UK Endorsement Board

2021 Narrow-scope Amendments—Adoption package

Executive Summary

Project Type	Endorsement
Project Scope	Narrow-scope

Purpose of the paper

This paper requests the Board's approval of the individual documents included as part of the 'adoption package' for the project to assess the following three narrow-scope amendments issued in 2021 (the "2021 Amendments") for adoption.

- **Disclosure of Accounting Policies** (Amendments to IAS 1 [and IFRS Practice Statement 2]).
- **Definition of Accounting Estimates** (Amendments to IAS 8).
- **Deferred Tax related to Assets and Liabilities arising from a Single Transaction** (Amendments to IAS 12).

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

The documents included as part of **the adoption package** are:

- A final Endorsement Criteria Assessment (ECA);
- A Feedback Statement;
- A [draft] Due Process Compliance Statement;
- Individual [draft] Adoption Statements for each of the Amendments; and
- The text of each of the UK-adopted international accounting standards (the Amendments to IAS 1, IAS 8 and IAS 12).

Summary of the Issue

The UK Endorsement Board (UKEB) was not able to directly influence the 2021 Amendments as they were developed by the IASB before the creation of the UKEB. The 2021 Amendments were finalised and published by the IASB after EU exit but before the UKEB was delegated its powers by the Secretary of State. A PIP for the endorsement project was approved at the May 2022 Board meeting. All UKEB work and outreach on these amendments has now been completed and the results incorporated in the adoption package presented to the Board at this meeting.

UK Endorsement Board

Project Type	Endorsement
Project Scope	Narrow-scope

Decisions for the Board

1. The Board is asked to provide any comments on:
   a) the final amended ECA (Appendix A).
   b) the Feedback Statement (Appendix B).
   a) the Due Process Compliance Statement (Appendix C).
2. The Board is asked to provide any comments on the other documents in Appendices D–I.
3. Subject to any comments at this meeting, the Board is asked to tentatively approve:
   a) the individual documents included as part of the 'adoption package'.
   b) the adoption of the 2021Amendments for use in the UK.

Recommendation

We recommend the Board approves the relevant documents in the adoption package and tentatively approves the adoption of the 2021 Amendments.

Appendices

Appendix A	Final Endorsement Criteria Assessment (ECA)
Appendix B	Feedback Statement
Appendix C	[Draft] Due Process Compliance Statement
Appendix D	Adoption Statement of Disclosure of Accounting Policies (Amendments to IAS 1 [and IFRS Practice Statement 2]).
Appendix E	*Annex* to the Adoption Statement: Text of the UK-adopted international accounting standard (Amendments to IAS 1)
Appendix F	Adoption Statement of Definition of Accounting Estimates (Amendments to IAS 8)
Appendix G	*Annex* to the Adoption Statement: Text of the UK-adopted international accounting standard (Amendments to IAS 8)
Appendix H	Adoption Statement of Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
Appendix I	*Annex* to the Adoption Statement: Text of the UK-adopted international accounting standard (Amendments to IAS 12)

Introduction

1. The IASB issues narrow-scope amendments to international accounting standards as part of its continuous effort to maintain and improve IFRS and to support its consistent application. Proposals for amendments often arise from questions submitted to the IFRS Interpretations Committee.

2. The IASB published a set of three amendments to international accounting standards in mid-February and early May 2021(the "2021 Amendments"). The 2021 Amendments have an effective date of 1 January 2023 with earlier application permitted.

3. These amendments were not incorporated into UK law as UK-adopted international accounting standards at the end of the Transition Period on 31 December 2020, as the EU's process for adoption of these amendments had not been completed before the UK's Exit from the EU[1]. As a result, the UKEB assessed these amendments for adoption for use in the UK.

4. The UKEB was not able to directly influence the development of the IASB's proposals as the amendments were finalised and published before the creation of the UKEB[2]. However, the amendments have been subject to public consultation and comments from UK stakeholders were submitted directly to the IASB and/or to the European Financial Reporting Advisory Group (EFRAG) and were considered by the IASB when finalising those amendments[3].

The 2021 Amendments endorsement

5. The 2021 Amendments[4] were consulted on and issued individually as the IASB considered they merited separate consultation and outreach with stakeholders.

6. To enable efficient stakeholder consultation, the UKEB decided to consider these amendments as a package. As a result, the endorsement project for the 2021 Amendments covered the following:

---

1 The EU completed the endorsement and adoption of the Amendments to IAS 1 and IAS 8 in March 2022; and the endorsement and adoption of the Amendments to IAS 12 in August 2022.

2 The Secretary of State for the Department of Business, Energy and Industrial Strategy (BEIS) delegated the functions relating to influencing, endorsing and adopting international accounting standards for application in the UK to the UKEB in May 2021. The International Accounting Standards (Delegation of Functions) (EU Exit) Regulations 2021 No. 609 (SI 2021/609). https://www.legislation.gov.uk/uksi/2021/609/made/data.pdf

3 Our desk-based research confirmed that the comments from UK stakeholders had been considered by the IASB when finalising the 2021 Amendments. Refer to Appendix 3 of agenda paper 3 (May 2022 Board meeting) which provides a high-level summary of some of the main comments made by UK respondents and the actions taken by the IASB when dealing with those comments.

4 Each one of the 2021 Amendments meet the criteria in paragraph 5.16 of the IASB and IFRS Interpretations Committee Due Process Handbook.

a) **Disclosure of Accounting Policies** (Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements).*

b) **Definition of Accounting Estimates** (Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*).

c) **Deferred Tax related to Assets and Liabilities arising from a Single Transaction** (Amendments to IAS 12 *Income Taxes*).

Exclusions

7. The project on Disclosure of Accounting Policies (see paragraph 6(a) above) amended IFRS Practice Statement 2[5] as well as IAS 1. However, the UKEB's 2021 Amendments project does not include the amendments to the Practice Statement as UK-adopted IAS comprises only the mandatory sections of the standards[6].

UKEB Endorsement project work

8. The UKEB approved a Project Initiation Plan (PIP) for the endorsement project at its May 2022 Board meeting. At its June 2022 meeting, the Board approved the Draft Endorsement Criteria Assessment (DECA) for the 2021 Amendments for stakeholder consultation. The DECA set out the UKEB's provisional assessment of whether the 2021 Amendments met the UK's statutory requirements for adoption. The DECA was published on 4 July 2022 and was open for comment until 3 October 2022.

9. Seven formal responses from stakeholders ranging from accounting firms, accounting and audit representative organisations and preparers were received. All respondents were supportive of the adoption of the 2021 Amendments. However, we received additional comments and observations from some respondents that have been summarised and analysed in **Annex 1 'Comments by respondents and detailed assessment'** of this paper. These detailed comments on the DECA conclusions were considered and addressed as appropriate. The final ECA, addressing the relevant stakeholder comments, is included as Appendix A to this paper.

10. Details of the stakeholder comments, the proposed amendments to the final ECA, and any other Secretariat's responses are included in the Feedback Statement at

---

5 Link to IFRS Practice Statement 2 *Making Materiality Judgements* issued in September 2017. This Practice Statement provides reporting entities with non-mandatory guidance on making materiality judgements when preparing general purpose financial statements. The amendments to this Practice Statement provide explanations and application guidance related to the 'four-step materiality process' to accounting policy disclosures.

6 Non-mandatory guidance includes bases for conclusions, dissenting opinions, implementation guidance and illustrative examples, together with the IFRS practice statements. This categorisation is set out in the Introduction to the IASB yearly Bound Volumes.

UKEB UK Endorsement Board

Appendix B.

11. A draft Due Process Compliance Statement is included at Appendix C and sets out the process followed during this endorsement project and the compliance with the due process (as the UKEB's Due Process Handbook was being developed in parallel with this project, it describes adherence to only the relevant process at the time of work being undertaken). NB: a final DPCS will be presented for noting at the December 2022 Board meeting.

Questions for the Board–ECA, Feedback Statement and DPCS
1. Do Board members have any comments on: a) the final amended ECA (Appendix A)? b) the Feedback Statement (Appendix B)? c) the Due Process Compliance Statement (Appendix C)?

Other documents for approval

12. At this meeting the Board is asked to provide final approval of each of the individual documents intended for publication on the UKEB website. In addition to the documents referred to in the section above, the following documents are also intended for publication:

a) Individual [draft] Adoption Statements for each amendment:

i. Appendix 4.D: Adoption of Disclosure of Accounting Policies (Amendments to IAS 1 [and IFRS Practice Statement 2]).

ii. Appendix 4.F: Adoption of Definition of Accounting Estimates (Amendments to IAS 8).

iii. Appendix 4.H: Adoption of Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

b) Appendix 4.E: Annex to the Adoption Statement: Text of the UK-adopted international accounting standard (Amendments to IAS 1)

c) Appendix 4.G: Annex to the Adoption Statement: Text of the UK-adopted international accounting standard (Amendments to IAS 8)

d) Appendix 4.I: Annex to the Adoption Statement: Text of the UK-adopted international accounting standard (Amendments to IAS 12)

UK Endorsement Board

Questions for the Board – Other documents for approval	
2.	Do Board members have any comments on the other documents set out in Appendices D-I to this paper?

Project closure for the 2021 Amendments

13. Per the UKEB's Due Process Handbook (as it stands at the time of writing), the project closure process for endorsement projects comprises the following steps[7]:

    a) preparation of an 'adoption package' for the 2021 Amendments; and

    b) voting on the adoption of the 2021 Amendments.

Adoption package

14. The individual documents included in the 'adoption package'[8] for the 2021 Amendments are:

    a) final amended ECA (Appendix A);

    b) the Feedback Statement (Appendix B);

    c) the Due Process Compliance Statement (Appendix C);

    d) Adoption Statements for each amendment (Appendices D, F and H); and

    e) The text of each of the UK-adopted international accounting standards (Appendices E, G and I).

Voting on the adoption of the 2021 Amendments

15. Decisions on the adoption of a standard or amendment are made at public Board meetings and follow the requirements of paragraphs 5.2–5.5 in Section 5 of the UKEB's Terms of Reference (ToR)[9].

---

7 This in accordance with paragraph 6.29 of the revised version discussed by the Board at its October 2022 meeting.

8 This in accordance with paragraph 6.30 of the revised version discussed by the Board at its October 2022 meeting.

9 Paragraph 5.1 of the ToR requires a minimum quorum attendance of sixty percent of the appointed members (including the UKEB Chair as an appointed member). Paragraph 5.2 of the ToR requires an affirmative written vote of at least two-thirds of all of the appointed Board members for the adoption of a new or amended standard. The UKEB Terms of Reference can be found here.

16. At this public meeting Board members are asked to provide a tentative vote on the adoption of the 2021 Amendments based on the discussion of the 'adoption package'. This vote will be indicative only and will be formalised via members signing the formal voting form that will be made available to them after the meeting.

17. We will send the vote during the week commencing 21 November and we request Board members to submit their voting form within a week. Paragraph 5.3 of the Board's Terms of Reference requires that the outcome will be made public within 3 working days of that formal vote.

Question for the Board – Voting on the adoption of the 2021 Amendments
3. Subject to any comments at this meeting, do Board members tentatively approve: a) the individual documents included as part of the 'adoption package' subject to the comments made at this meeting? b) the adoption of the 2021 Amendments for use in the UK?

Next Steps

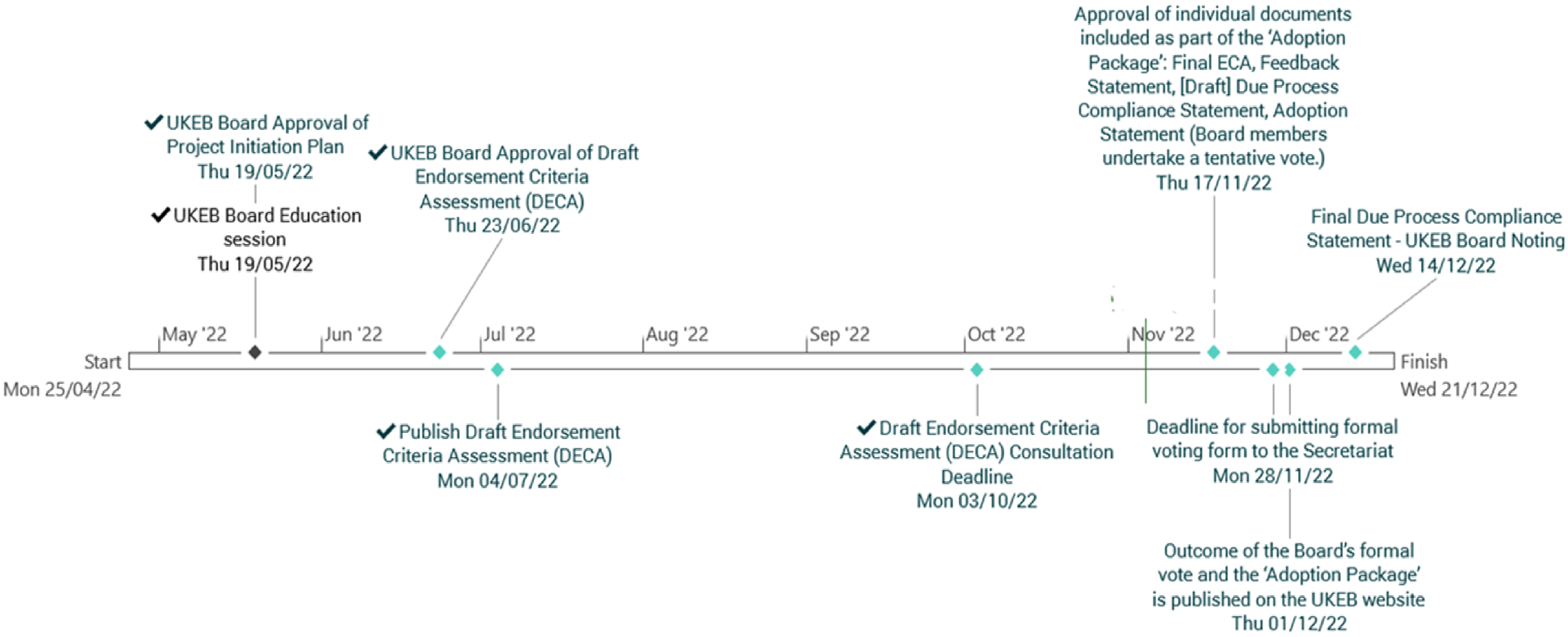
18. The next project milestones are set out in the table below and in the diagram on the next page:

Expected date	Milestones	
23 June 2022	Board approval of Draft Endorsement Criteria Assessment (DECA)	**Completed**
DECA Consultation period (90 days): 4 July 2022 – 3 October 2022		
17 November 2022	Approval of individual documents included as part of the 'adoption package': • Final ECA • Feedback Statement • [Draft] Due Process Compliance Statement • Adoption Statements for each	**This meeting**

Expected date	Milestones	
	amendment • The text of each of the UK-adopted international accounting standards (for each amendment) Board members provide a tentative vote.	
w/c 21 November 2022	Voting form is sent to Board members	*To be completed*
28 November 2022	Deadline for submitting vote	*To be completed*
2 December 2022	Publication of adoption decision	*To be completed*
14 December 2022	Due Process Compliance Statement for noting	*To be completed*

UK Endorsement Board

2021 Narrow-scope Amendments—Plan



Annex 1: Comments by respondents and detailed assessment

Overview

A1. We received additional comments and observations from some respondents to the DECA for the 2021 Amendments on the following areas:

a) Issue 1: Benefits for preparers (Amendments to IAS 1 and IAS 8)

b) Issue 2: True and fair view assessment

i. Issue 2A: Amendments to IAS 1

ii. Issue 2B: Amendments to IAS 8

c) Issue 3: Long-term public good assessment

i. Issue 3A: Amendments to IAS 1

ii. Issue 3B: Amendments to IAS 12

Issue 1: Benefits for preparers

IAS 1 and IAS 8

Feedback received

A2. Two respondents mentioned that the Amendments to IAS 1 will bring the following benefits for preparers:

a) provide greater clarity for preparers as the term 'material' is defined in IFRS standards and is better understood by them; and

b) encourage preparers to consider the information needs of users of the accounts and disclose those policies that are considered material.

A3. One respondent noted that the Amendments to IAS 8 have the potential to eliminate confusion in distinguishing accounting policies from accounting estimates.

Secretariat views

A4. Our assessment in the DECA reflected the benefits mentioned by the respondents, but not specifically from the perspective of preparers. In response to this feedback, we have revised relevant paragraphs in the ECA to reflect those benefits more comprehensively.

Issue 2: True and fair view assessment

Issue 2A: IAS 1

Feedback received

A5. One respondent considered that the whilst the true and fair requirement is met, the analysis in the ECA could be more nuanced because paragraphs 122 and 125 of IAS 1 still require stakeholders to make judgements based on the concept of 'significance'[10].

Secretariat views

A6. We consider that the wording of the true and fair view assessment should not be amended. The Amendments to IAS 1 are about materiality in relation to an entity disclosing its 'material' accounting policy information and are 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.

A7. However, we have included in the ECA a reference to paragraph 117B(d) which clarifies that the accounting policies that relate to areas of significant judgement in paragraphs 122 and 125 are likely to be considered material accounting policy information, as we think such a reference is helpful to include in the ECA.

Issue 2B: IAS 8

Feedback received

A8. One respondent considered that the whilst the true and fair requirement is met, the analysis in the ECA could consider an apparent inconsistency between:

---

[10] Paragraph 122 of IAS 1 requires disclosures on the judgements management has made in the process of applying the entity's accounting policies that have the most *significant* effect on the amounts recognised in the financial statements. Paragraph 125 of IAS requires disclosures on the assumptions an entity makes about the future and other major sources of estimation uncertainty at the end of the reporting period that have a *significant* risk of resulting in a material adjustment to the carrying amounts of assets and liabilities

a) the Amendments to IAS 8 specifying that a change in measurement technique is an accounting estimate (refer to paragraph 34A[11]); and

b) paragraph 36(a) of IAS 2 *Inventories* 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).

Secretariat views

A9. We consider that the wording of the ECA does not need to be amended because:

a) the Amendments to IAS 8 are clear in what constitutes an accounting estimate;

b) the apparent inconsistency between the Amendments to IAS 8 and IAS 2 existed before the Amendments to IAS 8 and was mentioned by the IASB only as part of its Basis for Conclusions (refer to paragraph BC53 in the Amendments to IAS 8[12]) and the ECA considers only the mandatory sections of the standards; and

c) the UKEB is not aware of problems in practice in this respect and agrees with the IASB's observation in paragraph BC53 of the Amendments to IAS 8 that entities do not often change the cost formula used to measure inventories.

A10. We also observe that the respondent acknowledges that changes in measurement techniques for inventories are relatively infrequent. Consequently, we do not recommend any further revisions to the ECA in this respect.

---

11 This paragraph states that (emphasis added) "the effects on an accounting estimate of a change in an input or *a change in a measurement technique* are changes in accounting estimates unless they result from the correction of prior period errors".

12 An extract of this paragraph states that "The [IASB] Board observed that paragraph 36(a) of IAS 2 already states that selecting a cost formula constitutes selecting an accounting policy. The [IASB] Board did not revisit this conclusion in the light of the 2021 amendments because it observed that entities rarely change the cost formula used to measure inventories and, accordingly, there would be little benefit in the [IASB] Board's doing so."

Issue 3: UK long term public good

Issue 3A: IAS 1

Feedback received

A11. One respondent considered that the UKEB should additionally clarify its expectations about whether:

a) the Amendments to IAS 1 would result in incremental changes to accounting policy disclosures or a more wholesale rewrite.

b) preparers would have to conduct a full and detailed assessment of their accounting policy disclosures upon adoption of the Amendments to IAS 1.

A12. 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.

Secretariat views

A13. The role of the UKEB is to assess whether the Amendments to IAS 1 meets the adoption criteria in SI 2019/685 which includes a cost-benefit assessment. Based on our assessment that preparers will not have to conduct a full, detailed assessment of their accounting policy disclosures upon application of the Amendments to IAS 1, we expect preparers' implementation costs to be minimal. We have revised the wording in the ECA to further clarify this point.

Issue 3B: IAS 12

Feedback received

A14. One respondent suggested that the UKEB considers, as part of its assessment, the impact of UK applicable tax law in deciding whether tax deductions are attributable to the lease asset or lease liability.

Secretariat views

A15. Before publishing the DECA, the Secretariat performed further research on the impact of the Amendments to IAS 12 and met with tax and accounting specialists from HMRC. We presented a summary of this discussion to the Board at its meeting in June 2022[13]. Our main conclusions were that:

a) due to the complexity of the UK tax law, it is hard to obtain a definitive answer as to whether tax deductions should be related to the asset or to the liability; and

b) attributing tax deductions to the asset or to the liability would require an analysis of the contract terms, the applicable tax law for the relevant circumstances and this attribution would be subject to judgement.

A16. As the outcome of our work was not included in the DECA, we have revised the wording in the ECA to explain that:

a) Due to the complexity of UK tax law, the UKEB was unable to determine whether tax deductions are generally attributable to the lease asset or to the lease liability.

b) The entities affected will have to apply the UK tax law and use their judgement in determining, for specific cases, whether tax deductions are attributable to the lease asset or lease liability.

A17. We have also added to the ECA paragraph 6 of Agenda Paper 3 (June 2022 Board meeting) which explains how the attribution of tax deductions will affect the entity's tax calculations. This paragraph is reproduced below:

> When tax deductions are attributable to the:
>
> a) lease asset, no temporary differences arise on initial recognition and the initial recognition exemption in paragraphs 15 and 24 of IAS 12 does not apply. If temporary differences arise after initial recognition deferred tax would be recognised following the general principles in IAS 12.
>
> b) lease liability, temporary differences arise on initial recognition. The Amendments to IAS 12 do not require an entity to apply the initial recognition exemption in IAS 12 and instead, require an entity to recognise deferred taxes on initial recognition and subsequently, by following the general principles in IAS 12.

13 Refer to Agenda Paper 3 (June 2022 Board meeting) pages 2–4. The Secretariat also shared with the Board an example illustrating the application of the Amendments to IAS 12 using leases as an example.

UKEB
UK Endorsement Board

November 2022

~~Draft~~ Endorsement Criteria Assessment of narrow-scope amendments issued 2021 *(with an effective date of 1 January 2023)*

Contents

Introduction

Purpose

1. The purpose of this ~~Draft~~ Endorsement Criteria Assessment (~~D~~ECA) is to determine whether the UK's statutory requirements for ~~endorsement and~~ adoption are met for a set of three amendments to international accounting standards[1] issued by the International Accounting Standards Board~~'s~~ (IASB) in 2021 (the "2021 Amendments"). The 2021 Amendments have an effective date of 1 January 2023 and earlier application is permitted.

2. The UK Endorsement Board (UKEB) was not able to directly influence the 2021 Amendments as they ~~amendments included in this project~~ were developed before the creation of the UKEB. The 2021 Amendments~~y~~ were finalised and published by the IASB after EU exit. However, they were ~~amendments have been~~ subject to public consultation and comments from UK stakeholders were submitted directly to the IASB and/or to the European Financial Reporting Advisory Group (EFRAG) and were ~~fully~~ considered by the IASB when finalising those amendments

3. The UKEB ~~is considering~~has considered these amendments for ~~endorsement and formal~~ adoption in the UK so that UK entities are able to apply them from the effective date of the amendments of 1 January 2023.

Background to the amendments

4. The IASB issues narrow-scope amendments to international accounting standards as part of its continuous effort to maintain and improve IFRS and to support its~~their~~ consistent application. Proposals for amendments often arise from questions submitted to the IFRS Interpretations Committee.

5. The 2021 Amendments are narrow in scope[2] and were issued and exposed separately for public comment as the IASB considered they merited separate consultation and outreach.

1 This is defined in the Companies Act using Article 2 of the IAS Regulation "…'international accounting standards' shall mean International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related Interpretations (SIC-IFRIC interpretations), subsequent amendments to those standards and related interpretations, future standards and related interpretations issued or adopted by the International Accounting Standards Board (IASB)."

2 Each one of the 2021 Amendments meet the criteria in paragraph 5.16 of the IASB and IFRS Interpretations Committee Due Process Handbook.

Scope

6. The 2021 Amendments covered in this project are shown in the table below. **Sections 2–4~~B~~** in this ECA~~paper~~ provide~~s~~ a brief description of each one of these amendments.

Title of the Amendment	**Amended Standard**	**~~Issue date~~Date of final amendment**
Disclosure of Accounting Policies	Amendments to IAS 1 *Presentation of Financial Statements* and ~~to~~ IFRS Practice Statement 2 *Making Materiality Judgements* [see paragraphs 7–8 below]	12/02/21
Definition of Accounting Estimates	Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	12/02/21
Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Amendments to IAS 12 *Income Taxes*	07/05/21

Exclusions

7. IFRS Practice Statement 2 *Making Materiality Judgements*[3], provides reporting entities with non-mandatory guidance on making materiality judgements when preparing general purpose financial statements. The amendments to IFRS Practice Statement 2 provide explanations and application guidance related to the 'four-step materiality process' to accounting policy disclosures set out in the IAS 1 amendments.

8. The amendments to IFRS Practice Statement 2 have not been included as part of the UKEB's 2021 Amendments project as UK-adopted IAS ~~only~~ comprises only the mandatory[4] sections of standards.

[3] Link to IFRS Practice Statement 2 *Making Materiality Judgements* issued in September 2017.

[4] Mandatory pronouncements are IFRS Standards, IAS Standards, Interpretations and mandatory application guidance. Non-mandatory guidance includes basis for conclusions, dissenting opinions, implementation guidance and illustrative examples, together with the IFRS practice statements. This categorisation is set out in the Introduction to the IASB yearly Bound Volumes.

Structure of the assessment

9. We have split our analysis into the following sections:

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

   b) **Sections ~~B~~ 2–4~~B~~:** discuss~~es~~ how each of the 2021 Amendments meet the criteria in Section 1.

~~10. For each amendment described in **Section B** we provide:~~

   ~~a) a description of and rationale for, what has changed, and an overview of UK views on the ED's proposals;~~

   ~~b) a technical criteria assessment (refer to paragraph 11(c));~~

   ~~c) an assessment of whether the Amendment is not contrary to the true and fair view requirement (refer to paragraph 11(a)); and~~

   ~~d) an assessment of whether the Amendment is likely to be conducive to the UK long term public good (refer to paragraph 11(b) and 12(c).)~~

1. Section 1: UK s~~S~~tatutory requirements for ~~endorsement and~~ adoption

UK Statutory requirements

1.1 Paragraph 1 of Regulation 7 of The International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019 No. 685 requires that an international accounting standard only be adopted if:

a) "the standard[5] 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 The ECA~~is document~~ assesses the criteria above in the following order:

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

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

5 The term "standard" includes standards (International Accounting Standards (IAS), International Financial Reporting Standards (IFRS)), amendments to those standards and related Interpretations (SIC-IFRIC interpretations) issued or adopted by the International Accounting Standards Board (IASB). This ECA relates to amendments to those standards.

c) Whether use of the standard 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 each amendment is likely to improve the quality of financial reporting;

   ii. the costs and benefits that are likely to result from each amendment; and

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

Relevance, Reliability, Comparability and Understandability[6]

1.3 Information is **relevant** if it is capable of making a difference in the decision-making of users 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 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.

1.6 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.

1.7 In conducting our overall assessment against the technical accounting criteria we are required to adopt an absolute, rather than a relative, approach. This means that this assessment is an absolute one against the criteria (do the 2021 Amendments provide information that is understandable, relevant, reliable and comparable?) rather than a relative one (do the 2021 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 any of the 2021 Amendments uses comparative language (e.g.

[6] These descriptions are based on the qualitative characteristic 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.

'enhances comparability'), this does not mean that our objective is to reflect a real comparison in relative terms. Instead, our objective is to explain that any individual aspect or requirement of the 2021 Amendments has the potential to "enhance" one or more of the qualitative characteristics. The overall assessment of each of the 2021 Amendments against the technical accounting criteria is an absolute one. Consideration of whether each of the 2021 Amendments is likely to improve 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 The UKEB is required to consider whether an international accounting standard being assessed for use in the UK meets certain legislative criteria set out in Regulation 7(1) of SI 2019/685. The first criterion set out in that regulation 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 ~~In this section of the DECA we consider whether each of the 2021 Amendments meet this endorsement criterion. ~~For the sake of brevity, we refer to our 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 our 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. We have therefore considered whether each of the 2021 Amendments contains any requirement that would prevent accounts prepared using each of the 2021 Amendments from giving a true and fair view.

1.11 Our approach is to determine whether each of the 2021 Amendments is~~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 each of the 2021 Amendments taken as a whole, including its interaction with other UK-adopted international accounting standards.

1.12 For the purposes of our assessment, we consider the requirement in IAS 1 for financial statements to 'present fairly the financial position, financial performance and cash flows of an entity'[7] to be equivalent to the Companies Act 2006 requirement for accounts to give a true and fair view.

1.13 Our 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.

~~[~~Draft Adoption decision~~]~~

1.14 ~~[~~**Sections 2–4** of the ~~D~~ECA discuss~~es~~ how each of the 2021 Amendments meet the statutory endorsement criteria in **Section 1**.

1.15 On the basis of these assessments, the UKEB concludes that each of the 2021 Amendments meets the statutory endorsement criteria. The UKEB is therefore of the view that it will adopt each of the 2021 Amendments for use in the UK.~~]~~

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

2. Section 2: Description and assessment of Amendments to IAS 1

Disclosure of Accounting Policies (Amendments to IAS 1)	
Title and issue date of final amendment	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2[8]) issued on 12 February 2021.
Origin	In March 2017 the IASB published the Discussion Paper *Disclosure Initiative—Principles of Disclosure* (Discussion Paper) to help it identify and address issues related to the disclosure of information in financial statements prepared by an entity applying IFRS standards. The Discussion Paper noted that paragraph 117 of IAS 1 required entities to disclose their significant accounting policies and that stakeholders, including primary users of financial statements, differed in their views about what constitutes a significant accounting policy. Feedback on this Discussion Paper recommended the IASB to develop requirements and guidance to help entities make more effective accounting policy disclosures and that the definition of "materiality" in paragraph 7 of IAS 1 be the basis of such requirements. On 18 July 2018, the IASB added the 'Disclosure of Accounting Policies' project to its workplan to develop guidance and examples to help entities apply materiality judgements to accounting policy disclosure.
What has changed?	The Amendments to IAS 1: • Revise paragraphs 117 and 122 of IAS 1 to require entities to disclose their "material" accounting policy information rather than their "significant" accounting policies. This is because "significant" is not defined in IFRS Standards whereas "material" is well understood by stakeholders. • Revise paragraph 117 of IAS 1 to clarify that accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence the decisions of primary users of the entity. • Add new paragraph 117A of IAS 1 to clarify that:

8 Not discussed in this paper as the amendments to IFRS Practice Statement 2~~se are amendments to~~amend non-mandatory guidance. Refer to paragraphs 7–8 in the Introduction section of this ~~of the D~~ECA.

Disclosure of Accounting Policies (Amendments to IAS 1)	
	• accounting policy information can be judged material because of the nature of the related transactions, other events or conditions, even if the amounts to which that information relates are immaterial. • not all accounting policy information relating to material transactions, other events or conditions is material. • Provide examples in new paragraph 117B of IAS 1 of circumstances in which an entity would normally conclude that information about an accounting policy is material to its financial statements (e.g. accounting policies that relate to an area for which an entity is required to make significant judgements or assumptions in applying an accounting policy, and the entity discloses those judgements or assumptions in accordance with paragraphs 122 and 125 of IAS 1). • Explain in new paragraph 117C of IAS 1 that entity-specific accounting policy information is more useful to users of financial statements than accounting policy information that is standardised, or that duplicates or summarises the requirements of IFRS Standards. However, if an entity discloses such information, it should not obscure material accounting policy information (paragraph 117D). • Delete the discussion of “measurement basis (or bases)” in former paragraphs 117(a)–(b) and 118 of IAS 1 to enable preparers to apply judgement and thereby disclose only material accounting policy information. For example, information about the measurement basis used by an entity would not be needed when an IFRS Standard requires an entity to use that measurement basis. • Emphasise in new paragraph 117E of IAS 1 that the Amendments to IAS 1 do not relieve an entity from meeting other disclosure requirements within IFRS Standards.
Transition requirements	The Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with early application permitted. If an entity applies the Amendments for an earlier period, it shall disclose that fact.
UK views of the ED’s proposals	
Issued for public comment	Exposure Draft ED/2019/6 Disclosure of Accounting Policies (Proposed amendments to IAS 1 and ~~to~~ IFRS Practice Statement

Disclosure of Accounting Policies (Amendments to IAS 1)	
	2)—issued for public comment on 1 August 2019 (comment period ended 29 November 2019).
UK stakeholders responding to IASB's proposals	There were 11 UK respondents to the IASB's proposals. These ~~were~~ comprised ~~of~~ 2 accounting and audit representative organisations, 6 accounting firms, 1 standard-setter and 2 user organisations. One of the accounting and audit representative organisations additionally also responded to EFRAG's draft comment letter.
Feedback received and actions taken by the IASB	Almost all respondents supported the proposal to require entities to disclose their "material" accounting policies instead of their "significant" accounting policies and supported the inclusion of examples of circumstances in determining whether an accounting policy is material. A few respondents suggested adding further clarifications that were considered by the IASB in finalising the amendments. User respondents were concerned that the impact of the new requirements may lead to fewer or reduced disclosures. The IASB observed that if, in line with the new guidance, accounting policy disclosures are considered in combination with other information in a complete set of financial statements, entities will disclose enough information about their accounting policies to enable users to make decisions.
Technical criteria assessment	
Relevance	The guidance introduced by the Amendments to IAS 1 is based on the concept of "materiality" which is an aspect of "relevance". "Materiality" provides a threshold or cut-off point to identify relevant accounting policy information that could influence the economic decisions of users. In this respect the Amendments to IAS 1 help entities: • Apply materiality judgements to accounting policy disclosure to identify and disclose accounting policy information that is relevant to users of financial statements; • Remove immaterial accounting policy information that may obscure material accounting policy information; and • Put more focus on entity-specific information that describes how an entity has applied the requirements of an international accounting standard to its own circumstances.
Reliability	The Amendments to IAS 1 do not change the way transactions are accounted for or presented. However, the disclosure of accounting

Disclosure of Accounting Policies (Amendments to IAS 1)	
	policy information provides context for the other information contained in the financial statements and the amendments have the potential to result in information that faithfully depicts how an entity has exercised judgement in selecting and applying the accounting policies to its own specific circumstances.
Understandability	The Amendments to IAS 1 will provide clarity on the approach that should be used to disclose accounting policy information as the amendments replace the existing reference to "significance" (which is not defined in IFRS Standards) with the defined concept of "materiality" and provide accompanying guidance and examples. In addition, the assessment of whether accounting policy information is "material" will better relate to similar "materiality" assessments made for other information contained in the financial statements.
Comparability	The Amendments to IAS 1 have the potential to result in a consistent approach to disclosing accounting policies but will not directly affect the disclosure of comparative accounting policy information as this information will only be required if it is 'relevant to understanding the current period's financial statements'[9].
Conclusion	Overall, we conclude that the Amendments to IAS 1 meet the criteria of relevance, reliability, comparability and understandability required of the financial information needed for making economic decisions and assessing the stewardship of management, as required by SI 2019/685.
Amendment is not contrary to the true and fair view requirement	
Description	The Amendments to IAS 1 result in an entity disclosing its~~their~~ "material" accounting policy information rather than its~~their~~ "significant" accounting policies. This is because "significant" is not defined in IFRS Standards whereas "material" is well understood by stakeholders. In addition, the assessment of whether accounting policy information is material will better relate to similar "materiality" assessments made for other information contained in the financial statements.
Conclusion	The previous section of this ~~D~~ECA concludes that the Amendments to IAS 1 meet the technical accounting criteria. The technical accounting criteria refer to reliability which includes the notion of faithful representation of the economic substance of transactions and events. The technical accounting criteria

9 Refer to paragraph 38 of IAS 1.

Disclosure of Accounting Policies (Amendments to IAS 1)	
	assessment therefore underpins the overall true and fair view assessment. Our assessment has not identified any requirement of the Amendments to IAS 1 that would prevent individual or group accounts prepared using the Amendments to IAS 1 from giving a true and fair view of the undertaking's or group's assets, liabilities, financial position and profit or loss. We are satisfied, therefore, that the circumstances in which the application of the Amendments to IAS 1 would result in accounts which did not give a true and fair view would be extremely rare. Overall, we conclude 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.
UK long term public good	
Description of entities that will be impacted	The Amendments to IAS 1 will affect all companies that apply UK-adopted international accounting standards. There are currently approximately 1,500 entities with equity listed in the London Stock Exchange (Main Market and AIM) that prepare their financial statements in accordance with UK-adopted international accounting standards (calculation based on LSEG and Reuters-Eikon data). In addition, UK law allows unlisted companies the option to use UK-adopted international accounting standards ~~IFRS~~ and approximately 14,000 companies currently take up this option (calculation based on FAME, Companies Watch and proprietary data).
Do the amendments improve financial reporting?	The Amendments to IAS 1 have the potential to improve financial reporting when compared to previous guidance as these amendments will reduce the disclosure of immaterial accounting policy information and will result in a more consistent approach to disclosing accounting policy information that is "material" and more focused on entity-specific information.
Costs for preparers and users	Preparers: Given that the Amendments to IAS 1 are narrow in scope, we estimated preparers' adoption costs by conducting a qualitative assessment of the costs likely to be borne by preparers. We assessed whether preparers would ~~be~~ faceing costs related to: • familiarisation; • design of data collection processes; • IT system changes; • governance processes; • external audit; and

Disclosure of Accounting Policies (Amendments to IAS 1)	
	• other costs. We believe that preparers will face some **one-off familiarisation costs** related to the change from applying the concept of “significant” to applying the concept of “material” to accounting policy information. We expect these costs to be minimal as before the amendments, IAS 1 already required preparers to assess whether each accounting policy was “significant”. It is not expected that entities will incur any additional costs related to the **design of data collection processes** or related to **IT system changes** as the amendments do not affect recognition or measurement and require an entity to apply its own judgement to determine what accounting policy information is material. The cost of applying the amendments will~~ould~~ be further limited as the amendments are required to be applied prospectively. We expect other costs (i.e. **governance processes, external audit costs and other**) to be minimal or nil. Based on our assessment that preparers will not have to conduct a full, detailed assessment of their accounting policy disclosures upon application of the Amendments to IAS 1, we expect preparers’ implementation costs to be minimal. Users: We expect one-off familiarisation costs for users to be minimal as IAS 1 already requires the disclosure of significant accounting policies which is a small change from the new requirement to disclose material accounting policies.
Benefits for preparers and users	Preparers: The revised guidance: • provides greater clarity for preparers as the term ‘material’ is defined in IFRS standards and is better understood by them. • will enable preparers to better exercise their judgement by focusing on accounting policy information which is material. • will encourage preparers to consider the information needs of users of the accounts and disclose those policies that are considered material. Users: The revised guidance will potentially reduce the disclosure of immaterial accounting policy information. In addition, users are likely to benefit from more entity-specific disclosures that should enable a better understanding of an entity.
Whether the amendments are likely to have an	The 2021 Amendments to IAS 1 are limited in scope and will generally bring improved financial reporting when compared to current guidance. More specifically, the amendments are expected

Disclosure of Accounting Policies (Amendments to IAS 1)	
adverse effect on UK economy	to enhance the transparency of reporting to investors, as the term "material" is better understood by users of financial accounts than the term "significant". The amendments also provide helpful examples of circumstances in which an entity would normally conclude that information about an accounting policy is material to its financial statements (see added paragraph 117B). We have not identified any factors that would indicate that these amendments would lead to changes that are detrimental to the UK economy. As a result, the UKEB believes that these amendments would not have any adverse effect on the UK economy, including on economic growth. As such, the Amendment is likely to be conducive to the UK long term public good in that improved financial reporting improves transparency and assists in the assessment of management's stewardship.
Conclusion	Having considered all relevant aspects, including the trade-off between the costs and benefits of implementing the Amendments to IAS 1, the UKEB concludes that they are likely to be conducive to the long term public good in the UK as required by SI 2019/685.

3. Section 3: Description and assessment of Amendments to IAS 8

Definition of Accounting Estimates (Amendments to IAS 8)	
Title and issue date of final amendment	Definition of Accounting Estimates (Amendments to IAS 8) issued on 12 February 2021.
Origin	The IFRS Interpretations Committee informed the IASB that entities faced difficulties in distinguishing changes in accounting policies from changes in accounting estimates. The IASB understood that such difficulties arose because the combination of a definition of one item (accounting policies) with a definition of changes in another item (change in accounting estimate) obscured the distinction between accounting policies and accounting estimates.

What has changed?	The Amendments to IAS 8:
	• Replace in paragraph 5 of IAS 8 the definition of a "change in accounting estimate" with a definition of "accounting estimates" which is anchored in the concept of "measurement uncertainty" in the IASB's 2018 *Conceptual Framework*.
	• Clarify in paragraph 32 of IAS 8:
	    • the relationship between "accounting policies" and "accounting estimates" by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy.
	    • that developing accounting estimates involves the use of judgements and assumptions.
	• Specify in new paragraph 32A of IAS 8 that measurement techniques and inputs an entity uses to develop accounting estimates include estimation techniques and valuation techniques.
	• Refine the wording in paragraph 34 of IAS 8 to clarify that a change in accounting estimate may result from new information or new developments and is not the correction of an error.
	• Specify in new paragraph 34A of IAS 8 that the effects of a change in an input or in a measurement technique used to develop an accounting estimate are changes in

Definition of Accounting Estimates (Amendments to IAS 8)	
	accounting estimates unless they result from the correction of prior period errors.
Transition requirements	The Amendments to IAS 8 are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period, with early application permitted.
UK views of the ED's proposals	
Issued for public comment	Exposure Draft ED/2017/5 Accounting Policies and Accounting Estimates (Proposed amendments to IAS 8)—issued for public comment on 12 September 2017 (comment period ended 15 January 2018).
UK stakeholders responding to IASB's proposals	There were 10 UK respondents to the IASB's proposals. These were 2 accounting and audit representative organisations, 6 accounting firms, 1 standard-setter and 1 investor organisation. One of the accounting and audit representative organisations and the standard-setter additionally also responded to EFRAG's draft comment letter.
Feedback received and actions taken by the IASB	All respondents supported the proposals to replace the definition of a "change in accounting estimate" with a definition of "accounting estimates" and overall agreed with other proposed clarifications to help entities distinguish accounting policies from accounting estimates. Respondents suggested some improvements to the definition of "accounting estimates" that were considered and addressed by the IASB in finalising the amendments.
Technical criteria assessment	
Relevance and Reliability	The Amendments to IAS 8 add useful clarifications to help entities distinguish between "accounting estimates" and "accounting policies". Adding these clarifications will ensure that accounting changes are faithfully characterised and represented as either changes in accounting policies or changes in estimates, and therefore accounted for in accordance with their nature (i.e. retrospectively or prospectively). The resulting information will help users in their predictions of the future, or in confirming or correcting their current and past evaluations.
Understandability	The Amendments to IAS 8 will promote clarity on the distinction between changes in accounting policies and changes in accounting estimates and will eliminate confusion on this distinction as currently IAS 8 defines "accounting policies" and a "change in accounting estimate" but not "accounting

Definition of Accounting Estimates (Amendments to IAS 8)	
	estimates". The added definition of "accounting estimates" will be readily understandable by preparers and by users with a reasonable knowledge of business and economic activities and accounting as it is based on existing guidance in international accounting standards (e.g. the definition of "accounting estimates" is consistent with the term "measurement uncertainty" in the 2018 IASB's *Conceptual Framework* and includes a reference to "monetary amounts" ~~in line with paragraph 36 of IAS 37~~[10]).
Comparability	The Amendments to IAS 8 will bring a consistent approach to characterising different types of accounting changes~~,~~ and, therefore, have the potential to increase comparability between entities.
Conclusion	Overall, we conclude that the Amendments to IAS 8 meet the criteria of relevance, reliability, comparability and understandability required of the financial information needed for making economic decisions and assessing the stewardship of management, as required by SI 2019/685.
Amendment is not contrary to the true and fair view requirement	
Description	The Amendments to IAS 8 add guidance that is based on existing guidance in international accounting standards. This helps to ensure consistent application between accounting policies and accounting estimates.
Conclusion	The previous section of this ~~D~~ECA concludes that the Amendments to IAS 8 meet the technical accounting criteria. The technical accounting criteria refer to reliability which includes the notion of faithful representation of the economic substance of transactions and events. The technical accounting criteria assessment therefore underpins the overall true and fair view assessment. Our assessment has not identified any requirement of the Amendments to IAS 8 that would prevent individual or group accounts prepared using the Amendments to IAS 8 from giving a true and fair view of the undertaking's or group's assets, liabilities, financial position and profit or loss. We are satisfied, therefore, that the circumstances in which the application of the Amendments to IAS 8 would result in accounts which did not give a true and fair view would be extremely rare.

10 ~~For example, p~~Paragraph 36 of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* suggests that an estimate is a monetary amount as it states that 'the amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period".

Definition of Accounting Estimates (Amendments to IAS 8)	
	Overall, we conclude 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.
UK long term public good	
Description of entities that will be impacted	The Amendments to IAS 8 will, in principle, affect all companies that apply UK-adopted international accounting standards. There are currently approximately 1,500 entities with equity listed in the London Stock Exchange (Main Market and AIM) that prepare their financial statements in accordance with UK-adopted international accounting standards (calculation based on LSEG and Reuters-Eikon data). In addition, UK law allows unlisted companies the option to use UK-adopted international accounting standards and approximately 14,000 companies currently take up this option (calculation based on FAME, Companies Watch and proprietary data).
Do the amendments improve financial reporting?	The Amendments to IAS 8 would lead to greater consistency in the application of the definitions in IAS 8 by clarifying the distinction between accounting policies and accounting estimates and by specifying how accounting policies relate to accounting estimates. It would also remove diversity in accounting for changes in estimation techniques and valuation techniques. This would improve the overall quality of financial reporting.
Costs for preparers and users	Preparers: Given that the Amendments to IAS 8 are narrow in scope, we estimated preparers' adoption costs by conducting a qualitative assessment of the costs likely to be borne by preparers. We assessed whether preparers would ~~be~~ face~~ing~~ costs related to: • familiarisation; • design of data collection processes; • IT system changes; • governance processes; • external audit; and • other costs. We believe that preparers will face some **one-off familiarisation costs** related to the new definition of "accounting estimates" introduced by the amendments. We expect these costs to be minimal as this definition is based on existing guidance in international accounting standards.

Definition of Accounting Estimates (Amendments to IAS 8)	
	It is not expected that entities will incur any additional costs related to the **design of data collection processes** or related to **IT system changes** as the amendments do not affect recognition or measurement and require an entity to apply the definitions of accounting estimates and accounting policies to account for an accounting change. The cost of applying the amendments would be further limited as the amendments are required to be applied prospectively. We expect other costs (i.e. **governance processes, external audit costs and other**) to be minimal or nil. <u>Users</u>: We expect one-off familiarisation costs for users to be minimal as the definition of 'accounting estimates' is based on existing guidance in international accounting standards.
Benefits for preparers and users	<u>Preparers:</u> The added guidance has the potential to <u>eliminate confusion and</u> help preparers better distinguish accounting policies from accounting estimates and to apply the appropriate accounting. <u>Users:</u> The added guidance has the potential to bring a more consistent approach to characterising different types of accounting changes~~,~~ and, therefore, has the potential to increase comparability between entities.
Whether the amendments are likely to have an adverse effect on UK economy	The 2021 Amendments to IAS 8 are limited in scope and will generally bring improved financial reporting when compared to current guidance. In particular, the amendments are expected to increase the transparency of reporting to investors by better specifying the distinction between accounting policies and accounting estimates. We have not identified any factors that would indicate that these amendments would lead to changes that are detrimental to the UK economy. As a result, the UKEB believes that these amendments would not have any adverse effect on the UK economy, including on economic growth. As such, the endorsement is likely to be conducive to the UK long term public good in that improved financial reporting improves transparency and assists in the assessment of management's stewardship.
Conclusion	Having considered all relevant aspects, including the trade-off between the costs and benefits of implementing the Amendments to IAS 8, the UKEB concludes that they are likely to be conducive to the long term public good in the UK as required by SI 2019/685.

4. Section 4: Description and assessment of Amendments to IAS 12

Deferred Taxes related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	
Title and issue date of final amendment	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued on 7 May 2021.
Origin	The IFRS Interpretations Committee received a request asking whether the 'initial recognition exemption' (IRE) in paragraphs 15 and 24 of IAS 12 *Income Taxes* applied to transactions, such as leases, that give rise to both an asset and liability on initial recognition and may result in temporary differences of the same amount. The Committee observed that in some cases, the exemption was applied, and in other cases it was not, reducing comparability between financial statements.
What has changed?	The IASB decided to narrow the scope of the IRE in paragraphs 15 and 24 of IAS 12 so that this exemption does not apply to transactions that, on initial recognition, give rise to equal amounts of taxable and tax-deductible temporary differences. New paragraph 22A further explains that, depending on the applicable tax law, a lease could be an example where equal and offsetting taxable and tax-deductible temporary differences may arise on initial recognition of the right-of-use asset and the lease liability. The IRE in paragraphs 15 and 24 of IAS 12 continues to apply to transactions that do not give rise to equal and offsetting temporary differences. The Amendments to IAS 12 also: • Clarify that if the transaction gives rise to equal taxable and tax-deductible temporary differences an entity recognises any deferred tax liability or asset and recognises the resulting deferred tax expense or income in profit or loss (paragraph 22(b) in IAS 12). • Explain in paragraph BC86 that in cases when an entity recognises unequal amounts of deferred tax assets and liabilities on initial recognition for equal taxable and tax-

Deferred Taxes related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	
	deductible temporary differences[11] an entity will recognise any difference between the deferred tax asset and liability in profit or loss[12]. For example, this would be the case if: • an entity is unable to recognise a deferred tax asset because it does not meet the recoverability requirement in IAS 12[13], but is required to recognised a deferred tax liability; or • the deferred tax asset and liability differ because different tax rates apply in future periods when the temporary differences reverse.
Transition requirements	The Amendments to IAS 12 are applied for annual periods beginning on or after 1 January 2023, with earlier application permitted. If entities apply the amendments earlier, they shall disclose that fact. An entity: • Applies the Amendments to IAS 12 to transactions that occur on or after the beginning of the earliest comparative period presented. • Also recognises deferred tax for all temporary differences related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with the cumulative effect of initially applying the amendments recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.
UK views of the ED's proposals	
Issued for public comment	Exposure Draft ED/2019/5 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Proposed amendments to IAS 12)–issued for public comment on 17 July 2019 (comment period ended 14 November 2019).
UK stakeholders	There were 12 UK respondents to the IASB's proposals. These

11 Paragraphs BC86–BC87 explain that unequal amounts of deferred taxes would arise on initial recognition only infrequently because it is expected that entities would mostly meet the recoverability requirement through the future reversal of taxable temporary differences arising from the same transaction. Moreover, paragraph BC88 refers that the net effect of applying different tax rates to the measurement of the deferred tax asset and liability will often be immaterial.

12 We understand that this is in line with paragraph 58 of IAS 12 which requires an entity to recognise deferred tax as income or an expense and include it in profit or loss for the period, except to the extent it arises from (a) a transaction or event recognised outside profit or loss, or (b) a business combination.

13 We refer to the requirement in paragraph 24 of IAS 12 that an entity recognises deferred tax assets only 'to the extent that it is probable that taxable profit will be available against which the tax-deductible temporary difference can be utilised' as the 'recoverability requirement'.

Deferred Taxes related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	
responding to IASB's proposals	were comprised of 2 accounting and audit representative organisations, 6 accounting firms, 3 preparers, and 1 standard-setter. One of the accounting and audit representative organisations additionally also responded to EFRAG's draft comment letter.
Feedback received and actions taken by the IASB	Most respondents agreed with the IASB's decision to address the accounting for deferred tax related to leases and decommissioning obligations and with the proposal to narrow the scope of the IRE. However, most respondents either disagreed with or expressed concerns with various aspects of the proposals, especially the "capping" proposal[14] which was considered burdensome and complex. In response to this feedback received, the IASB removed the "capping" proposal and confirmed its proposal to narrow the scope of the IRE.
Technical criteria assessment	
Relevance and Reliability	The Amendments to IAS 12 would require entities to apply the general principles in IAS 12 to transactions within the scope of the amendments. Doing so will provide relevant and reliable information as an entity: • Will recognise the tax effects of the transactions within the scope of the amendments consistently with how the entity uses the asset and settles the corresponding liability and not only when the tax deduction becomes available for tax purposes; • Will recognise the deferred tax effects of the asset and the liability separately, consistent with the requirements in other Standards, for example, with IFRS 16 *Leases* that requires the separate recognition of assets and liabilities. • An entity will avoid significant fluctuations in effective tax rates and distortions in financial performance that would otherwise arise from not recognising deferred tax when the IRE is applied.
Understandability	The Amendments to IAS 12 are expected to enhance understandability and consistent application as they require an entity to recognise deferred taxes following the general principles in IAS 12 (i.e. an entity would recognise deferred tax

14 This proposal limited the recognition of a deferred tax liability to the extent that a corresponding deferred tax asset was recognised applying the 'recoverability requirement' in paragraph 24 of IAS 12. For the portion of deferred tax liability not recognised, the recognition exemption would continue to apply.

Deferred Taxes related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	
	for all temporary differences), in line with current practice of some entities. Users will also benefit from additional disclosures (derived from the application of the general requirements in IAS 12) that will help them obtain a better understanding of the tax position of an entity.
Comparability	The Amendments to IAS 12 will increase comparability between entities as it will require consistent accounting for deferred tax assets and deferred tax liabilities that arise from transactions that give rise to equal taxable and tax-deductible temporary differences. The amendments provide two different sets of transition requirements: one applicable to transactions involving right-of-use assets and lease liabilities and decommissioning, restoration (and similar liabilities) and corresponding amounts as part of the cost of the related asset; and another applicable to other transactions within the scope of the amendments. This may impair comparability, but only on initial transition, and only for entities that had not previously recognised deferred taxes for leases and decommissioning liabilities–entities applying the Amendments to IAS 12 will be required to recognise a cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings.
Conclusion	Overall, we conclude that the Amendments to IAS 12 meet the criteria of relevance, reliability, comparability and understandability required of the financial information needed for making economic decisions and assessing the stewardship of management, as required by SI 2019/685.
Amendment is not contrary to the true and fair view requirement	
Description	The Amendments to IAS 12 narrow the scope of the IRE in paragraphs 15 and 24 of IAS 12 so that this exemption does not apply to transactions that, on initial recognition, give rise to equal amounts of taxable and tax-deductible temporary differences.
Conclusion	The previous section of this ~~D~~ECA concludes that the Amendments to IAS 12 meet the technical accounting criteria. The technical accounting criteria refer to reliability which includes the notion of faithful representation of the economic substance of transactions and events. The technical accounting criteria assessment therefore underpins the overall true and fair view assessment. Our assessment has not identified any requirement of the

Deferred Taxes related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	
	Amendments to IAS 12 that would prevent individual or group accounts prepared using the Amendments to IAS 12 from giving a true and fair view of the undertaking's or group's assets, liabilities, financial position and profit or loss. We are satisfied, therefore, that the circumstances in which the application of the Amendments to IAS 12 would result in accounts which did not give a true and fair view would be extremely rare. Overall, we conclude that the Amendments to IAS 12 are not contrary to the true and fair view principle set out in Regulation 7(1) of SI 2019/685.
UK long term public good	
Description of entities that will be impacted	The Amendments to IAS 12 will, in principle, affect all companies that apply UK-adopted international accounting standards. There are currently approximately 1,500 entities with equity listed in the London Stock Exchange (Main Market and AIM) that prepare their financial statements in accordance with UK-adopted international accounting standards (calculation based on LSEG and Reuters-Eikon data). In addition, UK law allows unlisted companies the option to use UK-adopted international accounting standards and approximately 14,000 companies currently take up this option (calculation based on FAME, Companies Watch and proprietary data). However, some sectors are more likely to be affected by the Amendments to IAS 12 because of the prevalence of transactions that lead to the initial recognition of both an asset and a liability (i.e. leasing operations and decommissioning and restoration obligations). Due to the complexity of the UK tax law the UKEB was unable to determine whether tax deductions are generally attributable to the lease asset or to the lease liability. The entities affected will have to apply the UK tax law and use their judgement in determining, for specific cases, whether tax deductions are attributable to the lease asset or lease liability. When tax deductions are attributable to the: • lease asset, no temporary differences arise on initial recognition and the initial recognition exemption in paragraphs 15 and 24 of IAS 12 does not apply. If temporary differences arise after initial recognition deferred tax would be recognised following the general principles in IAS 12. • lease liability, temporary differences arise on initial recognition. The Amendments to IAS 12 do not require an entity to apply the initial recognition exemption in IAS 12

Deferred Taxes related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	
	and instead, require an entity to recognise deferred taxes on initial recognition and subsequently, by following the general principles in IAS 12. The following examples ~~will~~ help contextualise the prevalence of the transactions within the scope of the amendments, among UK listed companies. Using Reuters-Eikon data and companies' financial statements we estimate that: • O~~o~~f all companies listed on the LSE~~G~~, 812 had right-of-use assets, with~~for~~ a total carrying amount of about £105 billion, as at the~~of~~ 2021 year ~~-~~end. Some industries had more right-of-use assets than others, with Oil, Gas and Coal; Travel and Leisure; Personal Care, Drug and Grocery Stores; and Telecommunications Service Providers, accounting for roughly 54% of the total right-of-use assets. We expect companies belonging to these industries to be more affected among unlisted companies too. • Decommissioning liabilities are not separately searchable in the database so we specifically looked at the financial statements of the 8 largest oil and mining, utilities and mining and extraction companies listed on the LSE. We observed that the total amount of decommissioning liabilities was £49 billion as of 2021 year-end. Based on these analyses, we expect that the Amendments to IAS 12 would affect the number of calculations made for determining deferred tax (where the entity was not recognising deferred tax for these transactions) and this will affect the companies that have leases, decommissioning liabilities and/or other transactions that give rise to equal taxable and tax-deductible temporary differences. We are unable to determine the number of companies that were not recognising deferred tax for these transactions before the Amendments to IAS 12. We do not expect the~~se~~ A~~a~~mendments to have a material impact on the size of deferred tax assets/liabilities on UK companies' balance sheets as, where deferred tax assets and liabilities arise from these transactions, they will in most instances offset[15].

15 For example, assuming the requirements in paragraph 74 of IAS 12 are met (i.e. for offsetting deferred tax assets and deferred tax liabilities).

Deferred Taxes related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	
Do the amendments improve financial reporting?	Recognising deferred taxes avoids significant distortions in the income statement and results in a constant effective tax rate over the period. The Amendments to IAS 12 will improve the quality of financial reporting as they will: • reduce diversity in practice when accounting for deferred tax on transactions and events, that lead to the initial recognition of both an asset and a liability and give rise to equal taxable and tax-deductible temporary differences (such as leases and decommissioning obligations); and • result in entities recognising deferred taxes on transactions within the scope of the amendments (either initially and/or subsequently) in line with the general principles in IAS 12.
Costs for preparers and users	Preparers: Given that the Amendments to IAS 12 are narrow in scope, we estimated preparers' adoption costs by conducting a qualitative assessment of the costs likely to be borne by preparers. We assessed whether preparers would be facing costs related to: • familiarisation; • design of data collection processes; • IT system changes; • governance processes; • external audit; and • other costs. We believe that preparers will face some **one-off familiarisation costs** related to the recognition of deferred tax on transactions within the scope of the amendments. We expect these costs to be minimal as some entities are already recognising deferred taxes for the transactions within the scope of the amendments and/or have systems in place for the recognition of deferred taxes for other assets and liabilities. The Amendments to IAS 12 require an entity to assess whether tax deductions are attributable to the asset or to the liability in determining the tax base of the asset and of the liability. It is not expected that this assessment will derive any additional costs related to **the design of data collection processes** as entities are expected to have already collected through existing processes all information required to apply their judgement in undertaking this assessment.

Deferred Taxes related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	
	Preparers may face some **IT system changes** to change their accounting systems so that deferred taxes are recognised. However, these costs are not expected to be significant as: • the amendments are not fully retrospective for leases and decommissioning liabilities, and are applied prospectively for other transactions that give rise to equal amount of taxable and tax-deductible temporary differences; and • the process for deferred tax calculation has been in place for many years and IT systems already cater for deferred taxes for other assets and liabilities. We expect other costs (i.e. **governance processes, external audit costs and other**) to be minimal or nil. Users: We expect one-off familiarisation costs for users to be minimal as they would already be familiar with the deferred tax calculation.
Benefits for preparers and users	Both preparers and users are likely to benefit from reducing the current diversity in practice in the reporting of transactions such as leases and decommissioning obligations and from the alignment of the accounting for deferred tax on such transactions with the general principles in IAS 12. Users will also benefit from greater comparability of financial reporting amongst different industries and from additional disclosures derived from the application of the general requirements in IAS 12 that will help them obtain a better understanding of the tax position of an entity.
Whether the amendments are likely to have an adverse effect on UK economy	The 2021 Amendments to IAS 12 are limited in scope and will generally bring improved financial reporting when compared to current guidance. This is because the recognition of deferred taxes on the transactions within the scope of the amendments: • w~~W~~ill bring a more accurate reflection of the entity's net profit; and • w~~W~~ill match the tax effect of transactions with their accounting impact, thereby removing any distortion from the financial statements that are created by the accounting requirements (i.e. avoid significant fluctuations in an entity's effective tax rates). Moreover, deferred taxes are notional amounts that do not affect the actual amount paid to the tax authority and that will eventually reverse as the assets are recovered (or the liabilities are settled). For these reasons, we do not expect that the

Deferred Taxes related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	
	amendments would: • a~~A~~lter competition/competitive equilibria between different industries; • i~~I~~ncentivise individual companies to increase/reduce the amount of transactions affected by the amendments; or • have an adverse effect on the UK economy from those channels. On the other hand, the amendments are expected to increase the comparability of financial reporting amongst different industries, thereby enhancing the transparency of reporting to investors. We have not identified any factors that would indicate that these amendments would lead to changes that are detrimental to the UK economy. As a result, the UKEB believes that these amendments would not have any adverse effect on the UK economy, including on economic growth. As such, the endorsement is likely to be conducive to the UK long term public good in that improved financial reporting improves transparency and assists in the assessment of management's stewardship.
Conclusion	Having considered all relevant aspects, including the trade-off between the costs and benefits of implementing the Amendments to IAS 12, the UKEB concludes that they are likely to be conducive to the long term public good in the UK as required by SI 2019/685.

UK Endorsement Board

Contact Us

UK Endorsement Board
1 Victoria Street | London | SW1H 0ET | United Kingdom
www.endorsement-board.uk

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

CONTENTS

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.

UKEB

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 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.

UKEB

Description of the 2021 Amendments

A brief description of the 2021 Amendments is presented below:

Amendments to IAS 1 *Presentation of Financial Statements*—Disclosure of Accounting Policies	Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*—Definition of Accounting Estimates	Amendments to IAS 12 *Income Taxes*—Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amends paragraphs 117–122 of IAS 1 to require entities to disclose their material accounting policy information rather than their significant accounting policies.	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.	Narrows the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

UKEB

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.

For the project to adopt the 2021 Amendments, the UKEB

- approved the Project Initiation Plan at its May 2022 meeting.
- approved the Draft Endorsement Criteria Assessment (DECA) at its June 2022 meeting.

Due to the narrow-scope nature of the 2021 Amendments, the UKEB Secretariat'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**

UKEB

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. A reference was included in the ECA to paragraph 117B(d) to clarify that the accounting policies that relate to areas of significant judgement in paragraphs 122 and 125 are likely to be considered material.

UKEB

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		
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.	All respondents were supportive of the UKEB's tentative conclusion. One respondent considered that the UKEB should additionally clarify its expectations about whether: • 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. 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.	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. Based on our assessment that preparers will not have to conduct a full, detailed analysis of their accounting policy disclosures upon application of the Amendments to IAS 1, we expect preparers' implementation costs to be minimal. We have revised the wording in the ECA to further clarify this point.

UKEB

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.	All respondents were supportive of the UKEB's tentative conclusion. One respondent considered that the ECA could consider an apparent inconsistency between: • 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 *Inventories* 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).	The wording of the true and fair view assessment in the ECA was not revised because 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 and observes that entities do not often change the cost formula used to measure inventories.

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 UK applicable tax law in deciding whether tax deductions are attributable to the lease asset or lease liability.	In response to this feedback, relevant paragraphs were added to the ECA to explain that due to the complexity of the UK tax law the UKEB was unable to determine whether tax deductions are generally attributable to the lease asset or to the lease liability. The entities affected will have to apply the UK tax law and use their judgement in determining, for specific cases, whether tax deductions are attributable to the lease asset or lease liability. The revised ECA also includes an explanation of how this attribution will affect the entity's tax calculations.

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.

Contact Us

UK Endorsement Board

1 Victoria Street | London |
SW1H 0ET | United Kingdom

Web: www.endorsement-board.uk

UK Endorsement Board

2021 Narrow-scope Amendments—Due Process Compliance Statement

The 2021 Amendments project was initiated as the Due Process Handbook (DPH) was being drafted. The project informed the development of the DPH which is currently in the process of being finalised.

Title of the Amendment	Issue dates
Disclosure of Accounting Policies Amendments to IAS 1 and IFRS Practice Statement 2[1]	• Exposure Draft ED/2019/6 published on 01/08/2019 • Comment deadline: 29/11/2019 • Final amendment published: 12/02/2021
Definition of Accounting Estimates Amendments to IAS 8	• Exposure Draft ED/2017/5 published2 on 12/09/2017 • Comment deadline: 15/01/2018 • Final amendment published: 12/02/2021
Deferred Tax related to Assets and Liabilities arising from a Single Transaction Amendments to IAS 12	• Exposure Draft ED/2019/5 published on 17/07/2019 • Comment deadline: 14/11/2019 • Final amendment published: 07/05/2021

1 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 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.

2 When originally exposed by the IASB, the title of these amendments was "Accounting Policies and Accounting Estimates" (Proposed amendments to IAS 8).

Endorsement process: 2021 Amendments			
Step	**Required[3]/ Optional**	**Metrics or evidence**	**UKEB Secretariat comments**
Project preparation			
Technical project added to UKEB technical work plan and discussed	Required	Project is included in the published technical UKEB Work Plan.	**Complete:** Amendments project page included on UKEB website.
Project preparation and Project Initiation Plan (PIP)	Required	PIP draft with project outline (background, scope, project objective) and approach for endorsement and adoption (key milestones and timing) proportionate to the project	**Complete:** The Secretariat included mandatory milestones for the project and considered, as appropriate, other milestones and activities, following a proportionate approach. PIP: Approved at 19/05/2022 Board meeting.
	Required	Outreach plan for stakeholders and communication approach outlined	**Complete:** Due to the narrow-scope nature of the amendments, consultation activities were focused solely on obtaining responses on the Draft Endorsement Criteria Assessment (DECA) (as posted on the UKEB website).
	Required	Resources allocated	1 Project manager overseen by 1 Senior Project Director.

3 The references in this document to 'required' information reflect requirements set out in the revised Handbook discussed by the Board at its October 2022 meeting. The UKEB's Handbook was being developed in parallel with this project, therefore, the work on the 2021 Amendments adheres to only the relevant process at the time of work being undertaken.

Endorsement process: 2021 Amendments			
Step	**Required[3]/ Optional**	**Metrics or evidence**	**UKEB Secretariat comments**
	Required	Assessment of whether to set up an ad-hoc advisory group	**Complete:** Assessed but having an ad-hoc advisory group was not considered necessary due to the narrow-scope nature of the amendments, using a proportionate approach.
	Required	UKEB Board public meeting held to approve PIP	**Complete:** PIP approved at 19/05/22 Board meeting.
	Optional	UKEB education or initial assessment	**Complete:** An education session was held in May 2022 for Board members to provide an overview of the narrow-scope amendments issued 2021.
Communications			
Communications	Required	UKEB Board public meetings held to discuss technical project	**Complete.** 19/05/22: PIP approval. 23/06/22: DECA approval. 17/11/22: Secretariat will ask for approval of the Adoption Package consisting of: • Final Endorsement Criteria Assessment (ECA) • Feedback Statement • [Draft] Due Process Compliance Statement • Adoption Statements for each of the 2021 Amendments
	Required	Board meeting	**Complete:** UKEB's meeting papers

Endorsement process: 2021 Amendments			
Step	**Required[3]/ Optional**	**Metrics or evidence**	**UKEB Secretariat comments**
		papers posted and publicly available on a timely basis.	published on the UKEB website one week before public meetings and subscribers notified via UKEB News Alerts. Meeting minutes and recordings made publicly available via the UKEB website and subscribers notified via UKEB News Alerts
	Required	Project website contains a project description with up-to-date information on the project.	**Complete**: Project webpage updated regularly with the latest project status and materials.
	Required	Update UKEB website	**Complete:** Project webpage updated regularly, and News Alerts issued to subscribers with latest status and documents.
	Required	Evidence that subscriber alerts have occurred	**Complete:** Subscribers alerted via email 5 days before each Board meeting. This included the papers and an option to dial in to observe the discussion. For example, the DECA publication News Alert.
	Optional	Project email address	A general UKEB email address was used for outreach and correspondence purposes throughout the duration of the project.

Endorsement process: 2021 Amendments			
Step	**Required[3]/ Optional**	**Metrics or evidence**	**UKEB Secretariat comments**
Desk-based research			
	Optional	Identify relevant research sources and documents	**Complete:** Given that the 2021 Amendments were exposed for public comment and finalised before the creation of the UKEB (i.e. the Amendments to IAS 1 and IAS 8 were finalised in February 2021 and the Amendments to IAS 12 were finalised in May 2021), neither the Board nor the Secretariat had the opportunity to influence the development of the IASB's proposals. However, the Secretariat's desk-based review of IASB's previous work on the amendments, of the UK responses to the proposals, and the basis for conclusions for each final amendment confirmed that the comments from UK stakeholders had been considered by the IASB when finalising the amendments. This analysis was included as an Appendix to the PIP discussed by the Board at its May 2022 meeting. The Secretariat also reviewed the European Financial Reporting Advisory Group's (EFRAG) Endorsement Advice Letters to the European Commission for each one of the amendments included in this project[4].
	Optional	Agree main assumptions about the	**Complete:** It was agreed that: • The 2021 Amendments are

[4] These letters are publicly available in https://www.efrag.org/.

UKEB UK Endorsement Board

Endorsement process: 2021 Amendments			
Step	**Required[3]/ Optional**	**Metrics or evidence**	**UKEB Secretariat comments**
		project	narrow in scope. • Only the mandatory applicable activity and milestones in the draft UKEB's Due Process Handbook would be undertaken. • Expected outreach would adhere to the minimum stipulated in the draft Handbook.
Outreach activities			
Consult with a representative range of stakeholders before adoption	Required		Due to the narrow-scope nature of the amendments, consultation activities were focused on obtaining responses on the Draft Endorsement Criteria Assessment (DECA) and notifying UK stakeholders.
Draft Endorsement Criteria Assessment (DECA)			
DECA	Required	UKEB sets comment period for response on DECA (not later than 90 days)	**Complete:** At its May 2022 meeting the Board decided that the comment period for public consultation should not be shorter than 90 days and approved the overall project plan. The DECA was published on 04/07/2022 (comment period deadline 03/10/22).
	Required	UKEB public meetings held for review and approval	**Complete:** Approved at 23/06/22 Board meeting.
	Required	DECA posted on UKEB website	**Complete:** DECA and Invitation to

Endorsement process: 2021 Amendments			
Step	**Required[3]/ Optional**	**Metrics or evidence**	**UKEB Secretariat comments**
		for public consultation	Comment posted on 04/07/2022.
	Required	News Alert published to announce publication	**Complete:** News Alert posted on 04/07/2022 calling for comments
Project closure			
Final Endorsement Criteria Assessment (ECA)	Required	Public responses on DECA assessed and posted on website	**Complete:** The UKEB received seven comment letters. Comment letters are available on the UKEB website. All responses received were assessed, reflected as appropriate in the ECA and summarised in the 2021Amendments feedback statement.

Endorsement process: 2021 Amendments			
Step	**Required[5]/ Optional**	**Metrics or evidence**	**UKEB Secretariat comments**
	Required	Final ECA approved by UKEB in public meeting	**To take place:** A draft of the ECA will be presented for approval to the Board at its November 2022 public meeting.
	Required	Publish final ECA on UKEB website	**To take place** in November 2022, dependent on the UKEB's adoption decision.
	Required	News Alert published to announce publication	**To take place** following posting to website.
Feedback statement	Required	Feedback statement approved by UKEB in public meeting	**To take place:** A feedback statement will be presented for approval to the Board at its November 2022 public meeting.
	Required	Feedback statement posted on UKEB Website	**To take place** in November 2022, dependent on the UKEB's adoption decision.
	Required	News Alert published to announce publication	**To take place** following posting to website.
Due Process Compliance Statement	Required	Due Process Compliance Statement	**To take place:** A [draft] DPCS will be presented for approval to the Board at its November 2022 public

5 The references in this document to 'required' information reflect requirements set out in the revised Handbook discussed by the Board at its October 2022 meeting. The UKEB's Handbook was being developed in parallel with this project, therefore, the work on the 2021 Amendments adheres to only the relevant process at the time of work being undertaken.

Endorsement process: 2021 Amendments			
Step	**Required[5]/ Optional**	**Metrics or evidence**	**UKEB Secretariat comments**
(DPCS)		approved by UKEB in public meeting	meeting. A final DPCS will be presented for noting at the Board's December 2022 meeting.
	Required	Due Process Compliance Statement posted on UKEB Website	**To take place** in November 2022, dependent on the UKEB's adoption decision.
	Required	News Alert published to announce publication	**To take place** following posting to website.
Adoption Statement	Required	Adoption statements approved by UKEB in public meeting	**To take place:** Individual adoption statements for each one of the amendments will be presented for approval to the Board at its November 2022 public meeting.
	Required	Adoption statements posted on UKEB Website	**To take place** in November 2022, dependent on the UKEB's adoption decision.
	Required	News Alert published to announce publication	**To take place** following posting to website.
Voting			
Vote on 'adoption package' to adopt the 2021 Amendments	Required	Evidence of written vote (in paper or electronic form).	**Tentative vote to take place** in November 2022 based on the discussion of the 'adoption package', which includes a final ECA, a feedback statement, a DPCS,

Endorsement process: 2021 Amendments			
Step	**Required[5]/ Optional**	**Metrics or evidence**	**UKEB Secretariat comments**
			individual adoption statements for each of the Amendments; and the text of each of the UK-adopted international accounting standards included in the 2021 Amendments project. Vote to be indicative only. Vote to be formalised via Board members signing the formal voting form that will be made available to them after the November 2022 meeting.
	Required	News Alert published to announce the outcome of the vote within 3 working days of the formal vote	**To take place** once UKEB's voting process is finalised.

Conclusion
This document sets out the main due process activities performed as part of the UKEB's project to endorse the 2021Amendments. Overall, this project due process complies with the UKEB Due Process that is in place at the time of writing.

Question for the Board–Approval
1. Does the Board approve the [draft] Due Process Compliance Statement for publication for the 2021 Amendments?

UK Endorsement Board

[Adoption Statement]

[Adoption of Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2[1])]

1. The UK Endorsement Board is designated under regulation 2(1) of The International Accounting Standards (Delegation of Functions) (EU Exit) Regulations 2021 No. 609[2] ("the Delegating Regulations") for the purpose of enabling it to exercise functions of the Secretary of State under Chapter 3 of Part 2 of The International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019 No. 685[3] ("the Regulations").

2. The UK Endorsement Board, in exercise of the powers conferred by regulation 6(1) of the Regulations, adopts the following amendment to international accounting standards published on 12 February 2021 by the International Accounting Standards Board (IASB), for use within the United Kingdom:

    a) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

3. In accordance with regulation 7(1) of the Regulations, the UK Endorsement Board is of the view that:

    a) the standard[4] 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;

---

1 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 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.
2 Accessible here: https://www.legislation.gov.uk/uksi/2021/609/contents/made
3 Accessible here: https://www.legislation.gov.uk/uksi/2019/685/contents
4 The term "standard" includes standards (International Accounting Standards (IAS), International Financial Reporting Standards (IFRS)), amendments to those standards and related Interpretations (SIC-IFRIC interpretations) issued or adopted by the International Accounting Standards Board (IASB). This Adoption Statement relates to amendments to those standards.

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.

4. In accordance with regulation 8 of the Regulations, the UK Endorsement Board is of the view that adequate consultation with persons representative of those with an interest in the quality and availability of accounts, including users and preparers of accounts, has been undertaken before the adoption decision.

5. The adopted amendment to international accounting standards in paragraph 2:

a) must be used for financial years beginning on or after 1 January 2023;

b) may be used for financial years beginning before 1 January 2023.

6. The text of the adopted amendments to international accounting standards is set out in the annex to this statement.

UKEB
UK Endorsement Board

[Approval by the UKEB Board]

[Adoption of Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)]

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) published in by the IASB was approved for adoption by [ ] members of the UK Endorsement Board.

Pauline Wallace	Chair
Amir Amel-Zadeh	
Michael Ashley	
Philip Aspin	
Kathryn Cearns	
Katherine Coates	
Robert Cohen	
Edward Knapp	
Paul Lee	
Liz Murrall	
Giles Mullins	
Sandra Thompson	
Michael Wells	

[Date]

UKEB UK Endorsement Board

Department for Business, Energy & Industrial Strategy

UK-adopted international accounting standards

Disclosure of Accounting Policies Amendments to IAS 1 Presentation of Financial Statements

Amendments to IAS 1 *Presentation of Financial Statements*

Paragraphs 7, 10, 114, 117 and 122 are amended. Paragraphs 117A–117E and 139V are added. Paragraphs 118, 119 and 121 are deleted. New text is underlined and deleted text is struck through.

Definitions

7 **The following terms are used in this Standard with the meanings specified:**

<u>*Accounting policies* are defined in paragraph 5 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, and the term is used in this Standard with the same meaning.</u>

...

Financial statements

...

Complete set of financial statements

10 A complete set of financial statements comprises:

...

(e) notes, comprising <u>material</u> ~~significant~~ accounting <u>policy information</u> ~~policies~~ and other explanatory information;

...

Structure and content

...

Notes

Structure

...

114 Examples of systematic ordering or grouping of the notes include:

...

(c) following the order of the line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position, such as:

…

(ii) material ~~significant~~ accounting policy information ~~policies applied~~ (see paragraph 117);

…

Disclosure of accounting policy information ~~policies~~

117 An entity shall disclose material ~~its significant~~ accounting policy information (see paragraph 7). Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. ~~policies comprising:~~

~~(a) the measurement basis (or bases) used in preparing the financial statements; and~~

~~(b) the other accounting policies used that are relevant to an understanding of the financial statements.~~

117A Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may nevertheless be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

117B Accounting policy information is expected to be material if users of an entity's financial statements would need it to understand other material information in the financial statements. For example, an entity is likely to consider accounting policy information material to its financial statements if that information relates to material transactions, other events or conditions and:

(a) the entity changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

(b) the entity chose the accounting policy from one or more options permitted by IFRSs—such a situation could arise if the entity chose to measure investment property at historical cost rather than fair value;

(c) the accounting policy was developed in accordance with IAS 8 in the absence of an IFRS that specifically applies;

(d) the accounting policy relates to an area for which an entity is required to make significant judgements or assumptions in applying an accounting policy, and the entity discloses those judgements or assumptions in accordance with paragraphs 122 and 125; or

(e) the accounting required for them is complex and users of the entity's financial statements would otherwise not understand those material transactions, other events or conditions—such a situation could arise if an entity applies more than one IFRS to a class of material transactions.

117C Accounting policy information that focuses on how an entity has applied the requirements of the IFRSs to its own circumstances provides entity-specific information that is more useful to users of financial statements than standardised information, or information that only duplicates or summarises the requirements of the IFRSs.

117D If an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

117E An entity's conclusion that accounting policy information is immaterial does not affect the related disclosure requirements set out in other IFRSs.

118 [Deleted]~~It is important for an entity to inform users of the measurement basis or bases used in the financial statements (for example, historical cost, current cost, net realisable value, fair value or recoverable amount) because the basis on which an entity prepares the financial statements significantly affects users' analysis. When an entity uses more than one measurement basis in the financial statements, for example when particular classes of assets are revalued, it is sufficient to provide an indication of the categories of assets and liabilities to which each measurement basis is applied.~~

119 [Deleted]~~In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in reported financial performance and financial position. Each entity considers the nature of its operations and the policies that the users of its financial statements would expect to be disclosed for that type of entity. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in IFRSs. An example is disclosure of whether an entity applies the fair value or cost model to its investment property (see IAS 40 *Investment Property*). Some IFRSs specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow. For example, IAS 16 requires disclosure of the measurement bases used for classes of property, plant and equipment.~~

120 [Deleted]

121 [Deleted]~~An accounting policy may be significant because of the nature of the entity's operations even if amounts for current and prior periods are not material. It is also appropriate to disclose each significant accounting policy that is not specifically required by IFRSs but the entity selects and applies in accordance with IAS 8.~~

122 An entity shall disclose, along with material ~~its significant~~ accounting policy information ~~policies~~ or other notes, the judgements, apart from those involving estimations (see paragraph 125), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

...

Transition and effective date

...

139V *Disclosure of Accounting Policies*, issued in February 2021, amended paragraphs 7, 10, 114, 117 and 122, added paragraphs 117A–117E and deleted paragraphs 118, 119 and 121. It also amended IFRS Practice Statement 2 *Making Materiality Judgements*. An entity shall apply the amendments to IAS 1 for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

Amendments to IFRS Practice Statement 2 *Making Materiality Judgements*

[Amendments not applicable to requirements]

Amendments to other IFRS Standards and publications

Amendments to IFRS 7 *Financial Instruments: Disclosures*

Paragraphs 21 and B5 are amended. Paragraph 44II is added. New text is underlined and deleted text is struck through.

Significance of financial instruments for financial position and performance

...

Other disclosures

Accounting policies

21 In accordance with paragraph 117 of IAS 1 *Presentation of Financial Statements* (as revised in 2007), an entity discloses <u>material</u> ~~its significant~~ accounting <u>policy information</u> ~~policies comprising the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements~~. <u>Information about the measurement basis (or bases) for financial instruments used in preparing the financial statements is expected to be material accounting policy information.</u>

...

Effective date and transition

...

<u>44II</u> <u>*Disclosure of Accounting Policies*, which amends IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*, and was issued in February 2021, amended paragraphs 21 and B5. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.</u>

...

Appendix B
Application guidance

...

Classes of financial instruments and level of disclosure (paragraph 6)

...

Other disclosure—accounting policies (paragraph 21)

B5 Paragraph 21 requires disclosure of material accounting policy information, which is expected to include information about the measurement basis (or bases) for financial instruments used in preparing the financial statements ~~and the other accounting policies used that are relevant to an understanding of the financial statements~~. For financial instruments, such disclosure may include:

…

Paragraph 122 of IAS 1 (as revised in 2007) also requires entities to disclose, along with material ~~its significant~~ accounting policy information ~~policies~~ or other notes, the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Amendments to IAS 26 *Accounting and Reporting by Retirement Benefit Plans*

Paragraph 34 is amended and paragraph 38 is added. New text is underlined and deleted text is struck through.

All plans

Disclosure

34 The financial statements of a retirement benefit plan, whether defined benefit or defined contribution, shall also contain the following information:

...

(b) material ~~a summary of significant~~ accounting policy information ~~policies~~; and

...

Effective date

...

38 *Disclosure of Accounting Policies*, which amends IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements*, and was issued in February 2021, amended paragraph 34. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.

Amendments to IAS 34 *Interim Financial Reporting*

Paragraph 5 is amended and paragraph 60 is added. New text is underlined and deleted text is struck through.

Content of an interim financial report

5 IAS 1 defines a complete set of financial statements as including the following components:

...

(e) notes, material ~~comprising significant~~ accounting policy information ~~policies~~ and other explanatory information;

...

Effective date

...

60 *Disclosure of Accounting Policies*, which amends IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*, and was issued in February 2021, amended paragraph 5. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.

UK Endorsement Board

[Adoption Statement]

[Adoption of Definition of Accounting Estimates (Amendments to IAS 8)]

1. The UK Endorsement Board is designated under regulation 2(1) of The International Accounting Standards (Delegation of Functions) (EU Exit) Regulations 2021 No. 609[1] ("the Delegating Regulations") for the purpose of enabling it to exercise functions of the Secretary of State under Chapter 3 of Part 2 of The International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019 No. 685[2] ("the Regulations").

2. The UK Endorsement Board, in exercise of the powers conferred by regulation 6(1) of the Regulations, adopts the following amendment to international accounting standards published on 12 February 2021 by the International Accounting Standards Board (IASB), for use within the United Kingdom:

   a) Definition of Accounting Estimates (Amendments to IAS 8)

3. In accordance with regulation 7(1) of the Regulations, the UK Endorsement Board is of the view that:

   a) the standard[3] 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

1 Accessible here: https://www.legislation.gov.uk/uksi/2021/609/contents/made
2 Accessible here: https://www.legislation.gov.uk/uksi/2019/685/contents
3 The term "standard" includes standards (International Accounting Standards (IAS), International Financial Reporting Standards (IFRS)), amendments to those standards and related Interpretations (SIC-IFRIC interpretations) issued or adopted by the International Accounting Standards Board (IASB). This Adoption Statement relates to amendments to those standards.

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.

4. In accordance with regulation 8 of the Regulations, the UK Endorsement Board is of the view that adequate consultation with persons representative of those with an interest in the quality and availability of accounts, including users and preparers of accounts, has been undertaken before the adoption decision.

5. The adopted amendment to international accounting standards in paragraph 2:

a) must be used for financial years beginning on or after 1 January 2023;

b) may be used for financial years beginning before 1 January 2023.

6. The text of the adopted amendments to international accounting standards is set out in the annex to this statement.

UKEB UK Endorsement Board

[Approval by the UKEB Board]

[Adoption of Definition of Accounting Estimates (Amendments to IAS 8)]

Definition of Accounting Estimates (Amendments to IAS 8) published in by the IASB was approved for adoption by [ ] members of the UK Endorsement Board.

Pauline Wallace	Chair
Amir Amel-Zadeh	
Michael Ashley	
Philip Aspin	
Kathryn Cearns	
Katherine Coates	
Robert Cohen	
Edward Knapp	
Paul Lee	
Liz Murrall	
Giles Mullins	
Sandra Thompson	
Michael Wells	

[Date]

UK Endorsement Board

Department for Business, Energy & Industrial Strategy

UK-adopted international accounting standards

International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors

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

Paragraphs 5, 32, 34, 38 and 48 and the heading above paragraph 32 are amended. Paragraphs 32A–32B, 34A and 54I and the headings above paragraphs 34 and 36 are added. The heading above paragraph 39 is amended to be a sub-heading of the heading added above paragraph 34. Deleted text is struck through and new text is underlined.

Definitions

5 **The following terms are used in this Standard with the meanings specified:**

…

***Accounting estimates* are monetary amounts in financial statements that are subject to measurement uncertainty.**

~~**A *change in accounting estimate* is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.**~~

…

Accounting ~~Changes in accounting~~ estimates

32 An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty—that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. ~~As a result of the uncertainties inherent in business activities, many items in financial statements cannot be measured with precision but can only be estimated.~~ Developing accounting estimates involves the use of judgements or assumptions ~~Estimation involves judgements~~ based on the latest available, reliable information. Examples of accounting estimates include ~~For example, estimates may be required of~~:

(a) a loss allowance for expected credit losses, applying IFRS 9 *Financial Instruments*~~bad debts~~;

(b) the net realisable value of an item of inventory, applying IAS 2 *Inventories*~~inventory obsolescence~~;

(c) the fair value of an asset or liability, applying IFRS 13 *Fair Value Measurement* ~~financial assets or financial liabilities~~;

(d) the depreciation expense for an item of property, plant and equipment, applying IAS 16~~the useful lives of, or expected pattern of consumption of the future economic benefits embodied in, depreciable assets~~; and

(e) a provision for warranty obligations, applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

32A An entity uses measurement techniques and inputs to develop an accounting estimate. Measurement techniques include estimation techniques (for example, techniques used to measure a loss allowance for expected credit losses applying IFRS 9) and valuation techniques (for example, techniques used to measure the fair value of an asset or liability applying IFRS 13).

32B The term 'estimate' in IFRSs sometimes refers to an estimate that is not an accounting estimate as defined in this Standard. For example, it sometimes refers to an input used in developing accounting estimates.

…

Changes in accounting estimates

34 An entity may need to change an accounting estimate ~~may need revision~~ if changes occur in the circumstances on which the accounting estimate was based or as a result of new information, new developments or more experience. By its nature, a change in an accounting ~~the revision of an~~ estimate does not relate to prior periods and is not the correction of an error.

34A The effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates unless they result from the correction of prior period errors.

…

Applying changes in accounting estimates

…

38 Prospective recognition of the effect of a change in an accounting estimate means that the change is applied to transactions, other events and conditions from the date of that ~~the~~ change ~~in estimate~~. A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. For example, a change in a loss allowance for expected credit losses ~~the estimate of the amount of bad debts~~ affects only the current period's profit or loss and therefore is recognised in the current period. However, a change in the estimated useful life of, or the expected pattern of consumption of the future economic benefits embodied

in, a depreciable asset affects depreciation expense for the current period and for each future period during the asset's remaining useful life. In both cases, the effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

~~Disclosure~~

<u>Disclosure</u>

...

Errors

...

48 Corrections of errors are distinguished from changes in accounting estimates. Accounting estimates by their nature are approximations that may need <u>changing</u> ~~revision~~ as additional information becomes known. For example, the gain or loss recognised on the outcome of a contingency is not the correction of an error.

...

Effective date and transition

...

<u>54I</u> <u>*Definition of Accounting Estimates*, issued in February 2021, amended paragraphs 5, 32, 34, 38 and 48 and added paragraphs 32A, 32B and 34A. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. An entity shall apply the amendments to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the first annual reporting period in which it applies the amendments.</u>

UKEB
UK Endorsement Board

[Adoption Statement]

[Adoption of Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)]

1. The UK Endorsement Board is designated under regulation 2(1) of The International Accounting Standards (Delegation of Functions) (EU Exit) Regulations 2021 No. 609[1] ("the Delegating Regulations") for the purpose of enabling it to exercise functions of the Secretary of State under Chapter 3 of Part 2 of The International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019 No. 685[2] ("the Regulations").

2. The UK Endorsement Board, in exercise of the powers conferred by regulation 6(1) of the Regulations, adopts the following amendment to international accounting standards published on 7 May 2021 by the International Accounting Standards Board (IASB), for use within the United Kingdom:

    a) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

3. In accordance with regulation 7(1) of the Regulations, the UK Endorsement Board is of the view that:

    a) the standard[3] 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

1 Accessible here: https://www.legislation.gov.uk/uksi/2021/609/contents/made
2 Accessible here: https://www.legislation.gov.uk/uksi/2019/685/contents
3 The term "standard" includes standards (International Accounting Standards (IAS), International Financial Reporting Standards (IFRS)), amendments to those standards and related Interpretations (SIC-IFRIC interpretations) issued or adopted by the International Accounting Standards Board (IASB). This Adoption Statement relates to amendments to those standards.

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.

4. In accordance with regulation 8 of the Regulations, the UK Endorsement Board is of the view that adequate consultation with persons representative of those with an interest in the quality and availability of accounts, including users and preparers of accounts, has been undertaken before the adoption decision.

5. The adopted amendment to international accounting standards in paragraph 2:

a) must be used for financial years beginning on or after 1 January 2023;

b) may be used for financial years beginning before 1 January 2023.

6. The text of the adopted amendments to international accounting standards is set out in the annex to this statement.

[Approval by the UKEB Board]

[Adoption of Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)]

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) published in by the IASB was approved for adoption by [ ] members of the UK Endorsement Board.

Pauline Wallace	Chair
Amir Amel-Zadeh	
Michael Ashley	
Philip Aspin	
Kathryn Cearns	
Katherine Coates	
Robert Cohen	
Edward Knapp	
Paul Lee	
Liz Murrall	
Giles Mullins	
Sandra Thompson	
Michael Wells	

[Date]

UK Endorsement Board

Department for Business, Energy & Industrial Strategy

UK-adopted international accounting standards

International Accounting Standard 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

Amendments to IAS 12

Amendments to IAS 12 *Income Taxes*

Paragraphs 15, 22 and 24 are amended. Paragraphs 22A and 98J–98L are added. Deleted text is struck through and new text is underlined.

Recognition of deferred tax liabilities and deferred tax assets

Taxable temporary differences

15 A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

(a) the initial recognition of goodwill; or

(b) the initial recognition of an asset or liability in a transaction which:

(i) is not a business combination; and

(ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); and.

(iii) at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

...

Initial recognition of an asset or liability

22 A temporary difference may arise on initial recognition of an asset or liability, for example if part or all of the cost of an asset will not be deductible for tax purposes. The method of accounting for such a temporary difference depends on the nature of the transaction that led to the initial recognition of the asset or liability:

(a) in a business combination, an entity recognises any deferred tax liability or asset and this affects the amount of goodwill or bargain purchase gain it recognises (see paragraph 19);

(b) if the transaction affects either accounting profit or taxable profit, or gives rise to equal taxable and deductible temporary differences, an entity recognises any deferred tax liability or asset and recognises the resulting deferred tax expense or income in profit or loss (see paragraph 59);

(c) if the transaction is not a business combination, and affects neither accounting profit nor taxable profit and does not give rise to equal taxable and deductible temporary differences, an entity would, in the absence of the exemption provided by paragraphs 15 and 24, recognise the resulting deferred tax liability or asset and adjust the carrying amount of the asset or liability by the same amount. Such adjustments would make the financial statements less transparent. Therefore, this Standard does not permit an entity to recognise the resulting deferred tax liability or asset, either on initial recognition or subsequently (see example below). Furthermore, an entity does not recognise subsequent changes in the unrecognised deferred tax liability or asset as the asset is depreciated.

...

22A A transaction that is not a business combination may lead to the initial recognition of an asset and a liability and, at the time of the transaction, affect neither accounting profit nor taxable profit. For example, at the commencement date of a lease, a lessee typically recognises a lease liability and the corresponding amount as part of the cost of a right-of-use asset. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of the asset and liability in such a transaction. The exemption provided by paragraphs 15 and 24 does not apply to such temporary differences and an entity recognises any resulting deferred tax liability and asset.

...

Deductible temporary differences

24 A deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

(a) is not a business combination; and

(b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); and.

(c) at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

...

Effective date

...

98J *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, issued in May 2021, amended paragraphs 15, 22 and 24 and added paragraph 22A. An entity shall apply these amendments in accordance with paragraphs 98K–98L for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. If an entity applies the amendments for an earlier period, it shall disclose that fact.

98K An entity shall apply *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* to transactions that occur on or after the beginning of the earliest comparative period presented.

98L An entity applying *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* shall also, at the beginning of the earliest comparative period presented:

(a) recognise a deferred tax asset—to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised—and a deferred tax liability for all deductible and taxable temporary differences associated with:

(i) right-of-use assets and lease liabilities; and

(ii) decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset; and

(b) recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Paragraph 39AH is added. In Appendix B, paragraph B1 is amended and paragraph B14 and its heading are added. Deleted text is struck through and new text is underlined.

Effective date

...

39AH *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, issued in May 2021, amended paragraph B1 and added paragraph B14. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. If an entity applies the amendments for an earlier period, it shall disclose that fact.

...

Appendix B
Exceptions to the retrospective application of other IFRSs

This appendix is an integral part of the IFRS.

B1 An entity shall apply the following exceptions:

...

(g) government loans (paragraphs B10–B12); and

(h) insurance contracts (paragraph B13); and.

(i) deferred tax related to leases and decommissioning, restoration and similar liabilities (paragraph B14).

...

Deferred tax related to leases and decommissioning, restoration and similar liabilities

B14 Paragraphs 15 and 24 of IAS 12 *Income Taxes* exempt an entity from recognising a deferred tax asset or liability in particular circumstances. Despite this exemption, at the date of transition to IFRSs, a first-time adopter shall recognise a deferred tax asset—to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised—and a deferred tax liability for all deductible and taxable temporary differences associated with:

(a) right-of-use assets and lease liabilities; and

(b) decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset.