

Invitation to Comment:

Call for comments on Draft Endorsement Criteria Assessment (DECA) of IAS 1 Narrow-scope Amendments: *Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants*

Deadline for completion of this Invitation to Comment:

Close of business Thursday, 8 June 2023

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:

1. *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1) (the 2020 Amendments), issued by the International Accounting Standards Board (IASB) in January 2020; and
2. *Non-current Liabilities with Covenants* (Amendments to IAS 1) (the 2022 Amendments), issued by the IASB in October 2022.

The Amendments have an effective date of 1 January 2024, with earlier application permitted¹.

UK endorsement and adoption process

The requirements for UK adoption are set out in the Statutory Instrument 2019/685².

¹ Early application is only permitted if both amendments are applied at the same period.

² 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>

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 2021³.

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 Amendments.

Who should respond to this Invitation to Comment?

Stakeholders with an interest in the quality of accounts prepared in accordance with 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 it to UKEndorsementBoard@endorsement-board.uk by close of business on Thursday, 8 June 2023.

Brief responses providing views on only specific 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)⁴.

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. 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 response document submitted; therefore, only information that you wish to be published should be submitted in such responses.

³ The International Accounting Standards (Delegation of Functions) (EU Exit) Regulations 2021: <https://www.legislation.gov.uk/ukxi/2021/609/contents/made>

⁴ These policies can be accessed from the footer in the UKEB website here: <https://www.endorsement-board.uk>

Assessment against endorsement criteria

Our draft assessment concludes that:

- the Amendments meet the criteria of relevance, reliability, understandability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management, as required by SI 2019/685 (see Regulation 7(1)(c));
- application of the Amendments is not contrary to the principle that an entity's accounts must give a true and fair view as required by SI 2019/685 (see Regulation 7(1)(a)); and
- that the 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)), having considered:
 - whether they will generally improve the quality of financial reporting;
 - the costs and benefits that are likely to result from their use; and
 - whether they are likely to have an adverse effect on the economy of the UK, including on economic growth.

Our assessment of the Amendments is set out in **Section 2** of the DECA.

Questions

Joint assessment and adoption

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

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

We agree that the 2020 and 2022 amendments should be considered jointly, because this is consistent with how the revised IAS 1 standard will be applied by reporting entities that haven't early-adopted the 2020 amendments.

Technical criteria assessment

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

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

Please see the response to Q10.

True and fair view

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

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

Please see the response to Q10.

UK long term public good

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

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

We have no further comments regarding this question.
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5. Do you agree with the initial assessment of **costs of design of data collection processes and IT system changes for preparers and for users** of the Amendments as set out on page 17 – 18 of the DECA? (please select one option)

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

We have no further comments regarding this question.
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6. Do you agree with the initial assessment of **costs of governance processes and external audit for preparers** of the Amendments as set out on page 18 of the DECA? (please select one option)

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

We have no further comments regarding this question.
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7. Do you agree with the initial assessment of **benefits for users and for preparers** of the Amendments as set out on pages 18 of the DECA? (please select one option)

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

Please see the response to Q10.

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

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

Please see the response to Q10.

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

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

We have no further comments regarding this question.
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10. Do you have **any other comments** you would like to add?

We agree that the 2020 and 2022 amendments when considered jointly provide clarity for the classification of liabilities, improving the relevance, reliability and comparability of financial information. In addition, we agree that the disclosure requirements would help improve the
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understandability of the financial information, since entities will be required to provide further disclosures of the potential impact of the covenants if they're material.

Thank you for completing this Invitation to Comment

Please submit this document

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

UKEndorsementBoard@endorsement-board.uk