II

(Non-legislative acts)

REGULATIONS

COMMISSION REGULATION (EU) 2022/357

of 2 March 2022

amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards 1 and 8

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards ([1]), and in particular Article 3(1) thereof,

Whereas:

(1) By Commission Regulation (EC) No 1126/2008 ([2]) certain international accounting standards and interpretations that were in existence on 15 October 2008 were adopted.

(2) On 12 February 2021, the International Accounting Standards Board published amendments to International Accounting Standard (IAS) 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Those amendments clarify the differences between accounting policies and accounting estimates to ensure further consistent application of accounting standards and comparability of financial statements.

(3) Following the consultation with the European Financial Reporting Advisory Group, the Commission concludes that the amendments to IAS 1 and IAS 8 meet the criteria for adoption set out in Article 3(2) of Regulation (EC) No 1606/2002.

(4) Regulation (EC) No 1126/2008 should therefore be amended accordingly.

(5) The measures provided for in this Regulation are in accordance with the opinion of the Accounting Regulatory Committee,

HAS ADOPTED THIS REGULATION:

Article 1

The Annex to Regulation (EC) No 1126/2008 is amended as follows:

(a) International Accounting Standard (IAS) 1 *Presentation of Financial Statements* is amended as set out in the Annex to this Regulation;

(b) IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* is amended as set out in the Annex to this Regulation.

([1]) OJ L 243, 11.9.2002, p. 1.

([2]) Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council (OJ L 320, 29.11.2008, p. 1).

Article 2

Each company shall apply the amendments referred to in Article 1, at the latest, as from the commencement date of its first financial year starting on or after 1 January 2023.

Article 3

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 2 March 2022.

For the Commission
The President
Ursula VON DER LEYEN

ANNEX

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.

DEFINITIONS

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

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.**

…

FINANCIAL STATEMENTS

…

Complete set of financial statements

10. A complete set of financial statements comprises:

…

(e) notes, comprising material accounting policy information 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 accounting policy information (see paragraph 117);

…

Disclosure of accounting policy information

117. An entity shall disclose material 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.

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]

119. [Deleted]

120. [Deleted]

121. [Deleted]

122. An entity shall disclose, along with material accounting policy information 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 other IFRS Standards and publications

Amendments to IFRS 7 *Financial Instruments: Disclosures*

Paragraphs 21 and B5 are amended. Paragraph 44II is added.

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 material accounting policy information. Information about the measurement basis (or bases) for financial instruments used in preparing the financial statements is expected to be material accounting policy information.

…

EFFECTIVE DATE AND TRANSITION

…

44II *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.

…

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. For financial instruments, such disclosure may include:

…

Paragraph 122 of IAS 1 (as revised in 2007) also requires entities to disclose, along with material accounting policy information 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.

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 accounting policy information; 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.

CONTENT OF AN INTERIM FINANCIAL REPORT

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

…

(e) notes, comprising material accounting policy information 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.

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.

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.**

…

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. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information. Examples of accounting estimates include:

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

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

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

(d) the depreciation expense for an item of property, plant and equipment, applying IAS 16; 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 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 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 change. 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 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

…

ERRORS

…

48. Corrections of errors are distinguished from changes in accounting estimates. Accounting estimates by their nature are approximations that may need changing 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

…

54I *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.