)(c) of SI 2019/685.
True and fair view assessment	
Description	The Amendments: a) correct a minor oversight between existing requirements of the IFRS Accounting Standards; and b) clarify the wording in the IFRS Accounting Standards. As discussed above, the Amendments are expected to meet the technical accounting criteria of relevance, reliability, understandability, and comparability of financial information. Reliability includes the notion of faithful representation of the economic substance of transactions and events. The technical accounting criteria assessment underpins the overall true and fair view assessment.
Conclusion	The assessment has not identified any requirement of the Amendments, either alone or in conjunction with international accounting standards adopted for use in the UK, that would prevent individual or group accounts prepared using the Amendments from giving a true and fair view of the undertaking's or group's assets, liabilities, financial position and profit or loss. The UKEB is satisfied, therefore, that the circumstances in which the application of the Amendments would result in accounts which did not give a true and fair view would be extremely rare. Overall, the UKEB concludes that the Amendments are not contrary to the true and fair view principle set out in Regulation 7(1)(a) of SI 2019/685.
UK long term public good	
Description of entities that will be impacted	The Amendments to IFRS 7 could be relevant to a wide range of stakeholders. However, since the Amendments merely correct a minor oversight and clarify wording, they are not expected to change accounting practice or have a material effect on entities' financial statements.

B) Gain or loss on derecognition (Amendments to IFRS 7)	
Do the amendments improve financial reporting?	The Amendments: A) correct a minor oversight in the IFRS Accounting Standards; and B) clarify the wording in the IFRS Accounting Standards. As discussed above in the technical accounting criteria assessment, these Amendments are expected to meet the technical accounting criteria of relevance, reliability, understandability, and comparability of financial information. Given this, it is expected that the Amendments will improve financial reporting.
Costs and benefits for preparers and users	<u>Cost and benefits for preparers</u>: Given that the Amendments are narrow in scope and not expected to introduce new principles or change existing principles, the UKEB estimated preparers' adoption costs by conducting a qualitative assessment of the costs likely to be borne by preparers. The UKEB believes that most preparers are not expected to face material costs implementing the Amendments as the Amendments merely correct a minor oversight and clarify the wording in the IFRS Accounting Standards. The Amendments are expected to provide greater clarity with clearer language and make it easier for preparers to navigate the requirements through the updated cross-references. This is unlikely to generate any significant additional costs. <u>Costs and benefits for users</u>: The Amendments are not expected to have a material effect on entities' financial statements therefore the users are not expected to face material costs to adapt their ways of using the information in the financial statements.
Whether the amendments are likely to have an adverse effect on UK economy	The Amendments are narrow in scope and expected to correct a minor oversight and clarify the wording in the IFRS Accounting Standards therefore leading to comparable and better information in the financial statements with little to no additional costs. The UKEB has not identified any factors that would indicate that these Amendments would lead to changes that are detrimental to the UK economy.

B) Gain or loss on derecognition (Amendments to IFRS 7)	
Conclusion	Having considered all relevant aspects, including the trade-off between the costs and benefits of implementing the Amendments jointly, the UKEB concludes that the use of the Amendments is likely to be conducive to the long term public good in the UK as required by Regulation 7(1)(b) of SI 2019/685.

C) Derecognition of lease liabilities (Amendments to IFRS 9)	
Title and issue date of final amendments	*IFRS Accounting Standards Annual Improvements Volume 11* issued on 18 July 2024[14]– *Derecognition of lease liabilities*
Origin	The IFRS Interpretation Committee received a request about a lessor's and a lessee's application of IFRS 9 *Financial Instruments* and IFRS 16 *Leases* when accounting for a rent concession in which the only change to the lease contract is the lessor's forgiveness of lease payments due from the lessee. The Interpretations Committee addressed a lessor's application of IFRS 9 and IFRS 16 in its Agenda Decision *Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16)* published in October 2022. With regard to lessee accounting, there appeared to be more than one way to read the current requirements for a rent concession.
What has changed?	The Amendment to IFRS 9 clarify the requirement by adding a cross-reference to paragraph 3.3.3 of IFRS 9 in paragraph 2.1(b)(ii) of IFRS 9.
Transition requirements	An entity shall apply the amendment for annual reporting periods beginning on or after 1 January 2026. If an entity applies the Amendments for an earlier period, it shall disclose that fact. Prospective application of the amendment is required. That is, an entity would apply the amendment to lease liability extinguishments that occur after the beginning of the annual reporting period in which the entity first applies the amendment.
Technical criteria assessment	
Relevance, reliability, understandability and comparability	There may be more than one way to read the current requirements of lessee accounting for a rent concession. The lessee could either: • recognise the gain or loss in profit or loss applying paragraph 3.3.3 of IFRS 9; or • make a corresponding adjustment to the right-of-use asset recognised applying IFRS 16. The IASB has noted it intended a lessee to apply paragraphs 3.3.1 and 3.3.3 of IFRS 9 in sequence, and the lack of a cross-reference to paragraph 3.3.3 in paragraph 2.1(b)(ii) of IFRS 9 was an oversight. Paragraph 3.3.1 of IFRS 9 provides requirements for derecognition of a financial liability when it is extinguished, and paragraph 3.3.3 of

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C) Derecognition of lease liabilities (Amendments to IFRS 9)	
	IFRS 9 requires the entities to recognise the gain or loss from lease liability extinguishment in profit or loss. By adding the cross-reference to paragraph 3.3.3 of IFRS 9 to paragraph 2.1(b)(ii), the amendment is expected to ensure consistent application of the requirements, thus resulting in relevant and comparable information in the financial statements.
Conclusion	Overall, the UKEB concludes that the Amendments meet the criteria of relevance, reliability, understandability, and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management, as required by Regulation 7(1)(c) of SI 2019/685.
True and fair view assessment	
Description	The Amendment clarify the requirements in the IFRS Accounting Standards. As discussed above, the Amendments are expected to meet the technical accounting criteria of relevance, reliability, understandability, and comparability of financial information. Reliability includes the notion of faithful representation of the economic substance of transactions and events. The technical accounting criteria assessment underpins the overall true and fair view assessment.
Conclusion	The assessment has not identified any requirement of the Amendments, either alone or in conjunction with international accounting standards adopted for use in the UK, that would prevent individual or group accounts prepared using the Amendments from giving a true and fair view of the undertaking's or group's assets, liabilities, financial position and profit or loss. The UKEB is satisfied, therefore, that the circumstances in which the application of the Amendments would result in accounts which did not give a true and fair view would be extremely rare. Overall, the UKEB concludes that the Amendments are not contrary to the true and fair view principle set out in Regulation 7(1)(a) of SI 2019/685.
UK long term public good	
Description of entities that will be impacted	The Amendments to IFRS 9 could be relevant to a wide range of stakeholders. However, the Amendments merely clarify the order in which the requirements apply therefore they are not expected to

C) Derecognition of lease liabilities (Amendments to IFRS 9)	
	change accounting practice or have a material effect on entities' financial statements. The UKEB does not expect UK companies to be affected materially, as significant changes in accounting practice are not expected.
Do the amendments improve financial reporting?	The Amendments clarify the requirements in the IFRS Accounting Standards. As discussed above in the technical accounting criteria assessment, these Amendments are expected to meet the technical accounting criteria of relevance, reliability, understandability, and comparability of financial information. Given this, it is expected that the Amendments will improve financial reporting.
Costs and benefits for preparers and users	<u>Costs and benefits for preparers</u>: Given that the Amendments are narrow in scope and not expected to introduce new principles or change existing principles, the UKEB estimated preparers' adoption costs by conducting a qualitative assessment of the costs likely to be borne by preparers. The UKEB believes that most preparers are not expected to face material costs implementing the Amendments as the Amendments merely clarify the requirement in the IFRS Accounting Standards. The Amendments are expected to make it easier for preparers to navigate the requirements through the updated cross-references. This is unlikely to generate any significant additional costs. <u>Costs and benefits for users</u>: The Amendments are not expected to have a material effect on entities' financial statements therefore users are not expected to face material costs to adapt their ways of using the information in the financial statements. Deriving from the benefits for preparers, users are expected to receive comparable information in the financial statements due to more consistent underlying accounting practices. The Amendments may also help users better understand the requirements in the relevant IFRS Accounting Standards.
Whether the amendments are likely to have an	The Amendments are narrow in scope and expected to bring improved financial reporting when compared to current standards. More specifically, the Amendments are expected to clarify the requirements and enhance the cross-references in the IFRS

C) Derecognition of lease liabilities (Amendments to IFRS 9)	
adverse effect on UK economy	Accounting Standards therefore leading to comparable and better information in the financial statements. The UKEB has not identified any factors that would indicate that these Amendments would lead to changes that are detrimental to the UK economy.
Conclusion	Having considered all relevant aspects, including the trade-off between the costs and benefits of implementing the Amendments jointly, the UKEB concludes that the use of the Amendments is likely to be conducive to the long term public good in the UK as required by Regulation 7(1)(b) of SI 2019/685.

D) Transaction price (Amendments to IFRS 9)	
Title and issue date of final amendments	*IFRS Accounting Standards Annual Improvements Volume 11* issued on 18 July 2024[15]– *Transaction price*
Origin	The IASB was informed of potential confusion arising from a reference in Appendix A of IFRS 9 *Financial Instruments* to the definition of 'transaction price' in IFRS 15 *Revenue from Contracts with Customers*. The term 'transaction price' is mentioned in four different paragraphs of IFRS 9. In paragraph 5.1.3 of IFRS 9, the term is followed by a note 'as defined in IFRS 15' while in other paragraphs of IFRS 9, the term is followed by a note 'ie the fair value of the consideration given or received'.
What has changed?	The Amendments to IFRS 9 clarify the requirements by: • revising the wording in paragraph 5.1.3 of IFRS 9 to simply refer to IFRS 15; and • deleting the reference to 'transaction price' and the associated references to IFRS 15 from Appendix A.
Transition requirements	An entity shall apply the amendments for annual reporting periods beginning on or after 1 January 2026. If an entity applies the Amendments for an earlier period, it shall disclose that fact.
Technical criteria assessment	
Relevance, reliability, understandability and comparability	Paragraph 5.1.3 was added to IFRS 9 as a result of the issuance of IFRS 15. This resulted in the term 'transaction price' having two different meanings in IFRS 9: (i) "as defined in IFRS 15" (per paragraph 5.1.3 of IFRS 9) and (ii) "as the fair value of the consideration given or received" (elsewhere in IFRS 9). The deletion of the reference to the definition of 'transaction price' in paragraph 5.1.3 of IFRS 9 is expected to leave only one meaning of 'transaction price' within IFRS 9 and remove potential confusion. The amendments are expected to ensure consistent application of the requirements and result in comparable information in the financial statements.

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D) Transaction price (Amendments to IFRS 9)	
Conclusion	Overall, the UKEB concludes that the Amendments meet the criteria of relevance, reliability, understandability, and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management, as required by Regulation 7(1)(c) of SI 2019/685.
True and fair view assessment	
Description	The Amendments clarify the requirements of the requirements in the IFRS Accounting Standards. As discussed above, the Amendments are expected to meet the technical accounting criteria of relevance, reliability, understandability, and comparability of financial information. Reliability includes the notion of faithful representation of the economic substance of transactions and events. The technical accounting criteria assessment underpins the overall true and fair view assessment.
Conclusion	The assessment has not identified any requirement of the Amendments, either alone or in conjunction with international accounting standards adopted for use in the UK, that would prevent individual or group accounts prepared using the Amendments from giving a true and fair view of the undertaking's or group's assets, liabilities, financial position and profit or loss. The UKEB is satisfied, therefore, that the circumstances in which the application of the Amendments would result in accounts which did not give a true and fair view would be extremely rare. Overall, the UKEB concludes that the Amendments are not contrary to the true and fair view principle set out in Regulation 7(1)(a) of SI 2019/685.
UK long term public good	
Description of entities that will be impacted	The Amendments to IFRS 9 could be relevant to a wide range of stakeholders. However, the Amendments merely clarify the requirements therefore they are not expected to change the accounting practice or have a material effect on entities' financial statements.
Do the amendments improve financial reporting?	The Amendments clarify the requirements in the IFRS Accounting Standards. As discussed above in the technical accounting criteria assessment, these Amendments are expected to meet the technical accounting

D) Transaction price (Amendments to IFRS 9)	
	criteria of relevance, reliability, understandability, and comparability of financial information. Given this, it is expected that the Amendments will improve financial reporting.
Costs and benefits for preparers and users	Costs and benefits for preparers: Given that the Amendments are narrow in scope and not expected to introduce new principles or change existing principles, the UKEB estimated preparers' adoption costs by conducting a qualitative assessment of the costs likely to be borne by preparers. The UKEB believes that most preparers are not expected to face material costs implementing the Amendments as the Amendments merely clarify the requirements in the IFRS Accounting Standards. The Amendments are expected to provide greater clarity with clearer language and make it easier for preparers to navigate the requirements through the updated cross-references. This is unlikely to generate any significant additional costs. Costs and benefits for users: The Amendments are not expected to have a material effect on entities' financial statements therefore users are not expected to face material costs to adapt their ways of using the information in the financial statements.
Whether the amendments are likely to have an adverse effect on UK economy	The Amendments are narrow in scope and expected to bring improved financial reporting when compared to current standards. More specifically, the Amendments are expected to clarify the requirements and enhance the cross-reference in the IFRS Accounting Standards therefore leading to comparable and better information in the financial statements. The UKEB has not identified any factors that would indicate that these Amendments would lead to changes that are detrimental to the UK economy.
Conclusion	Having considered all relevant aspects, including the trade-off between the costs and benefits of implementing the Amendments jointly, the UKEB concludes that the use of the Amendments is likely to be conducive to the long term public good in the UK as required by Regulation 7(1)(b) of SI 2019/685.

E) Determination of a 'de facto agent' (Amendments to IFRS 10)	
Title and issue date of final amendments	*IFRS Accounting Standards Annual Improvements Volume 11* issued on 18 July 2024[16]– *Determination of a 'de facto agent'*
Origin	The IASB was informed of potential confusion arising from an inconsistency between paragraphs B73 and B74 of IFRS 10 *Consolidated Financial Statements* related to an investor determining whether another party is acting on its behalf.
What has changed?	The Amendments to IFRS 10 correct minor unintended consequences by clarifying the requirements in paragraph B74 of IFRS 10.
Transition requirements	An entity shall apply the amendments for annual reporting periods beginning on or after 1 January 2026. If an entity applies the Amendments for an earlier period, it shall disclose that fact.
Technical criteria assessment	
Relevance, reliability, understandability and comparability	Confusion may arise because paragraph B73 of IFRS 10 states that a de facto agent is a party that acts on the investor's behalf — and that the determination of whether other parties are acting as de facto agents requires judgement. However, the second sentence of paragraph B74 includes more definitive language and states that "a party **is** a de facto agent when the investor has, or those that direct the activities of the investor have, the ability to direct that party to act on the investor's behalf" (emphasis added). By revising the wording in paragraph B74 to reinforce the requirement of applying judgement in determining de facto agency relationships, the amendments are expected to ensure stakeholders have a clear understanding of the requirements and to lead to reliable information in the financial statements.
Conclusion	Overall, the UKEB concludes that the Amendments meet the criteria of relevance, reliability, understandability, and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management, as required by Regulation 7(1)(c) of SI 2019/685.

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E) Determination of a 'de facto agent' (Amendments to IFRS 10)	
True and fair view assessment	
Description	The Amendments correct minor unintended consequences and clarify the requirements between existing requirements of the IFRS Accounting Standards. As discussed above, the Amendments are expected to meet the technical accounting criteria of relevance, reliability, understandability, and comparability of financial information. Reliability includes the notion of faithful representation of the economic substance of transactions and events. The technical accounting criteria assessment underpins the overall true and fair view assessment.
Conclusion	The assessment has not identified any requirement of the Amendments, either alone or in conjunction with international accounting standards adopted for use in the UK, that would prevent individual or group accounts prepared using the Amendments from giving a true and fair view of the undertaking's or group's assets, liabilities, financial position and profit or loss. The UKEB is satisfied, therefore, that the circumstances in which the application of the Amendments would result in accounts which did not give a true and fair view would be extremely rare. Overall, the UKEB concludes that the Amendments are not contrary to the true and fair view principle set out in Regulation 7(1)(a) of SI 2019/685.
UK long term public good	
Description of entities that will be impacted	The Amendments to IFRS 10 could be relevant to a wide range of stakeholders. However, the Amendments merely correct minor unintended consequences and clarify the requirements therefore they are not expected to change the accounting practice or have a material effect on entities' financial statements.
Do the amendments improve financial reporting?	The Amendments correct minor unintended consequences and clarify the requirements in the IFRS Accounting Standards. As discussed above in the technical accounting criteria assessment, these Amendments are expected to meet the technical accounting criteria of relevance, reliability, understandability, and comparability of financial information. Given this, it is expected that the Amendments will improve financial reporting.

E) Determination of a 'de facto agent' (Amendments to IFRS 10)	
Costs and benefits for preparers and users	Costs and benefits for preparers: Given that the Amendments are narrow in scope and not expected to introduce new principles or change existing principles, the UKEB estimated preparers' adoption costs by conducting a qualitative assessment of the costs likely to be borne by preparers. The UKEB believes that most preparers are not expected to face material costs implementing the Amendments as the Amendments merely correct minor unintended consequences and clarify the requirements in the IFRS Accounting Standards. The Amendments are expected to provide greater clarity with clearer language. Preparers are unlikely to face any significant additional costs as a result of the amendments. Costs and benefits for users: The Amendments are not expected to have a material effect on entities' financial statements therefore the users are not expected to face material costs to adapt their ways of using the information in the financial statements.
Whether the amendments are likely to have an adverse effect on UK economy	The Amendments are narrow in scope and expected to bring improved financial reporting when compared to current standards. More specifically, the Amendments are expected to correct minor unintended consequences and clarify the requirements in the IFRS Accounting Standards therefore leading to comparable and better information in the financial statements. The UKEB has not identified any factors that would indicate that these Amendments would lead to changes that are detrimental to the UK economy.
Conclusion	Having considered all relevant aspects, including the trade-off between the costs and benefits of implementing the Amendments jointly, the UKEB concludes that the use of the Amendments is likely to be conducive to the long term public good in the UK as required by Regulation 7(1)(b) of SI 2019/685.

F) Cost method (Amendments to IAS 7)	
Title and issue date of final amendments	*IFRS Accounting Standards Annual Improvements Volume 11* issued on 18 July 2024[17] – *Cost method*
Origin	The IASB was informed of potential confusion in applying paragraph 37 of IAS 7 *Statement of Cash Flows* arising from the use of the term 'cost method' that is no longer defined in IFRS Accounting Standards.
What has changed?	The Amendments to IFRS 7 correct minor unintended consequences and clarify the wording by replacing the term 'cost method', which is no longer defined in IFRS Accounting Standards, with 'at cost'.
Transition requirements	An entity shall apply the amendments for annual reporting periods beginning on or after 1 January 2026. If an entity applies the Amendments for an earlier period, it shall disclose that fact.
Technical criteria assessment	
Relevance, reliability, understandability and comparability	The current use of the term 'cost method' results from an oversight during the issuance of *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Separate Financial Statements*) in May 2008 when no consequential amendment was made to paragraph 37 of IAS 7. The amendment removes potential confusion and allows stakeholders to understand the requirements more easily. Therefore, it should lead to reliable information in the financial statements.
Conclusion	Overall, the UKEB concludes that the Amendments meet the criteria of relevance, reliability, understandability, and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management, as required by Regulation 7(1)(c) of SI 2019/685.
True and fair view assessment	
Description	The Amendments correct minor unintended consequences and clarify the wording in the IFRS Accounting Standards.

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F) Cost method (Amendments to IAS 7)	
	As discussed above, the Amendments are expected to meet the technical accounting criteria of relevance, reliability, understandability, and comparability of financial information. Reliability includes the notion of faithful representation of the economic substance of transactions and events. The technical accounting criteria assessment underpins the overall true and fair view assessment.
Conclusion	The assessment has not identified any requirement of the Amendments, either alone or in conjunction with international accounting standards adopted for use in the UK, that would prevent individual or group accounts prepared using the Amendments from giving a true and fair view of the undertaking's or group's assets, liabilities, financial position and profit or loss. The UKEB is satisfied, therefore, that the circumstances in which the application of the Amendments would result in accounts which did not give a true and fair view would be extremely rare. Overall, the UKEB concludes that the Amendments are not contrary to the true and fair view principle set out in Regulation 7(1)(a) of SI 2019/685.
UK long term public good	
Description of entities that will be impacted	The Amendments to IAS 7 could be relevant to a wide range of stakeholders. However, the Amendments merely correct minor unintended consequences and clarify the wording therefore they are not expected to change the accounting practice or have a material effect on entities' financial statements.
Do the amendments improve financial reporting?	The Amendments correct minor unintended consequences and clarify the wording in the IFRS Accounting Standards. As discussed above in the technical accounting criteria assessment, these Amendments are expected to meet the technical accounting criteria of relevance, reliability, understandability, and comparability of financial information. Given this, it is expected that the Amendments will improve financial reporting.
Costs and benefits for preparers and users	<u>Costs and benefits for preparers</u>: Given that the Amendments are narrow in scope and not expected to introduce new principles or change existing principles, the UKEB estimated preparers' adoption costs by conducting a qualitative assessment of the costs likely to be borne by preparers.

F) Cost method (Amendments to IAS 7)	
	The UKEB believes that most preparers are not expected to face material costs implementing the Amendments as the Amendments merely correct minor unintended consequences and clarify the wording in the IFRS Accounting Standards. The Amendments are expected to provide greater clarity with clearer language. Preparers are unlikely to face any significant additional costs as a result of the amendments. <u>Costs and benefits for users</u>: The Amendments are not expected to have a material effect on entities' financial statements therefore users are not expected to face material costs to adapt their ways of using the information in the financial statements.
Whether the amendments are likely to have an adverse effect on UK economy	The Amendments are narrow in scope and expected to bring improved financial reporting when compared to current standards. More specifically, the Amendments are expected to correct minor unintended consequences and clarify the wording in the IFRS Accounting Standards therefore leading to comparable and better information in the financial statements. The UKEB has not identified any factors that would indicate that these Amendments would lead to changes that are detrimental to the UK economy.
Conclusion	Having considered all relevant aspects, including the trade-off between the costs and benefits of implementing the Amendments jointly, the UKEB concludes that the use of the Amendments is likely to be conducive to the long term public good in the UK as required by Regulation 7(1)(b) of SI 2019/685.

Do the Amendments lead to a significant change in accounting practice?

1.16 The UKEB is required to assess whether or not the Amendments are likely to lead to a 'significant change in accounting practice' and therefore meet the criteria for a post-implementation review.

1.17 The Amendments in *Annual Improvements to IFRS Accounting Standards – Volume 11* do not fundamentally change the requirements in the IFRS Accounting Standards or introduce new principles. They merely clarify the wording and enhance the cross-references in the IFRS Accounting Standards. The

Amendments are not expected to lead to change in accounting practice or a material effect on entities' financial statements.

1.18 As a result, the UKEB concludes that the Amendments are not likely to lead to a significant change in accounting practice and do not meet the criteria for a post-implementation review under Regulation 11 in SI 2019/685.

Appendix A: Glossary

Term	Description
The Amendments	*Annual Improvements to IFRS Accounting Standards–Volume 11*
ECA	Endorsement Criteria Assessment
ED	Exposure Draft: *Annual Improvements to IFRS Accounting Standards–Volume 11*
IASB	International Accounting Standards Board
IAS	International Accounting Standard
IAS 1	IAS 1 *Presentation of Financial Statements*
IAS 7	IAS 7 *Statement of Cash Flows*
IAS 27	IAS 27 *Separate Financial Statements*
IAS 39	IAS 39 *Financial Instruments: Recognition and Measurement*
IFRS	International Financial Reporting Standard(s)
IFRS 1	IFRS 1 *First-time Adoption of International Financial Reporting Standards*
IFRS 7	IFRS 7 *Financial Instruments: Disclosures*
IFRS 9	IFRS 9 *Financial Instruments*
IFRS 10	IFRS 10 *Consolidated Financial Statements*
IFRS 13	IFRS 13 *Fair Value Measurement*

Term	Description
IFRS 15	IFRS 15 *Revenue from Contracts with Customers*
IFRS 16	IFRS 16 *Leases*
SI	Statutory Instrument
UKEB	UK Endorsement Board

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