Exposure Draft

Third edition of the IFRS for SMEs *Accounting Standard*

September 2022

Optional Response Document

Invitation to comment

The International Accounting Standards Board (IASB) invites comments on Exposure Draft *Third edition of the* IFRS for SMEs *Accounting Standard*, particularly on questions 1–15 in the Invitation to Comment on the Exposure Draft. Comments are most helpful if they:

(a) respond to the questions as stated;

(b) specify the paragraph(s) to which they relate;

(c) contain a clear rationale;

(d) identify any wording in the proposals that is difficult to translate; and

(e) include any alternative approach the IASB should consider, if applicable.

Instructions for completion

The IASB 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 the Invitation to Comment on the Exposure Draft 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.

Respondents need not comment on all questions in the Invitation to Comment.

Comments to be received by **7 March 2023**

Name of Respondent:	**Paul Thompson**
Organisation:	**EFAA for SMEs**
Jurisdiction:	**Europe**
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General Remarks

EFAA for SMEs welcomes the opportunity to respond to the International Accounting Standards Board's (IASB) Exposure Draft Third edition of the IFRS for SMEs Accounting Standard as part of its second comprehensive review of the Standard. This response was done with the assistance of EFAA's Accounting Expert Group and José M Hinojal, a member of the SME Implementation Group and an EFAA expert.

EFAA supports this comprehensive review of the Standard. It is important that full IFRS and IFRS for SMEs are broadly aligned, subject to the latter having simpler accounting treatments and some reductions in disclosure requirements that reflect the different costs and benefits faced by SMEs and the different needs of the users of their financial statements. Keeping alignment between them at the level of definition, main recognition and measurement requirements for different accounting items is important to: help SMEs gain access to finance; provide comparability between companies; enhance the understanding of users of financial statements; and reduce the complexity for preparers and auditors, especially in education and training.

The IFRS for SMEs is not widely used in the European Union (EU). That said, we welcome IFRS for SMEs being used as the benchmark for national accounting requirements for entities that are not publicly accountable. We also welcome any changes to the IFRS for SMEs that will make it more suited to SMEs in the EU – in so doing encourage its adoption by EU SMEs - supportive of the European public interest. Interestingly, research we conducted in 2017 provides evidence that while the IFRS for SMEs is not widely adopted in the EU IFRS accounting appears to influence national accounting standards due to the trickle-down effect.

EFAA supports the IASB's intention for the IFRS for SMEs to be a self-contained, standalone set of accounting principles for SMEs. However, we believe that there is scope to give the IFRS for SMEs greater independence and loosen the umbilical cord with the full IFRS. While we accept that good accounting by SMEs can be informed by the experience of companies using the full IFRS, we believe that some changes could be better informed by field testing with SMEs and auditors and users of their financial statements. The full IFRS should not be the sole source of potential changes to the IFRS for SMEs. Indeed, the reporting ecosystem might benefit from IFRS for SMEs being the source of changes to the full IFRS.

EFAA welcomes the systematic consideration of the cost-benefit effects of each new or amended requirement in this ED from the perspective of SMEs and users of their financial statements. We support retaining the concept of 'undue cost or effort' (and have in fact advocated use of this concept by the ISSB and EFRAG as they develop their standards). In specific cases this relief is vital to ensuring the cost of applying requirements in the IFRS for SMEs do not outweigh the benefits of providing relevant *information to users of their financial statements. Pragmatism must sometimes be the overriding principle when it comes to the determination of financial reporting requirements for SMEs.*

EFAA notes that maintaining alignment with full IFRS will inevitably introduce new concepts and some complexity to the IFRS for SMEs. It is vital the IFRS for SMEs be as concise as possible. Hence, we suggest the IASB consider the merits of moving non-mandatory guidance and illustrative examples to separate education material with cross referencing. We suggest the IASB see how the ISA for Audits of Financial Statements of Less Complex Entities (ISA for LCEs) being developed by the IAASB (the IFRS for SMEs' cousin) deals with essential explanatory material (EEM) and non-authoritative supplemental guidance. Indeed, the two boards might learn more generally from each other.

Today intangibles account for the majority share of market value of businesses of any size and yet such assets often do not get recognized. We suggest (see response to Q3)the IASB introducing an accounting policy option that permits an SME to recognise intangible assets arising from development costs that meet certain criteria. This will enable some SMEs and start-ups to demonstrate the value in their development activities while allowing SMEs that prefer to expense all their R&D costs for reasons of simplicity and / or cost-benefit can continue to do so. We also suggest the IASB conduct a fundamental review of the definitions of R&D and field testing the criteria for capitalisation.

With the rapid emergence of sustainability reporting, the other leg of corporate reporting, attention is fast turning to the connectivity of financial and sustainability reporting. EFAA is heavily invested in the development of European Sustainability Reporting Standards (ESRS). We are represented on EFRAG's Sustainability Reporting Board and robustly advocate for scalable and proportional ESRS as well as the expedited development of separate stand-alone standards for listed SMEs (LSME ESRS), for mandatory use per the EU CSRD, and unlisted SMEs (VSME), for voluntary use. We have also published guidance in December 2022 to help SMPs build the capacity of produce sustainability reports for SMEs. We suggest that the IASB and ISSB carefully consider connectivity in the context of SMEs as well as larger listed companies.

Ref	**Question**	**Response** (*Please give clear reasoning to support your response*)
Questions for respondents—Scope of the Standard		
1	**Question 1—Definition of public accountability** Respondents to the Exposure Draft *Subsidiaries without Public Accountability: Disclosures*, published in July 2021, expressed some concerns about applying the definition of public accountability. The description of 'public accountability' in the Exposure Draft *Subsidiaries without Public Accountability: Disclosures* comprises the definition and supporting guidance in paragraphs 1.3–1.4 of the *IFRS for SMEs* Accounting Standard (Standard). In response to this feedback, the IASB is proposing to amend paragraph 1.3(b) to list banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks as examples of entities that often meet the second criterion of public accountability in paragraph 1.3(b). To assist an understanding of	

Ref	Question	Response (*Please give clear reasoning to support your response*)
	the basis for the definition of public accountability, the IASB is also proposing to clarify that an entity with these characteristics would usually have public accountability: (a) there is both a high degree of outside interest in the entity and a broad group of users of the entity's financial statements (existing and potential investors, lenders and other creditors) who have a direct financial interest in or substantial claim against the entity. (b) the users in (a) depend primarily on external financial reporting as their means of obtaining financial information about the entity. These users need financial information about the entity but lack the power to demand the information for themselves. Paragraphs BC11–BC19 of the Basis for Conclusions on the Exposure Draft explain the IASB's rationale for clarifying the definition of public accountability in Section 1. The IASB expects that the amendments to paragraphs 1.3 and 1.3A of Section 1 will add clarity, without changing the intended scope of the Standard.	
1(i)	**Do you agree that the amendments will add clarity without changing the intended scope of the Standard? If you do not agree, which types of entities do you believe would be newly scoped in or scoped out?**	*We agree.*
1(ii)	**Do you agree with the proposal to clarify the definition of public accountability? If you do not agree with the proposal, please explain what you suggest instead and why.**	*We agree.* *We suggest stressing that for public accountability entities must exhibit both characteristics (a) 'and' (b).*

<table>
<tr><th>Ref</th><th>Question</th><th>Response
(Please give clear reasoning to support your response)</th></tr>
<tr><td colspan="3">Questions for respondents—Proposal to amend the Standard</td></tr>
<tr><td>2</td><td colspan="2">Question 2—Revised Section 2 Concepts and Pervasive Principles

The IASB in its Request for Information asked for views on aligning Section 2 Concepts and Pervasive Principles with the Conceptual Framework for Financial Reporting, issued in 2018. In the Request for Information, the IASB noted that the 1989 Framework for the Preparation and Presentation of Financial Statements (1989 Framework) had provided the foundations of the Standard.

Based on feedback on the Request for Information, the IASB is proposing to revise Section 2 to align it with the 2018 Conceptual Framework for Financial Reporting.

The IASB is proposing that Section 18 Intangible Assets other than Goodwill and Section 21 Provisions and Contingencies continue to use the definitions of an asset and of a liability from the previous version of Section 2, which was based on the 1989 Framework, to avoid unintended consequences arising from revising the definitions of an asset and of a liability.

Paragraphs BC38–BC51 of the Basis for Conclusions on the Exposure Draft explain the IASB's rationale for the revisions proposed for Section 2.</td></tr>
<tr><td>2(i)</td><td>Do you have comments or suggestions on the revised Section 2? Please explain the reasons for your suggestions.</td><td>We generally agree with the proposed revisions.
We support retaining the concept of 'undue cost or effort' as it provides relief to SMEs in specified circumstances and, in so doing, ensures the cost of applying requirements in the IFRS for SMEs does not outweigh the benefits to users of their financial statements.
Furthermore, we welcome the addition of paragraph 2.2 which clarifies that the requirements in other sections of the Standard take precedence over Section 2. This will help ensure consistent application of the IFRS for SMEs.</td></tr>
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Ref	Question	Response *(Please give clear reasoning to support your response*)
2(ii)	**Do you agree that Section 18 and Section 21 should continue to use the definition of an asset and of a liability from the previous version of Section 2 (based on the 1989 Framework)?**	*We agree.* *Section 18 and Section 21 should continue to use the definition of an asset and of a liability from the previous version of Section 2.*
3	**Question 3—Proposed amendments to the definition of control in Section 9 *Consolidated and Separate Financial Statements*** The IASB in its Request for Information asked for views on aligning the definition of control in Section 9 *Consolidated and Separate Financial Statements* with the definition in IFRS 10 *Consolidated Financial Statements* and using that definition as the single basis for consolidation (control model) to facilitate greater consistency between financial statements prepared applying the Standard. Respondents to the Request for Information were in favour of the alignment, and the IASB is proposing amendments to align Section 9 with IFRS 10, introducing control as the single basis for consolidation that applies to all entities. The IASB is proposing to retain the rebuttable presumption that control exists when an investor owns more than a majority of the voting rights of an investee. The rebuttable presumption is a simplification of the control model. Paragraphs BC52–BC62 of the Basis for Conclusions on the Exposure Draft explain the IASB's rationale for aligning the definition of 'control' in Section 9 with IFRS 10 and introducing a control model as the single basis for consolidation.	
	Do you agree with the IASB's proposal to retain the rebuttable presumption as a simplification of the definition of control? If not, please explain why you do not agree with this simplification.	*We agree.* *The rebuttable presumption in paragraph 9.5 should be retained. We are, however, concerned that paragraph 9.5 as presently drafted may be interpreted as requiring an entity to assess if it does not have one or more of the elements of control listed in paragraph 9.4B. This interpretation would render the rebuttal presumption redundant. We suggest further clarification to address this.*

<table>
<tr><th>Ref</th><th>Question</th><th>Response
(Please give clear reasoning to support your response)</th></tr>
<tr><td>4</td><td colspan="2">Question 4—Proposed amendments to impairment of financial assets in Section 11 Basic Financial Instruments (renamed Financial Instruments)

The IASB in its Request for Information asked for views on replacing the incurred loss model for the impairment of financial assets in Section 11 Basic Financial Instruments with an expected credit loss model aligned with the simplified approach in IFRS 9 Financial Instruments. Feedback suggested that the simplified approach in IFRS 9 would be complex for SMEs to apply and would not result in substantial changes in the amount of impairment for the types of financial assets held by typical SMEs, namely short-term trade receivables.

The IASB anticipates that an expected credit loss model would provide relevant information for users of financial statements when SMEs hold longer-term financial assets. Consequently, the IASB is proposing to:

(a) retain the incurred loss model for trade receivables and contract assets in the scope of the revised Section 23 Revenue from Contracts with Customers;

(b) require an expected credit loss model for all other financial assets measured at amortised cost, aligned with the simplified approach in IFRS 9; and

(c) retain the requirements in Section 11 for impairment of equity instruments measured at cost.

Paragraphs BC72–BC80 of the Basis for Conclusions on the Exposure Draft explain the IASB’s rationale for introducing an expected credit loss model for only some financial assets.</td></tr>
<tr><td>4(i)</td><td>Do you agree with the proposal to introduce an expected credit loss model for only some financial assets? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.</td><td>We tend to agree.

We welcome the IASB’s proposal to introduce an expected credit loss model for only some financial assets despite this adding a degree of complexity to the IFRS for SMEs.

Most financial assets of SMEs are likely to be related to its principal activities, such as trade receivables and contract assets. Such assets are likely to be short-term and thus using the incurred loss model for these financial assets should provide relevant information to users while not imposing an undue burden on SMEs.</td></tr>
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Ref	Question	**Response** *(Please give clear reasoning to support your response)*
		The IASB might want to establish criteria for the eligibility of financial assets that may use the incurred loss model. Such criteria could be based on the nature and exposure to credit risk (such as period to maturity) rather than the type of financial asset. *As financial assets held for the longer term are exposed to more uncertainty, using the expected credit loss model for these financial assets will provide relevant information to users. However, the expected credit loss model is complex and demands information that the SME might not already have or easily obtain. Hence, we support the undue cost or effort relief provided in paragraph 11.26B(c) that will enable SMEs to base their assumptions on information that is readily available.*
4(ii)	**Do you agree that the proposal strikes the right balance in deciding which financial assets should be in the scope of the expected credit loss model, considering the costs for SMEs and benefits for users of SMEs' financial statements?**	*We agree.* *While the proposal adds some complexity to the* IFRS for SMEs*, on balance this proposal strikes the optimal balance between the costs for SMEs in providing information about the recoverability of financial assets and the benefits for users of SMEs' financial statements.*

Ref	Question	Response *(Please give clear reasoning to support your response*)
5	**Question 5—Proposal for a new Section 12 *Fair Value Measurement*** The IASB in its Request for Information asked for views on aligning the Standard with IFRS 13 *Fair Value Measurement* and introducing illustrative examples into the Standard. This alignment would not amend the requirements for when to use fair value measurement. Respondents to the Request for Information favoured aligning the Standard with the definition of fair value in IFRS 13 to provide clarity and enhance comparability between financial statements prepared applying the Standard. The IASB is proposing that the requirements on measuring fair value and related disclosure requirements be consolidated in a new Section 12 *Fair Value Measurement*. Paragraphs BC108–BC118 of the Basis for Conclusions on the Exposure Draft explain the IASB's rationale for this proposal.	
	Do you have comments or suggestions on the new Section 12? Please explain the reasons for your suggestions.	*We welcome the new Section 12.* *We suggest, however, that as the provisions of this section apply to many sections of the* IFRS for SMEs *that it be moved to nearer the front of the standard.* *We support the proposal to put all requirements relating to fair value measurement within one section and generally support all the proposed requirements in the new Section 12 for fair value measurements. The requirements for fair value measurement in Section 12 will be new to many SMEs and the illustrative examples will help SMEs in applying the measurement requirements. The IASB might want to designate the Appendix to Section 12 explanatory guidance. In the interests of conciseness this guidance might best be relocated in a separate educational document with cross referencing.*

Ref	Question	Response *(Please give clear reasoning to support your response)*
6	**Question 6—Proposed amendments to Section 15 *Investments in Joint Ventures* (renamed *Joint Arrangements*)** The IASB in its Request for Information asked for views on aligning the definition of joint control with IFRS 11 *Joint Arrangements*, while retaining the three classifications of joint arrangements in Section 15 *Investments in Joint Ventures* (jointly controlled operations, jointly controlled assets and jointly controlled entities). Respondents to the Request for Information favoured aligning the definition of joint control. However, respondents expressed mixed views on whether to align the classification and measurement requirements with IFRS 11 or to retain the Section 15 classification and measurement requirements. The IASB is proposing to align the definition of joint control and retain the Section 15 classification and measurement requirements as set out in the Request for Information. Paragraphs BC119–BC127 of the Basis for Conclusions on the Exposure Draft explain the IASB's rationale for these proposals.	
6(i)	**Do you agree with the IASB's proposal to align the definition of joint control and retain the classification of a joint arrangement as jointly controlled assets, a jointly controlled operation, or a jointly controlled entity, and the measurement requirements for these classifications? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.**	*We do not agree with retaining the present classifications* *It is important to achieve alignment with IFRS 11 on key definitions. In addition, retaining the accounting policy options for measurements in Section 15 is an appropriate application of the simplicity principle and cost–benefit considerations.*
	The IASB is also proposing amendments to align Section 15 with the requirements of paragraph 23 of IFRS 11, so that a party to a jointly controlled operation or a jointly controlled asset that does not have joint control of those arrangements would account for its interest according to the classification of that jointly controlled operation or the jointly controlled asset. Paragraphs BC128–BC129 of the Basis for Conclusions on the Exposure Draft explain the IASB's rationale for this proposal.	
6(ii)	**Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.**	*We agree.* *This proposal will ensure the accounting outcome faithfully represents a party's rights and obligations under the arrangement.*

Ref	Question	Response *(Please give clear reasoning to support your response)*
7	**Question 7—Proposed amendments to Section 15 *Investments in Joint Ventures* (renamed *Joint Arrangements*)** Based on the feedback to the Request for Information, the IASB is proposing to align Section 19 *Business Combinations and Goodwill* with the acquisition method of accounting in IFRS 3 *Business Combinations** by: (a) adding requirements and guidance for a new entity formed in a business combination; (b) updating the references when recognising the identifiable assets acquired and liabilities assumed in a business combination to refer to the definitions of an asset and a liability in the revised Section 2 *Concepts and Pervasive Principles*; (c) clarifying that an acquirer cannot recognise a contingency that is not a liability; (d) requiring recognition of acquisition-related costs as an expense; (e) requiring measurement of contingent consideration at fair value if the fair value can be measured reliably without undue cost or effort; and (f) adding requirements for an acquisition achieved in stages (step acquisitions). For other aspects of the acquisition method of accounting, the IASB is proposing to retain the requirements in Section 19. The IASB is of the view that: (a) the guidance in IFRS 3 on reacquired rights is unlikely to be relevant to entities applying the Standard; (b) restricting the measurement of non-controlling interest in the acquiree to the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets (and not introducing the fair value option) is an appropriate simplification; and (c) retaining recognition criteria for intangible assets acquired in a business combination balances the costs and benefits of separate recognition of these items because goodwill recognised in a business combination is amortised. Paragraphs BC130–BC183 of the Basis for Conclusions on the Exposure Draft further explain the IASB's rationale for these proposals. Paragraph BC177 of the Basis for Conclusions on the Exposure Draft explains that there were mixed views on whether step acquisitions are relevant to SMEs. The IASB is asking for views on adding requirements for step acquisitions and on the proposed requirements themselves. Asking for views on whether to add requirements allows stakeholders to evaluate the proposals when responding to the Invitation to Comment. * IFRS 3 refers to the IFRS 3 (2008) version, including subsequent amendments to IFRS 3.	

Ref	Question	Response *(Please give clear reasoning to support your response)*
7(i)	**Do you agree with the proposal to introduce requirements for the accounting for step acquisitions? If your answer is yes, do you agree with the proposed requirements in the Exposure Draft? If you disagree with the proposal, please explain why and give your alternative suggestion.**	*We agree.* *The proposal will require consideration transferred in a business combination to be measured at fair value. While we support this principle, SMEs typically acquire another unlisted SME. Measuring the previously held interest at fair value on acquisition date may require incremental cost for the acquirer. We suggest, therefore, providing an undue cost or effort relief so that if a SME cannot measure the fair value without undue cost or effort it can as an alternative measure the previously held interest at the carrying amount. A similar relief is allowed for contingent consideration which is another element that requires estimation. This relief will ensure scalability and proportionality especially for micro entities.*
7(ii)	**Do you agree that the IASB's proposals appropriately simplify the measurement of non-controlling interests by excluding the option to measure them at fair value? If your answer is no, please explain your reasons.**	*We agree.* *The IASB should retain the simplification in requiring acquirers to measure non-controlling interest (NCI) at its proportionate share of the recognised amounts of the acquiree's identifiable net assets on acquisition date. Even if fair value of NCI at acquisition date can be measured reliably, it would be more complex and costly than measuring NCI at its proportionate share and we doubt the incremental benefits to users of SME financial statements would outweigh the incremental costs of measuring NCI at fair value.*

Ref	Question	Response *(Please give clear reasoning to support your response*)
7(iii)	**Do you have any further comments or suggestions on the proposed amendments to Section 19? Please explain the reasons for your suggestions.**	*We have no further comments of suggestions.*

Ref	Question	Response *(Please give clear reasoning to support your response)*
8	**Question 8—Revised Section 23 *Revenue* (renamed *Revenue from Contracts with Customers*)** The IASB in its Request for Information asked for views on possible approaches to aligning Section 23 *Revenue* with IFRS 15 *Revenue from Contracts with Customers*. Respondents favoured this alignment without identifying a preferred approach. Consequently, the IASB is proposing to revise Section 23 to align it with the principles and language used in IFRS 15. The revised requirements are based on the five-step model in IFRS 15, with simplifications that retain the basic principles in IFRS 15 for recognising revenue. Paragraphs BC184–BC193 of the Basis for Conclusions on the Exposure Draft further explain the IASB's rationale for this proposal and the proposed simplifications of the IFRS 15 requirements.	
8(i)	**Do you agree that the revised Section 23 would be appropriate for SMEs and users of their financial statements? If not, what modifications—for example, further simplifications or additional guidance—do you suggest and why?**	*We agree.* *The revised Section 23 along with simplifications in the section will be appropriate for SMEs.* *We have no further simplifications to suggest. However, as the requirements to account for material right in contract in the revised Section 23 are new to SMEs, we suggest including illustrative examples to help SMEs with consistent application. To maintain the conciseness of the* IFRS for SMEs, *we suggest placing these examples in a separate educational document with cross referencing.*

Ref	Question	Response *(Please give clear reasoning to support your response)*
	Determining whether a good or service promised to a customer is distinct can involve judgement. To assist entities in making this assessment, the IASB is proposing to simplify the requirements in paragraphs 27–29 of IFRS 15 by: (a) specifying that a good or service that an SME regularly sells separately is capable of being distinct (see paragraph 23.21 of the Exposure Draft); (b) expressing the criterion in paragraph 27(b) of IFRS 15 in simpler language and reflecting the objective of the criterion by focusing on whether a good or service is an input used to produce a combined item or items transferred to the customer (see paragraphs 23.20(b) and 23.23 of the Exposure Draft); and (c) including examples that illustrate the factors supporting that criterion (see paragraph 23.23(a)–(c) of the Exposure Draft).	
8(ii)	**Do you believe the guidance is appropriate and adequate for entities to make the assessment of whether a good or service is distinct? If not, is there any guidance that could be removed or additional guidance that is needed**	*We believe the guidance is appropriate and adequately explains the requirements.*
9	**Question 9–Proposed amendments to Section 28 *Employee Benefits*** The IASB in its Request for Information asked for views on applying paragraph 28.19 of the Standard, that is the measurement simplifications for defined benefit obligations. The feedback identified challenges when applying paragraph 28.19, resulting in diversity of application. However, the feedback also provided evidence that only a few entities apply paragraph 28.19. Therefore, the IASB is proposing to delete paragraph 28.19. Paragraphs BC197–BC203 of the Basis for Conclusions on the Exposure Draft explain the IASB's rationale for this proposal.	
9(i)	**Do you agree that only a few entities apply the measurement simplifications for defined benefits? Therefore, do you agree with the IASB's proposal to delete paragraph 28.19?**	*We are not aware of how many entities apply the measurement simplifications for defined benefits. In general, defined benefit schemes are fast disappearing and being replaced with defined contribution schemes. That said, we see o reason for removing a simplification that some SMEs find useful.*

Ref	Question	Response *(Please give clear reasoning to support your response)*
	Alternatively, if you do not agree with deleting paragraph 28.19, should the IASB clarify the paragraph by: (a) stating that an entity may apply any, or all, of the simplifications permitted by paragraph 28.19 when measuring a defined benefit obligation; and (b) explaining that when an entity applies paragraph 28.19(b), examples of future service of current employees (assumes closure of the plan for existing and any new employees) that can be ignored include: (i) the probability of employees' not meeting the vesting conditions when the vesting conditions relate to future service (future turnover rate); and (ii) the effects of a benefit formula that gives employees greater benefits for later years of service.	
9(ii)	**If you disagree with the proposal in 9(i), do you agree that this alternative approach clarifies paragraph 28.19?**	*We agree.*

Ref	Question	Response (*Please give clear reasoning to support your response*)
10	**Question 10—Transition** The IASB, in paragraphs A2–A39 of the Exposure Draft, sets out limited relief from retrospective application for those proposed amendments for which the IASB thought the costs of retrospective application would exceed the benefits.	
	Do you agree with the proposed transition requirements for the amendments to the *IFRS for SMEs* Accounting Standard? Why or why not? If not, please explain what you suggest instead and why.	*On the one hand retrospective application provides useful information, in particular for a financial data time series prepared on a consistent basis. On the other hand, we agree that in some cases the benefits of restatement of comparatives will not be justified by the costs, especially for smaller entities. Therefore, the* IFRS for SMEs *should allow an option in appropriate cases or an undue cost or effort exemption. Furthermore, some EU Member States do not permit retrospective application and hence this requirement might be an obstacle to adoption of the standard in those countries.*
11	**Question 11—Other proposed amendments** Table A1, included in the Introduction to the Exposure Draft, summarises the proposals for amending sections of the Standard not included in questions 2–10.	
	Do you have any comments on these other proposed amendments in the Exposure Draft?	***Section 7 Statement of Cash Flows*** *We do not support adding the proposed disclosure in paragraph 7.19A which requires a reconciliation for liabilities arising from financing activities. This reconciliation does not provide additional*

		information about an entity's cash flows, and so confers no benefit to users of SME's financial statements, and adds unnecessary complexity to the IFRS for SMEs.

Ref	Question	Response *(Please give clear reasoning to support your response)*
Questions for respondents—Whether further action is required		
12	**Question 12—Section 20 *Leases* and IFRS 16 *Leases*** The IASB in its Request for Information asked for views on aligning Section 20 *Leases* with IFRS 16 *Leases* by simplifying some of the recognition and measurement requirements, the disclosure requirements and the language of IFRS 16. Feedback on the Request for Information was mixed. Stakeholders suggested the IASB assess the costs and benefits of aligning the Standard with IFRS 16, even with the simplifications, and obtain more information about the experience of entities that apply IFRS 16. The IASB decided not to propose amendments to Section 20 at this time and to consider amending the Standard to align it with IFRS 16 during a future review of the Standard. Therefore, the Exposure Draft does not propose amendments to Section 20. In making this decision the IASB placed greater emphasis on cost–benefit considerations and prioritised timing—that is, to obtain more information on entities' experience of applying IFRS 16. The IASB is asking for further information on cost–benefit considerations, particularly on whether: (a) aligning Section 20 with IFRS 16 at this time imposes a workload on SMEs disproportionate to the benefit to users of their financial statements—specifically, considering: (i) the implementation costs that preparers of financial statements could incur; (ii) the costs that users of financial statements could incur when information is unavailable; and (iii) the improvement to financial reporting that would be realised from recognising the lessee's right to use an underlying asset (and the lessee's obligation to make lease payments) in the statement of financial position. (b) introducing possible simplifications—for example, for determining the discount rate and the subsequent measurement of the lease liability (reassessment)—could help to simplify the requirements and reduce the cost of implementing an amended Section 20 (aligned with IFRS 16) without reducing the usefulness of the reported information. Paragraphs BC230–BC246 of the Basis for Conclusions on the Exposure Draft further explain the IASB's rationale for not proposing amendments to Section 20 at this time and instead for considering amending the Standard to align it with IFRS 16 during a future review of the Standard.	

Ref	Question	Response *(Please give clear reasoning to support your response)*
	Do you agree with the IASB's decision to consider amending the Standard to align it with IFRS 16 in a future review of the Standard? In responding to this question, please comment on the cost–benefit considerations in paragraphs (a) and (b) of Question 12.	*We agree.* *On the one hand retaining the existing treatment in Section 20 will allow a major divergence in accounting treatment between the* IFRS for SMEs *and* the full IFRS *to persist. Lease accounting affects many SMEs. On the other hand, the approach of IFRS 16 is radically different from the existing Section 20 and can involve significant effort to apply. Introducing the approach in IFRS 16 now will require significant effort that will impose a disproportionate workload on SMEs and the preparers and auditors of their financial statements. SMEs will already have to deal with a number of major changes simultaneously when the third edition of the IFRS for SMEs takes effect. Hence, we agree with the IASB's decision to consider amending the Standard to align it with IFRS 16 in a future review of the IFRS for SMEs.*

Ref	Question	Response *(Please give clear reasoning to support your response)*
13	**Question 13—Recognition and measurement requirements for development costs** The Standard requires all development costs to be recognised as expenses, whereas IAS 38 *Intangible Assets* requires the recognition of intangible assets arising from development costs that meet specified criteria. This simplification in the Standard was made for cost–benefit reasons. However, feedback on this comprehensive review questioned this cost–benefit decision. Therefore, the IASB is seeking views on whether it should amend the Standard to align it with IAS 38, including views on the costs and benefits of doing so. Paragraphs BC253–BC257 of the Basis for Conclusions on the Exposure Draft further explain the IASB's rationale. The entity would be required to demonstrate all of the criteria in paragraphs 57(a)–(f) of IAS 38, that is: (a) the technical feasibility of completing the intangible asset so that it will be ready for use or sale; (b) its intention to complete the intangible asset and use or sell it; (c) its ability to use or sell the intangible asset; (d) how the intangible asset will generate probable future economic benefits; (e) the availability of adequate technical, financial and other financial resources to complete the development and to use or sell the intangible asset; and (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.	
	What are your views on the costs and benefits, and the effects on users, of introducing an accounting policy option that permits an SME to recognise intangible assets arising from development costs that meet the criteria in paragraphs 57(a)–(f) of IAS 38?	*We support this proposal.* *believe introducing this accounting policy option will enable some SMEs and start-ups to demonstrate the value in their development activities while allowing SMEs that prefer to expense all their R&D costs for reasons of simplicity and / or cost-benefit can continue to do so. Hence, we support introducing an accounting policy option and, furthermore, suggest conducting a fundamental review of the definitions of R&D and field testing the criteria for capitalisation.*

Ref	Question	Response *(Please give clear reasoning to support your response)*
Questions for respondents—Full IFRS Accounting Standards in the scope of this review for which the IASB is not proposing to align the Standard		
14	**Question 14—Requirement to offset equity instruments** Paragraph 22.7(a) of the Standard states that if equity instruments are issued before an entity receives cash or other resources, the amount receivable is presented as an offset to equity in the statement of financial position, instead of being presented as an asset. Feedback from the first comprehensive review suggested that this requirement may conflict with local legislation. Stakeholders provided similar feedback during this second comprehensive review, suggesting that the IASB remove the requirement in paragraph 22.7(a) because it diverges from full IFRS Accounting Standards, which include no similar requirement for equity instruments.	
	What are your views on removing paragraph 22.7(a)?	*We support removing paragraph 22.7(a).* *Presenting the amount receivable (a financial asset) within equity does not contribute to faithful representation. Furthermore, this requirement appears to conflict with legislation in some EU member states and, as such, serves to impede adoption of* the IFRS or SMEs.

Ref	Question	Response *(Please give clear reasoning to support your response)*
Questions for respondents——Updating the paragraph numbers of the *IFRS for SMEs* Accounting Standard		
15	**Question 15—Updating the paragraph numbers of the *IFRS for SMEs* Accounting Standard** The proposed amendments to the requirements in the *IFRS for SMEs* Accounting Standard include the addition of new paragraphs and the deletion of existing paragraphs. A new paragraph is numbered in continuation from a previous paragraph. A deleted paragraph retains the paragraph number.	

Ref	Question	Response *(Please give clear reasoning to support your response)*
	Sometimes, the addition or deletion of paragraphs within a section may complicate the readability of the Standard (for example, Section 19 *Business Combinations and Goodwill*). As an alternative, a section may be revised, with paragraphs renumbered to show only requirements that would still be applicable, without a placeholder for deleted paragraphs (for example, Section 2 *Concepts and Pervasive Principles*).	
	What are your views on the approach taken to retain or amend paragraph numbers in each section of the Exposure Draft?	*We believe readability should be the primary rationale for numbering.* *Therefore, we support as an alternative, a section may be revised, with paragraphs renumbered to show only requirements that would still be applicable, without a placeholder for deleted paragraphs.*