asian-oceanian
standard-setters group

October 19, 2020

Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Hans,

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

The Asian-Oceanian Standard-Setters Group (AOSSG) is pleased to provide comments on the IASB Request for Information *Comprehensive Review of the IFRS for SMEs Standard*. In formulating its views, the AOSSG sought the views of its constituents within each jurisdiction.

The AOSSG currently has 27 member standard-setters from the Asian-Oceanian region: Australia, Bangladesh, Brunei, Cambodia, China, Dubai, Hong Kong, India, Indonesia, Iraq, Japan, Kazakhstan, Korea, Macao, Malaysia, Mongolia, Nepal, New Zealand, Pakistan, Philippines, Saudi Arabia, Singapore, Sri Lanka, Syria, Thailand, Uzbekistan and Vietnam.

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 and not to prevent the IASB from receiving the variety of views that individual member standard-setters may hold. This submission has been circulated to all AOSSG members for their feedback after having initially been developed through the AOSSG IFRS for SMEs Working Group.

It is the AOSSG's understanding that the *IFRS for SMEs* is designed for use by small and medium-sized entities (SMEs), which generally have fewer available resources for financial reporting compared with listed entities. We are of the view that the accounting requirements should be considered from the perspective of the SMEs' costs and benefits.

The views of the AOSSG in relation to the specific questions in the RfI are provided in the **Appendix**.

The AOSSG hopes that our comments will be helpful for the IASB's future deliberations. If you have any questions, please feel free to contact us.

Yours sincerely,

CA. (Dr.) S.B. Zaware
Chair of the AOSSG

Mohamed Raslan Abdul Rahman
Leader of the AOSSG IFRS for SMEs Working Group

Request for Information

Comprehensive Review of the *IFRS for SMEs* Standard

January 2020

Optional Response Document

Instructions for completion

The International Accounting Standards Board (Board) has published this separate Microsoft Word® document for respondents to use for submitting their comments, if they wish.

This document presents all of the questions in Parts A, B and C of the Request for Information in a table with spaces for responses.

Respondents are encouraged to complete this document electronically. Many respondents will find this the easiest way to submit their comments and making submissions in this form will also help ease the analysis of the answers. However, respondents are not required to use this document and responses will be accepted in all formats.

Comments to be received by **27 October 2020**
Comment deadline changed from 27 July 2020 because of the covid-19 pandemic

Name of Respondent:	**CA (Dr.) S.B. Zaware, Chair of the AOSSG, and Mohamed Raslan Abdul Rahman, Leader of the AOSSG IFRS for SMEs Working Group**
Organisation:	**Asian-Oceanian Standard-Setters Group (AOSSG)**
Jurisdiction:	**Asian-Oceanian region**
Correspondence and/or email address:	**aossg.secretariat@icai.in**

Ref	Question	Response (*Please give clear reasoning to support your response.*)
Part A of the Request for Information sets out the framework the Board developed for approaching the second comprehensive review and asks for comments on the Board's approach.		
G1	**Alignment approach** The *IFRS for SMEs* Standard was originally developed using an alignment approach. That is, the Standard was based on the 1989 *Framework for the Preparation and Presentation of Financial Statements* and the principles and related requirements of full IFRS Standards, with modifications that were appropriate in the light of users' needs and cost-benefit considerations. In considering how to approach this comprehensive review of the *IFRS for SMEs* Standard, the Board considered whether it should continue to follow the alignment approach or if the Board should only consider issues raised by stakeholders regarding the *IFRS for SMEs* Standard. The second approach would see the *IFRS for SMEs* Standard diverge from full IFRS Standards over time and become an independent Standard. The Board's approach at the first stage of the review is to continue to align the principles in the *IFRS for SMEs* Standard with those in full IFRS Standards and to seek views on this approach. *This approach is discussed in paragraph 30 of part A of the Request for Information.*	

Ref	Question	Response (*Please give clear reasoning to support your response.*)
G1A	**In your view, should the *IFRS for SMEs* Standard be aligned with full IFRS Standards?** **Please explain why you are suggesting the *IFRS for SMEs* Standard should or should not be aligned with full IFRS Standards.**	AOSSG member organisations note the reasons for supporting alignment of the *IFRS for SMEs* Standard with the full IFRS Standards, as set out in paragraph 30 of the IASB Request for Information (RfI), and have differing views, as set out below. <u>Views in support of alignment</u> Certain AOSSG member organisations agree with the alignment approach, having considered the following: (i) According to the IASB's analysis of the use of IFRS Standards around the world, there are approximately 49,000 domestic listed companies on the 93 major securities exchanges in the world. This is indicative of the significant number of SMEs operating across the 166 jurisdictions analysed, with over half requiring or permitting the use of the *IFRS for SMEs* Standard, as well as the substantial portion of companies which are SMEs globally. (ii) Alignment would allow the IASB to leverage implementation experience from the respective full IFRS Standards. (iii) Both sets of standards should apply the same set of accounting principles, as this would: a. enable SMEs to achieve accounting consistency with its large-sized counterparts while retaining sufficient flexibility to take SMEs' specific requirements and characteristics into consideration; and

Ref	Question	Response (*Please give clear reasoning to support your response.*)
		b. be more conducive for those SMEs anticipated to access the capital market at a later stage and hence migrate to full IFRS Standards, as this would assist to lower transitory costs. (iv) Alignment would avoid continual divergence between the two sets of Standards. <u>Views against full alignment</u> Certain AOSSG member organisations are of the view that: (i) the *IFRS for SMEs* Standard should not be fully aligned with the full IFRS Standards as users need the former to be simpler than the latter. Should there be full alignment, SMEs may find the *IFRS for SMEs* Standard complicated and not cost beneficial to apply. (ii) depending on the IASB's objective in developing the IFRS for SMEs Standard (further explanation provided below), the 'Independent Standard approach' may be more suitable as it would allow greater flexibility to effectively address SMEs' needs and challenges.

Ref	Question	Response (*Please give clear reasoning to support your response.*)
		(iii) regardless of approach, it is important to carefully consider the details and possible implications of any proposed amendments. In particular, such an alignment may cause disproportionate use of the *IFRS for SMEs* Standard by penalising the majority of the SMEs who are likely to continue to apply the *IFRS for SMEs* Standard, in favour of the benefit to the minority. <u>Determining the most appropriate alignment approach</u> One AOSSG member organisation wishes to highlight the following important considerations in determining the most appropriate alignment approach: (i) <u>Objective of developing the *IFRS for SMEs* Standard</u> The key to determining the most appropriate alignment approach rests with understanding the original objective of developing the *IFRS for SMEs* Standard, and assessing whether the current direction is line with that objective. In particular, it is imperative to understand whether the objective then was to develop a simplified Standard fit for the purpose of SMEs' reporting, or whether it was intended as a stepping stone towards the adoption of the full IFRS Standards, which the latter may involve a smaller proportion of the SMEs.

Ref	Question	Response (*Please give clear reasoning to support your response.*)
		In addition, paragraph BC45 of the Basis for Conclusions on the *IFRS for SMEs* Standard explains that in the Board's judgement, the nature and degree of the differences between the full IFRS Standards and the *IFRS for SMEs* Standard must be determined on the basis of users' needs and cost-benefit analyses. In practice, the benefits of applying accounting standards differ across reporting entities, depending primarily on the nature, number and information needs of the users of their financial statements. The related costs may not differ significantly. The IASB had concluded then that the cost-benefit trade-off should be assessed in relation to the information needs of the users of an entity's financial statements. We are of the view that this conclusion still holds true today and further emphasise that it is equally important to bear in mind who the users of SMEs' financial statements are. Having considered the above, a greater degree of alignment with the full IFRS Standards may have the unintended consequence of compromising simplification efforts, whereby the shift of the *IFRS for SMEs* Standard away from being a simplified Standard fit for the purpose of SMEs' reporting may inadvertently discourage certain jurisdictions from its adoption or continued adoption. Ultimately, having a clear understanding of who the users of SMEs' financial statements are, as well as the original objective, subsequent changes to it, and the reasons for such changes, is crucial to the standard-setting process in order to ensure that the final Standard continues to be fit for purpose.

Ref	Question	Response (*Please give clear reasoning to support your response.*)
		(ii) <u>Concurrent IASB project on 'Subsidiaries as SMEs'</u> The article on '*Second comprehensive review of the IFRS for SMEs Standard – What does alignment mean?*' issued in August 2020 clarified that the 'simplified IFRS Standard approach' would mean that the *IFRS for SMEs* Standard is treated as a condensed version of full IFRS Standard, with all recognition and measurement principles from full IFRS Standards reflected within, albeit in a simplified or shorter version. The expected outcome from this approach appears to mirror that of the IASB's concurrent project on 'Subsidiaries as SMEs', which is based on the premise that subsidiaries that are SMEs, i.e. those that do not have public accountability', will apply the recognition and measurements requirements of IFRS Standards, but the disclosure requirements of the *IFRS for SMEs* Standard. As both projects seemingly have the same objective of ensuring that two companies with the same transactions and balances would have similar outcomes in their financial statements regardless of which financial reporting framework is applied, the IASB may wish to consider revisiting the original objectives of both projects as well as the feasibility of integrating the two so as to consolidate and avoid duplication in standard-setting efforts.

Ref	Question	Response (*Please give clear reasoning to support your response.*)
		(iii) <u>Need for greater focus on leveraging implementation experience</u> To mitigate SMEs' resource challenges and potential increase in the cost of compliance arising from periodic amendments to the *IFRS for SMEs* Standard, it is recommended that there should be greater focus on leveraging implementation experience from the respective full IFRS Standards ahead of any alignment efforts. In particular, it is crucial that sufficient time is allowed in order to gain the requisite experience from implementation of the respective newer IFRS Standards before aligning the *IFRS for SMEs* Standard with them. At the same time, caution needs to be exercised to avert using alignment as the main driving force in proposing any amendments to the *IFRS for SMEs* Standard.
G1B	**What extent of alignment of the *IFRS for SMEs* Standard with full IFRS Standards do you consider most useful, and why?** **(a) alignment of principles;** **(b) alignment of both principles and important definitions; or** **(c) align of principles, important definitions and the precise wording of requirements?** **Please explain the reasoning that supports your choice of (a), (b) or (c).**	Certain AOSSG member organisations consider option (b) – alignment of both principles and important definitions – as most useful, subject to identification of which terms are determined to be 'important definitions' and how they will be aligned. In contrast, incorporating 'the precise wording of requirements' from the full IFRS Standards into the *IFRS for SMEs* Standard may not be consistent with the three alignment principles – relevance to SMEs, simplicity and faithful representation – that the IASB will use as a framework to assist in determining whether and how the *IFRS for SMEs* Standard should be aligned with full IFRS Standards. As such, this should not be a necessary alignment parameter.

Ref	Question	Response (*Please give clear reasoning to support your response.*)
		One AOSSG member organisation indicated a preference for the *IFRS for SMEs* Standard to be re-written, specifically tailored to SMEs' user needs, with a fresh perspective of all concepts. However, certain important definitions could be aligned in order to enhance consistency.
G2	**Alignment principles** The Board decided that in assessing whether and how to consult on aligning the *IFRS for SMEs* Standard with full IFRS Standards not currently included in the *IFRS for SMEs* Standard, the Board would apply three principles: (a) relevance to SMEs; (b) simplicity; and (c) faithful representation. *These principles are discussed in paragraphs 32– 37 of part A of the Request for Information.*	
	In your view, do these principles provide a framework to assist in determining whether and how the *IFRS for SMEs* Standard should be aligned with full IFRS Standards? **Please explain the reasoning that supports your response.**	AOSSG member organisations are of the view that the three principles – relevance to SMEs, simplicity and faithful representation – provide the framework to assist in determining whether and how the *IFRS for SMEs* Standard should be aligned with full IFRS Standards.

<table>
<tr><th>Ref</th><th>Question</th><th>Response
(Please give clear reasoning to support your response.)</th></tr>
<tr><td></td><td></td><td>Two AOSSG member organisations further recommend that when assessing whether a particular requirement from the full IFRS Standards would meet the alignment principle of ‘relevance to SMEs’, IASB should take into consideration whether the requirement is relevant to the majority of the SMEs who will be applying the IFRS for SMEs Standard, regardless of complexity or size (i.e. the proposed changes should not disadvantage the majority of SMEs in favour of a minority).

Three AOSSG member organisations are of the view that a fourth principle should also be considered, i.e. cost benefit considerations, as advocated in the 2018 Conceptual Framework.</td></tr>
<tr><td>G3</td><td>When to consider alignment

If the alignment approach is maintained there needs to be an agreed approach as to how soon after an IFRS Standard, an amendment to an IFRS Standard, or an IFRIC Interpretations is issued the Board should consider that change for incorporation into the IFRS for SMEs Standard.</td><td></td></tr>
<tr><td></td><td>Three possible dates for when to consider alignment are discussed in paragraphs 38–40 of part A of the Request for Information. Which, if any, of these possible dates do you prefer?

Those IFRS Standards, amendments to IFRS Standards or IFRIC Interpretations:

(a) issued up to the publication date of the Request for Information;
(b) effective before the publication date of the Request for Information;
(c) effective and on which the post-implementation review was completed before the publication date of the Request for Information; or</td><td>AOSSG member organisations have four differing views, as follows:
<table>
<tr><th></th><th colspan="4">Option</th></tr>
<tr><th></th><th>(a)</th><th>(b)</th><th>(c)</th><th>(d)</th></tr>
<tr><td>View 1</td><td>IFRS, Amd, Int</td><td></td><td></td><td></td></tr>
<tr><td>View 2</td><td></td><td>IFRS</td><td></td><td>Amd, Int</td></tr>
<tr><td>View 3</td><td></td><td></td><td>IFRS, Amd, Int</td><td></td></tr>
<tr><td>View 4</td><td></td><td></td><td></td><td>IFRS, Amd, Int</td></tr>
</table>
IFRS = IFRS Standards</td></tr>
</table>

Ref	Question	Response (*Please give clear reasoning to support your response.*)
	(d) issued or effective on some other date (please specify). **Please explain the reasoning that supports your views, for example, the benefits of the date selected.**	Amd = Amendments to IFRS Standards Int = IFRIC Interpretations <u>View 1: Option (a)</u> The *IFRS for SMEs* Standard should be aligned with those IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations issued up to the publication date of the RfI. However, the IFRIC amendments to IFRS Standards and IFRIC Interpretations may be prioritised for alignment based on their relevance to SMEs. The following were considered in arriving at View 1: (i) The appropriate timeline depends on the overall objective of issuing the *IFRS for SMEs* Standard and extent of alignment with the IFRS Standards. (ii) Overall timelines – In principle, the *IFRS for SMEs* Standard and IFRS Standards should be aligned with limited time gap. Generally, an IFRS Standard is effective three years after issuance, while the Post-Implementation Review (PIR) is carried out two years after the effective date of the IFRS Standard. (iii) PIR Outcome – The PIR outlines the need for further refinement of certain accounting areas, and in general, does not bring about a major shift in the underlying principles and approaches of the IFRS Standard.

Ref	Question	Response (*Please give clear reasoning to support your response.*)
		(iv) Issuance and application of significant IFRS Standards in the last few years (i.e. IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers*, and IFRS 16 *Leases*), whereby an extensive study of the IFRS Standards based on their issuance status, would likely result in the holistic alignment of the *IFRS for SMEs* Standard with the most recent version of IFRS Standards. <u>View 2: Combination of Options (b) and (d)</u> Alignment of the *IFRS for SMEs* Standard with the IFRS Standards should be based on a combination of: • Option (d) for those IFRS Standards which have been effective for a period of say, 2 years, before the publication date of the RfI; and • Option (b) for those amendments to IFRS Standards and IFRIC Interpretations which have been effective before the publication date of the RfI. In this regard, while the respective PIR may not have been completed, there would be at least two years' worth of implementation experience from the full IFRS Standards which could readily be leveraged for the purpose of the Comprehensive Review of the *IFRS for SMEs* Standard. In addition, the IASB project teams for the *IFRS for SMEs* Standard and PIR could work closely to ensure that accounting principles and key decisions remain aligned.

Ref	Question	Response (*Please give clear reasoning to support your response.*)
		However, while there may be merits in waiting for the PIR to be completed, some stakeholders may view a 12-year gap as unacceptably too long a period between the full IFRS Standard being effective and the corresponding amendment to the *IFRS for SMEs* Standard. This is following consideration of the interaction of the timeline of developing a new IFRS Standard and its subsequent PIR with that of the periodic comprehensive review of the *IFRS for SMEs* Standard (see below). As such, it is crucial that IASB takes care to balance between leveraging implementation experience from the respective full IFRS Standards and timely alignment efforts. In addition, the 'big four' new IFRS standards (IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers*, IFRS 16 *Leases* and IFRS 17 *Insurance Contracts*) were issued and effective in phases in 2018, 2019 and 2023 ("phased approach"). Based on the proposed alignment approach set out in the RfI, it would appear that SME preparers, which generally have fewer resources than IFRS preparers, are expected to learn and apply all the new principles and concepts (albeit an aligned version of at least three of the four new IFRS Standards) simultaneously, by one given date ("big bang approach"). In contrast, IFRS preparers who are generally better resourced than SME preparers were instead allowed a phased approach to help cope with the new Standards. Having considered the above, the 'Independent Standard approach' may well be the more suitable and appropriate approach as it would allow greater flexibility to effectively address SMEs' needs and challenges.

Ref	**Question**	**Response** (*Please give clear reasoning to support your response.*)
		In the event that the IASB proceeds to align the *IFRS for SMEs* Standard with IFRS 9, IFRS 15 and IFRS 16 as part of this comprehensive review, the IASB may wish to consider a transition approach, that is, combining: (i) the assigning of staggered effective dates for the affected Sections (i.e. a phased approach, emulating that taken with the 'big four' new IFRS Standards); and (ii) a modified retrospective approach, whereby the SME shall not restate comparative information. Instead, the SME shall recognise the cumulative effect of initially applying the amendments to the respective Sections as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application. The above would help SME preparers to cope with the implementation of new and amended requirements, addressing concerns in relation to SMEs' resources and alignment delay.

Ref	Question	**Response** (*Please give clear reasoning to support your response.*)
		Interaction between the timeline of developing a new IFRS Standard and its subsequent PIR with that of the periodic comprehensive review of the IFRS for SMEs Standard (i) Paragraph 6.52 of the Due Process Handbook states that the IASB is required to conduct a PIR of each new Standard or major amendment. A PIR normally begins after the new requirements have been applied internationally for two years, which is generally about 30 to 36 months after the effective date. Applying the example of the PIR conducted on IFRS 13 *Fair Value Measurement* to the more recent IFRS 15 *Revenue from Contracts with Customers* which was effective in 2018, the PIR for IFRS 15 may be carried out in 2021 (36 months after the effective date), and conclude in 2023. Thereafter, any amendments arising from the said PIR would likely be effective in 2025. (ii) Paragraph 7(a) of the IASB Agenda Paper of the October 2016 meeting estimated that the next (2^{nd}) comprehensive review of the *IFRS for SMEs* Standard should begin with a RfI in early 2019 (beginning two years after the date of the 2015 amendments resulting from the initial comprehensive review become effective - 1 January 2017). Based on the timing of the initial comprehensive review, the next (2^{nd}) comprehensive review would likely to be completed in 2021, with amendments to the *IFRS for SMEs* Standard effective for annual reporting periods beginning on or after 1 January 2023.

Ref	Question	Response (*Please give clear reasoning to support your response.*)
		The RfI currently under consideration was issued in January 2020. Having adjusted the timeline accordingly, the amendments to the *IFRS for SMEs* Standard arising from the 2nd comprehensive review would be effective for annual reporting periods beginning on or after 1 January 2024, that is six years after the effective date of IFRS 15. Assuming that the same timeline applies, the 3rd comprehensive review would likely commence in 2027, with the amendments arising therefrom being effective on or after 1 January 2031, that is 12 years after the effective date of IFRS 15. The above interaction can be summarised as follows: <table><tr><td><u>2nd comprehensive review</u> 2021: Exposure Draft 2022: Issuance of revised Standard 2024: Effective date</td><td><u>3rd comprehensive review</u> 2027: RfI 2028: Exposure Draft 2029: Issuance of revised Standard 2031: Effective date</td></tr></table> <u>View 3: Option (c)</u> The *IFRS for SMEs* Standard should be aligned with those IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations effective and on which the PIR was completed before the publication date of the RfI.

Ref	**Question**	**Response** (*Please give clear reasoning to support your response.*)
		The rationale behind View 3 is that it is important to first consider the results of amendments to IFRS Standards or IFRIC Interpretations, prior to incorporating them into the *IFRS for SMEs* Standard. View 4: Option (d) The IASB should only consider changes to full IFRS Standards for incorporation into the *IFRS for SMEs* Standard after they are effective and sufficient practical implementation experience has been obtained.

Ref	Question	Response *(Please give clear reasoning to support your response.)*
Part B of the Request for Information contains questions on sections of the IFRS for SMEs *Standard that are being considered for alignment with IFRS Standards, amendments to IFRS Standards or IFRIC Interpretations in the scope of the comprehensive review. Part B summarises each of the issues under review. More detailed explanations of the Board's reasoning are set out in Appendix B of the Request for Information.*		
S1	**Aligning Section 2 *Concepts and Pervasive Principles* of the *IFRS for SMEs* Standard with the 2018 *Conceptual Framework for Financial Reporting*** In developing the *IFRS for SMEs* Standard, the Board stated that the 1989 *Framework for the Preparation and Presentation of Financial Statements (1989 Framework)* provides the foundation for the *IFRS for SMEs* Standard as well as for full IFRS Standards. Section 2 is currently aligned with the *1989 Framework*. The Board is seeking views on aligning Section 2 with the *Conceptual Framework for Financial Reporting* issued in 2018 *(2018 Conceptual Framework)*. This alignment would require amendments to other sections of the *IFRS for SMEs* Standard. For example, Section 17 *Property, Plant and Equipment* paragraph 17.4 uses the definition of 'asset' from Section 2. Section 2 also includes the concept of 'undue cost or effort', a concept that is made available to an entity applying the *IFRS for SMEs* Standard in specified circumstances. The 2018 *Conceptual Framework* has no direct equivalent concept; however, the Board is seeking views on retaining the concept of 'undue cost or effort' in Section 2 because it provides a mechanism the Board can use to balance the costs and benefits of the requirements of the *IFRS for SMEs* Standard.	

Ref	**Question**	**Response** *(Please give clear reasoning to support your response*.)
	What are your views on: **(a) aligning Section 2 with the *2018 Conceptual Framework*?** **(b) making appropriate amendments to other sections of the *IFRS for SMEs* Standard?** **(c) retaining the concept of 'undue cost or effort'?**	**<u>(a) and (b):</u>** AOSSG member organisations have contrasting views. <u>View 1 – For alignment</u> Section 2 should be aligned with the *2018 Conceptual Framework*, and thereafter the appropriate amendments to other sections of the *IFRS for SMEs* Standard should be made, for the following reasons: (i) Consistency in core underlying principles is crucial for achieving alignment of principles between the IFRS Standards and the *IFRS for SMEs* Standard. (ii) As the *2018 Conceptual Framework* is intended to assist in developing and revising the IFRS Standards based on consistent concepts, likewise it could help SMEs in developing consistent accounting policies for areas not covered by the standard or to assist understanding and interpretation of choice of accounting policy. (iii) Where SMEs need to exercise judgement, in the absence of a requirement in the *IFRS for SMEs* Standard that applies specifically to a transaction or other event or condition, management may consider requirements of the IFRS Standards, the *2018 Conceptual Framework*, as well as concepts from other local or international GAAPs in exercising its judgement in developing and applying an accounting policy that results in information that is relevant and reliable.

Ref	**Question**	**Response** *(Please give clear reasoning to support your response*.)
		(iv) Most of the concepts set out in the *2018 Conceptual Framework* have been updated. View 2 – Against alignment Section 2 should not be aligned with the 2018 Conceptual Framework at this juncture, for the following reasons: (i) The role and authority of Section 2 differ from those of the 2018 Conceptual Framework, as follows: a. Section 2 resides within the *IFRS for SMEs* Standard, which is a single stand-alone document, and carries the authority of a Standard. b, while the 2018 Conceptual Framework provides the foundation for Standards, it is not itself a Standard. In contrast with Section 2, it serves an additional purpose of assisting the IASB in the development of future Standards and review of existing Standards. (ii) The 2018 Conceptual Framework was issued by IASB in March 2018, and was not the framework applied when developing existing major IFRS Standards such as IFRS 15 and IFRS 16, which are being considered for alignment in the RfI. In addition, it has been acknowledged that there is an inconsistency between the 2018 Conceptual Framework and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as interpreted by IFRIC 21 *Levies*.

Ref	**Question**	**Response** *(Please give clear reasoning to support your response.)*
		(iii) Efforts to align Section 2 to the 2018 Conceptual Framework while aligning other sections of the *IFRS for SMEs* Standard to existing IFRS Standards which were developed applying an earlier version of the framework may result in unintended consequences, including inconsistencies across the *IFRS for SMEs* Standard. (iv) Inconsistencies across the single stand-alone document could result in unintended legal implications, depending on the respective jurisdictions' legislation. This concern is notwithstanding the hierarchy established in Section 10 *Accounting Policies, Estimates and Errors*, whereby the specific section shall first be applied, and failing which the entity shall refer to Section 2. In this respect, it is recommended that Section 2 be moved to a separate document, emulating the 2018 Conceptual Framework. The current Section 2 could then be replaced with a one-stop guidance on fair value measurement, based on IFRS 13 *Fair Value Measurement* document (see response to Question S9). However, due consideration also needs to be given as to whether certain principles would be more appropriately located within other sections of the *IFRS for SMEs* Standard rather than in a separate document.

Ref	**Question**	**Response** *(Please give clear reasoning to support your response*.)
		<u>(c):</u> AOSSG member organisations are of the view that the concept of 'undue cost or effort' should be retained based on the following rationale: (i) this concept allows necessary flexibility for SMEs' application. (ii) this concept is intended to clarify that cost is a consideration when applying the requirement to consider constraints in resources and expertise as well as the nature of business environment for most SMEs. Although there is no direct reference to benefit in the term, in order to assess whether cost and effort is 'undue', SMEs would have to assess how important the information is to users. However, more guidance should be provided to facilitate the thought process for its application (e.g. similar to the four-step materiality process set out in Practice Statement 2 *Making Materiality Judgements*). Although there were challenges initially faced in its application, SMEs have generally found this concept useful and helpful in the preparation of their financial statements.
S2	**Aligning Section 9 *Consolidated and Separate Financial Statements* of the *IFRS for SMEs Standard* with IFRS 10 *Consolidated Financial Statements*** Section 9 of the *IFRS for SMEs* Standard establishes control as the basis for determining which entities are included in the consolidated financial statements. The definition of control in Section 9 is aligned with the definition of control from the superseded version of IAS 27 *Consolidated and Separate Financial Statements* and includes some of the guidance from the superseded SIC-12 *Consolidation—Special Purpose Entities.*	

Ref	Question	Response *(Please give clear reasoning to support your response.)*
	The Board is seeking views on aligning the definition of control in Section 9 with the definition in IFRS 10 *Consolidated Financial Statements* to provide a clearer principle and facilitate greater consistency among the financial statements of entities applying the *IFRS for SMEs* Standard. IFRS 10 sets out a single principle of control that applies to all investees. The Board is also seeking views on retaining and updating the simplification in paragraph 9.5 of the *IFRS for SMEs* Standard, which states that control is presumed to exist when the parent entity owns, directly or indirectly through subsidiaries, more than half the voting power of the entity.	
S2A	**What are your views on:** **(a) aligning the definition of control in Section 9 with IFRS 10; and** **(b) retaining and updating paragraph 9.5 of the *IFRS for SMEs* Standard?** *Further information on this question is provided in paragraphs B15–B24 of Appendix B of the Request for Information.*	**<u>(a):</u>** Certain AOSSG member organisations are of the view that the definition of control in Section 9 should be aligned with that in IFRS 10, for the following reasons: (i) The control principle is central to IFRS 10, and the primary goal behind the development of IFRS 10 was to come up with a single model for control which could be applied to all entities. (ii) IFRS 10 provides a comprehensive control principle, and would result in greater consistency among financial statements of reporting entities as well as improve the quality of information provided to users of financial statements. (iii) Application of a single principle of control would remove uncertainty about which guidance could be applied to different entities, and would not introduce significant new concepts which would be unfamiliar to entities that apply the *IFRS for SMEs* Standard.

Ref	Question	Response *(Please give clear reasoning to support your response*.)
		<u>**(b):**</u> Certain AOSSG member organisations have no objection to retaining paragraph 9.5 of the *IFRS for SMEs* Standard, subject to the following: (i) in view that with the introduction of the IFRS 10 control principle in the *IFRS for SMEs* Standard, the extant paragraph 9.5 would set out the indicators of control, paragraph 9.5 should be updated to achieve two objectives, i.e. a. to convey clearly that 50% shareholding / voting right is an indication of control (and so does not override the main principle of control); and b. to remain simplified in terms of drafting. (ii) that more clarification is needed on the nature of the ‘updates’ to paragraph 9.5, and whether the update is restricted to amendments arising from the alignment of the definition of control in Section 9 with IFRS 10 mentioned in Question S2A(a).
S2B	**Investment entities** IFRS 10 requires an investment entity to measure an investment in a subsidiary at fair value through profit or loss and not consolidate such entity. The *IFRS for SMEs* Standard has no equivalent requirement.	

<table>
<tr><th>Ref</th><th>Question</th><th>Response
(Please give clear reasoning to support your response.)</th></tr>
<tr><td rowspan="2"></td><td>Based on the definition of investment entity in IFRS 10 the Board considered that few entities eligible to apply the IFRS for SMEs Standard will also be investment entities. Consequently, the Board is seeking views on not introducing the requirement that an investment entity measure an investment in a subsidiary at fair value through profit or loss rather than consolidate such entities.</td><td></td></tr>
<tr><td>What are your views on not introducing the requirement that investment entities measure investments in subsidiaries at fair value through profit and loss?

Further information on this question is provided in paragraphs B25–B26 of Appendix B of the Request for Information.</td><td>Certain AOSSG member organisations are of the view that new requirements for investment entities to measure investments in subsidiaries at fair value through profit and loss should not be introduced.

In practice, few entities that met the definition of ‘investment entity’ in IFRS 10 would be eligible to apply the IFRS for SMEs Standard. Further, such entities may not maintain sufficient documentation to demonstrate that they had met all the requirements for classification as an ‘investment entity’. Hence, the inclusion of this requirement may not add value to the IFRS for SMEs Standard, and may instead lead to undue cost or effort.

One AOSSG member organisation further noted that having considered the alignment principles set out in paragraphs 32-37 of the RfI, the current requirements of the IFRS for SMEs Standard appeared to be sufficient to cater for SME’s investments which are generally less complex.</td></tr>
</table>

Ref	**Question**	**Response** *(Please give clear reasoning to support your response*.)
S3	**Aligning Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instrument Issues* of the *IFRS for SMEs* Standard with IFRS 9 *Financial Instruments*** In July 2014 the Board issued IFRS 9 *Financial Instruments*, completing its project to replace IAS 39 *Financial Instruments: Recognition and Measurement* with a principle-based Standard. **Classification and measurement of financial assets** IFRS 9 applies a principle-based approach to the classification of financial assets. Applying IFRS 9, when an entity initially recognises a financial asset, its classification is based on: (a) the contractual cash flow characteristics of the financial asset; and (b) the business model for managing the financial asset. Section 11 of the *IFRS for SMEs* Standard provides a list of examples of basic financial instruments as well as the conditions a debt instrument must satisfy to qualify (that is to be classified) as a basic financial instrument and therefore be measured at amortised cost. The Board's discussions on aligning the classification of financial assets included considering whether supplementing the list of examples in Section 11 with a principle based on their contractual cash flow characteristics would be helpful to entities in the circumstance in which a financial asset does not match the characteristics described in any of the examples.	

Ref	**Question**	**Response** *(Please give clear reasoning to support your response*.)
S3A	**What are your views on supplementing the list of examples in Section 11 with a principle for classifying financial assets based on their contractual cash flow characteristics?** *Further information on this question is provided in paragraphs B27–B34 of Appendix B of the Request for Information.*	Certain AOSSG member organisations are of the view that the list of examples in Section 11 should be supplemented with a principle for classifying financial assets based on their contractual cash flow characteristics, in view of the following: (i) One AOSSG member organisation notes that paragraph 11.9 of the *IFRS for SMEs* Standard sets out a list of conditions that a debt instrument needs to satisfy in order to qualify as a basic financial instrument, and thereafter apply the amortised cost model. The outcome from applying this list of conditions is largely consistent to the outcome from applying the IFRS 9 principle-based approach on determining whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding. As such, this AOSSG member organisation has no objections to supplementing the list of examples in Section 11 with a principle for classifying financial assets based on their contractual cash flow characteristics, provided that the existing list of conditions, as set out in paragraph 11.9 of the *IFRS for SMEs* Standard, are retained. (ii) One AOSSG member organisation is of the view that this would add value to the *IFRS for SMEs* Standard, and provide a clear rationale for classifying financial assets and thereby measuring them either at amortised cost or fair value.

Ref	Question	Response *(Please give clear reasoning to support your response.)*
		In contrast, one AOSSG member organisation is of the view that the *IFRS for SMEs* Standard should be aligned with the principles of IFRS 9.
S3B	**Impairment of financial assets** The current requirements for recognising and measuring impairment of financial assets measured at cost or amortised cost in the *IFRS for SMEs* Standard are based on IAS 39. The impairment model in IAS 39 (an incurred loss model) may delay an entity's recognition of credit losses because an impairment test is not required until there is objective evidence of impairment. The impairment requirements in IFRS 9 addressed the problem of delayed recognition by requiring an entity to recognise expected credit losses. IFRS 9 includes a simplified approach to provide for lifetime expected credit losses for trade receivables, contract assets and lease receivables. The Board is seeking views on introducing the simplified approach into the *IFRS for SMEs* Standard.	
	What is your view on aligning the *IFRS for SMEs* Standard with the simplified approach to the impairment of financial assets in IFRS 9? *Further information on this question is provided in paragraphs B35–B37 of Appendix B of the Request for Information.*	AOSSG member organisations have contrasting views. View 1 – For alignment Certain AOSSG member organisations are of the view that the simplified approach should be introduced in the *IFRS for SMEs* Standard, consistent with the alignment approach in question G3.

Ref	Question	Response *(Please give clear reasoning to support your response.)*
		One AOSSG member organisation noted that the simplified approach reduces the need to track separate increases in credit risk, thereby alleviating practical concerns about using the general approach for tracking changes in credit risk to determine whether there has been a significant increase in credit risk. Accordingly, this will address the problem of delayed recognition by requiring an entity to recognise expected credit losses. View 2 – Against alignment One AOSSG member organisation is of the view that the expected credit loss model is not relevant for SMEs and recommends that the existing current loss model in the *IFRS for SMEs* Standard be retained. One AOSSG member organisation noted that the simplified approach to the impairment of financial assets in IFRS 9 is likely to impose undue cost or effort on small entities, and so does not achieve the alignment principle of ‘simplicity’.
S3C	**Hedge accounting** IFRS 9 includes new hedge accounting requirements that represent a major overhaul of hedge accounting and introduce significant improvements. Section 12 sets out requirements for the types of hedging activities an entity applying the *IFRS for SMEs* Standard is likely to use to manage risks. The Board decided to seek views on the need for Section 12 to provide hedge accounting requirements and to seek views on retaining the current requirements rather than aligning with IFRS 9.	

Ref	Question	Response *(Please give clear reasoning to support your response.)*
	(a) Do you consider Section 12 needs to include requirements on hedge accounting? **(b) If your answer is yes, what are your views on retaining the current requirements to address the needs of entities applying the Standard, rather than aligning Section 12 with IFRS 9?** **(c) If your answer is no, please explain the reasons for your answer.**	**(a):** AOSSG member organisations have contrasting views. **(b) – Yes:** One AOSSG member organisation is of the view that the hedge accounting requirements of the *IFRS for SMEs* Standard should be aligned with IFRS 9, consistent with the alignment approach in question G3. **(c) – No:** Certain AOSSG member organisations support the retention of current requirements, in view of the following: (i) the existing requirements of Section 12 are sufficient to cater for SMEs. (ii) there is limited application of hedge accounting by most small entities. (iii) inclusion of requirements on hedge accounting may not be worthwhile and may bring undue cost or effort for SMEs. In the current context of businesses, hedging is not free of charge and would involve certain costs. Entities may have to pay premium or brokerage that can absorb the profits, which SMEs in certain jurisdictions may not be able to afford.

Ref	Question	Response *(Please give clear reasoning to support your response.)*
		(iv) hedging limits the profits of individuals. For investors, especially day traders, who invest in the market on short-term basis, hedging may not turn out to be a profitable activity because the stock market can be extremely volatile and they are unable to consistently keep track of the market. To successfully carry out hedging, excellent trading skills and experience is an utmost necessity. Hence, certain jurisdictions may find that hedging is not a popular concept among SMEs, and accordingly, including requirements on hedge accounting in Section 12 may not be useful.
S3D	**Using recognition and measurement requirements in IFRS Standards for financial instruments** The *IFRS for SMEs* Standard currently permits entities to opt to apply either: (a) the requirements of both Sections 11 and 12 of the *IFRS for SMEs* Standard in full; or (b) the recognition and measurement requirements of IAS 39 and the disclosure requirements of Sections 11 and 12. In order to decide whether to amend the *IFRS for SMEs* Standard and permit an entity to opt to apply the recognition and measurement requirements of IFRS 9 and the disclosure requirements of Sections 11 and 12, the Board would like to obtain evidence on how frequently the option to apply IAS 39 is used.	
	(a) Are you aware of entities that opt to apply the recognition and measurement requirements of IAS 39 with the disclosure requirements of Sections 11 and 12? **(b) What are your views on changing the reference to IAS 39 to permit an entity to opt to apply the recognition and measurement requirements of IFRS 9 and the disclosure requirements of Sections 11 and 12?**	**(a):** Certain AOSSG member organisations observed that entities generally apply Sections 11 and 12 of the *IFRS for SMEs* Standard.

Ref	Question	Response *(Please give clear reasoning to support your response.)*
		One AOSSG member organisation highlighted that due to the unavailability of detailed entity-wise database on the application of financial instruments-related requirements of the *IFRS for SMEs* Standard, information relating to the application of recognition and measurement requirements of IAS 39 with the disclosure requirements of Sections 11 and 12 is not available. **(b):** AOSSG member organisations have contrasting views. View 1 – Change the reference from IAS 39 to IFRS 9 Certain AOSSG member organisations are of the view that the reference to IAS 39 should be changed to permit an entity to opt to apply the recognition and measurement requirements of IFRS 9 and the disclosure requirements of Sections 11 and 12, for the following reasons: (i) this would be consistent with the alignment approach in question G3. (ii) IAS 39 will be withdrawn under the full IFRS Standards. View 2 – Retain reference to IAS 39 Certain AOSSG member organisations are of the view that the current reference to IAS 39 should be retained, for the following reasons: (i) the existing disclosure requirements of Sections 11 and 12 are sufficient to cater for SMEs.

Ref	**Question**	**Response** *(Please give clear reasoning to support your response*.)
		(ii) changing the reference would not result in any significant value addition to SMEs. One AOSSG member organisation explained that IFRS 9 introduces an option to value equity investments (e.g. shares in other companies) and certain debt instruments at fair value through other comprehensive income. Thus, there is no necessity to put all the revaluation gains and losses to profit or loss and this can result in significantly lower volatility in a company's profits. If the company prefers a more stable presentation of income to its shareholders, IFRS 9 would be useful. Applying IFRS 9 will have more impact on financial institutions such as banks or investment institutes, compared to SMEs. However, if a company only has small amounts of financial instruments, the impact of switching from IAS 39 to IFRS 9 would probably be minimal and such transition may instead bring unnecessary cost or effort. Having assessed the nature of financial instruments made available to SMEs, it was observed that those are very basic and few in quantity.
S3E	**Treatment of Q&As on the *IFRS for SMEs* Standard** Since the 2015 *Amendments to the* IFRS for SMEs *Standard* were issued by the Board, the SMEIG has published one Q&A on *Accounting for financial guarantee contracts in individual or separate financial statements of the issuer* (Q&A 2017/12.1).	

Ref	Question	Response *(Please give clear reasoning to support your response.)*
	This comprehensive review provides an opportunity for the Q&A 2017/12.1 to be incorporated into the *IFRS for SMEs* Standard and for the Q&A to be withdrawn. The Board noted the SMEIG's recommendation that the Board revisit the accounting treatment for issued financial guarantee contracts during the second comprehensive review with a view to providing measurement relief. The SMEIG made this recommendation based on feedback that measuring issued financial guarantee contracts at fair value at each reporting date is more complex than the accounting requirements in IFRS 9. The Board is seeking views on aligning the accounting requirements in Section 12 for issued financial guarantee contracts with IFRS 9.	
	What are your views on: **(a) adding the definition of a financial guarantee contract from IFRS 9 to the *IFRS for SMEs* Standard; and** **(b) aligning the requirements in the *IFRS for SMEs* Standard for issued financial guarantee contracts with IFRS 9?** *Further information on this question is provided in paragraphs B38–B45 of Appendix B of the Request for Information.*	With regard to financial guarantee contracts, AOSSG member organisations have contrasting views. <u>View 1 – Agree</u> One AOSSG member organisation is of the view that the definition of financial guarantee contract should be added in the *IFRS for SMEs* Standard, and that its requirements should be considered for alignment with IFRS 9. It was noted that the *IFRS for SMEs* Standard does not define financial guarantee contracts, which are within the scope of Section 12, whereby all financial assets and financial liabilities (including financial guarantee contracts) are required to be measured at fair value with changes in fair value recognised in profit or loss. <u>View 2 – Disagree</u> Certain AOSSG member organisations disagree with the addition of the definition of financial guarantee contract and alignment with IFRS 9, for the following reasons:

<table>
<tr><th>Ref</th><th>Question</th><th>Response
(Please give clear reasoning to support your response.)</th></tr>
<tr><td></td><td></td><td>(i) the existing requirements of Section 21 can be applied to financial guarantee contracts. Specifically, one AOSSG member organisation welcomes and supports the SMEIG’s recommendation that the IASB revisit the accounting treatment for issued financial guarantee contracts during the second comprehensive review with a view to providing measurement relief.

(ii) the change would not result in any significant value addition to SMEs. One AOSSG member organisation noted that when assessing the nature of financial instruments available in SMEs, it was observed that those were very basic and few in quantity.</td></tr>
<tr><td>S4</td><td>Aligning Section 15 Investments in Joint Ventures of the IFRS for SMEs Standard with IFRS 11 Joint Arrangements

Section 15 of the IFRS for SMEs Standard is based on IAS 31 Interests in Joint Ventures, requiring entities that are jointly controlled to be classified as either jointly controlled operations, jointly controlled assets or jointly controlled entities. A significant difference between Section 15 and IAS 31 is that Section 15 does not permit proportionate consolidation for jointly controlled entities.

In May 2011 the Board issued IFRS 11 Joint Arrangements, which replaced IAS 31. Applying IFRS 11, an entity classifies joint arrangements on the basis of the parties’ rights and obligations under the arrangement. IFRS 11 changed the definitions and requirements of IAS 31 and classifies arrangements as either joint operations or joint ventures.

The Board is seeking views on aligning the definition of joint control in Section 15 with the definition in IFRS 11 but retaining the three categories of joint arrangements—jointly controlled operations, jointly controlled assets and jointly controlled entities—in Section 15. Consequently, the accounting requirements of Section 15 would be retained.</td><td></td></tr>
</table>

Ref	**Question**	**Response** *(Please give clear reasoning to support your response.)*
	Retaining these accounting requirements would include retaining the accounting policy election in Section 15 such that a venturer can choose to apply the cost model, the equity method or the fair value model to account for jointly controlled entities.	
	What are your views on: **(a) aligning the definition of joint control in Section 15 with IFRS 11?** **(b) retaining the categories of joint arrangements: jointly controlled operations, jointly controlled assets and jointly controlled entities?** **(c) retaining the accounting requirements of Section 15, including the accounting policy election for jointly controlled entities in Section 15?** *Further information on this question is provided in paragraphs B50–B54 of Appendix B of the Request for Information.*	AOSSG member organisations agree with the proposals. One AOSSG member organisation is of the view that aligning the definition of joint control without changing the classification of joint ventures in Section 15 is sensible and would be beneficial to SMEs. However, one AOSSG member organisation recommends that the IASB carry out further analysis to identify the benefits of retaining the accounting requirements of Section 15.
S5	**Aligning Section 19 *Business Combinations and Goodwill* of the *IFRS for SMEs* Standard with IFRS 3 (2008) *Business Combinations*** Section 19 of the *IFRS for SMEs* Standard is based on IFRS 3 (2004) *Business Combinations*, which applies the purchase method of accounting for business combinations. The Board is seeking views on aligning Section 19 with parts of IFRS 3 (2008) to: (a) introduce requirements for step acquisitions. (b) recognise acquisition-related costs as an expense at the time of the acquisition.	

Ref	Question	Response *(Please give clear reasoning to support your response.)*
	(c) require contingent consideration to be recognised at fair value and subsequently accounted for as a financial instrument with changes in fair value recognised in profit or loss. The Board is also seeking views on permitting an entity to use the undue cost or effort exemption in paragraph 2.14A of the *IFRS for SMEs* and provide the related disclosures if measuring contingent consideration at fair value would involve undue cost or effort.	
S5A	**(a) Do you consider Section 19 needs to include requirements for the accounting for step acquisitions?** **(b) If your answer is yes, should the requirements be aligned with IFRS 3 (2008).** *Further information on this question is provided in paragraphs B55–B66 of Appendix B of the Request for Information.*	**(a):** Certain AOSSG member organisations are of the view that Section 19 needs to include requirements for the accounting for step acquisitions. **(b):** AOSSG member organisations have differing views. <u>View 1 – For alignment</u> Certain AOSSG member organisations agree for the requirements to be aligned with IFRS 3 (2008). One AOSSG member organisation believes that introducing such requirements would improve comparability and provide better quality information to users. In the absence of clarified requirements in the *IFRS for SMEs* Standard, entities may apply divergent practices. <u>View 2 – More research and outreach needed</u> One AOSSG member organisation highlighted that in its jurisdiction, a significant portion of SMEs are family owned entities, and that a limited number of SMEs would be engaged in step acquisitions. Hence, in this context, step acquisition is generally not very common.

Ref	Question	Response *(Please give clear reasoning to support your response*.)
		In view of this, the AOSSG member organisation recommends that the alignment with IFRS 3 should be considered after further research and outreach about SMEs' involvement in step acquisition transactions, as mere alignment with IFRS 3 might add complexity (e.g. fair value accounting, goodwill recognition, etc.) to the *IFRS for SMEs* Standard.
S5B	**What are your views on aligning Section 19 with IFRS 3 (2008) for acquisition costs and contingent consideration, including permitting an entity to use the undue cost or effort exemption and provide the related disclosures if measuring contingent consideration at fair value would involve undue cost or effort?** *Further information on this question is provided in paragraphs B55–B66 of Appendix B of the Request for Information.*	AOSSG member organisations agree with the proposals. One AOSSG member organisation is of the view that: (i) the alignment will provide a common principle and ensure comparability. The acquisition costs should be expensed out and not considered as part of the fair value transaction between the buyer and the seller. (ii) full alignment of the *IFRS for SMEs* Standard with the IFRS Standards may add complexity for contingent consideration, as the contingent consideration requirements differ in terms of recognition as well as subsequent measurement (e.g. IFRS 3 also discusses the contingent consideration split between equity and financial liability). Hence, the IASB may wish to consider aligning certain requirements rather than taking a mirror approach of full alignment.

Ref	Question	Response *(Please give clear reasoning to support your response*.)
		(iii) under the *IFRS for SMEs* Standard, entities may be permitted to use the 'undue cost or effort' exemption and provide the related disclosures (if measuring contingent consideration at fair value involves undue cost or effort). Another AOSSG member organisation is of the view that alignment of Section 19 with IFRS 3 (2008) for acquisition costs and contingent consideration adds value for SMEs, and would provide users of financial statements prepared applying the *IFRS for SMEs* Standard with better information about the cost of the business combinations.
S5C	**Definition of a business** In October 2018 the Board issued an amendment to IFRS 3, effective for acquisitions on or after 1 January 2020, to improve consistency of application by clarifying the definition of a business. The amended definition emphasises that the output of a business is the goods and services it provides to customers; the previous definition defined outputs as having the ability to provide returns in the form of dividends, lower costs and other economic benefits to investors and others.	
	What are your views on aligning the *IFRS for SMEs* Standard with the amended definition of a business issued in October 2018?	AOSSG member organisations agree with the proposal, for the following reasons: (i) the amended definition of a business is clearer. (ii) the amendment would provide a common understanding to all preparers of financial statements.

Ref	**Question**	**Response** *(Please give clear reasoning to support your response*.)
		(iii) improved consistency and comparability, since it brings more clarity with identification as a process on activities that result in outputs with the inputs. It is noted that this amendment is not expected to significantly change the conclusions and assessments for identifying business combinations, compared to the previous definition and conclusions.
S6	**Aligning Section 20 *Leases* of the *IFRS for SMEs* Standard with IFRS 16 *Leases*** In January 2016 the Board issued IFRS 16 *Leases.* IFRS 16 replaced IAS 17 *Leases* and became effective on 1 January 2019. Section 20 of the *IFRS for SMEs* is based largely on IAS 17. The Board noted that leases provide an important source of funding to SMEs and therefore decided to seek views on aligning Section 20 with IFRS 16, with simplifications. The requirements in IFRS 16 can be simplified so they are easier and less costly for SMEs to apply including by: (a) simplifying recognition and measurement requirements in respect of matters such as variable lease payments, determining the discount rate and the term of the lease; (b) retaining the disclosure requirements of Section 20; and (c) simplifying the language in the Standard.	

Ref	Question	Response *(Please give clear reasoning to support your response.)*
	What are your views on aligning Section 20 with IFRS 16, making the simplifications listed in paragraphs (a)–(c)? *Further information on this question is provided in paragraphs B67–B72 of Appendix B of the Request for Information.*	AOSSG member organisations have contrasting views. <u>View 1 – For alignment</u> Certain AOSSG member organisations agree with aligning Section 20 with IFRS 16, making the simplifications listed in paragraphs (a)–(c). It is noted that SMEs are a significant portion of global economy, and that leasing, being one of the most important sources of financing for SMEs, is extensively used by SMEs for financing and business expansion purposes. One AOSSG member organisation cited the underlying reasons for bringing in the IFRS 16 (i.e. bringing leases on to the statement of financial position) as the rationale for the alignment. As IFRS 16, in addition to the single lease model for lessees, offers simplifications in terms of exemptions for low value and short-term leases, it is envisaged that the alignment of basic principles would not bring significant challenges to preparers under the *IFRS for SMEs* Standard. Further simplifications to IFRS 16, such as determination of lease term, remeasurement of lease asset and lease liability, discount rate determinations, etc, should also be considered as part of the alignment approach. Disclosure requirements should also be kept to a minimum, in order to limit the burden and complexities faced by SMEs. Another AOSSG member organisation believes that:

Ref	Question	Response *(Please give clear reasoning to support your response.)*
		(i) the alignment would result in greater transparency about entities' financial leverage and capital employed, and that financial statements prepared applying the aligned Section 20 would more faithfully represent an entity's assets and liabilities, thereby providing useful and relevant information to users who are unable to require reports tailored to meet their needs. (ii) the new definition of lease may cause some contracts previously treated as 'service contracts' to be treated as 'lease contracts'. (iii) the alignment need not affect accounting by lessors. IFRS 16 retains the IAS 17 requirements for lessor accounting, however, it adds guidance for lessors on the definition of a lease, a sublease and on the accounting for sale and leaseback transactions. <u>View 2 – Against alignment</u> Two AOSSG member organisations disagree with aligning Section 20 with IFRS 16, having considered the following: (i) IFRS 16 is applicable for entities with annual reporting periods beginning on or after 1 January 2019, meaning that the first sets of financial statements applying IFRS 16 for the financial year ended 31 December 2019 are currently being prepared during the comment period of this RfI.

Ref	Question	Response *(Please give clear reasoning to support your response.)*
		In view of this, the current level of IFRS 16 implementation experience may be insufficient to appropriately and effectively align and/or simplify its requirements for the SMES' purposes. (ii) Since the issuance of IFRS 16 in 2016, the IFRS Interpretations Committee has issued five (5) Agenda Decisions on IFRS 16. This is indicative that more IFRS 16 implementation experience is necessary, before considering similar application by SMEs. (iii) During the COVID-19 pandemic, the IASB recognised the challenges of implementing the new IFRS 16 lessee accounting model in *Covid-19-Related Rent Concessions* (Amendment to IFRS 16), and took urgent steps towards providing relief in the form of a practical expedient whereby lessees are permitted not to assess whether particular COVID-19-related rent concessions are lease modifications. Instead, lessees that apply the practical expedient would account for those rent concessions as if they were not lease modifications. SMEs are one of the groups hardest hit by the effects of COVID-19, for which there is still much uncertainty as to how long its effects might last. Given the complexities involved in the implementation of the new lessee accounting model, as well as the consequential impact on the entities' financial ratios, SMEs may be hard-pressed to receive the funding they need to survive through the period of economic recovery.

<table>
<tr><th>Ref</th><th>Question</th><th>Response
(Please give clear reasoning to support your response.)</th></tr>
<tr><td>S7</td><td>Aligning Section 23 Revenue of the IFRS for SMEs Standard with IFRS 15 Revenue from Contracts with Customers

Section 23 of the IFRS for SMEs Standard is based on IAS 18 Revenue. IAS 18 provided relatively limited principles for the recognition of revenue from the supply of goods or services.

IFRS 15, effective from 1 January 2018, replaced IAS 18 and set out a more structured framework based on performance obligations and the timing of their satisfaction. The main distinction it makes is between performance over time and performance at a point in time, rather than between goods and services.

The Board considered that although there are substantive conceptual differences between IAS 18 and IFRS 15, the effect in practice for most entities in the scope of the IFRS for SMEs Standard would be minimal in terms of the timing and measurement of revenue. However, some feedback indicates that aligning principles and language would be helpful for preparers who seek consistency with IFRS Standards.

The Board is seeking views on the merits of three possible approaches to aligning Section 23 with IFRS 15:

(a) Alternative 1—modifying Section 23 to remove the clear differences in outcome from applying Section 23 or IFRS 15, without wholly reworking Section 23;

(b) Alternative 2—fully rewriting Section 23 to reflect the principles and language used in IFRS 15; and

(c) Alternative 3—deciding not to make amendments to Section 23 as part of this comprehensive review.</td><td></td></tr>
</table>

Ref	Question	Response *(Please give clear reasoning to support your response.)*
S7A	**Which of the three alternatives do you prefer for amending Section 23 to align with IFRS 15? Why have you chosen this alternative?** *Further information on this question is provided in paragraphs B73–B74 of Appendix B of the Request for Information.*	Certain AOSSG member organisations prefer Alternative 1 – modifying Section 23 to remove the clear differences in outcome from applying Section 23 or IFRS 15, without wholly reworking Section 23. However, this is subject to further comments based on the detailed drafting of the proposed amendments to the IFRS for SMEs. One AOSSG member organisation prefers Alternative 3. While it supports an alignment approach, it is not desirable to align the *IFRS for SMEs* Standard with IFRS 15 during this comprehensive review because of its complexity and insufficient implementation experience. It is noted that: (i) Alternative 1 would: a. result in necessary alignment, provide greater clarity and require limited efforts.

Ref	Question	Response *(Please give clear reasoning to support your response.)*
		b. be less complex than rewriting the entire section, and enhance understandability of concepts for SMEs. It is supposed to add only the 'principles' heading and subsection near the beginning of the Section, providing new guidance defining performance obligations and distinguishing between performance over time and performance at a point in time. This subsection would also include a requirement for preparers to consider the examples in the Appendix to Section 23 and, if a suitable example is not available, require an entity to apply the principles or refer to the full IFRS Standards. It may also be worthwhile to add new examples in areas where it appears necessary. (ii) Alternative 2 may inadvertently introduce unnecessary complexity for SMEs in applying the *IFRS for SMEs* Standard in view of the principle-based nature of IFRS 15. (iii) Alternative 3 could result in a vast gap between the IFRS Standards and the *IFRS for SMEs* Standard in a longer run. One AOSSG member organisation highlighted that the alignment of principles of revenue recognition in the *IFRS for SMEs* Standard and IFRS Standards is relevant and important to all stakeholders, for the following reasons: (i) Revenue is a common performance indicator and is relevant to all business-oriented entities, irrespective of size.

<table>
<tr><th>Ref</th><th>Question</th><th>Response
(Please give clear reasoning to support your response.)</th></tr>
<tr><td></td><td></td><td>(ii) IFRS 15 (ASC 606 in the US) is globally recognised and aligns revenue recognition standards.

(iii) IFRS 15 and ASC 606 were developed as a joint IASB and Financial Accounting Standards Board (FASB) project.

(iv) Common principles for revenue recognition should be provided in the IASB developed standards.</td></tr>
<tr><td rowspan="2">S7B</td><td>The Board also discussed whether to provide transition relief, if Alternative 1 or Alternative 2 is chosen, by permitting an entity to continue its current revenue recognition policy for any contracts already in progress at the transition date or scheduled to be completed within a set time after the transition date.</td><td></td></tr>
<tr><td>If Alternative 1 or Alternative 2 is the basis for an Exposure Draft, should transitional relief be provided:
(a) by permitting an entity to continue its current revenue recognition policy for any contracts already in progress at the transition date or scheduled to be completed within a set time after the transition date?
(b) by some other method?
(c) not at all?
Please explain why you have chosen (a), (b) or (c) above.</td><td>AOSSG member organisations agree that transitional relief should be provided.

Certain AOSSG member organisations are of the view that the transitional relief provided should be limited to permitting an entity to continue its current revenue recognition policy for any contracts already in progress and scheduled to be completed within a set time frame after the transition date. This would offer SMEs a considerable period of time to adopt the change.</td></tr>
</table>

Ref	Question	Response *(Please give clear reasoning to support your response.)*
		One AOSSG member organisation strongly believes that it is important to set a time limit on the transitional relief, and recommends that this be limited to 24 months after the effective date of the final Standard. The absence of a time limit could result in longer term contracts being recognised using the extant requirements on an almost indefinite basis, which could affect the comparability and truth and fairness of the SMEs' financial statements. For example, in the case of a 20-year contract for which only two years had passed as at the effective date of the final Standard, the contract having applied the transitional relief could be recognised using extant requirements for the remaining 18 years. One AOSSG member organisation is of the view that the extent and nature of transitional relief require further consideration and deliberation, based on the study of potential areas of revision of the *IFRS for SMEs* Standard and SMEs' application of revenue contracts.
S8	**Aligning Section 28 *Employee Benefits* of the *IFRS for SMEs* Standard with IAS 19 (2011) *Employee Benefits*** In 2011 the Board issued amendments to IAS 19 *Employee Benefits* that changed the requirements for presenting actuarial gains and losses relating to defined benefit plans. Paragraph 28.24 of the *IFRS for SMEs* Standard permits an entity to select a policy for the presentation of actuarial gains and losses. The Board's view is this simplification is appropriate for entities applying the *IFRS for SMEs* Standard. The 2011 amendments to IAS 19 also clarified that termination benefits should be recognised at the earlier of: (a) when the entity can no longer withdraw those benefits; and (b) when any related restructuring costs are recognised.	

Ref	Question	Response *(Please give clear reasoning to support your response.)*
	The Board is seeking views on aligning the recognition requirements for termination benefits in Section 28 with those in IAS 19.	
	What are your views on aligning Section 28 with the 2011 amendments to IAS 19 only in respect of the recognition requirements for termination benefits? *Further information on this question is provided in paragraphs B75–B78 of Appendix B of the Request for Information.*	One AOSSG member organisation agrees with the proposal as this will provide better clarity. In contrast, certain AOSSG member organisations disagree with the proposal. SMEs generally handle fewer employees and do not tend to follow more complex employee benefits plans. Hence, the given guidelines in Section 28 are adequate for SMEs' reporting purposes without leading to undue costs or efforts. One AOSSG member organisation highlighted that the *IFRS for SMEs* Standard outlines simplified accounting of actuarial gains and losses (compared to IAS 19) and recommends that this be retained.
S9	**Aligning the *IFRS for SMEs* Standard with IFRS 13 *Fair Value Measurement*** The *IFRS for SMEs* Standard requires the use of fair value and thereby includes a definition of fair value. Paragraphs 11.27–11.32 of the *IFRS for SMEs* Standard set out requirements for estimating fair value and are also referred to in other sections of the *IFRS for SMEs* Standard, for example, Sections 14 and 15 (regarding the fair value model for associates and jointly controlled entities), Section 16 (regarding investment property) and Section 28 (regarding the fair value of pension plan assets). The definition of fair value and the requirements to estimate fair value are not aligned with IFRS 13. In the first comprehensive review of the *IFRS for SMEs* Standard, the Board consulted on aligning the definition of fair value, but decided to wait, because IFRS 13 had only recently become effective.	

Ref	Question	Response *(Please give clear reasoning to support your response.)*
	The Board completed its post-implementation review of IFRS 13 in December 2018 and concluded that the Standard is working as intended. The Board is seeking views on aligning the *IFRS for SMEs* Standard with IFRS 13 and including the illustrative examples in the Standard. This change would not add new requirements for the use of fair value measurement.	
	What are your views on: **(a) aligning the definition of fair value in the *IFRS for SMEs* Standard with IFRS 13?** **(b) aligning the guidance on fair value measurement in the *IFRS for SMEs* Standard with IFRS 13 so the fair value hierarchy incorporates the principles of the fair value hierarchy set out in IFRS 13?** **(c) including examples that illustrate how to apply the hierarchy?** **(d) moving the guidance and related disclosure requirements to Section 2?** *Further information on this question is provided in paragraphs B79–B83 of Appendix B of the Request for Information.*	AOSSG member organisations agree with the proposals. It is anticipated that this will lead to SMEs' clearer understanding of fair value measurements. With regard to proposal (d), two AOSSG member organisations: (i) agree that the guidance and related disclosure requirements to be moved to Section 2 if the IASB retains Section 2 as part of the *IFRS for SMEs* Standard. (ii) recommend, if the IASB separates Section 2 into a separate document (see response to Question S1): a. that the current Section 2 be replaced with a one-stop guidance on fair value measurement, based on the IFRS 13 document; or b. that the guidance and related disclosure requirements be moved to a newly created section.

Ref	Question	Response *(Please give clear reasoning to support your response.)*
S10	**Aligning multiple sections of the *IFRS for SMEs* Standard for amendments to IFRS Standards and IFRIC Interpretations** The Board is seeking views on whether and how to align the *IFRS for SMEs* Standard with the amendments to IFRS Standards and IFRIC Interpretations set out in Appendix A of the Request for Information. In aligning the *IFRS for SMEs* Standard with amendments to IFRS Standards and IFRIC Interpretations the Board would introduce simplifications and language appropriate to the *IFRS for SMEs* Standard. Appendix A groups the amendments to IFRS Standards and IFRIC Interpretations using the following tables: Table A1–Amendments to IFRS Standards—Board is seeking views on aligning the *IFRS for SMEs* Standard; Table A2–Amendments to IFRS Standards—Board is seeking views on leaving the *IFRS for SMEs* Standard unchanged; Table A3–Amendments to IFRS Standards and IFRIC Interpretations and—Board is requesting further information on whether to align the *IFRS for SMEs* Standard; Table A4–Amendments to IFRS Standards—Board will consider along with the full IFRS Standards they amend; and Table A5–Amendments to IFRS Standards with which the *IFRS for SMEs* Standard is already aligned.	
	What are your views on: **(a) aligning the *IFRS for SMEs* Standard with the amendments to IFRS Standards outlined in Table A1 of Appendix A?**	**<u>(a) Table A1 of Appendix A:</u>** Certain AOSSG member organisations agree to the proposed alignments, with one AOSSG member organisation providing the following additional comments:

Ref	Question	Response *(Please give clear reasoning to support your response.)*
	(b) leaving the *IFRS for SMEs* Standard unchanged by the amendments to IFRS Standards listed in Table A2 of Appendix A? **(c) whether to align the *IFRS for SMEs* Standard with the amendments to IFRS Standards and IFRIC Interpretations listed in Table A3 of Appendix A?** **Please explain your views and provide any relevant information in support of your views.**	(i) <u>Section 3 Financial Statement Presentation – Definition of Material (Amendments to IAS 1 and IAS 8)</u> The definition of 'material' in the *IFRS for SMEs* Standard should be aligned, except for the term 'obscuring', based on the following considerations: a. There are concerns that inclusion of the term 'obscuring' introduces the element of judgement, thereby creating complexity for SMEs to apply. This would be inconsistent with the 'simplicity' alignment principle proposed in paragraph 32 of the RfI. b. From a regulatory and legal perspective, it would be difficult to evaluate whether the information disclosed was with the purpose (intent) to obscure, similar to the regulatory and legal challenges faced in proving negligence or recklessness. (ii) <u>Section 16 Investment Property – Transfers of Investment Property (Amendments to IAS 40)</u> The proposed alignment as this would be useful and helpful for SMEs' stakeholders. It is further recommended that the examples of evidence of a change in use, as set out in paragraph 57 of IAS 40, be included as this could guide consistent application by SMEs.

Ref	**Question**	**Response** *(Please give clear reasoning to support your response*.)
		(iii) <u>Section 34 Specialised Industries – Agriculture: Bearer Plants (Amendments to IAS 16)</u> The existing requirements of the *IFRS for SMEs* Standard should be retained. The proposed amendments would require the bifurcation of the bearer plants and the produce growing on them, which would bring limited benefit and introduce unnecessary complexity for SMEs, which is not consistent with the 'simplicity' alignment principle set out in paragraph 32 of the RfI. **<u>(b) Table A2 of Appendix A:</u>** Certain AOSSG member organisations agree with the proposal to leave the *IFRS for SMEs* Standard unchanged by the amendments to IFRS Standards listed in Table A2 of Appendix A. **<u>(c) Table A3 of Appendix A:</u>** Certain AOSSG member organisations agree with the proposed alignment. One AOSSG member organisation noted that the amendments reflect the IASB's response on key implementation issues on which guidance was sought by preparers from IASB. Accordingly, these amendments are relevant to SMEs and therefore should be incorporated in the *IFRS for SMEs* Standard.

Ref	**Question**	**Response** *(Please give clear reasoning to support your response.)*
		Another AOSSG member organisation: (i) agrees with the proposed alignments only insofar as they are consistent with requirements already aligned or identified to be aligned with the *IFRS for SMEs* Standard. (ii) disagrees with the proposed alignment of IFRIC 21 *Levies* with Section 21 *Provisions and Contingencies*. It has been acknowledged that the 2018 Conceptual Framework is inconsistent with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as interpreted by IFRS 21. As the *IFRS for SMEs* Standard is currently aligned with IAS 37, the alignment of IFRIC 21 would introduce similar inconsistency within the *IFRS for SMEs* Standard and cause confusion in its application.

Ref	Question	Response *(Please give clear reasoning to support your response)*
Part C of the Request for Information seeks views on topics that are not addressed in the IFRS for SMEs Standard and on whether, in relation to these topics, the Standard should be aligned with full IFRS Standards. It also asks about specific topics on which the Board has received feedback.		
N1	**Aligning the *IFRS for SMEs* Standard with IFRS 14 *Regulatory Deferral Accounts*** The Board issued IFRS 14 *Regulatory Deferral Accounts* in January 2014. IFRS 14 addresses regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation. The *IFRS for SMEs* Standard has no section that corresponds to IFRS 14. Entities applying the *IFRS for SMEs* Standard cannot recognise regulatory deferral account balances if these balances would not be permitted or required to be recognised by other sections of the *IFRS for SMEs* Standard. Entities subject to rate regulation may be in the scope of the *IFRS for SMEs* Standard and hence the topic may be relevant. The Board, however, has an active project on Rate-regulated Activities which could lead to the replacement of IFRS 14. Consequently, the Board's view is it should not, as part of this comprehensive review, amend the *IFRS for SMEs* Standard to align with IFRS 14.	
	What are your views on not aligning the *IFRS for SMEs* Standard with IFRS 14, that is, not including requirements for regulatory deferral account balances within the *IFRS for SMEs* Standard?	Certain AOSSG member organisations agreed not to align the *IFRS for SMEs* Standard with IFRS 14. Generally, rate-regulated entities are large public utility entities (public interest entities) which are usually not eligible to adopt the *IFRS for SMEs* Standard. In addition, establishing prices that a public utility or similar entity can charge to customers for regulated goods or services is usually not relevant for practical application to SMEs' businesses.

Ref	Question	Response *(Please give clear reasoning to support your response)*
		One AOSSG member organisation had no comment as to whether the *IFRS for SMEs* Standard should be aligned with IFRS 14 which did not apply in the context of its jurisdiction. With effect from 1 January 2012, financial statements in that jurisdiction are required to assert compliance with the IFRS Standards. Prior to 2012, the national GAAP of that jurisdiction was virtually identical to the IFRS Standards, and there was no separate local accounting standard or GAAP on regulatory deferral accounts. Hence, in accounting for regulatory balances, entities were guided by their respective accounting policies with reference to the applicable IFRS Standards and their respective regulatory agreements. Consequently, when IFRS 14 came into effect in 2014, entities in that jurisdiction were not be within the scope of that Standard because IFRS 14 paragraph 5(b) explains that the Standard only applies if entities have recognised regulatory deferral account balances under its previous GAAP in the period immediately preceding its first IFRS financial statements.
N2	**Cryptocurrency** The Board would like to gather information about the prevalence of holdings of cryptocurrency and issues of cryptoassets among entities eligible to apply the *IFRS for SMEs* Standard. Obtaining this information will help the Board decide whether the *IFRS for SMEs* Standard should address the accounting for holdings of cryptocurrency and issues of cryptoassets.	

Ref	Question	Response *(Please give clear reasoning to support your response)*
	Are holdings of cryptocurrency and issues of cryptoassets prevalent (that is, are there material holdings among entities eligible to apply the *IFRS for SMEs* Standard) in your jurisdiction? *Further information on this question is provided in paragraphs B85–B86 of Appendix B of the Request for Information.*	One AOSSG member organisation is of the view that adding accounting treatment for holding of cryptocurrency would not be useful. In this jurisdiction, the central bank had not given licence or authorisation to any entity or company to operate schemes involving virtual currencies (including cryptocurrency), and has not authorised any Initial Coin Offerings. As such, accounting treatment for holding of cryptocurrency would not be applicable to SMEs from this jurisdiction. One AOSSG member organisation noted that while certain entities may be more open to accepting alternative forms of payment, there is limited information and experience in the holdings of cryptocurrency. In this jurisdiction, issuers of digital assets (which include cryptoassets) are regulated by and lodge financial statements to the securities commission, and accordingly are not eligible to apply the *IFRS for SMEs* Standard. For another AOSSG member organisation, holding and dealing in cryptocurrency is prohibited under regulatory directions. Therefore, there are no material holdings among entities eligible to apply the *IFRS for SMEs* Standard in this jurisdiction. It is further noted that: (i) virtual currencies such as cryptocurrency use decentralised peer-to-peer digital networks to authorise transactions. Due to the absence of a centralised authority such as a central bank to guarantee the value of the currency and regulate transactions, there is no recourse in the event of any user or transaction-related issues or disputes.

Ref	Question	Response *(Please give clear reasoning to support your response)*
		(ii) the value of virtual currencies is dependent on speculation and is not backed by an underlying asset or a regulatory framework. Due to this, virtual currencies may demonstrate major volatility. (iii) there appears to be a high probability of virtual currencies being used in illegal activities. Though unintentional, their usage could amount to breaches of anti-money laundering and combating the financing of terrorism laws. Therefore, cryptocurrency, in the present form, may pose significant risks in terms of financial, operational, legal, customer protection and security-related risks to their users as well as to the economy.
N3	**Defined benefit plans—simplifications allowed in measuring the defined benefit obligation** Section 28 *Employee Benefits* of the *IFRS for SMEs* Standard allows an entity to apply simplifications in measuring a defined benefit obligation if the entity is unable, without undue cost or effort, to use the projected unit credit method. Paragraph 28.19 of the *IFRS for SMEs* Standard allows an entity to ignore estimated future salary progression, the effect of future service and death in service. The Board has received feedback that some preparers are uncertain about how to apply the simplifications. To decide whether to clarify how to apply the simplifications in paragraph 28.19, the Board would like to know how frequently the simplifications are applied and whether constituents experience difficulties in applying them.	

Ref	**Question**	**Response** *(Please give clear reasoning to support your response)*
	Are you aware of entities applying the simplifications allowed by paragraph 28.19 of the *IFRS for SMEs* Standard? If so, are you aware of difficulties arising in applying the simplifications? Please include a brief description of the difficulty encountered in applying the simplification.	One AOSSG member organisation is of the view that the simplifications are consistent with the objectives of the *IFRS for SMEs* Standard, and noted that they are more likely to be applied by larger SMEs, such as multinational or government-related entities. This view is notwithstanding the AOSSG member organisation's limited experience in the application of these simplifications. Certain AOSSG member organisations also responded that they had not come across any difficulties in applying the simplifications.
N4	**Other topics not addressed by the *IFRS for SMEs* Standard** The Board intended that the 35 sections in the *IFRS for SMEs* Standard would cover the kinds of transactions, events and conditions typically encountered by most SMEs. The Board also provided guidance on how an entity's management should exercise judgement in developing an accounting policy in a case in which the *IFRS for SMEs* Standard does not specifically address a topic (see paragraphs 10.4–10.6 of the *IFRS for SMEs* Standard). ***Note:*** *this question is asking about topics that the* IFRS for SMEs *Standard does not address. It is not asking for areas of the* IFRS for SMEs *Standard for which additional guidance is required. If you think more guidance should be added for a topic already covered by the* IFRS for SMEs *Standard, please provide your comments in response to question N5.*	

Ref	Question	Response *(Please give clear reasoning to support your response)*
	Are there any topics the *IFRS for SMEs* Standard does not address that you think should be the subject of specific requirements (for example, topics not addressed by the Standard for which the general guidance in paragraphs 10.4–10.6 of the *IFRS for SMEs* Standard is insufficient)?	One AOSSG member organisation is of the view that: (i) the proposed requirements of the recently issued IASB Exposure Draft ED/2019/7 *General Presentation and Disclosures* would also be relevant to the *IFRS for SMEs* Standard. Therefore, these proposed amendments should be considered while finalising the revision of the *IFRS for SMEs* Standard. (ii) guidance on business combinations under common control (BCUCC) and group restructurings should also be considered for inclusion in the *IFRS for SMEs* Standard, subject to the IASB finalised approach under IFRS Standards. One AOSSG member organisation highlighted: (i) its observation that companies tend to choose to apply the *IFRS for SMEs* Standard as compared to the IFRS Standards. This is in view that certain industries (e.g. construction industry) had found certain implications of new IFRSs unbearable due to the current economic situation, whereby the increased burden may even lead to business continuity issues.

Ref	**Question**	**Response** *(Please give clear reasoning to support your response)*
		(ii) that it would be beneficial to conduct a detailed situation study before application of new IFRS Standards in its jurisdiction. It is anticipated that the aforementioned companies may agree to apply the IFRS Standards after the recovery stage. While the new standards are considered to be more transparent with a more trustworthy impact, this should be a joint process by standard-setters, preparers and auditors. (iii) that industry-specific requirements should be considered in amending the *IFRS for SMEs* Standard. From the point of view of the professionals, they agree with the expected outcomes, although they may struggle to apply requirements relating to measurement (as they may not have proper guidelines) and present the outcome in the financial reports. Their current focus is to first survive in the industry. One AOSSG member organisation observed that most of the SMEs in its jurisdiction prepared their financial statements in accordance with that jurisdiction's home-grown SME financial reporting framework or that jurisdiction's equivalent of the full IFRS Standards. The application of that jurisdiction's equivalent of the *IFRS for SMEs* Standard is limited as its SMEs consider its recognition and measurement requirements as too complex. Entities that choose to use the equivalent of the *IFRS for SMEs* Standard do so because it requires fewer disclosures as compared to the equivalent of the full IFRS Standards, and the concept of 'undue cost and effort' helps to balance the costs and benefits of its requirements.

Ref	Question	Response *(Please give clear reasoning to support your response)*
N5	**Please describe any additional issues you would like to bring to the Board's attention relating to the *IFRS for SMEs* Standard.**	One AOSSG member organisation notes that the *IFRS for SMEs* Standard is intended for the use of entities which do not have public accountability (non-public interest entities). Hence, the name *IFRS for SMEs* may in fact cause confusion for large companies which are not publicly accountable yet are eligible to apply the *IFRS for SMEs* Standard. One AOSSG member organisation is of the view that topics should first be addressed in the full IFRS Standards before they are considered for incorporation into the *IFRS for SMEs* Standard.