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20 August 2019

Hans Hoogervorst
Chair
International Accounting Standards Board
Columbus Building
7 Westferry Circus
Canary Wharf
London
E14 4HD

Dear Mr Hoogervorst

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

Deloitte Touche Tohmatsu Limited is pleased to respond to the International Accounting Standards Board's ('the IASB's') exposure draft *Annual Improvements to IFRS Standards 2018-2020*.

We agree with the proposed amendments to IFRS 9 related to fees to be included in the 10 per cent test for derecognition of financial liabilities, IFRS 16 related to illustrative example 13 and IAS 41 related to taxation in fair value measurement.

Regarding the proposed amendments to IFRS 1, we agree that a subsidiary (or associate or joint venture) that measures its assets and liabilities based on the amounts that would be included in its parent's consolidated financial statements applying IFRS 1.D16(a) should be allowed to also measure the cumulative translation difference in the same manner (i.e., based on the amount that would be included in its parent's consolidated financial statements, if no adjustments were made for consolidation purposes and for the effect of the business combination in which the parent acquired the subsidiary). However, we do not believe that such a subsidiary (or associate or joint venture) should be *required* to do so. That is, a subsidiary (or associate or joint venture) that applies IFRS 1.D16(a) to measure its assets and liabilities should continue to be allowed to measure the cumulative translation difference at zero applying IFRS 1.D13. In effect, an entity that applies IFRS 1.D16(a) to measure its assets and liabilities should be allowed to measure its cumulative translation difference either using IFRS 1.D16(a) or using IFRS 1.D13. We believe that this choice should be available because in some circumstances, it may be difficult for a subsidiary (or associate or joint venture) to establish the cumulative translation difference based on the amounts included in the parent's consolidated financial statements, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This may be the case, for example, if the functional currency of the subsidiary is not the same as that of its parent. Such an option would appear appropriate since it would ease the practical difficulties that may be associated with determining the cumulative translation difference without significantly diminishing the relevance of the information reported by the entity (the option of recognising cumulative translation difference at zero being available already in IFRS 1).

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0) 20 7007 0884.

Deloitte.

Yours sincerely

**Veronica Poole**
Global IFRS Leader