

Our Ref: STA/001

20 August 2019

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

Submitted via website

Dear Sir/Madam,

**ED/2019/2 EXPOSURE DRAFT AND COMMENT LETTERS—ANNUAL IMPROVEMENTS TO IFRS  
STANDARDS 2018-2020**

The Institute of Certified Public Accountants of Uganda (ICPAU) appreciates the opportunity to respond to the above named exposure draft.

ICPAU is supportive of the Board's efforts to amend IFRS Standards to clarify the wording therein and/or correct relatively minor unintended consequences, oversights or conflicts between requirements in the Standards.

Our detailed comments on the Exposure Draft are provided in the Appendix to this letter.

We are hopeful that you will find them helpful.

Yours faithfully,



CPA Charles Lutimba  
MANAGER STANDARDS AND TECHNICAL SUPPORT  
For: SECRETARY/CEO

Encl (ICPAU's comments.)

NNN/.....

## Appendix: ICPAU's comments on the ED/2019/2 Exposure Draft and comment letters—Annual Improvements to IFRS Standards 2018-2020

### 1. IFRS 1 First-time Adoption of International Financial Reporting Standards

#### Subsidiary as a first-time adopter

*Do you agree with the Board's proposal to amend the Standards and accompanying documents in the manner described in the Exposure Draft? If not, why not, and what do you recommend instead?*

#### Our comments

ICPAU agrees with the Board's proposal to add paragraph 39AG and amend paragraph D1 (h). ICPAU also agrees with the Board's proposal to include, in paragraph D16, the cumulative translation differences of a subsidiary, associate or joint venture as this would widen the scope of the optional exemption. We share the Board's view that this amendment will reduce costs for first time adopters without impairing the relevance of the information provided in the financial statements

### 2. IFRS 9 Financial Instruments

#### Fees included in the '10 per cent' test for derecognition of financial liabilities

*Do you agree with the Board's proposal to amend the Standards and accompanying documents in the manner described in the Exposure Draft? If not, why not, and what do you recommend instead?*

#### Our comments

ICPAU agrees with the Board's proposal to add paragraph 7.1.8, and, owing to the insignificant impact of this amendment, also agrees with the Board's proposal to require prospective application. Further, ICPAU agrees with the proposal to clarify what fees should be included in the "10% test" for de-recognition of financial liabilities in IFRS 9.

However, we note that the Board decided not to amend paragraph AG 62 of IAS 39 yet amending it would not require additional due process. As such, entities that are not yet required to apply IFRS 9 but include fees other than those paid or received between the borrower and the lender when applying paragraph AG 62 will have to apply this amendment retrospectively when transiting to IFRS 9. This defeats the Board's intention as spelt out under paragraph BC3 for a prospective application of the amendment.

We hence suggest that the proposed amendments should be made to IAS 39, to ensure consistency with this provision in IFRS 9.

### 3. Illustrative Examples accompanying IFRS 16 Leases

#### Lease incentives

*Do you agree with the Board's proposal to amend the Standards and accompanying documents in the manner described in the Exposure Draft?*

*If not, why not, and what do you recommend instead?*

#### Our comments

ICPAU supports the Board's proposal to amend Illustrative Example 13 accompanying IFRS 16 Leases to remove the illustration of payments from the lessor relating to leasehold improvements as a way of removing the existing confusion regarding the treatment of lease incentives while applying IFRS 16.

However, we suggest that the Board ensures further clarity by either providing additional guidance or in the Basis of conclusion, particularly on when reimbursement of leasehold improvement should be identified as a leasehold incentive and the reasons why such reimbursements of leasehold improvements did not meet the definition of lease incentive within the scope of IFRS 16.

### 4. IAS 41 Agriculture

#### Taxation in fair value measurements

*Do you agree with the Board's proposal to amend the Standards and accompanying documents in the manner described in the Exposure Draft? If not, why not, and what do you recommend instead?*

#### Our comments

ICPAU agrees with proposal of the Board to amend paragraph 22 of IAS 41 by removing the exclusion of tax cash flows when measuring fair value. ICPAU also agrees with the Board's proposal to require prospective application of this amendment.