Endorsement of 2021 NSA—Approval of Draft Endorsement Criteria Assessment

Executive Summary

Project Type	Endorsement and adoption
Project scope	Narrow-scope

Purpose of the paper

The purpose of this paper is to:

- obtain Board feedback on this [Draft] Endorsement Criteria Assessment (DECA) for the project to endorse and adopt the following three narrow-scope amendments issued in in 2021 (the "2021 Amendments"):
  - Disclosure of Accounting Policies (Amendments to IAS 1 and to 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).
- request the Board's approval to publish this DECA on the website for stakeholder consultation.

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

Summary of the issues

For each amendment included in this project we provide:

- a description and rationale;
- a technical criteria assessment; and
- an assessment of whether the amendments would be conducive to the UK public good.

Decisions for the Board

The Board is asked to approve the publication of this DECA on the website for stakeholder consultation.

Recommendations

We recommend the Board approves this DECA.

Appendices

Appendix 1	[Draft] Endorsement Criteria Assessment of narrow-scope amendments issued 2021 (with an effective date of 1 January 2023)
Appendix 2	DECA–Invitation to Comment

Endorsement of 2021 NSA—Approval of Draft Endorsement Criteria Assessment

Project Type	Endorsement and adoption
Project scope	Narrow-scope

Purpose

1. The purpose of this paper is to:

   a) Obtain Board feedback on the Draft Endorsement Criteria Assessment (DECA) for the project to endorse and adopt the following three narrow-scope amendments issued in in 2021 (the "2021 Amendments") that have an effective date of 1 January 2023, which is included in Appendix 1 of this paper. The narrow-scope amendments covered in this project are as follows:

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

   b) Request the Board's approval to publish this DECA on the website for stakeholder consultation.

2. We have also summarised below the result of further research that we performed on the impact of the Amendments to IAS 12.

Further research on the Amendments to IAS 12

Background

3. IAS 12 requires an entity to recognise deferred tax if recovering an asset or settling a liability in the future will have tax consequences (that is, will affect the amount of tax an entity will pay). Such tax consequences arise from temporary differences between the carrying amount of the financial statement assets and liabilities and that for tax purposes (i.e. their tax base).

4. For example, an entity determines whether temporary differences arise on initial recognition of lease assets and lease liabilities arising from any leasing transaction. In doing so, the Amendments to IAS 12 would require the entity to determine the tax bases of the lease asset and lease liability by identifying the amounts attributable to them for tax purposes. The Amendments to IAS 12 do not provide application guidance to help

entities assess whether tax deductions are attributable to the lease asset or lease liability.

5. In some jurisdictions, tax authorities provide tax deductions only when an entity makes lease payments (rather than when an entity recognises depreciation and interest expense). In such cases, an entity needs to apply judgement to determine whether the tax deductions it receives under the applicable tax law relate to the lease asset or to the lease liability.

6. 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.

Assessing the attribution of tax deductions

7. The Secretariat met in early June 2022 with tax and accounting specialists from HMRC to discuss which specific accounting items, for example depreciation, interest expense or capital repayments could potentially drive the tax deduction of lease payments under the applicable UK tax law.

8. We understand that UK tax law focuses on profit (i.e. income and expenses) and not on assets or liabilities, making it hard to obtain a definitive answer as to whether tax deductions should be related to the asset or to the liability.

9. Moreover, the tax treatment for leases varies depending on certain specific circumstances, for example on:

   a) The *type of asset being leased* (different tax rules would apply to, for example, plant and machinery, property leases, or to leases of other equipment).

   b) The *type of lease*[1]. We were told that determining the type of lease would involve an analysis of the terms of the contract and requirements of the applicable UK tax law for each type of lease. For example, for tax purposes the lease could be classified as a 'hire purchase' lease, a 'long-funding' lease[2]', a sale and leaseback transaction, an 'operating' lease, or a 'finance' lease.

[1] The tax regime for leases does not follow the classification changes brought by IFRS 16 *Leases,* (for example, it maintained the old distinction between 'operating' and 'finance' leases), partly to maintain consistency with the requirements in UK GAAP (e.g. with the classification of leases in FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* which sets out the financial reporting requirements for entities not applying UK-adopted international accounting standards, FRS 101 or FRS 105).

[2] 'Long-funding leases' include longer leases of plant and machinery.

c) The length of the lease (e.g. whether it is a 'short' or a 'long term' lease).

10. To illustrate this, for certain types of finance leases, UK tax law allows a lessee to obtain a tax deduction as the asset's carrying amount is recovered through use (i.e. through depreciation). On the other hand, on longer leases of plant and machinery, UK tax law permits a lessee to claim capital allowances. This might suggest that the tax deductions on lease payments for both scenarios could be attributed to the lease asset.

11. Nevertheless, it was concluded during our discussion that 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.

Next steps and timeline

12. As per the Board's approved PIP (May 2022), the UKEB project plan timeline will ensure the NSA are adopted for use in the UK before the IASB's effective date of annual periods beginning on or after 1 January 2023.

13. Subject to amendments or additions required by the Board on the DECA (included as agenda paper 3, **Appendix 1**), the next steps for publication, public consultation and subsequent finalisation of the DECA are set out in the table below (see diagram below).

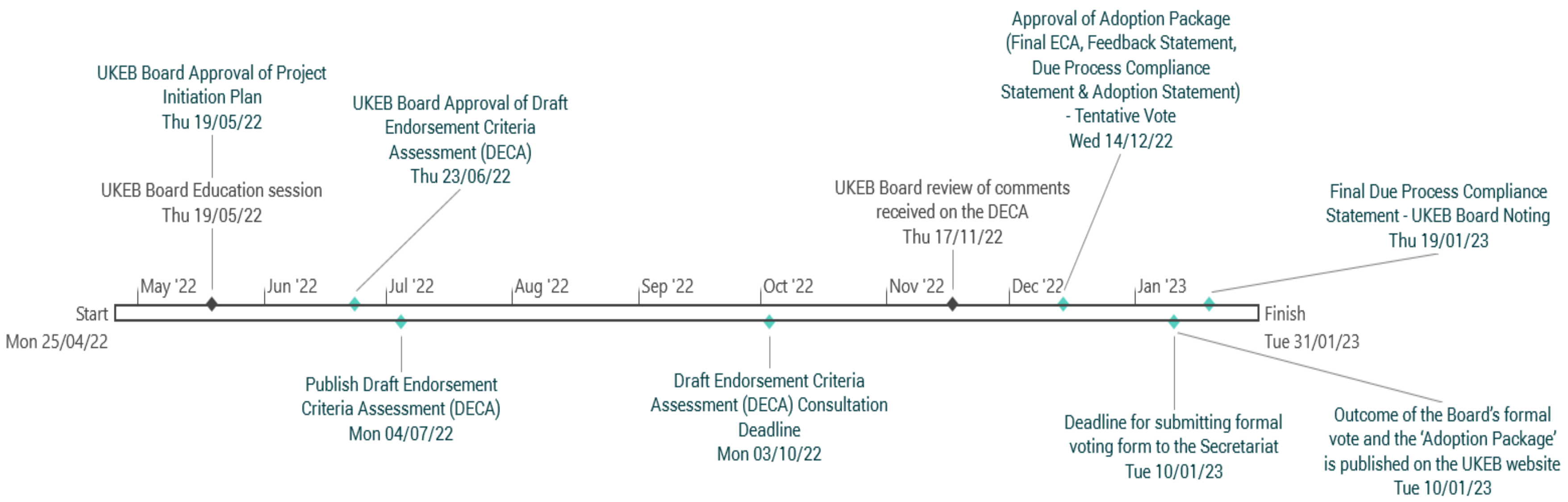
Expected Date	Milestones	
23 June 2022	Board approval of Draft Endorsement Criteria Assessment (DECA)	**This meeting**
DECA Consultation period (90 days): 4 July 2022 – 3 October 2022		
17 November 2022	Board review of comments received on the DECA	*To be completed*
14 December 2022	Approval of Adoption Package	*To be completed*
x* January 2023	Due Process Compliance Statement for noting	*To be completed*

* A date for the January 2023 Board meeting has not been confirmed at the time of writing.

Questions for the Board	
1.	Does the Board have any comments on the DECA?
2.	Does the Board agree that, subject to any amendments or additions required by the Board, the [draft] Endorsement Criteria Assessment can be published for consultation?

Endorsement and adoption of narrow-scope amendments issued 2021 (with an effective date of 1 January 2023) – Upcoming Tasks

High-Level Plan with expected dates



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

Introduction

Purpose

1. The purpose of this Draft Endorsement Criteria Assessment (DECA) 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 the amendments included in this project were developed before the UK's exit from the EU and the creation of the UKEB. They were finalised and published by the IASB a few months after EU exit. 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 fully considered by the IASB when finalising those amendments

3. The UKEB is considering 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 their consistent application. Proposals for amendments often arise from questions submitted to the IFRS Interpretations Committee.

5. The 2021 Amendments are narrow in scope 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. **Section B** in this paper provides a brief description of each one of these amendments.

Title of the Amendment	Standard	Issue date
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.

8. 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. 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 comprise the mandatory[4] sections of standards.

Structure of the assessment

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

   a) **Section A:** describes UK Statutory requirements for endorsement and adoption;

   b) **Section B:** discusses how each of the 2021 Amendments meet the criteria in section A.

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

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

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

[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.

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).)

Section A: UK Statutory requirements for endorsement and adoption

11. 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."

12. This 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

    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:

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.

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]

13. 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.

14. 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.

15. 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.

16. 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.

True and fair view assessment

17. 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

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.

accounts taken as a whole, so far as concerns members of the undertaking; [….]”

18. In this section of the DECA we consider whether 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.

19. 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 the 2021 Amendments contain any requirement that would prevent accounts prepared using the 2021 Amendments from giving a true and fair view.

20. Our approach is to determine whether the 2021 Amendments are not contrary to the true and fair principle in respect of any of the specific items identified in Regulation 7(1)(a) (namely, the assets, liabilities, financial position and profit or loss) in the context of the preparation of the accounts as a whole. A holistic approach has been taken to this assessment, considering the impact of each of the 2021 Amendments taken as a whole, including its interaction with other UK-adopted international accounting standards.

21. 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.

22. 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]

23. **[Section B** of the DECA discusses how the individual 2021 Amendments meet the statutory endorsement criteria in **section A**.

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

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

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

Section B –Description and assessment of narrow-scope amendments to be considered for adoption

1 Amendments to IAS 1 – Disclosure of Accounting Policies	
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:
	  ○ 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.
	• 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

8 Not discussed in this paper as these are amendments to non-mandatory guidance. Refer to paragraphs 7–8 of the DECA.

1 Amendments to IAS 1 – Disclosure of Accounting Policies	
	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 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, 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 policy information provides context for the other information contained in the financial statements and the amendments have the potential to result in information that more 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 more clarity on the approach that should be used to disclose accounting policy information as the amendments replace the existing

1 Amendments to IAS 1 – Disclosure of Accounting Policies	
	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 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. 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 DECA 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 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 facing costs related to:

9 Refer to paragraph 38 of IAS 1.

1	*Amendments to IAS 1 – Disclosure of Accounting Policies*
	• 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 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 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. Users: We believe that costs to users will be minimal given that there may need to be some one-off familiarisation costs relating to becoming familiar with the amendments.
Benefits for preparers and users	Preparers: The revised guidance will enable preparers to better exercise their judgement by focusing on accounting policy information which is 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 adverse effect on UK economy	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 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 to 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.

2 Amendments to IAS 8 – Definition of Accounting Estimates

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: o 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. o 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 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 comprised 2 accounting and audit representative organisations, 6 accounting firms, 1 standard-setter, 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 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 better ensure that accounting changes are faithfully characterised and represented as either changes in accounting policies or changes in estimates, and therefore accounted for in

2 Amendments to IAS 8 – Definition of Accounting Estimates	
	accordance with their nature (i.e. prospectively or retrospectively). 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 accounting estimates and will eliminate confusion on this distinction as currently IAS 8 defines 'accounting policies' and a 'change in an accounting estimate' but not 'accounting 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 more consistent approach to characterising different types of accounting changes, and therefore, have the potential to increase comparability between entities and enhance users' analysis.
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 DECA 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. 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	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

10 For example, paragraph 36 of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* 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".

2 Amendments to IAS 8 – Definition of Accounting Estimates	
improve financial reporting?	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 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 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. 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. Users: We believe that cost to users will be minimal given that there may need to be some one-off familiarisation costs relating to becoming familiar with the amendments.
Benefits for preparers and users	Preparers: The added guidance has the potential to help preparers better distinguish accounting policies from accounting estimates and to apply the appropriate accounting. Users: 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 and enhance users' analysis.
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 to 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.

3 Amendments to IAS 12 – Deferred Taxes related to Assets and Liabilities arising from a Single Transaction

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 it does not apply to transactions that, on initial recognition, give rise to equal taxable and tax-deductible temporary differences (that is, the taxable and tax-deductible temporary differences are of the same amount). 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-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

[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'.

3 Amendments to IAS 12 – Deferred Taxes related to Assets and Liabilities arising from a Single Transaction	
	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 responding to IASB's proposals	There were 12 UK respondents to the IASB's proposals. These were comprised of 2 accounting and audit representative organisations, 6 accounting firms, 3 preparers, 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 consistent 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 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.

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.

3 Amendments to IAS 12 – Deferred Taxes related to Assets and Liabilities arising from a Single Transaction	
	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 clarify that transactions that give rise to equal taxable and tax-deductible temporary differences with the principles in IAS 12.
Conclusion	The previous section of this DECA 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 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). 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: • of all companies listed on the LSEG, 812 had right-of-use assets, for a total carrying amount of about £105 billion, as 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.

3 Amendments to IAS 12 – Deferred Taxes related to Assets and Liabilities arising from a Single Transaction	
	• 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 these amendments to have a material impact on the size of deferred tax assets/liabilities on UK companies' balance sheets as in most instances deferred tax assets and liabilities arising from these transactions will be offset[15].
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	<u>Preparers</u>: 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. 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:

[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).

3 Amendments to IAS 12 – Deferred Taxes related to Assets and Liabilities arising from a Single Transaction	
	• 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: Cost to users are expected to be minimal given that there may need to be some one-off familiarisation costs relating to becoming familiar with the Amendments to IAS 12. However, no on-going costs are expected as users would be already familiar with 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: • Will bring a more accurate reflection of the entity's net profit; and • Will 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 amendments would: • Alter competition/competitive equilibria between different industries; • Incentivise 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 to 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.

APPENDIX 2:

Invitation to Comment:

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

Deadline for completion of this Invitation to Comment:

Close of business **Monday, 3 October 2022**

Please submit to:
UKEndorsementBoard@endorsement-board.uk

Introduction

The objective of this Invitation to Comment is to obtain input from stakeholders on the endorsement and adoption of a set of three Amendments to international accounting standards published by the International Accounting Standards Board (IASB) in 2021, with an effective date of 1 January 2023 with earlier application permitted, (the '2021 Amendments').

The 2021 Amendments covered in this assessment are:

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

UK endorsement and adoption process

The requirements for UK endorsement and adoption are set out in the Statutory Instrument 2019/685[1].

The delegation of the powers to formally adopt international accounting standards for use in the UK was delegated to the UK Endorsement Board in May 2021[2].

The information collected from this Invitation to Comment is intended to help with the endorsement assessment. This will form part of the work necessary for potential UK endorsement and adoption of the 2021 Amendments.

Who should respond to this Invitation to Comment?

Stakeholders with an interest in the quality of accounts that apply IFRS accounting standards.

How to respond to this Invitation to Comment

Please download this document, answer any questions on which you would like to provide views, and return to **UKEndorsementBoard@endorsement-board.uk** by close of business on Monday, 3 October 2022.

Brief responses providing views on individual questions are welcome, as well as comprehensive responses to all questions.

Privacy and other policies

The data collected through submitting this document will be stored and processed by the UKEB. By submitting this document, you consent to the UKEB processing your data for the purposes of influencing the development of and adopting IFRS for use in the UK. For further information, please see our Privacy Statements and Notices and other Policies (e.g. Consultation Responses Policy and Data Protection Policy)[3].

The UKEB's policy is to publish on its website all responses to formal consultations issued by the UKEB unless the respondent explicitly requests otherwise. A standard confidentiality statement in an e-mail message will not be regarded as a request for non-disclosure. If you do not wish your signature to be published, please provide UKEB with an unsigned version of your submission. The UKEB prefers to publish responses that do not include a personal signature.

1 The International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019: https://www.legislation.gov.uk/uksi/2019/685/made

2 The International Accounting Standards (Delegation of Functions) (EU Exit) Regulations 2021: https://www.legislation.gov.uk/uksi/2021/609/contents/made

3 These policies can be accessed from the footer in the UKEB website here: **https://www.endorsement-board.uk**

Other than the name of the organisation/individual responding, information contained in the "Your Details" document will not be published. The UKEB does not edit personal information (such as telephone numbers, postal or e-mail addresses) from any other document submitted; therefore, only information that you wish to be published should be submitted in such responses.

Part B: Assessment against endorsement criteria

Our draft assessment concludes that:

- the 2021 Amendments 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 (see Regulation 7(1)(c));
- application of the 2021 Amendments is not contrary to the principle that an entity's accounts accounts must give a true and fair view as required by SI 2019/685 (see Regulation 7(1)(a)); and
- that the 2021 Amendments are likely to be conducive to the long term public good in the UK as required by SI 2019/685 (see Regulation 7(1)(b)), including that:
  - will generally improve the quality of financial reporting;
  - will lead to benefits that exceed the costs; and
  - are not likely to have an adverse effect on the economy of the UK, including on economic growth.

Our assessment of each of the **2021 Amendments** is set out in **Section B** of this DECA in the pages indicated below:

	Amendments to IAS 1	Amendments to IAS 8	Amendments to IAS 12
Rationale for the Amendments	pages 6–7	page 10	pages 13–14
Technical criteria assessment	pages 7–8	pages 10–11	pages 14–15
True and fair view	page 8	page 11	page 15
UK long term public good (including costs and benefits for preparers and users)	pages 8–9	pages 11–12	pages 15–17

Questions

Technical criteria assessment

1. Do you agree with the draft assessment of the 2021 Amendments against the technical criteria? (please select one option)

Yes	☐	**No**	☐

2. Please include any comments you may have in response to question 1:

Click or tap here to enter text.

True and fair view

3. Do you agree with the draft assessment that the 2021 Amendments are not contrary to the true and fair view requirement? (please select one option)

Yes	☐	**No**	☐

4. Please include any comments you may have in response to question 3:

Click or tap here to enter text.

UK long term public good

5. Do you agree with the initial assessments of costs and benefits for preparers and for users for the 2021 Amendments (please select one option)

Yes	☐	**No**	☐

6. Please include any comments you may have in response to question 5, including if any costs have been missed out:

Click or tap here to enter text.

7. Do you agree with the draft assessment of the 2021 Amendments against UK long term public good? (please select one option)

Yes	☐	**No**	☐

8. Please include any comments you may have in response to question 7:

Click or tap here to enter text.

Thank you for completing this Invitation to Comment

Please submit this document

by close of business on Monday 3 October 2022 to:

UKEndorsementBoard@endorsement-board.uk