

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

Consultation issued by the UK Endorsement Board in July 2022

Comments from ACCA  
Ref: TECH-CDR-2010

3 October 2022

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We offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904, being a force for public good has been embedded in our purpose. We believe that accountancy is a cornerstone profession of society and is vital in helping economies, organisations and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities.

Further information about ACCA's comments on the matters discussed here can be requested from:

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## GENERAL COMMENTS

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ACCA welcomes the opportunity to respond to the UK Endorsement Board (UKEB) on the narrow-scope amendments to IAS 1, IAS 8 and IAS 12. We responded to the International Accounting Standards Board (IASB) when these amendments were first exposed for comment and support the endorsement of these amendments. The amendments enacted by the IASB would elevate the UK financial reporting landscape by reducing diversity in practice and focusing preparers on material information in their financial statements.

## SPECIFIC COMMENTS

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### Technical criteria assessment

#### **A Do you agree with the draft assessment of the IAS 1 Amendments against the technical criteria?**

Yes. We concur with the UKEB's tentative technical criteria assessment. We believe that the IASB's amendment to disclose 'material' as opposed to 'significant' accounting policies is appropriate and proportionate.

#### **B Do you agree with the draft assessment of the IAS 8 Amendments against the technical criteria?**

Yes. We agree with the UKEB's tentative technical criteria assessment. As noted in [our January 2018 response](#) to the IASB's proposed amendments to IAS 8, there can be considerable confusion for preparers in differentiating changes in accounting estimates from changes in accounting policies. Based on current evidence, we take the view that the IASB's amendments to IAS 8 are proportionate and that the clarifications provided in the revised standard will elevate the financial reporting landscape.

#### **C Do you agree with the draft assessment of the IAS 12 Amendments against the technical criteria?**

Yes. We are in agreement with the UKEB's tentative technical criteria assessment. In our [November 2019 response](#) to the IASB's proposed amendments to IAS 12, we expressed our support for the IAS 12 Amendments, although we were concerned that paragraph 22A(b) as stated in the original exposure draft might lead to preparers restricting deferred tax liabilities. This 'capping' issue was resolved in the final amendments issued by the IASB, as noted in the UKEB's draft assessment. The revisions to IAS 12 are appropriate and proportionate.

## **True and fair view**

### **A Do you agree with the draft assessment that the IAS 1 Amendments are not contrary to the true and fair requirement?**

Yes. We agree with the UKEB's tentative draft assessment that the IAS 1 Amendments are not contrary to the true and fair requirement. As the UKEB has noted, 'significant' is not defined under IFRS, whereas 'material' is well-understood by users and preparers.

Accounting policy disclosures for many entities can often be a boilerplate copy-and-paste exercise from a standard set of disclosures published by one of the leading audit firms; we recognise that this practice has potential to obfuscate critical decision-useful information for users of the financial statements. The IAS 1 Amendments will encourage preparers to consider the information needs of users of the financial statements and disclose only those policies deemed material.

### **B Do you agree with the draft assessment that the IAS 8 Amendments are not contrary to the true and fair requirement?**

Yes. We concur with the UKEB's tentative draft assessment; indeed, we conclude that the IAS 8 Amendments will improve existing guidance and requirements in the standard and will go some way to ensuring that the financial statements present a true and fair view in an area that has often confused users and preparers alike. We are unable to identify any circumstances in which applying the IAS 8 Amendments would cause financial statements to not give a true and fair view.

### **C Do you agree with the draft assessment that the IAS 12 Amendments are not contrary to the true and fair requirement?**

Yes. We are in agreement with the UKEB's tentative draft assessment; the IAS 12 Amendments will reduce diversity in practice and improve the reliability of reporting deferred tax on transactions in scope.

## **UK long term public good – initial assessments of costs and benefits**

### **A Do you agree with the initial assessments of costs and benefits for preparers and users for the IAS 1 Amendments?**

Yes. We concur with the UKEB's tentative initial assessments of costs and benefits, in particular that preparers will face some one-off familiarisation costs, but these would be expected to be minimal; given the narrow scope of the IAS 1 Amendments, we do not envisage any other costs to be incurred by preparers.

The benefits of the IAS 1 Amendments will ensure that users need read only the 'material' accounting policies, focusing their attention on the decision-useful information in the financial statements. We believe the IAS 1 Amendments encourage preparers to remove immaterial information and provide greater clarity on the decision-useful elements of the financial statements.

**B Do you agree with the initial assessments of costs and benefits for preparers and users for the IAS 8 Amendments?**

Yes. We agree with the UKEB's tentative initial assessments of costs and benefits. We expect costs of implementation to be minimal. The IAS 8 Amendments reduce confusion over the difference between changes in accounting estimates and changes in accounting policy, and bring considerable clarity to preparers and users of financial statements.

**C Do you agree with the initial assessments of costs and benefits for preparers and users for the IAS 12 Amendments?**

Yes. We are in agreement with the UKEB's tentative initial assessments of costs and benefits; the IAS 12 Amendments have a narrow scope and are not fully retrospective, which reduces implementation costs. The benefits to users and preparers of improving consistency in financial reporting outweigh any initial familiarisation costs that preparers might incur.

**UK long term public good – draft assessment**

**A Do you agree with the draft assessment of the IAS 1 Amendments against UK long term public good?**

Yes. We concur with the UKEB's tentative conclusion that the IAS 1 Amendments are likely to be conducive to the long term public good in the UK. In particular, based on current evidence, the non-disclosure or reduction in disclosure of immaterial information in the financial statements will ensure that the attention of users of the financial statements will be directed towards material, decision-useful information.

**B Do you agree with the draft assessment of the IAS 8 Amendments against UK long term public good?**

Yes. We support the clarifications the IAS 8 Amendments bring to users and preparers, and that these benefits are conducive to the UK long term public good.

**C Do you agree with the draft assessment of the IAS 12 Amendments against UK long term public good?**

Yes. We consider the IAS 12 Amendments are conducive to the long term public good in the UK, given these will clarify an area which has seen diversity in practice and ensure consistent financial reporting of deferred taxes on leases and decommissioning obligations.