

Comment Letters
IASB
Colombus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Paris, 11 December 2023

Exposure Draft: Annual Improvements to IFRS Standards

Dear Andreas,

Mazars welcomes the opportunity to comment on the International Accounting Standards Board's Exposure Draft (hereafter ED) Annual Improvements to IFRS Standards, issued in September 2023.

We agree with most of the proposals made by the Board.

However, we would like to draw your attention to the proposed amendment to IFRS 9 related to the derecognition of lease liabilities. We believe that this modification does not sufficiently clarify whether IFRS 16 or IFRS 9 should take precedence (as both standards appear to be applicable, even after taking into account the proposed amendment).

Our detailed comments on each proposal are set out in the Appendices.

Please do not hesitate to contact us should you want to discuss any aspect of our comment letter.

Yours sincerely,



Edouard Fossat
Head of Financial Reporting Technical Support

Appendix 1

Proposed amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*
– Hedge accounting by a first-time adopter

We agree with the proposed amendment to add a cross reference to IFRS 9, and to replace “conditions” by “qualifying criteria”, in order to improve the understandability of the requirements.

Appendix 2

Proposed amendment to *IFRS 7 Financial Instruments*: Disclosures – Gain or loss on derecognition

We agree with the proposed amendment.

Appendix 3

Proposed amendment to *IFRS 7 Financial Instruments: Disclosures* – Disclosure of deferred difference between fair value and transaction price and Credit risk exposure.

We agree with the proposed amendment.

In the example provided in IG14, the proposed accounting policies could clearly differentiate situations where the valuation technique uses only observable inputs from the case where the valuation technique uses at least one unobservable input. This distinction could be added in the example to clarify that only the second case needs to define an accounting policy for spreading the difference with the transaction price.

Appendix 4

Proposed amendment to IFRS 9 Financial Instruments– Derecognition of lease liabilities and Transaction price.

Regarding the derecognition of lease liabilities, we acknowledge that this annual improvement is meant to clarify the accounting requirements that should be applied for a rent concession from the lessee’s standpoint.

Although the proposed amendment to IFRS 9 clarifies that the extinguishment of a lease liability may result in gains or losses recognized in profit or loss, we think that it should be also accompanied by clarifying amendments to the definition of lease modification in IFRS 16 as initially recommended by the IFRS Interpretation Committee during its March 2023 session (see IFRIC Update March 2023).

Without amending IFRS 16, we are concerned that some lessees would still conclude that all rent concessions can be viewed as meeting the definition of a lease modification (see “AP4 Rent Concessions: Lessors and Lessees” from March 2022).

Therefore, notwithstanding the proposed amendment to IFRS 9, we believe that the derecognition of lease liabilities arising from a rent concession could still be dealt with according to IFRS 16.46 instead of IFRS 9.2.1(b)(ii). This would result in an adjustment to the right-of-use asset, not a profit and loss impact.

We acknowledge that the Committee decided not to amend the definition of a lease modification because this would go beyond the scope of an annual improvement and because the illustrative example 19 of IFRS 16 would also need to be clarified if the definition were to be amended (see AP12A “Lessee derecognition of lease liabilities” of May 2023, paragraphs B4 and B5).

However, in our view the amendment does not clarify which standard should prevail, and under what circumstances. Therefore, we do not support the proposed amendment as currently drafted, and think that this issue is sufficiently widespread and significant to require a dedicated amendment project.

Regarding the proposed deletion of the reference to “transaction price”, we agree with the proposal as it may be confusing to some stakeholders.

Appendix 5

Proposed amendment to IFRS 10 Consolidated Financial Statements– Determination of a ‘de facto agent.’

We agree with the proposed amendment as paragraphs B73 could otherwise be seen as conflicting with paragraph B74.

The proposed modification to paragraph B74 is more consistent with the fact that the determination of whether a party is acting as de facto agent of an investor requires significant judgment.

We also agree with the proposal to apply this amendment prospectively.

Appendix 6

Proposed amendment to IAS 7 Statement of Cash Flows– Cost method.

We agree with the proposal to delete the reference to the cost method from IAS 7.