

STAFF PAPER

November 2019

IASB® meeting

Project	Annual Improvements to IFRS Standards 2018–2020		
Paper topic	Cover paper		
CONTACT(S)	Nicolette Lange	nlange@ifrs.org	+44 (0) 20 7246 6924
	Kensuke Okabe	kokabe@ifrs.org	+44 (0) 20 7246 6439

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (Board) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS® Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB® *Update*.

Introduction and purpose

1. The International Accounting Standard Board (Board) published the [Exposure Draft *Annual Improvements to IFRS Standards 2018–2020*](#) in May 2019.
2. The comment period ended in August 2019 and the Board received 59 comment letters —these letters can be accessed [here](#).
3. The objective of this meeting is to present the Board with a summary of feedback on the proposed amendments included in the Exposure Draft, together with our analysis and recommendations on how the Board should proceed.

Summary of the proposed amendments

4. The Exposure Draft included the following four proposed amendments:
 - (a) **Subsidiary as a first-time adopter**—Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*

The proposed amendment to IFRS 1 would require a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRS Standards.

- (b) Fees included in the ‘10 per cent’ test for derecognition of financial liabilities—Amendment to IFRS 9 *Financial Instruments*

The proposed amendment to IFRS 9 clarifies which fees an entity includes when it applies the ‘10 per cent’ test in assessing whether to derecognise a financial liability. Applying the proposed amendment, an entity would include only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

- (c) Lease incentives—Amendment to Illustrative Examples accompanying IFRS 16 *Leases*;

The proposed amendment to Illustrative Example 13 accompanying IFRS 16 would remove from the example the illustration of the reimbursement of leasehold improvements by the lessor. The proposed amendment would resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- (d) Taxation in fair value measurements—Amendment to IAS 41 *Agriculture*.

The proposed amendment to IAS 41 would remove the requirement in paragraph 22 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. The proposed amendment would ensure consistency with the requirements in IFRS 13 *Fair Value Measurement*.

Agenda papers for this meeting

5. In addition to this cover paper, we have prepared the following four agenda papers for discussion with the Board:

- (a) Agenda Paper 12F: *Subsidiary as a First-time Adopter* (Amendment to IFRS 1);
- (b) Agenda Paper 12G: *Fees included in the ‘10 per cent’ test for Derecognition of Financial Liabilities* (Amendment to IFRS 9);

- (c) Agenda Paper 12H: *Lease Incentives* (Amendment to Illustrative Examples accompanying IFRS 16); and
- (d) Agenda Paper 12I: *Taxation in Fair Value Measurements* (Amendment to IAS 41).