

11 December 2012

Mr. Hans Hoogervorst  
Chairman  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
UNITED KINGDOM

Dear Mr. Hoogervorst,

## AOSSG Comments on IASB Request for Information *Comprehensive Review of the IFRS for SMEs*

The Asian-Oceanian Standard-Setters Group (AOSSG) is pleased to provide its comments on the IASB Request for Information *Comprehensive Review of the IFRS for SMEs* ("Request for Information"). It is the AOSSG understanding that its responses to this Request for Information will assist the SME Implementation Group to develop recommendations for the IASB about possible amendments to the *IFRS for SMEs* and will also assist IASB in developing its proposed amendments to the *IFRS for SMEs*.

The AOSSG currently has 25 member standard-setters from the Asian-Oceanian region: Australia\*, Brunei Darussalam\*, Cambodia, China\*, Dubai, Hong Kong\*, India\*, Indonesia, Iraq\*, Japan, Kazakhstan, Korea\*, Macao, Malaysia\*, Mongolia, Nepal, New Zealand, Pakistan\*, Philippines, Saudi Arabia, Singapore, Sri Lanka, Thailand\*, Vietnam, and Uzbekistan\*. Members with an asterisk (\*) are also members of the AOSSG IFRS for SMEs Working Group.

To the extent feasible, this submission to the IASB reflects in broad terms the collective views of AOSSG members. Each member standard-setter may also choose to make a separate submission that is consistent or otherwise with aspects of this submission. The intention of the AOSSG is to enhance the input to the IASB from the Asian-Oceanian region. This submission has been circulated to all AOSSG members for their comment after having been initially developed through the AOSSG IFRS for SMEs Working Group.

It is the AOSSG understanding that the *IFRS for SMEs* is designed for use by small and medium-sized entities (SMEs), which include entities that prepare general purpose financial statements and are not publicly accountable. It is also our understanding that SMEs in general have fewer available resources for financial reporting compared with listed entities. As with the initial version of the *IFRS for SMEs*, any proposed amendments should be assessed from the perspective of SMEs' costs and benefits.

Please see the Appendix for our comments to specific questions in the Request for Information.

The AOSSG would be pleased to provide additional input on the matters highlighted in the AOSSG's response, if required, to facilitate the IASB's deliberation. If you have any questions on the AOSSG comments, please feel free to contact us.

Yours sincerely



Kevin M. Stevenson  
Chair of the AOSSG



Clement Chan  
Leader of the AOSSG IFRS for SMEs  
Working Group

## Appendix

Comments on the IASB Request for Information on Comprehensive Review of the *IFRS for SMEs*

### PART A – SPECIFIC QUESTIONS ON SECTIONS 1-35 OF THE IFRS FOR SMEs

#### Question S1 – Use by publicly traded entities (Section 1)

Are the scope requirements of the IFRS for SMEs currently too restrictive for publicly traded entities?

A majority of AOSSG members consider the current scope requirements of the *IFRS for SMEs* to be appropriate and consider entities whose debt or equity instruments are traded in a public market should continue to be prohibited from applying *IFRS for SMEs*.

Some AOSSG members focus on the fact that the *IFRS for SMEs* was initially developed for entities that do not have public accountability. Allowing publicly accountable entities to apply *IFRS for SMEs* would be inconsistent with the IASB's objective of developing a single set of high quality financial reporting standards for general purpose financial reporting. It may have an adverse effect on the 'IFRS brand'. Moreover, users of the financial statements of publicly traded entities that apply the IFRS for SMEs might ultimately seek significant amendments to the standard to ensure that the users receive sufficient and useful information to meet their needs. Accordingly, these amendments may undermine the original purpose of developing the IFRS for SMEs.

Some AOSSG members expressed a view that the inter-jurisdiction comparability of both full IFRSs and *IFRS for SMEs* financial statements would be reduced by giving discretion to regulators to decide whether some publicly traded entities should be eligible to use the *IFRS for SMEs* (and still state compliance with *IFRS for SMEs*). At the jurisdiction level, it would also reduce comparability between publicly traded entities, making it difficult for investors and analysts to make decisions.

An AOSSG member considered that jurisdictions, especially in developing and under-developed countries whose economies are small, should be given the right to determine the eligibility to use the *IFRS for SMEs* for publicly traded entities in their jurisdictions to suit their specific financial reporting needs.

An AOSSG member considers that the IASB should change the definition of 'publicly traded' in the standard. Currently, 'publicly traded (debt or equity instruments)' include those which are traded, or in the process of being issued for trading, in an over-the-counter market. The member believes that this definition is too wide as there may be privately held entities which may have certain debt or borrowing that is traded in over-the-counter markets with limited market participants, all of whom are able to demand reports tailored to meet their particular information needs (for example, when only very large financial institutions are eligible to participate in an over-the-counter market). The member believes that such entities do not have public accountability and hence the definition should be amended accordingly.

An AOSSG member considered the IASB should further explain the term 'public accountability' as there are apparent diverse interpretations for the definition in practice. In particular, additional

explanations and clarifications on the terms ‘public market’, ‘outsider’ and ‘primary business’ may be required to enhance understanding by stakeholders.

## Question S2 – Use by financial institutions (Section 1)

Are the scope requirements of the IFRS for SMEs currently too restrictive for financial institutions and similar entities?

The majority of AOSSG members consider it is appropriate to continue prohibiting all financial institutions and other entities that hold assets for a broad group of outsiders from applying the *IFRS for SMEs* in the preparation of general purpose financial statements. These members consider that the *IFRS for SMEs* was initially developed for entities that do not have public accountability and therefore the accounting requirements of the standard were largely based on such an assumption. Consistent with the point we made in Question S1, the users of financial statements of financial institutions and other entities that hold assets for a broad group of outsiders may demand significant amendment to the standard to ensure the users receive sufficient and useful information to meet their needs if the scope of the standard is extended to cover those entities. Accordingly, the proposal to permit each jurisdiction to decide whether any financial institutions and other entities that hold assets for a broad group of outsiders (as one of their primary businesses) should be permitted or required to use the *IFRS for SMEs* for applying general purpose financial statements may undermine the original purpose of developing the standard.

An AOSSG member considered that banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks are quoted as typical entities with public accountability. However, there are certain circumstances where these entities might not in fact be publicly accountable as they do not hold assets in a fiduciary capacity for a broad group of outsiders as one of their primary businesses. For example: there may be certain ‘restricted licence’ banks which are not deposit-taking but can only engage in certain restricted banking activities which do not involve holding clients’ assets in a fiduciary capacity. Another example is securities or insurance brokers which act as agents of clients and the clients know that these entities are transacting in the capacity of an agent with the respective securities houses or insurers. The member recommends the IASB to consider amending the definition of ‘public accountability’ to ensure such entities do not fall under the definition.

Moreover, an AOSSG member considered that the term ‘fiduciary’ in the definition of public accountability does not have a unique meaning across different jurisdictions. This has led to ambiguities in determining entities that have this capacity. The other term requiring clarification is ‘broad group of outsiders’ which has been the subject of a ‘Q and A’ by the IASB SME Implementation Group. The ambiguities in the definition have created difficulties for preparers in determining their eligibility to use the *IFRS for SMEs*.

An AOSSG member considered that micro-finance institutions usually do not hold assets for a broad group of outsiders. These may include the micro-finance institutions operate as NGOs or are operating through Government assistance. The member considers that each jurisdiction should determine whether to permit these micro-finance institutions to use the *IFRS for SMEs* (or a local equivalent thereof) in its jurisdiction as the regulatory requirements in this particular sector may vary between jurisdictions.

Some AOSSG members consider it may be appropriate to permit smaller financial institutions to use the *IFRS for SMEs* based on a cost and benefit consideration.

### Question S3 – Clarification of use by not-for-profit entities (Section 1)

Should the IFRS for SMEs be revised to clarify whether a not-for-profit (NFP) entity is eligible to use it?

Members of the AOSSG broadly agree that NFP entities are generally not publicly accountable under the *IFRS for SMEs*, as currently worded, on the basis that a NFP entity would neither have its debt or equity instruments traded in a public market, nor hold assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.

Some AOSSG members consider that the current version of the *IFRS for SMEs* is sufficiently clear that the soliciting or accepting of contributions does not necessarily make such an entity publicly accountable and therefore no revision is required to the standard in this respect.

However, certain other members of the AOSSG consider incorporating clarifications in the standard that an NFP entity can use the *IFRS for SMEs* if it otherwise qualifies under Section 1 would be appropriate.

An AOSSG member considered that certain NFP entities may be effectively subsidised by public funds when there is a loss of tax revenues due to donors claiming tax deductions and hence they may be publicly accountable in the general sense of that term rather than under the IASB's specific definition. If the *IFRS for SMEs* were to apply to those NFP entities, additional requirements including disclosure requirements would be needed in relation to NFPs. Identifying the relevant user needs would constitute a separate project for the IASB and may not be capable of being undertaken as part of the current review exercise.

An AOSSG member is of the view that the IASB has not considered the needs of financial statements users of NFP entities in either full IFRSs or IFRS for SMEs and hence it is inappropriate for any reference to NFP entities to be included in any standard without due consideration of the nature of such entities and appropriate due process.

An AOSSG member is of the view that the IASB should not make any form of clarification in the *IFRS for SMEs* before first assessing if the *IFRS for SMEs* is suitable for NFP entities given that the standard was developed based on full IFRSs, which are designed for for-profit entities.

### Question S4 – Consideration of recent changes to the consolidation guidance in full IFRSs (Section 9)

Should the recent changes to the consolidation guidance in full IFRSs as outlined in the Request for Information be considered, but modified as appropriate to reflect the needs of users of SME financial statements and cost-benefit considerations?

Some AOSSG members support revising the *IFRS for SMEs* to reflect the main changes from IFRS 10 *Consolidated Financial Statements* outlined in the Request for Information and to have them modified, as appropriate for SMEs. This is because the *IFRS for SMEs* already provides users with useful guidance and application examples to assess control.

Some AOSSG members do not support changing the current requirements and recommend continuing to use the current definition of control and guidance on its application in Section 9 at this post-implementation review.

An AOSSG member considered that the significant changes introduced by IFRS 10 (compared to IAS 27) were more appropriate for larger and publicly accountable entities. They consider that IFRS 10 is much more complex to apply than IAS 27 and the significant judgments required to be exercised in applying the more complex principles and requirements result in costs outweighing the benefits for SMEs.

An AOSSG member considered that the relevant IFRSs should be first implemented before the IASB considers whether to incorporate the new requirements into the *IFRS for SMEs* as the implementation experience of full IFRSs will provide an insight on the suitability of the new requirements to SMEs. Accordingly, Section 9 should only be modified after IFRS 10 has been implemented for at least one or two years.

#### Question S5 - Use of recognition and measurement provisions in full IFRSs for financial institutions (Section 11)

How should the current option to use IAS 39 *Financial Instruments: Recognition and Measurement* in the IFRS for SMEs be updated once IFRS 9 *Financial Instruments* has become effective?

The majority of AOSSG members agree to permit the option of either following the recognition and measurement provisions of IFRS 9 (with the disclosure requirements of Section 11 and 12) once IFRS 9 has become effective or following the provisions of both Section 11 and Section 12 of *IFRS for SMEs* in full. Compared with IAS 39, IFRS 9 is considered more consistent with sections 11 and 12 in terms of categories of financial instruments and its adoption is expected to lead to more comparability between financial statements of SMEs applying sections 11 and 12 or IFRS 9.

Some AOSSG members believe that the IASB should consider updating the *IFRS for SMEs* for the option to use IAS 39 after the implementation of IFRS 9 on 1 January 2015 as it may be difficult to ascertain whether the requirements of IFRS 9 would be suitable for SMEs prior to its formal implementation.

A minority of AOSSG members consider that there should be no option to use the recognition and measurement provisions in either IAS 39 or IFRS 9 (i.e. all SMEs must follow the current financial instrument requirements in Section 11 and 12 in full). They consider that the financial instrument project to replace IAS 39 is ongoing, the timing of completing the project is uncertain, and therefore the option may result in undue added complexity. In addition, they consider that a stand-alone standard is more desirable in the light of applicability in practice given the users of *IFRS for SMEs* are generally smaller in size.

#### Question S6 – Guidance on fair value measurement for financial and non-financial items (Section 11 and other sections)

Should the fair value guidance in Section 11 be expanded to reflect the principles in IFRS 13 *Fair Value Measurement*, modified as appropriate to reflect the needs of users of SME financial statements and the specific circumstances of SMEs (for example, it would take into account their

often more limited access to markets, valuation expertise, and other cost-benefit considerations)?

Some AOSSG members take the view that the guidance for fair value measurement in Section 11 is not sufficient and support revising the standard to incorporate those aspects of the fair value guidance in IFRS 13 that are relevant for SMEs, modified as appropriate (including the appropriate disclosures). These members take the view that the hierarchy of fair value measurement would take care of cases where SMEs have problems using market measures and there should not be different fair value hierarchies as between full IFRSs and the *IFRS for SMEs*.

Some AOSSG members do not support changing the current requirements and consider that the guidance for fair value measurement in paragraphs 11.27-11.32 is sufficient for financial and non-financial items. As the IASB would be of a view that applying the IFRS 13 guidance on fair value would have no impact on the way fair value measurements are made under *IFRS for SMEs* in straightforward cases, these AOSSG members generally consider it is more appropriate to avoid having SMEs incurring potential significant cost on implementing changes that may result in few benefits. These members consider that it is important to provide SMEs with a stable financial reporting platform without instituting changes to the *IFRS for SMEs* which might give rise to preparers experiencing undue cost or effort.

#### Question S7 – Positioning of fair value guidance in the Standard (Section 11)

Should the guidance be moved into a separate section? The benefit would be to make clear that the guidance is applicable to all references to fair value in the IFRS for SMEs, not just to financial instruments.

The majority of AOSSG members agree that the guidance on fair value measurement in Section 11 should be moved to a separate section given such guidance could also be applied to non-financial items such as investments in associates and jointly controlled entities, investment property, pension plan assets, business combinations, and biological assets.

#### Question S8 – Consideration of recent changes to accounting for joint ventures in full IFRSs (Section 15)

Should recent changes to accounting for joint ventures in full IFRSs as outlined in the Request for Information be reflected in the IFRS for SMEs, modified as appropriate to reflect the needs of users of SME financial statements and cost-benefit considerations?

Some AOSSG members support revising the IFRS for SMEs so that the arrangements are classified as joint ventures or joint operations on the basis of the parties' rights and obligations under the arrangement (terminology and classification based on IFRS 11 *Joint Arrangements*, modified as appropriate for SMEs). These members consider that preparers may classify joint arrangements differently from their substance under the current requirements and it is expected that the accounting treatment would better reflect the economic substance by complying with the requirements in IFRS 11.

Some AOSSG members consider it might not be appropriate to incorporate the IFRS 11 requirements in *IFRS for SMEs* at this stage. The IASB should consider whether to build in the IFRS 11 requirements into the *IFRS for SMEs* after the post-implementation review on IFRS 11. This is because the implementation experience of full IFRS users will provide an insight on the suitability of



the new requirements to SMEs.

#### Question S9 – Revaluation of property, plant and equipment (Section 17)

Should an option to use the revaluation model for property, plant and equipment (PPE) be added to the IFRS for SMEs?

The majority of AOSSG members would agree to revise the *IFRS for SMEs* to permit an entity to choose, for each major class of PPE, whether to apply the cost-depreciation-impairment model or the revaluation model. These members consider that the carrying value of PPE can be a significant portion of an entity's assets and hence entities may wish to measure their PPE at fair value to enhance the usefulness of their financial statements and to facilitate their loan financing. It is also noted that adoption of the revaluation model for PPE accounting has been applied in many jurisdictions and the requirements are generally considered not unreasonably difficult to apply. It is therefore considered that it may not be appropriate to deprive SMEs from being able to apply revaluation accounting.

An AOSSG member is of the view that the *IFRS for SMEs* should not be revised to permit the revaluation option. Specifically, this AOSSG member considers that removing or minimising accounting policy options would be beneficial to both SMEs and users of SME financial statements as this would (i) simplify financial reporting for SMEs by reducing the level of knowledge required by SMEs; and (ii) enhance comparability and reduce the cost of analysing SME financial statements.

#### Question S10 – Capitalisation of development costs (Section 18)

Should the IFRS for SMEs be changed to require capitalisation of development costs meeting criteria for capitalisation (on the basis of on the criteria in IAS 38 *Intangible Assets*)?

The majority of AOSSG members would agree to revising the *IFRS for SMEs* to require capitalisation of development costs meeting the criteria for capitalisation (the approach in IAS 38). As highlighted in paragraph BC113, the IFRS for SMEs requires all research and development costs to be expensed as incurred mainly because many preparers and auditors of SMEs' financial statements are of a view that SMEs do not have the resources to assess whether a project is commercially viable on an ongoing basis. These members consider that SMEs should capitalise development costs provided they are able to demonstrate that all of the criteria set out in paragraph 57 of IAS 38 are met; it is not an alternative and, if SMEs are not able to do so, they should expense the development costs when incurred.

An AOSSG member is of the view that the *IFRS for SMEs* should not be revised to align with the requirements in full IFRSs on the basis that the capitalisation model is too complex and burdensome for SMEs, and provides information that is generally less useful to users of SME financial statements.

#### Question S11 – Amortisation period for goodwill and other intangible assets (Section 18)

**Should paragraph 18.20 be modified to state: “If an entity is unable to make a reliable estimate of the useful life of an intangible asset, the life shall be presumed to be ten years unless a shorter period can be justified”?**

The majority of AOSSG members support retaining the presumption of ten years if an entity is unable to make a reliable estimate of the useful life of an intangible asset (including goodwill). It is considered that the current requirement is sufficiently clear that the entity should not follow the 10-



year presumption if it can determine the useful life at less than 10 years. Moreover, these AOSSG members consider that the current requirement enhances comparability of financial statements.

#### Question S12 – Consideration of changes to accounting for business combinations in full IFRSs (Section 19)

Should Section 19 be amended to incorporate the changes to accounting for business combinations in full IFRSs as outlined in the Request for Information, modified as appropriate to reflect the needs of users of SME financial statements and cost-benefit considerations?

The majority of AOSSG members support revising the *IFRS for SMEs* to incorporate the main changes introduced by IFRS 3 *Business Combinations* (2008). However, additional guidance on fair value should be provided which takes into account the main changes, especially in the application of fair value to assist SMEs in applying the requirements of IFRS 3 (2008).

One AOSSG member considers that IFRS 3 (2008) addressed deficiencies in the previous version of IFRS 3 without changing the basic accounting. Even though there is no size criteria for using the *IFRS for SMEs* and hence there is a possibility that larger and complex organisations will use the standard, it is considered that the benefit of incorporating the requirements in IFRS 3 (2008) in the *IFRS for SMEs* may not be significant to a majority of the users of *IFRS for SMEs*. Accordingly, the member considered it would be preferable not to change the current requirements as such a change could not be made without avoiding undue cost or effort.

One AOSSG member considers that in some jurisdictions there may be a strong demand for consolidated financial statements from either the general public or from private investors. Accordingly, the *IFRS for SMEs* should provide an option for preparing consolidated financial statements or recording the investment in a subsidiary at cost to avoid undue cost or effort by preparers.

#### Question S13 – Presentation of share subscriptions receivable (Section 22)

Should paragraph 22.7(a) be amended either to permit or require the presentation of the receivable as an asset?

The majority of AOSSG members consider that an entity should have the necessary legal right to support its offset under paragraph 22.7(a) and it is believed to be difficult for the *IFRS for SMEs* to incorporate a universal requirement to that effect. Accordingly, some AOSSG members recommend adding an additional option to paragraph 22(a) to permit the subscription receivable to be presented as an asset and therefore the entity would have a choice of presenting an asset or setting the receivable off against equity.

On the other hand, some AOSSG members recommend deleting paragraph 22.7(a) from the IFRS for SMEs.

#### Question S14 – Capitalisation of borrowing costs on qualifying assets (Section 25)

Should Section 25 of the IFRS for SMEs be changed so that SMEs are required to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, with all other borrowing costs recognised as an expense when incurred?

Some AOSSG members support revising the *IFRS for SMEs* to require capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (the approach in IAS 23 *Borrowing Costs*). These AOSSG members believe that the capitalisation of borrowing costs better reflects the underlying economics of the transaction.

Some AOSSG members consider the *IFRS for SMEs* should permit borrowing costs capitalisation on the basis that such accounting treatment is more consistent with the principles of the Conceptual Framework. These members also consider that entities which can deal with the complexity of identifying qualifying assets and calculating the amount of borrowing costs eligible for capitalisation should not be deprived from being able to apply such an accounting treatment.

An AOSSG member is of the view that the *IFRS for SMEs* should not be revised to align with the requirements in full IFRSs on the premise that the capitalisation model is too complex and burdensome for SMEs, and provides information that is generally less useful to users of SME financial statements. In addition, this AOSSG member considers that aligning the requirements in the *IFRS for SMEs* to those in full IFRSs would beg the question of what is the rationale for having two different sets of financial reporting standards (similarly in the context of questions S9 and S10).

#### Question S15 – Presentation of actuarial gains or losses (Section 28)

Should the option to recognise actuarial gains and losses in profit or loss be removed from paragraph 28.24?

The majority of AOSSG members support revising the *IFRS for SMEs* so that an entity is required to recognise all actuarial gains and losses in other comprehensive income (i.e. removal of profit or loss option in paragraph 28.24). The proposed change is considered to be consistent with the latest applicable full IFRSs, that it would not require additional work by preparers, and would in turn enhance the comparability of financial statements.

#### Question S16 – Approach for accounting for deferred income taxes (Section 29)

Should SMEs recognise deferred income taxes and, if so, how should they be recognised?

The majority of AOSSG members consider SMEs should recognise deferred income taxes using the temporary difference method (the approach currently used in both the *IFRS for SMEs* and full IFRSs) in order to retain comparability between the financial statements of SMEs and publicly accountable entities on deferred income taxes.

Some AOSSG members consider that the costs and benefits of recognising deferred income taxes would need to be carefully investigated from the perspective of SMEs. Despite there being no size criteria for a company to be eligible to use *IFRS for SMEs*, companies that are relatively smaller in size may consider the costs of recognising deferred income taxes could easily outweigh the benefits in their financial reporting. In that case, the taxes payable method may be more suitable for their circumstances.

One AOSSG member commented that the standard should continue to require recognition of deferred taxes as it provides useful information to financial statements users. However, it may be preferable to adopt the liability method approach by considering the underlying costs and benefits from the perspective of SMEs and their financial statements users.

### Question S17 – Consideration of IAS 12 exemptions from recognising deferred taxes and other differences under IAS 12 (Section 29)

Should Section 29 be revised to conform it to IAS 12, modified as appropriate to reflect the needs of the users of SME financial statements?

The majority of AOSSG members believe that the section on income taxes, which is based on an IASB Exposure Draft that has not progressed to a standard, would need to be revised fully to be harmonised with IAS 12 *Income Taxes*. The current approach in the IFRS for SMEs creates incomparability and does not provide any economy to SMEs.

### Question S18 – Rebuttable presumption that investment property at fair value is recovered through sale (Section 29)

Should Section 29 be revised to incorporate a similar exemption from paragraph 29.20 for investment property at fair value?

The majority of AOSSG members agree that Section 29 should be revised to incorporate a similar exemption to that found in full IFRSs from paragraph 29.20 for investment property at fair value. By introducing a presumption that recovery of the carrying amount will normally be through sale, the standard would provide a practical solution to the difficulties of assessing whether the recovery of the carrying amount of the investment properties carried at fair value is through use or through sale.

### Question S19 – Inclusion of additional topics in the IFRS for SMEs

Are there any topics that are not specifically addressed in the IFRS for SMEs that you think should be covered (i.e. where the general guidance in paragraphs 10.4–10.6 is not sufficient)?

One AOSSG member considers that the IASB should introduce a section based on IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* into the *IFRS for SMEs* to make the standard consistent with full IFRSs in relation to topics that apply equally to publicly accountable entities and non-publicly accountable entities.

Other AOSSG members did not raise additional topics to be included in the *IFRS for SMEs*.

### Question S20 – Opportunity to add specific issues

**Are there any additional issues that you would like to bring to the IASB's attention on specific requirements in the sections of the IFRS for SMEs?**

One AOSSG member considers that the option of cost or fair value accounting for investment properties as in IAS 40 *Investment Property* should be provided in Section 16. The member considers it to be an anomaly to prohibit revaluation of property, plant and equipment in Section 17 but mandate the use of the fair value model for investment property in Section 16 given the characteristics of some of these assets, i.e. land and buildings, are similar.

One AOSSG member considers that the requirements in the *IFRS for SMEs* are still very complicated for companies that are very small in size, including: the preparation of consolidated financial statements; fair value measurement for financial instruments where it is hard to locate fair value information; and deferred income taxes.

## PART B – GENERAL QUESTIONS

### Question G1 – Consideration of minor improvements to full IFRSs

How should the IASB deal with the minor improvements to full IFRSs, where the IFRS for SMEs is based on old wording from full IFRSs?

AOSSG members generally agree that the cost and benefit consideration is of particular importance and therefore minor improvements to full IFRSs should be assessed from the perspective of SMEs. Costs and benefits should be assessed in the context of the SME environment before a full IFRSs improvement is incorporated into the *IFRS for SMEs*.

Some AOSSG members consider changes should only be made where there is a known problem in respect of SMEs financial reporting and hence there should be a rebuttable presumption that changes to full IFRSs are not incorporated in the *IFRS for SMEs*. It is considered that regular changes to the standard may unnecessarily increase the reporting burden of SMEs.

Some AOSSG members consider that the IASB should develop criteria for assessing which, if any, annual improvements should be incorporated in the *IFRS for SMEs*. The suggested criteria include: (i) cost and benefit considerations, (ii) the IFRS for SMEs should have the same key concepts and definitions as those in full IFRS and (iii) accounting policy options should be available for complicated areas.

### Question G2 – Further need for Q & As

Do you believe that the current, limited programme for developing Q & As should continue after this comprehensive review is completed?

The majority of AOSSG members consider that the current Q&A programme should be continued as it is a useful resource to assist SMEs in applying the standard. As accounting issues become more complex in future to address more complicated business transactions, the Q&A may provide guidance for implementing such accounting requirements. With a growing number of entities applying the IFRS for SMEs, the Q&A mechanism will also assist in the first-time adoption of the standard.

One AOSSG member expressed their support for the Q&A programme as such guidance benefits the preparers, auditors and others with an interest in financial statements prepared under the IFRS for SMEs. However, this member emphasise that Q&As should be the subject of full due process and issued by the IFRS Interpretations Committee as a full IFRS adopter may well rely on them in preparing financial statements even though the documents are intended to have the status of informal guidance and not mandatory standards. Having said that that member does not oppose the Q&As continuing to exist in their present state for matters confined to the IFRS for SMEs.

One AOSSG member commented that the IASB should avoid creating an excessive amount of literature on SMEs (in addition to the standard itself). The member recommends that the IASB to continue to limit the issuance of Q&As to those issues that are genuinely causing difficulty in practice and to also seek to incorporate the responses into any future review of the *IFRS for SMEs*.

### Question G3 – Treatment of existing Q & As

Should the Q & As be incorporated into the *IFRS for SMEs*?

Some AOSSG members consider that the Q&As should be incorporated into the *IFRS for SMEs* or the training material depending on the details of the guidance. However, the IASB should take extra care when incorporating the Q&As into the standard in order to avoid creating unintended new financial reporting requirements.

Some AOSSG members consider that any treatment of Q&As should have due attention to the fact they may affect full IFRSs preparers and should be consistent with the requirements of the IASB's due process in preparing standards and interpretations.

Some AOSSG members consider that the Q&As which have a fundamental impact should be incorporated in the *IFRS for SMEs* and the others retained as separate guidance. Moreover, the Q&As that have addressed the specific circumstances of some entities should also not to be incorporated in the *IFRS for SMEs* to avoid making the standard overly complex and difficult to understand.

#### Question G4 – Training material

**Do you have any comments on the IFRS Foundation's IFRS for SMEs training material available on the link above?**

One AOSSG member considered that the training materials are adequate but should have illustrations of the double entries of a transaction to supplement the examples provided.

One AOSSG member considered that the IFRS Foundation should update the training modules when the standard is being updated following the post-implementation review. The IFRS Foundation should consider placing disclaimer wording in the training modules to warn users of full IFRSs not to use the training modules for their full IFRSs adoption, since this is not the original intention of the IASB in producing those training modules.

#### Question G5 – Opportunity to add further general issues

**Are there any additional issues you would like to bring to the IASB's attention relating to the IFRS for SMEs?**

AOSSG members did not raise any additional issues in relation to the *IFRS for SMEs*.