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Dear Sir

Exposure Draft ED: Annual Improvements - Volume 11

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 broadly support the efforts of the IASB to improve the clarity of IFRS Accounting Standards, and we do not have any comments relating to the exposure draft except for the proposed amendments to IFRS 9 *Financial Instruments* concerning the scope of the standard and its interaction with IFRS 16 *Leases*.

The IASB is proposing to amend IFRS 9.2.1(b)(ii) to state that IFRS 9 applies rather than IFRS 16 when there is full or partial derecognition of a lease liability, with the existing reference to IFRS 9.3.3.1 being supplemented with a reference to IFRS 9.3.3.3. We understand that the IASB's intention is to clarify that in the case of partial derecognition of a lease liability, the effect should be recorded in profit or loss applying IFRS 9.3.3.3 rather than applying the lease modification requirements of IFRS 16.

While we understand that IFRS 9.2.1(b) is drafted in such a way that IFRS 9's requirements are intended to apply in place of IFRS 16's when a full or partial derecognition event occurs, we observe that such events will also typically still meet the definition of lease modifications in IFRS 16. Therefore, a preparer applying the requirements of IFRS 16 may still consider that a partial derecognition event should be accounted for as a lease modification. We recommend that the IASB consider clarifying this by also amending the requirements of IFRS 16 to refer to IFRS 9.3.3.1 and IFRS 9.3.3.3, stating that those requirements in IFRS 9 are to be applied rather than the lease modification requirements in IFRS 16 when a lease modification results solely in a reduction in the consideration payable under a lease contract.

¹Service provision within 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 and IFRS Sustainability Disclosure Standards as issued by the International Sustainability 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 BV, a limited liability company incorporated in Belgium. Each of BDO International Limited, Brussels Worldwide Services BV, BDO IFR Advisory Limited and the BDO member firms is a separate legal entity and has no liability for another 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 BV, BDO IFR Advisory Limited and/or the BDO member firms. Neither BDO International Limited nor any other central entities of the BDO network provide services to clients.

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)7875 311782 or by email at abuchanan@bdoifra.com.

Yours faithfully

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