

11 December 2023

International Accounting Standards Board
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Board Members,

RESPONSE TO EXPOSURE DRAFT ANNUAL IMPROVEMENTS – VOLUME 11 (“ED”)

ISCA sought views from its members through a two-month public consultation and from the ISCA Financial Reporting Committee which comprises experienced technical professionals from audit firms, preparers of financial statements and other stakeholders.

We support the Board’s aim to clarify wording in certain IFRS Accounting Standards and correct relatively minor unintended consequences, oversights or conflicts between the requirements of the IFRS Accounting Standards via the annual improvements project.

In general, we support and agree with the Board’s proposals in the ED. In addition, we have the following suggestions in relation to the proposed amendments to IFRS 9 *Financial Instruments* on the derecognition of lease liabilities:

Proposed amendments to IFRS 9 – Derecognition of lease liabilities

(i) Suggested amendments to be made in IFRS 16 Leases to be aligned with the proposed amendments to IFRS 9

We note that the proposed amendments to IFRS 9 had been made to address stakeholders’ feedback on the lack of clarity around a lessee’s accounting for derecognition of a lease liability. We wish to highlight our observation that no reference to the derecognition requirements in IFRS 9 had been made in IFRS 16 in relation to a lessee’s derecognition of lease liabilities, while such reference had been made in paragraph 77 of IFRS 16 in relation to a lessor’s derecognition of finance lease receivables. We suggest for the Board to consider making similar references in IFRS 16 (i.e. two-way references) so that a reader of IFRS 16 would be aware of the need to refer to IFRS 9 for the requirements on derecognition of lease liabilities.

(ii) Suggested clarification on when a change to the lease agreement is to be accounted for according to paragraph 46 of IFRS 16 or paragraph 3.3.3 of IFRS 9

We note that paragraph 46 of IFRS 16 requires lease modifications that are not accounted as a separate lease to result in an adjustment to the right-of-use asset. This paragraph applies to all lease modifications including those that result in the derecognition of a lease liability, unless the right-of-use asset has been reduced to nil. However, the proposed amendments to IFRS 9 require a gain or loss to be recognised (in accordance with paragraph 3.3.3 of IFRS 9) on the derecognition of a lease liability. For avoidance of doubt, we suggest for the IASB to clarify when a change to the lease agreement is (i) a lease modification for which paragraph 46 of IFRS 16 applies or (ii) a derecognition of a lease liability for which paragraph 3.3.3 of IFRS 9 applies.

Should you require any further clarification, please feel free to contact Ms Felicia Tay at felicia.tay@isca.org.sg or Ms Jezz Chew at jezz.chew@isca.org.sg.



Yours faithfully,
Mr Wai Geat, KANG
Divisional Director
Professional Standards Division