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IASB ED/2019/2 *Annual Improvements to IFRS Standards 2018-2020 Cycle* **Cover Note**

Objective

- 1 The objective of the session is to agree to recommend to the EFRAG Board a draft comment letter on Exposure Draft ED/2019/2 *Annual Improvements to IFRS Standards 2018-2020 Cycle* issued by the IASB on 21 May 2019 (the 'ED').

Background

- 2 The IASB, as part of its Annual Improvements process, has published the Exposure Draft ED/2019/2 *Annual Improvements to IFRS Standards 2018-2020 Cycle*. The ED addresses the following issues:
 - (a) Issue 1 - IFRS 1 *First-time Adoption of International Financial Reporting Standards*: Subsidiary as a first-time adopter;
 - (b) Issue 2 - IFRS 9 *Financial Instruments*: Fees included in the '10 per cent' test for derecognition of financial liabilities;
 - (c) Issue 3 - Illustrative Examples accompanying IFRS 16 *Leases*: Lease incentives; and
 - (d) Issue 4 - IAS 41 *Agriculture*: Taxation in fair value measurements.
- 3 EFRAG TEG discussed the issues to be raised in the Exposure Draft in April 2019 and supported the proposed amendments in issues 1, 2 and 4.
- 4 On issue 3, EFRAG TEG proposed that IFRS 16 should explain when the lessor's reimbursement of leasehold improvements made by the lessor should be classified as a lease incentive. Such clarification could be included either in the Basis for Conclusions or directly in Illustrative Example 13.
- 5 Comments on the ED are due to the IASB by 20 August 2019. The EFRAG Secretariat proposes that a web meeting be organised for 14 August to approve the final comment letter.

Questions for EFRAG TEG

- 6 Does EFRAG TEG agree to recommend the draft comment letter for the approval by the EFRAG Board?

Agenda Papers

- 7 In addition to this cover note, the following papers have been provided for this session:
- (a) Agenda Paper 01-02 - EFRAG draft comment letter on the *IASB ED/2019/2 Annual Improvements to IFRS Standards 2018-2020 Cycle*; and
 - (b) Agenda Paper 01-03 - *IASB ED/2019/2 Annual Improvements to IFRS Standards 2018-2020 Cycle*.