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Submitted electronically via [www.ifrs.org](http://www.ifrs.org)

IFRS Foundation  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom

Dear Sirs,

**Re: Annual Improvements to IFRS® Standards 2018–2020 (ED/2019/2)**

This letter is the response of the [Canadian Accounting Standards Board](http://www.frascanada.ca) (AcSB) to the International Accounting Standards Board's (IASB) Exposure Draft, "Annual Improvements to IFRS® Standards 2018–2020" issued in May 2019.

**Our process**

As part of our due process for these proposals, we consulted with our [IFRS® Discussion Group](#) and took into account the results of this discussion when developing this letter.

**Our view**

We continue to strongly support the IASB in its efforts to identify and address standards implementation issues.

Overall, we agree with most of the proposals in the Exposure Draft as we think that the proposed amendments will help address application challenges and improve the consistency of the application of the respective IFRS Standards. However, we recommend that the IASB provide additional guidance to IFRS 16 *Leases*, to clarify when the reimbursement of leasehold improvements will be identified as a lease incentive. This is because current guidance is not clear as to when the reimbursement of leasehold improvements should be identified as a lease incentive, leading to inconsistent application.

## Our responses to your questions

[The Appendix](#) to this letter responds to the questions posed in the **Exposure Draft** and expands on the points raised above.

We would be pleased to elaborate on our comments in more detail if you require. If so, please contact me or, alternatively, Andrew White, Senior Principal, Accounting Standards (+1 416 204-3487 or email [awhite@acsbcanada.ca](mailto:awhite@acsbcanada.ca)) or Jayshal Daya, Principal, Accounting Standards (+1 416 204-3501 or email [jrdaya@acsbcanada.ca](mailto:jrdaya@acsbcanada.ca)).

Yours truly,



Linda F. Mezon, FCPA, FCA, CPA (MI), CGMA  
Chair, Canadian Accounting Standards Board

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### About the Canadian Accounting Standards Board

We are an independent body with the legal authority to establish accounting standards for use by all Canadian publicly accountable enterprises, private enterprises, not-for-profit organizations and pension plans in the private sector. We are comprised of a full-time Chair and volunteer members from a variety of backgrounds, including financial statement users, preparers, auditors and academics; a full-time staff complement supports our work.

### Our standards

We have adopted IFRS® Standards as issued by the IASB for publicly accountable enterprises. Canadian securities legislation permits the use of U.S. GAAP in place of IFRS Standards in certain circumstances. We support a shared goal among global standard setters of high-quality accounting standards that result in comparable financial reporting outcomes regardless of the GAAP framework applied.

We developed separate sets of accounting standards for private enterprises, not-for-profit organizations and pension plans. Pension plans are required to use the applicable set of standards. Private enterprises and not-for-profit organizations can elect to apply either the set of standards developed for them, or IFRS Standards as applied by publicly accountable enterprises.

### Our role vis-à-vis IFRS Standards

Our responsibility to establish Canadian GAAP necessitates an endorsement process for IFRS Standards. We evaluate and rely on the integrity of the IASB's due process as a whole, and monitor its application in practice. In addition, we perform our own due process activities for each new or amended IFRS Standard to ensure that the standard is appropriate for application in Canada. We reach out to Canadians on the IASB's proposals to understand and consider their views before deciding whether to endorse a final IFRS Standard. A final standard is available for use in Canada only after we have endorsed it as Canadian GAAP.

## APPENDIX

### Section 1 – IFRS 1 *First-time Adoption of International Financial Reporting Standards*: Subsidiary as a first-time adopter

<b>Question 1</b>
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Do you agree with the Board’s proposal to amend IFRS 1 and accompanying documents in the manner described in the Exposure Draft?
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If not, why not, and what do you recommend instead?
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1. We agree with the IASB’s proposal to amend IFRS 1 as described in the Exposure Draft, for the reasons described in the Basis of Conclusions for the proposed change.
2. Furthermore, we welcome the option for earlier application, providing relief before the mandatory effective date.

### Section 2- IFRS 9 *Financial Instruments*: Fees included in the ‘10 per cent’ test for derecognition of financial liabilities

<b>Question 2</b>
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Do you agree with the Board’s proposal to amend IFRS 9 and accompanying documents in the manner described in the Exposure Draft?
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If not, why not, and what do you recommend instead?
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3. We agree with the IASB’s proposal to amend IFRS 9 as described in the Exposure Draft, for the reasons noted in the Basis of Conclusions for the proposed change and we believe that this amendment will result in more consistent application of the “10 per cent” test for derecognition of financial liabilities.
4. However, we think the IASB should clarify, either through additional guidance or in the Basis for Conclusions, whether this proposal should apply to circumstances where new lenders are introduced into an existing arrangement and whether the fees referred to in B3.3.6 should include the fees paid to or received from the new lenders.
5. Furthermore, while we understand that IAS 39 *Financial Instruments* has limited applicability, we think that the same proposed amendment should be made to IAS 39, to ensure consistency with this provision in IFRS 9.
6. We also agree with the proposal to prospectively apply these amendments, because we think that restating comparative information for transactions that occur sporadically, will be unlikely to provide users with useful trending information.

### Section 3 – Illustrative Examples accompanying IFRS 16 *Leases*: Lease incentives

<b>Question 3</b>
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Do you agree with the Board’s proposal to amend Illustrative Examples accompanying IFRS 16 in the manner described in the Exposure Draft?
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If not, why not, and what do you recommend instead?
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7. We think that the IASB’s proposal to amend Illustrative Example (IE) 13 accompanying IFRS 16 does not address the confusion about the treatment of the reimbursement of leasehold improvements as lease incentives.
8. We recommend that the IASB provide additional guidance either in IE13 or in the Basis for Conclusions, to clarify when the reimbursement of leasehold improvements should be identified as a lease incentive.

### Section 4 – IAS 41 *Agriculture*: Taxation in fair value measurements

<b>Question 4</b>
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Do you agree with the Board’s proposal to amend IAS 41 and accompanying documents in the manner described in the Exposure Draft?
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If not, why not, and what do you recommend instead?
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9. We agree with the IASB’s proposal to amend IAS 41 as described in the Exposure Draft, for the reasons noted in the Basis of Conclusions for the proposed change. We appreciate that this amendment will allow for greater alignment of IAS 41 with IFRS 13 and reduce practical application issues in IAS 41’s fair value requirements.
10. We also agree with the proposal to prospectively apply this amendment, because we think that restating comparative information for prior period valuations of biological assets is unlikely to provide users with useful trending information. We also support the option for earlier application, as this permits entities to obtain relief by applying the proposed amendment at the earliest period.