

ASC

ACCOUNTING STANDARDS COUNCIL
SINGAPORE

20 August 2019

Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

(By online submission)

Dear Hans

RESPONSE TO EXPOSURE DRAFT ON ANNUAL IMPROVEMENTS TO IFRS STANDARDS 2018 – 2020

The Singapore Accounting Standards Council appreciates the opportunity to comment on the Exposure Draft on *Annual Improvements to IFRS Standards 2018 – 2020* (the ED) issued by the International Accounting Standards Board (the IASB) in May 2019.

Subject to our comments below, we are generally supportive of the proposals set out in the ED.

IFRS 9 *Financial Instruments*

We are not convinced by the IASB's rationale for not proposing a similar amendment to IAS 39 *Financial Instruments: Recognition and Measurement*. The issue that gave rise to a need to clarify IFRS 9 would also be relevant for IAS 39. Moreover, IAS 39 and IFRS 9 should remain aligned to the extent that they have equivalent requirements. Hence, we recommend that similar amendment should be made to IAS 39.

Illustrative Examples accompanying IFRS 16 *Leases*

We support the IASB's decision to address the potential for confusion in applying IFRS 16 because of how the requirements for lease incentives are illustrated in Illustrative Example 13 accompanying IFRS 16. However, we disagree with removing the illustration of the reimbursement relating to leasehold improvements as proposed by the ED.

In particular, the proposed amendment would not help to clarify why the reimbursement of leasehold improvements in the example did not meet the definition of lease incentives in IFRS 16. In practice, there appear to be different views on when reimbursement of leasehold improvements would, or would not, meet the definition of lease incentives.

Hence, we recommend that the IASB should consider amending the example to explain why a particular reimbursement of leasehold improvements would not meet the definition of lease incentives. For example, the IASB could illustrate leasehold improvements made to the lessor's asset, instead of the lessee's asset, as an example of when the reimbursement of leasehold improvements would not be associated with the lease.

We hope that our comments will contribute to the IASB's deliberation on the ED. Should you require any further clarification, please contact our project manager Nicole Cai at Nicole_Cai@asc.gov.sg.

Yours faithfully

Suat Cheng Goh
Technical Director
Singapore Accounting Standards Council