

27 August 2019

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear Sirs,

**RESPONSE TO EXPOSURE DRAFT – ANNUAL IMPROVEMENTS TO IFRS STANDARDS  
2018 -2020 (“ED”)**

ISCA sought views from its members on the above ED through a six-week public consultation and from the ISCA Financial Reporting Committee which includes experienced technical accounting professionals from large accounting firms, preparers and other stakeholders.

We support the Board’s aim to clarify application of IFRS through minor amendments via the annual improvement project. We broadly support and agree with the Board’s proposals except for the following:

**Proposed amendment to Illustrative Examples accompanying IFRS 16 Leases**

We note that the proposed amendment is intended to address the confusion in applying IFRS 16 because of how Illustrative Example 13 illustrates the requirements for lease incentives. The proposed amendment involves the removal of the illustration of reimbursement of leasehold improvements by the lessor from Illustrative Example 13.

In our view, the mere removal of the illustration of payments from the lessor relating to leasehold improvements and the explanation in paragraph BC2 will not address the confusion. Instead, we would suggest for the Board to consider retaining the illustration and clarify the rationale for the lessee not accounting for the reimbursement of leasehold improvements as lease incentives. In addition, the Board could consider providing further guidance (e.g. through additional examples) of when the reimbursement of leasehold improvements would constitute lease incentives.

## **Proposed amendment to IFRS 9 *Financial Instruments***

We note that the Board has decided against proposing similar amendments to paragraph AG62 of IAS 39 because any such amendments would affect a limited number of entities or are applicable for only a limited period of time. Notwithstanding the limited application of IAS 39, we would suggest for the Board to consider including similar amendments to IAS 39 since paragraph AG62 of IAS 39 contains the same requirements as those in paragraph B3.3.6 of IFRS 9.

Should you require any further clarification, please feel free to contact myself or Ms Felicia Tay, Manager, TECHNICAL: Financial & Corporate Reporting, from ISCA via email at [jumay.lim@isca.org.sg](mailto:jumay.lim@isca.org.sg) or [felicia.tay@isca.org.sg](mailto:felicia.tay@isca.org.sg).

Yours faithfully,



Ms Ju May, LIM  
Deputy Director  
TECHNICAL: Financial & Corporate Reporting;  
Ethics & Specialised Industries;  
Audit & Assurance