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20 August 2019

Dear Sir

Exposure Draft ED/2019/2 - Annual Improvements to IFRS Standards 2018-2020

We are pleased to comment on the above Exposure Draft (the ED). Following consultation with the BDO network¹, this letter summarises views of member firms that provided comments on the ED.

We agree with the proposals except for one element of the proposed amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

Paragraph BC5 to the proposed amendments to IFRS 1 notes that:

‘The Board considered, but decided against, permitting or requiring entities that previously applied IFRS 1 to apply the proposed amendment.’

The rationale for this decision is explained in subparagraphs, being that there would be no additional cost relief for entities, and users would potentially be confused as they would not expect an existing preparer of IFRS financial statements to be affected by an amendment to IFRS 1.

However, by permitting an entity that previously applied IFRS 1 to apply the proposed amendment, the entity would be able to eliminate a consolidation adjustment and would also not need to make two different adjustments on the subsequent partial or complete disposal of the subsidiary. While this might appear to be a relatively minor simplification when a group contains only a small number of entities, it could be a greater significance for groups which contain substantial numbers of entities. We therefore suggest that the Board reconsiders this point and makes the proposed amendment available to entities that previously applied IFRS 1 as well as first-time adopters of IFRS. Provided an entity makes appropriate disclosures, we do not believe that users of financial statements would be confused by a related adjustment made by an entity that had previously applied IFRS 1.

¹ Service provision within the international BDO network of independent member firms ('the BDO network') in connection with IFRS (comprising International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the IFRS Interpretations Committee and the former Standing Interpretations Committee), and other documents, as issued by the International Accounting Standards Board is provided by BDO IFR Advisory Limited, a UK registered company limited by guarantee. Service provision within the BDO network is coordinated by Brussels Worldwide Services BVBA, a limited liability company incorporated in Belgium. Each of BDO International Limited (the governing entity of the BDO network), Brussels Worldwide Services BVBA, BDO IFR Advisory Limited and the member firms is a separate legal entity and has no liability for another such entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BVBA, BDO IFR Advisory Limited and/or the member firms of the BDO network. BDO is the brand name for the BDO network and for each of the BDO member firms. BDO IFR Advisory Limited is a UK company limited by guarantee, registered in England under No 7295966. Registered office: c/o Hackwood Secretaries Limited, One Silk Street, London, EC2Y 8HQ
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We hope that you will find our comments and observations helpful. If you would like to discuss any of them, please contact me at +44 (0)20 7893 3300 or by email at abuchanan@bdoifra.com.

Yours faithfully

A handwritten signature in black ink that reads "Andrew Buchanan". The signature is written in a cursive style with a period at the end.

Andrew Buchanan

Global Head of IFRS