



Pauline Wallace
Chair
UK Endorsement Board
8th Floor
125 London Wall
London
EC2Y 5AS

RSM UK Tax and
Accounting Limited
10th Floor 103
Colmore Row
Birmingham B3 3AG
United Kingdom
rsmuk.com

Submission by email to: UKEndorsementBoard@endorsement-board.uk

8 June 2023

**Re: Response to Invitation to Comment on Draft Endorsement Criteria Assessment of
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16**

Dear Pauline,

On behalf of RSM, a leading audit, tax and consulting firm to the UK middle market, we are pleased to comment on the UK Endorsement Board (UKEB) Draft Endorsement Criteria Assessment IAS 1 Narrow-Scope Amendments: *Classification of Liabilities as Current or Non-current and Non-current liabilities with Covenants* (DECA).

We agree with the DECA and support the adoption of these amendments into UK IFRS.

Our comments and detailed responses to the questions set out in the Invitation to Comment are set out in the appendix to this letter.

We would be pleased to respond to any questions the Board or its staff may have about any of our response.

Yours faithfully,

RSM UK Tax & Accounting Limited

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APPENDIX

Questions

Joint assessment and adoption

1. Do you agree with the **approach of joint assessment and adoption** of the 2020 and 2022 Amendments as set out on pages 4 – 5 of the DECA? (please select one option)

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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Please include any comments you may have in response to question 1:

<p>We agree with the approach of a joint assessment and adoption of the 2020 and 2022 Amendments as set out on pages 4-5 of the DECA.</p> <p>Our view is that it would not be appropriate to assess and adopt the amendments in isolation, particularly as the 2022 Amendments were issued to improve the application of the 2020 Amendments.</p>

Technical criteria assessment

2. Do you agree with the draft assessment of the Amendments against the **technical criteria** as set out on pages 13 – 15 of the DECA? (please select one option)

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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Please include any comments you may have in response to question 2:

<p>We agree with the draft assessment of the Amendments against the technical criteria as set out on pages 13-15 of the DECA.</p> <p>We believe that the Amendments provide reliable and relevant information for users with enhanced disclosures for non-current liabilities with covenants. Furthermore, the</p>
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Amendments clarify the application of key definitions and classification of liabilities enhancing understandability and comparability.

True and fair view

3. Do you agree with the draft assessment that the Amendments **are not contrary to the true and fair view requirement** as set out on pages 16 of the DECA? (please select one option)

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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Please include any comments you may have in response to question 3:

We agree that individual and consolidated accounts prepared using the Amendments would still give a true and fair view of the entity's assets, liabilities, financial position and profit or loss.

UK long term public good

0. Do you agree with the initial assessment of **one-off familiarisation costs for preparers and for users** of the Amendments as set out on pages 17 & 18 of the DECA? (please select one option)

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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Please include any comments you may have in response to question 4, including if any costs have been missed out or under-estimated:

The Amendments clarify the application of the requirements of IAS 1 and do not fundamentally change or introduce new principles.

We believe that the additional disclosures will enhance the information provided for users and there is unlikely to be a material one-off familiarisation cost for users.

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Furthermore, we do not believe that there will be a material cost of familiarisation for preparers, as the Amendments will not lead to a significant change in accounting principles.

Therefore, we agree that the one-off familiarisation costs are unlikely to be material for preparers or users, that the benefits of applying the Amendments will outweigh the costs.

4. Do you agree with the initial assessment of **costs of design of data collection processes and IT system changes for preparers and for users** of the Amendments as set out on page 17 – 18 of the DECA? (please select one option)

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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Please include any comments you may have in response to question 5, including if any costs have been missed out or under-estimated:

We believe that the data required to provide the additional disclosures as a result of the amendments is readily available to entities, with processes in place to record and monitor loan covenants. Therefore, we agree that the costs of design and data collection processes and IT system changes for preparer and for users of the Amendments are not likely to be material.

1. Do you agree with the initial assessment of **costs of governance processes and external audit for preparers** of the Amendments as set out on page 18 of the DECA? (please select one option)

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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Please include any comments you may have in response to question 6, including if any costs have been missed out or under-estimated:

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We agree that the costs of governance processes and external audit for preparers of the Amendments are unlikely to be material. We believe that governance and external audit processes for preparers will already capture information required to comply with the additional disclosures proposed by the Amendments.

5. Do you agree with the initial assessment of **benefits for users and for preparers** of the Amendments as set out on pages 18 of the DECA? (please select one option)

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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Please include any comments you may have in response to question 7, including if any benefits have been missed out or under-estimated:

We agree with the initial assessment of benefits for users and preparers of the Amendments.

We believe that the proposed Amendments would provide useful and relevant information on the nature of non-current liabilities for financial statement users, enhancing both the understandability and comparability of financial statements. Furthermore, we believe that the additional disclosures on covenants will provide users with useful information and a better understanding of the nature of an entity's liabilities.

Furthermore, we believe that the Amendments provide greater clarity for preparers of financial statements in terms of the classification of liabilities.

2. Do you agree with the draft assessment that the Amendments are likely to be conducive to the **long term public good in the UK** as set out on pages 16 – 19 of the DECA? (please select one option)

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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Please include any comments you may have in response to question 8:

We believe that the Amendments are likely to be conducive to the long term public good in the UK. The Amendments provide clarity on the classification of liabilities, increase transparency through additional disclosures on covenants and will improve financial reporting for entities that prepare financial statements using UK-adopted IFRS.

6. Do you agree with the draft assessment that the Amendments are **not likely to lead to a 'significant change in accounting practice'** as set out on page 19 of the DECA? (please select one option)

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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Please include any comments you may have in response to question 9:

We believe that the Amendments provide clarification of existing accounting guidance and will not significantly change accounting practice or principles.

7. Do you have **any other comments** you would like to add?

We have no further comments.

Thank you for completing this Invitation to Comment

Please submit this document

by close of business on Thursday, 8 June 2023 to:

UKEndorsementBoard@endorsement-board.uk

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