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International Accounting Standards Board  
Columbus Building, 7 Westferry Circus  
Canary Wharf, London, E14 4HD  
United Kingdom

**Comments on the Exposure Draft *Annual Improvements to IFRS<sup>®</sup> Accounting Standards—Volume 11***

To the IASB Board Members:

The Japanese Institute of Certified Public Accountants (JICPA) appreciates the continued efforts of the International Accounting Standards Board (IASB) to develop high quality accounting standards and welcomes the opportunity to comment on the Exposure Draft *Annual Improvements to IFRS<sup>®</sup> Accounting Standards—Volume 11*.

Please see our comments to the Question in the following pages.

**Proposed amendments (please answer individually for each proposed amendment)**

Do you agree with the IASB's proposals to amend the IFRS Accounting Standards and accompanying guidance in the manner described in this Exposure Draft?  
If not, why not? If you disagree with these proposals, please explain what you would suggest instead and why.

**Comment:**

(Proposed amendments to IFRS 9 *Financial Instruments*)

We basically agree with the proposal. That said, we suggest the IASB clarify the accounting treatments for the derecognition requirements for lease liabilities and the lease modification requirements in lessee's accounting for a rent concession. See the basis for our suggestion below:

The IASB clarified in the proposed amendments that a lease liability decrease due to derecognition should be recognised in profit or loss. We basically agree with the proposal because the derecognition of lease liabilities to which paragraph 3.3.1 of IFRS 9 applies has generally followed paragraph 3.3.3 of IFRS 9 in practice.

However, as pointed out by some members of the IFRS Interpretations Committee, when a lease liability is removed due to the forgiveness of lease payments under a rent concession, it is not explicitly stated whether a lessee can make a corresponding adjustment to profit or loss or to the right-of-use asset. Such lack of clarity is largely attributed to the fact that there are no specific requirements stipulating to which part of the lease liability extinguished should the derecognition requirements in IFRS 9 be applied or the lease modification requirements in IFRS 16 be applied.

According to the IFRS Interpretation Committee's Agenda Decision approved by the Board in October 2022, a clarification was made for a lessor's accounting for a rent concession under an operating lease. Accordingly, we suggest the IASB also clarify the lessee's accounting for a rent concession by aligning to the lessor's requirements as follows:

- Lease liabilities for overdue lease payments are to be derecognised in accordance with paragraph 3.3.1 of IFRS 9 referred to in paragraph 2.1(b)(ii) of IFRS 9, and a corresponding adjustment shall be made to profit or loss by applying paragraph 3.3.3 of IFRS 9, as newly referred to in paragraph 2.1(b)(ii) of IFRS 9 in the ED.
- Lease liabilities for future lease payments are to be accounted for as a lease modification in accordance with paragraph 46(b) of IFRS 16, instead of applying

paragraphs 3.3.1 and 3.3.3 of IFRS 9. Therefore, a corresponding adjustment shall be made to the right-of-use asset.

That being said, we believe further clarification is required in the ED, otherwise diversity in practice may remain among practitioners, believing that the entire effect of the removal of lease liabilities for a rent concession needs to be recognised in profit or loss. As the derecognition requirements for lease liabilities and the lease modification requirements in accounting for a rent concession are two different accounting treatments, we recommend the IASB to carefully consider when and how to apply the requirements in its future projects and explicitly stipulate the accounting treatments in the IFRS Accounting Standards.

Yours faithfully,

Eriko Otokozawa

Executive Board Member — Business Accounting Standards and Practice/Corporate Disclosure

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