Date

25 February 2008

Le Président

Fédération des Experts Comptables Européens AISBL

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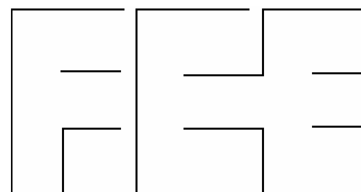


Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

Email: commentletters@iasb.org.uk

Dear Sir David,

Re: IASB Exposure Draft of the proposed IFRS for SMEs

1. FEE (Fédération des Experts Comptables Européens, European Federation of Accountants) is pleased to have the opportunity to share its views and comments on the IASB Exposure Draft of the proposed IFRS for Small and Medium-sized Entities (the "ED").

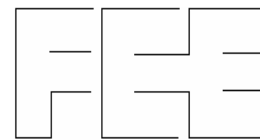
2. FEE as a founding organisation of EFRAG has also contributed to EFRAG's consultation process by submitting its views on the EFRAG's draft comment letter through the FEE comment letter to EFRAG dated 15 October 2007. We have also considered EFRAG's final submission to the IASB of 7 February 2008. In general we support EFRAG's final comment letter. We have indicated where we are in agreement with EFRAG's comments and where we are in disagreement our own views are put forward. Below we set out our general observations. Our responses to the Invitation to comment of the ED and supplementary comments are presented in the Appendix 1 to this letter. Appendix 2 sets some detailed comments on each section of the proposed standard, most of which were already included in the FEE comment letter to EFRAG on the EFRAG draft comment letter.

3. FEE welcomes the development by the IASB of a simplified set of international financial reporting standards for SMEs. Many SMEs operate across borders and have a need for comparability of their financial statements with counterparts and competitors. We agree that such a set of standards needs to be consistent with the conceptual basis of IFRSs. They ought to increase the understandability of financial reporting by companies without public accountability and should be developed on the basis of good understanding of users' needs. It also needs to be prepared on a reasonable basis meeting the cost-benefit balance.

Further changes are needed to make the standard a truly stand-alone document

4. We support EFRAG's call for a comprehensive stand-alone document that can be used without having to go back to the "big book" of full IFRSs. We agree that all cross-references need to be replaced by descriptions as appropriate. The disadvantage of having a longer standard will be strongly outweighed by having a more understandable and user-friendly document. The use of cross-references would make it more difficult to keep the standard up to date. For educational purposes – be it of preparers, users or the auditors – there are clear benefits of having a "one stop shop" standard.

Association Internationale reconnue par Arrêté Royal en date du 30 décembre 1986



Analysis of users' needs and consequential changes to accounting principles

5. We fully support EFRAG's request for a further analysis of the users' needs to be conducted. Any such further examination should not delay the process of the development of a standard for non-public interest entities, as this can be carried out in parallel.

Further simplifications in recognition and measurement are necessary and possible

6. We agree that references to the term "fair value" as the default measurement attribute should be removed from the draft standard, as proposed by EFRAG. In our 12 June 2007 response to the IASB Discussion Paper on Fair Value Measurements we indicated that fair value is a general term used for a variety of measurement bases much wider than market based transfer value and called for the use of a more specific label. The term "fair value" also creates all kinds of problems in translation.

Consider transactions and legislations particularly relevant for SMEs

7. We support EFRAG's comments on the importance of the debt-equity classification issue specific in the SMEs environment. We agree that some changes are needed to the debt/equity requirements in the draft ED to better consider the type of transactions that are relevant for SMEs.

The standard needs to be made more user-friendly

8. We welcome EFRAG's proposals for an alternative structure of the future IFRS for SMEs and are strongly of the opinion that the IASB could introduce this suggested structure regardless of the fact whether or not they will make substantial changes to the contents.

9. We support EFRAG's demonstration of how that part of the standard addressing non-financial assets could look, in redrafted form, as set out in Attachment 2 to the EFRAG's final comment letter. We recognise the risk that a substantial redraft of the future IFRS for SMEs may cause re-exposure of the standard which would delay the process of coming to a final standard.

Change the label

10. We fully support EFRAG in its call for a different label than "IFRS for SMEs". While the IASB, in BC 54 of the ED state the term "SME" is universally recognised, we do not believe there is a consistent common understanding of that term throughout the different national jurisdictions. Moreover the label "SME" does not give a proper indication of the scope of the standard, even though it is for national jurisdictions to decide whether and how to apply the standard. We are also not convinced of the value in using the term NPAEs (non-publicly accountable entities) since it will, without doubt, create translation problems. We suggest drawing a distinction between "public interest entities" and "non-public interest entities", a distinction applied in European countries (as it is used in the Statutory Audit Directive), which we think could be utilised world wide without difficulty. In this context, note that while all the references in the present letter to SMEs have been kept, these should be read as meaning "non-public interest entities".

11. We agree with EFRAG that there should be no reference to size. In addition, we consider that a further clarification may be necessary to make it clear that the proposed standard aims to apply to both the individual accounts and to the consolidated accounts.

12. In certain countries in Europe where the eventual IFRS for SMEs may be directly used, a three level approach could be envisaged:

   - Full IFRSs for listed and including public interest entities;
   - '"FRS for SMEs" for the in between category;

- A separate standard for the smaller companies and micro companies.

  Very large companies not listed and not legally considered as being public interest entities, thus falling under the "IFRS for SMEs" category, should be nevertheless stimulated to apply full IFRSs, since due to their size there is a public interest element. In this way a three level approach would be sufficient.

Within Europe, it is uncertain to what extent the future standard will be taken-up directly. However if not taken up directly, many national standard setters in Europe may wish to adapt the IFRS for SMEs and use it as a basis for a (simplified) national standard. The IFRS for SMEs can in this way be seen as a means of convergence without aiming for full harmonisation or comparability, at least not in the immediate future.

Various

Deferred Tax

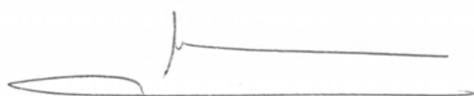
13. In W-Section 28 we support EFRAG to recognise deferred tax in the financial statements of SMEs. We support the continued recognition of deferred tax, despite the simplification initiatives in the EU.

Options

14. We support EFRAG's position that most options in full IFRSs should be available in the IFRS for SMEs. Removal of options could be left to national jurisdictions. The proposed standard on IFRS for SMEs should not remove options solely on the basis they may be (but have not yet been) removed from "full IFRSs". If needed such options, if not particularly appropriate for SMEs, could be eliminated with the next revision of the standard. IFRS for SMEs should in principle not be ahead of full IFRSs unless the accounting treatment in full IFRSs is not appropriate for SMEs. In general, future changes to IFRS should not be anticipated. See also our response to Question 4 in the Invitation to comment of the ED in Appendix 1.

We would be pleased to discuss any aspect of this letter you may wish to raise with us.

Yours sincerely,



Jacques Potdevin
President

APPENDIX 1

Responses to the Invitation to comment of the ED: IFRS for SMEs

Question 1 – Stand-alone document

With the objective of a stand alone document in mind, are there additional transactions, other events or conditions that should be covered in the proposed standard to make it more self-contained? Conversely, is there guidance in the draft standard that should be removed because it is unlikely to be relevant to typical SMEs with about 50 employees?

1. FEE agrees with EFRAG that the objective of a stand-alone document is paramount and that reduction if not removal of the mandatory fallback and a separate maintenance procedure – frequence of change is essential in simplicity – are crucial elements. FEE is of the opinion that there should be no mandatory fallback to IFRS. We support EFRAG's recommendations for eliminating the mandatory fallbacks still included in the ED:

- Removal of interim reporting, segment reporting and earnings per share;
- Inclusion in eventual standard for SMEs: hyperinflation needs; finance leases; biological assets; and share based payments.

2. We agree with EFRAG that no mandatory requirements should be included in segment reporting since these requirements are designed for listed companies. Companies can disclose segment information on a voluntary basis in the financial statements. We suggest in case the future standard continues to address segment reporting, adding an observation on Section 31.1 of the ED where it is stated "If an entity discloses information about segments that does not comply with IFRS 8, it shall not describe the information as segment information'". We are of the opinion that "segment information" is a well known financial reporting term and that the IASB cannot prohibit its use. Voluntary disclosures do not need to comply with IFRS 8 provided that their labelling is clear and unambiguous.

Question 2 – Recognition and measurement simplifications that the Board adopted
Are there other recognition and measurement simplifications that the Board should consider? In responding, please indicate:

(a) the specific transactions, other events or conditions that create a specific recognition or measurement problem for SMEs under IFRSs;

(b) why it is a problem;

(c) how that problem might be solved.

1– Accounting for financial instruments remains too complex and the revised and the shortened drafting lacks clarity and understandability

Brevity although a desirable supplementary objective should not override the need for easy to understand and easy to implement requirements

3. The proposed standard Section 11 "Financial Assets and Liabilities'"on financial instruments needs to be readable without a detailed knowledge of full IFRSs, notably of IAS 39. We agree with EFRAG that the implicit requirements included in the standards should be made explicit and explained in the standard or related implementation guidance. Explanation in the Basis for Conclusions is not helpful since it does not form part of the standard. We believe that making these requirements explicit is of particular importance given our overall support to achieve a comprehensive stand-alone document. We support EFRAG's examples on how to achieve this.

4. Section 11 is developed from the assumption that the default measurement is “fair value” which contributes to the complexity in the section. We are of the opinion that the section would be easier to read and apply if the “default” measurement basis was “cost”. See also our comments in the covering letter on our support to remove “fair value” as the default measurement attribute.

5. It would be helpful if Section 11 were to be split into two sections, the first section would deal with financial instruments that every (small) entity has (selected from paragraph 11.2). The second section would then deal with more sophisticated financial instruments that appear with SMEs but that are not common for every SME.

The scope-in for commodities is too complex for an SME

6. Regarding the requirement in Section 11 for non-financial contracts - that include an embedded derivative with economic characteristics not closely related to the contract - to be account for at fair value in their entirety, we support EFRAG’s disagreement with this requirement. In particular, we would support EFRAG’s approach not to account for these instruments when SMEs would enter into the instruments for their own use. In all other cases, we would disagree with this requirement and support an accounting treatment requiring that the derivative be separated out irrespective of whether the host contract is a financial instrument or a non-financial item. When determining whether the instruments have been entered or not for the own use, SMEs should consider the expected purchase, sales or own use needs and should have sufficient documentation to support the decision.

Recognition and derecognition processes have been simplified but at the cost of not being appropriate for SMEs

7. The recognition principle as set out in Section 11 is directly taken from IAS 39. We agree that the wording is difficult to understand for SMEs. While we understand that the initial recognition of financial assets and liabilities is addressed in the ED IFRS for SMEs, we support EFRAG’s suggestion for clarification in relation to the recognition of financial assets and liabilities by reference to unconditional contractual rights and obligations. We doubt whether paragraph 11.6 is sufficiently clear, for example in relation to the date of recognition.

8. Like EFRAG we welcome the simplification of the derecognition criteria for financial assets.

Two measurement categories are needed – but there is no need for any measurement option

9. We support the objections of EFRAG to the wider fair value option to SMEs for various financial instruments. The IASB needs to explain why this is done, in particular since in practice the use of fair value by non-publicly accountable entities, especially SMEs, is far less than by listed companies. Furthermore the fair value option should not be crafted in such a way (as it now seems to be) that users of the IFRS for SMEs are able to revalue their own debt.

10. It would be helpful if it could be clarified that the first indent on products with observable prices would also cover over the counter products.

Hedge accounting becomes simpler but also more restrictive

11. We welcome the simplified hedging approach in the ED. We support EFRAG’s comments and agree that the “shortcut” method should remain available for SMEs for use when appropriate to limit the cost and burden of testing for hedge effectiveness.

12. Paragraph 11.31 allows hedging for four specific risks. We are of the opinion that there can be additional combinations of these risks. We are of the opinion that the hedging instruments commonly used by SMEs may be more extensive than the hedging instruments allowed in

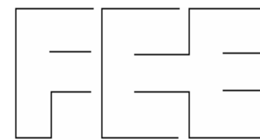
paragraph 11.32. This is also evidenced by some of the field tests undertaken notably in Germany. We believe that this wider range of instruments should be available to SMEs. We believe that the following summary would offer a simplified picture of the various combinations of specific risks and hedging instruments that would occur in practice in the context of SMEs:

Hedging instrument / **Risk**	**Conditional (optional)**	**Unconditional**
Foreign exchange risk	Foreign exchange options	Foreign currency forward contracts Foreign currency swaps Cash instruments
Interest rate risk	Interest rate caps Interest rate floors Interest rate collars Swaptions	Forward rate agreements Interest rate swaps
Price risk in equity shares	Options on equity shares	-
Commodity price risk	Options on commodities	Commodity forward contracts
Combinations	-	Interest rate/foreign currency swap

We suggest that paragraphs 11.31 and 11.32 are replaced with the above combination of risks and hedging instruments, with a split between conditional hedging instruments (i.e. optional) and unconditional (i.e. not optional). This would increase the understanding of when hedge accounting applies and would allow hedge accounting more relevant to SMEs for those hedging instruments commonly used by SMEs.

13. Other observations:

- It would be helpful for hedges to continue to be referred to as cash flow hedges and fair value hedges;
- There seems to be an inconsistency between paragraphs 11.7 (c) and 11.22 (b) on impairment: there is a need for a simplified way of calculating impairment;
- The scope out for insurance contracts is unclear, while we are of the opinion that insurance contracts should be scoped out from the IFRS for SMEs. In the context of Section 11, the term “insurance contracts” is defined in the glossary but the definition is limited to the point of view of the issuer, so in view of the policy holder, the term “”insurance contracts” is not defined in the standard. We suggest that the glossary includes a definition of “insurance contract” both from the issuer and policy holder’s perspective presuming that the glossary will be part of the eventual standard;
- Transaction costs at inception can be large and no mention of transaction costs at inception is made in the ED for financial instruments measured at cost which means that one has to refer back to IAS 39 since the proposed standard provides no definition of amortised cost. This does not fit with the desire to have a stand-alone document for SMEs. For financial instruments measured at fair value, transaction costs incurred at inception are addressed in paragraph 11.16: “An entity shall not include transaction costs in the initial measurement of financial assets and liabilities measured at fair value through profit or loss”. We suggest that transaction costs at inception under the cost model are explicitly addressed in the proposed standard with the inclusion of a proper definition and accounting treatment.



2– Assets and liabilities in a finance lease should be measured at an amount equal to the present value of the minimum lease payments and not at fair value

14. We support EFRAG's recommendation that lessees measure assets and liabilities arising from finance leases "at an amount equal to the present value of the minimum lease payments".

3– Changes made to impairment requirements lack relevance and remain burden-some for goodwill

15. When doing impairment tests, we agree with EFRAG that value in use should be reinstated as a possible basis.

16. We support EFRAG's proposal to align to IAS 36 with the suggested simplification as well as to provide explanatory guidance.

17. Regarding the requirement for impairment tests, we believe that reinstating amortisation and the treatment of intangible assets (including goodwill) as assets with finite life, needs to remain in combination with a simplified impairment test when there are clear triggers for impairment (however due to the amortisation it may be assumed that such a situation would far less frequently occur).

4– All intangible assets (including goodwill) should not be accounted for as assets with a finite life and be amortised

18. We disagree with EFRAG that all intangibles including goodwill should be amortised as the sole measurement basis. We are of the opinion that SMEs should be given the possibility to use the impairment only approach (IFRS 3/IAS 36). This option should be formulated as currently drafted in the proposed standard i.e. with an impairment test to be carried out when there are indications of impairment instead of on a yearly basis (companies that wish to carry out the impairment test on a yearly basis can do so, if they have to be in compliance with IFRS 3 but companies should not be required to carry out an annual test).

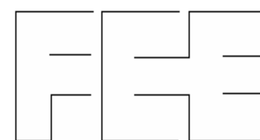
19. Amortisation of goodwill could therefore be the preferred option but should not be the required measurement basis for SMEs. Having only one measurement basis might be simple, but creates problems for subsidiaries, etc, in consolidation since the amortisation of goodwill is no longer allowed under full IFRSs.

20. We support EFRAG's suggestion to allow for the period of amortisation of intangible assets and goodwill to be a maximum of 20 years. The amortisation period should be based on the economic life of the individual assets with a maximum of 20 years (for simplification purposes this may include adopting a calculated average period taken into account all the applicable assets' useful lives or simply the maximum of 20 years). The amortisation period chosen should be documented.

5– Restatement requirement for discontinued operations should be reduced

21. We agree with EFRAG that the restatement requirement for discontinued operations should be reduced in the context of SMEs for simplification purposes and we support EFRAG's suggestion that this requirement should be limited to isolating the information in the year where the decision to sell or discontinue is made. We agree that providing restated information (of the comparative figures) should be encouraged - but not required - for SMEs.

22. Regarding the presentation and disclosures of discontinued operations in the context of SMEs, we believe that it is sufficient to disclose the effect on profit or loss, beginning from the point in time when the contract to sell is signed or the operations have actually been abandoned. We are of the opinion that there is no need for a separate section in the proposed standard to deal with discontinued operations and assets held for sale – see point 6 below. Any way the details



included in the ED on the concept of "assets held for sale" are not understandable without the background of IFRS 5. Larger companies should be encouraged to use IFRS 5, but this needs no explicit mention in the proposed standard for SMEs.

6– A separate section to deal with non-current assets held for sale is not needed

23. We agree with EFRAG that there is no need for a separate section in the proposed standard to deal with non-current assets held for sale.

24. However, we agree with EFRAG that still appropriate guidance is required on disclosure and measurement of non-current assets held for sale. Regarding the proposal by EFRAG on the disclosures requirement, we believe that there is no significant difference of whether the information is required to be presented on the face of the balance sheet or in the notes to the financial statements.

7– Elimination of reference to fair value

25. We support the contents of this section and the request not to refer any longer to fair value measurements but to use more specific labels. Terms used should be clarified and be used in a consistent way.

8– Generalise a cost or current value choice for all assets

26. Our preference would be, in line with EFRAG, that those applying the IFRS for SMEs should have the choice to continue at cost or revalue and that proper guidance needs to be given. We also see merit in having only one revaluation model. It is to national jurisdictions to remove the revaluation option in order to enhance comparability since the use of revaluation differs widely between countries. However, should there be overall support for a single method of accounting and no choice to be given to SMEs, we believe that there could be a requirement to use market value for financial instruments where an active market exists and cost in all other cases. This would effectively result in two measurement bases but no optional choice between the two.

27. Regarding EFRAG's proposal for an overarching measurement principle, we do not believe that distinguishing between easily disposable assets and other assets for the use of accounting policy would be more useful to SMEs than the treatment under existing IFRS of accounting by category of similar types of assets.

28. We would favour retaining a free choice of measurement model for categories of assets, and a selection of accounting policy by category (i.e. by nature and economic role). A category can be divided into subcategories but we are of the opinion that this is different from classification by asset. For example, all buildings do not need to be within one category, there can be subcategories for office buildings and for factory buildings. However, if there are several office buildings, all of them should be valued following the same measurement model.

Question 3 – Recognition and measurement simplifications that the Board considered but did not adopt

Should the Board reconsider any of those and, if so, why?

1 – Equity-settled share-based payment transactions should trigger disclosure only

29. We agree that SMEs and other users of the standard should be required to disclose information in the notes on share based payments since most of the users are less likely to be their shareholders. Since shared based payments do not influence future cash flows, we agree that disclosure only is an appropriate trade off between costs and benefits.

2– Measurement of liabilities incurred in a cash-settled share-based payment transaction should be simplified

30. We agree with EFRAG that measurement of liabilities incurred in a cash-settled share based payment transaction should be simplified and no reference to IFRS 2 is needed in ED 25.7.

3– Definition of financial liabilities leads to doubtful or no distinction between equity and liability

31. We support EFRAG's comments on the need to respect the different company law requirements in the different jurisdictions in relation to the distinction between equities and liabilities in order to properly reflect the economic situation of those companies.

4- Other observations

32. Deferred taxation is currently covered by the EC simplification process, the EC communication of July 2007 on simplification states the following regarding Accounting for deferred Taxes and this should be brought to the attention of the IASB:

"Feedback from preparers confirms that accounting for deferred taxes (Article 43 paragraph 1, number 11, of the Fourth Directive) is very burdensome for companies in general. In addition it has been confirmed by preparers and users, e.g. credit institutions and rating agencies, that deferred tax information (whether recognised in the balance sheet or provided in the notes) often is not considered a relevant input for the decisions to be taken. If preparers and users agree on the irrelevance of this information, the Commission suggests decreasing the administrative burdens for SMEs significantly by abolishing this requirement"

Question 4 – Whether all accounting policy options in full IFRSs should be available to SMEs

Do you agree with the Board's conclusions on which options are the most appropriate for SMEs? If not, which one(s) would you change, and why? Should any of these options that would be available to SMEs by cross-reference to the full IFRSs be eliminated from the draft IFRS for SMEs and, if so, why?

Options

33. We agree with EFRAG that most options in full IFRSs should be available in the IFRS for SMEs.

34. We support EFRAG's view that there should be no use of cross-references to other IFRSs for the options, and we suggest that summaries are included instead. The simpler option can be explained in detail and the more complex option in summarised form, if needed with further explanation in an appendix. However, we acknowledge that adding material in the form of additional guidance and examples will extend the volume of the standard. This structure would be consistent with our support for a comprehensive stand-alone document.

35. We support keeping the choice between the cost and revaluation model for non-financial assets as detailed under point 8 in Question 2.

36. Regarding the treatments proposed on each of the other options, listed on page 18 of the EFRAG's final comment letter, with the exception of the SME model for government grants where the treatments of IAS 20 (in form of description) should be kept rather than introducing the SME (IAS 41) model (see our comments on Section 23). We agree with the following treatments:

- Keeping measurement options for associates and joint ventures;
- Keeping capitalisation of borrowing costs and development of cost option;
- Deleting option to apply full IAS 39;
- Deleting of direct method for cash flow statements.

Question 5 – Borrowing costs

Do you agree or disagree with the proposal to allow SMEs to choose either the expense model or the capitalisation model for borrowing costs, and why?

37. We agree with EFRAG that the option to choose either the expense model or the capitalisation model should be kept. Even though expensing of borrowing costs is prohibited under revised IAS 23, we support EFRAG's view to keeping the expense option in the context of the SMEs as it is the simpler option to use.

Question 6 – Topics not addressed in the proposed IFRS for SMEs

Should any additional topics be omitted from the IFRS for SMEs and replaced by a cross-reference? If so, which ones and why?

38. We agree with EFRAG that there should not be any cross-reference to full IFRSs and refer to our earlier remarks and our response to Question 1.

Question 7 – General referral to full IFRSs

Are the requirements in paragraphs 10.2 – 10.4 coupled with the explicit cross-references to particular IFRSs in specific circumstances appropriate? Why or why not?

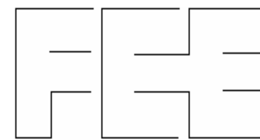
39. We agree with the proposed hierarchy however, for the avoidance of doubt, the standard could be still more explicit by pointing out that there is no expectation that one has to look back to full IFRSs. For this reason, we suggest revising paragraph 10.4 by replacing the phrase "may also consider…" with "is not required to but may wish to consider…" Furthermore, paragraph 10.4 addresses requirements and guidance management may consider when it makes its judgment on an accounting policy for a transaction not specifically addressed in the future standard (paragraph 10.2). In this context, the full IFRSs should be given priority explicitly in order to improve comparability of the financial statements. We also suggest the second sentence of paragraph 10.4 be revised to commence "If further additional guidance…" to explicitly clarify that this is not meant to be a mandatory fallback.

Question 8 – Adequacy of guidance

Are there specific areas for which SMEs are likely to need additional guidance? What are they and why?

40. We support the revised structure as suggested by EFRAG and welcome the alternative proposal for non-financial assets as set out in attachment 2 to the EFRAG's final comment letter. We refer for detailed comments to our comments on attachment 2 to the EFRAG's final comment letter below. We urge the IASB to seriously consider EFRAG's alternative proposals. The revised structure (order of topics) would also be helpful if the IASB were not to undertake a more fundamental review of the ED.

41. The transition to IFRS for SMEs from the previous financial reporting framework is described in detail in Section 38. However, as we are of the opinion that a company moving to IFRS for SMEs from full IFRSs is not in the same situation as a company moving from another framework, we consider that the transition guidance in Section 38 may separately cover the transition of full IFRSs to IFRS for SMEs (what can be omitted in going from full IFRSs to



IFRS for SMEs?). Companies moving from full IFRSs should perhaps not benefit from all transition exemptions. Any unintended use of the standard should be avoided in that companies are moving forward and backwards.

42. In addition, we are of the opinion that there is currently no sufficient guidance in the ED for any potential moves from IFRS for SMEs to full IFRSs. We would suggest that this area is also covered in the ED to ensure that there is adequate guidance on this specific issue. Therefore, it would be helpful for a complementary section on moving from IFRS for SMEs to full IFRSs.

Question 9 – Adequacy of disclosures

Are there disclosures that are not proposed that the Board should require for SMEs? If so, which ones and why? Conversely do you believe that any of the proposed disclosures should not be required for SMEs? If so, which ones and why?

43. We agree with EFRAG that the IASB disclosure requirements as brought together in the disclosure checklist are too detailed. However, we are of the opinion that the EFRAG suggestions are too general and this may decrease the comparability between companies as a result of the potential interpretation differences that would be likely to arise in its application.

44. We suggest the following specific simplifications and elaborations to the IASB disclosure requirements:

Section 8: Notes to the Financial Statements

We propose to add in Section 8 the requirements of paragraph 126 of IAS 1, which requires disclosure of general information published with the financial statements if not disclosed elsewhere. This information is illustrated as example provided in the implementation guidance of IFRS for SMEs "Accounting policies and explanatory notes to the financial statements for the year ended 31 December 20X2".

Section 13: Investments in Associates

Based on cost-benefit deliberations, we suggest condensing the disclosures pursuant to paragraphs 13.7(c) and 13.8 to the following information: name and domicile, percentage of equity interest held, equity and profit or loss of the latest reporting period.

Section 27: Employee Benefits

The disclosures required by paragraphs 27.37, 27.38(f) and 27.38(g) about the total cost of defined contribution and defined benefit plans, respectively, exceed the requirements of IAS 19 and, in our opinion, are not necessary. In addition, disclosure of the entity's accounting policy for recognising actuarial gains and losses is redundant, since no option has been allowed (paragraphs 27.38(b) and 27.39). The disclosures about other long-term benefits (paragraph 27.39) and termination benefits (paragraph 27.40) are more extensive than those pursuant to IAS 19.131 und IAS 19.142. In our opinion, it is not appropriate to up-grade the requirements in this regard for SMEs compared to those for entities applying full IFRSs.

Section 28: Income Taxes

The disclosures pursuant to Section 28 have only been marginally reduced in comparison with IAS 12. Based on cost-benefit considerations and in order to further reduce complexity we believe that the disclosures pursuant to paragraph 28.29(e) and (f) can be removed for SMEs, on the basis that these types of temporary differences are not common for SMEs.

Section 37: Interim Financial Reporting

We support EFRAG's recommendation for the removal of interim reporting in the context of SMEs (paragraph 17 of our letter).

However, should the standard for SMEs include the mandatory fallback on interim reporting, we believe that the preparation of this reporting should be facilitated by allowing SMEs to use their prior annual financial statements as their comparative prior period information when an entity does not routinely prepare interim financial statements but is required to do so on a one-time basis, i.e. this should be generally allowed and not only when it is impracticable to prepare the financial statements for the comparative prior interim period (paragraph 37.2).

Question 10 – Transition guidance

Do you believe that the transition guidance is adequate? If not, how can it be improved?

45. We support EFRAG's position on the four exceptions from retrospective application and we agree that the accounting followed under the relevant previous GAAP shall not be changed.

46. Given paragraph 38.9 of the ED, the inclusion of a reference to "undue cost or effort" under paragraph 38.8 (f) is, in our opinion, unnecessary. We believe that the term "undue cost or effort" implies a much lower threshold than impracticability and therefore could be easily abused.

47. In addition to EFRAG's comments on the content of the glossary, we believe that there is also need for clarification of the term "significant" in the ED. The glossary only defines the term "material". We would suggest that the meaning of "significant" is defined in the ED and that the difference with the term "material" is clarified or that alternatively one term is used throughout the proposed standard.

48. Also, in respect of the simplifications pursuant to paragraph 38.8 it remains ambiguous why certain exemptions provided by IFRS 1.13 – 25G are not incorporated in the ED. The requirements concerning cases where a subsidiary and its parent become first-time adopters at different points in time (cf. IFRS 1.13(f), IFRS 1.24-25) seem as relevant as the requirements adopted in paragraph 38.8(e) pertaining to share-based payment transactions.

Question 11 – Maintenance of the IFRS for SMEs

Is the approach to maintaining the IFRS for SMEs appropriate, or should it be modified? If so, how and why?

49. We support EFRAG's position on the approach to maintaining the IFRS for SMEs. i.e. that the maintenance of IFRS for SMEs is to be disconnected from revisions of full IFRSs and that changes to full IFRSs may be reconsidered for IFRS for SMEs but not necessarily proposed or adopted.

50. Furthermore, we believe that in the event that there have been no significant changes since issuance of the most recent version, the IASB may wish to consider not issuing a revised standard every two years.

Supplementary comments on Scope, Users' needs, Simplification, concepts and pervasive principles and presentation

1 - Scope

51. We support EFRAG's comments and request for explanation why the scope of the different sections in the ED is different from the scope in full IFRSs, from which the content of the SME sections has been extracted.

"IFRS for SMEs" is not the right label

52. We support EFRAG's comments and call for a different label than "IFRS for SMEs". We refer to our comments in paragraphs 12 to 14 of this letter.

The notion of "fiduciary capacity" needs either to be explained or to be replaced

53. We support EFRAG's comments that the notion of "fiduciary capacity" needs to be explained or removed. We have a preference for removing this condition since it is confusing and since it is not strictly needed for the distinction of non-publicly accountable entities or non public interest entities.

Leaving a lot of freedom to jurisdictions is likely to make the standard as useful as possible

54. We support EFRAG's comments that it is for jurisdictions to decide as to whether and how they want to use the standard.

No link ought to be established between the scope and the conformity with the "IFRS for SMEs"

55. We agree with EFRAG that the condition set out in paragraph 1.3 of not allowing publicly accountable entities to use IFRS to SMEs should be removed. The decision as to what entities can use IFRS for SMEs is entirely at the discretion of each jurisdiction. The IASB can express its intentions but cannot forbid the use of IFRS for SMEs by publicly accountable entities. In a country with mainly small listed companies and without a fully developed capital market, the disclosure statement of compliance with IFRS for SMEs may well be beneficial.

Size is definitely not a relevant criterion in assessing the applicability of the IFRS for SMEs and every reference to size ought to be removed

56. We support EFRAG's comments. The IASB should not refer to any quantitative criteria, the reference to a size of "50" should also be removed from the Basis of Conclusions. If this reference is to be kept, for one reason or another the IASB should clarify that they had an entity in mind of minimum 50 employees when developing the proposed standard.

Is the supplementary criterion (publication of general purpose financial statements) useful?

57. We support EFRAG's comments that whether or not an entity publishes general purpose financial statements should not be a decisive factor to determine whether the entity is an "SME".

2 - Users' needs

The necessary analysis of users' need is missing

58. We fully support EFRAG's view that a thorough analysis of users' needs would be required. However, we wish to reiterate that the development of the standard should not be delayed: the users' needs analysis should be carried out in parallel (see paragraph 7 of this letter).

Our perception of how users' needs differ in the public – or private-equity worlds

59. We agree in principle that different measurement principles can apply for SMEs than for public interest entities. However, the same recognition principles should apply regardless of the type of entity.

3 - Two Criteria for simplification

1.Easy to understand

60. We support EFRAG's remarks on how the IFRS for SMEs can be easy to understand.

2. Easy to implement

61. We support EFRAG's remarks on how the IFRS for SMEs can be easy to implement.

4 - Objectives of financial statements of SMEs, qualitative characteristics, definitions of elements and recognition criteria

62. We support EFRAG's overall views and we agree that neutrality should not have been eliminated as a qualitative characteristic. We also support EFRAG's comments on stewardship.

63. We believe that there is no need to repeat the recognition criteria if these are in conformity with the general pervasive principles and in particular the recognition criteria in paragraph 2.24.

64. We suggest that only when recognition criteria other than the general criteria in paragraph 2.24 apply that this is specifically stated in the relevant section.

5 - Measurement Pervasive Principles

65. We support EFRAG's comments and welcome the introduction of measurement pervasive principles in the IFRS for SMEs.

Comments on attachment 2 to the EFRAG's final comment letter :

66. We welcome the revised structure for the proposed standard, proposed by EFRAG. Such a structure would make the standard more accessible and easier to apply when subjects are addressed in a more logical order. The revised structure would still be helpful even if the IASB would not envisage any further fundamental revision of the ED.

67. We also welcome the alternative proposal for a section on accounting principles for non-financial assets as set out in attachment 2 of the EFRAG's final comment letter. However we are concerned if a complete revision of the project would lead to a substantial delay in issuing the proposed standard. If for timing reasons the IASB sees no possibility to move already at this stage to the alternative proposal, we suggest that such a project is embarked upon in parallel with the maintenance project of the SMEs standard. The timing argument needs to be weighed against having a simpler, easier, accessible and shorter standard. Substantial change – even only in layout and presentation of the standard may not be appreciated by companies that try to come to grips with the standard. For this reason we urge the IASB to consider the EFRAG proposals seriously.

68. The glossary of terms needs to be part of the standard.

APPENDIX 2

Detailed comments on each section of the proposed standard: IFRS for SMEs

Section 3 to 8: Presentation of financial statements

1. We express our general agreement with the presentation of financial statements. See also our comments in respect to the requirements on recognition and measurement under point 8 in our response to Question 2 in Appendix 1.

2. In addition we believe that some changes in the value of the assets carried at current value should not be presented as part of profit and loss but included in a statement of recognised income or expense ("SORIE") OR as a separate category of equity; in particular actuarial gains and lossess arising from a change in a net defined benefit obligation, changes in value of cash flow hedging instruments and foreign currency exchange differences.

3. With this respect, we believe that there should be the option to have a SORIE as the SORIE is widely used in some countries also by smaller companies, while this may not be the case in other countries.

Section 9: Consolidated and Separate Financial Statements

1 – Supportive of requirement to prepare consolidated financial statements

4. We agree that there should be consolidated financial statements for SMEs, since consolidation is already required under the Seventh Directive.

2 – Supportive of a hierarchy in measurement methods for individual investments in subsidiaries, jointly controlled entities and associates in the separate financial statements

5. As set out below, FEE would favour a hierarchy in measurement methods to be applied to individual investments. This would in most cases result in measurement of all investments in subsidiaries, jointly controlled entities and associates in accordance with the same method. However, we do not support imposing one single accounting policy for all investments in the separate financial statements.

3 – Proposal of hierarchy of methods regarding investments in associates and joint ventures (Section 13 and 14)

6. We believe that there should be one single accounting policy per individual investment. We are of the opinion that requiring the measurement method applied to be the same for all investments in subsidiaries, jointly controlled entities and associates and not only for each individual investment will give rise to difficulties in the application of this requirement and is too restrictive in practice. For instance, while one measurement method may be deemed to be the most appropriate for one investment, the same measurement method may not be appropriate for other investments since for example the information required is not available. We appreciate that it might be simpler for users to have only one measurement method, but on the other hand they may be deprived of relevant information.

7. We believe that individual investments should be valued separately following a hierarchy in measurement as set out in the paragraphs below. In general, we believe that a reduction in the number of options that are allowed for measurement of individual investments in associates and in joint ventures will result in a reduction of complexity, particularly in the context of SMEs. We are of the opinion that the fair value option should not be available to SMEs since the resulting information is not as relevant for the main users of financial statements in the context of SMEs, as these usually intend to hold their investments for the long-term when the necessary information is available.

8. We are of the opinion that the equity method results in information that is more relevant and therefore of higher information value. The equity method should be the preferred method. We suggest introducing a mandatory measurement hierarchy. However, entities that have no control but only significant influence are often unable to obtain the information necessary to apply the equity method. Consequently, in cases where it is not possible to obtain the information for equity accounting, we believe that the cost model is the most appropriate measurement method.

9. For measurement after initial recognition of investments in associates, the ED allows an accounting policy choice from three alternative methods (cost model, equity model and fair value through profit or loss model). In this context, the entity shall account for its investments in all associates using one single method (paragraphs 13.3 – 13.6). Instead of this accounting policy option, we suggest the following hierarchy of methods (applicable for each individual investment):

   - An (material) investment should be accounted for by using the equity method. The detailed requirements necessary in this respect should be adopted from IAS 28 and integrated into the proposed standard;

   - In (exceptional cases) where it is not possible to apply the equity method, i.e. when the information required for this purpose is not available, the cost model may be applied for the measurement of investments in associates.

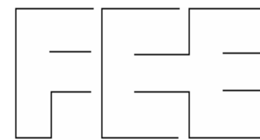
10. For measurement after initial recognition of investments in joint ventures, the ED provides an accounting policy choice from four alternative methods (cost model, equity model, proportionate consolidation and fair value through profit or loss model). In this context, the entity shall account for its interest in all jointly controlled entities using one single method (paragraphs 14.8 – 14.12). We are of the opinion that the proportionate consolidation method should remain available to SMEs, at least as long as it is not officially removed from full IFRSs, but even beyond since proportionate consolidation is frequently used in practice. Hence, SMEs should be allowed to decide whether to measure the respective interest in a jointly controlled entity using proportionate consolidation. For this, the detailed requirements necessary for the application of proportionate consolidation should be adopted from IAS 31 and integrated into the proposed standard. Should the SMEs decide not to use proportionate consolidation, we suggest the same hierarchy of methods in line with our proposal regarding investments in associates - Section 13 above):

    - An (material) interest in a jointly controlled entity should be accounted for by using the equity method;

    - In (exceptional cases) where it is not possible to apply the equity method, the cost model may be applied for the measurement of interests in jointly controlled entities.

11. SMEs should be encouraged to obtain the information available to apply the equity method in preference to the cost model. For this reason, should the cost method be applied, we suggest that additional disclosures are required to disclose the fact that the cost method has been adopted, as no information was readily available. This additional requirement would stimulate further the application of the equity method.

12. We believe that the implementation of the above mandatory hierarchy of methods would result in a simpler application of the various methods that are allowed for SMEs. In addition this application should increase the comparability as a result of the reduction of the choices allowed.



4 – Elimination of cross-reference to IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures (Section 13 and 14)

13. We believe that there should be elimination of any cross-references to full IFRSs. This is consistent with our responses to support the elimination of any cross-references to full IFRSs and our overall support for a comprehensive stand-alone document. See also our response to Question 4 and Question 6 in Appendix 1.

Section 10: Accounting Policies, Estimates and Errors

1 – Too burdensome to require SMEs to change its accounting policy in accordance with the transitional provisions of full IFRSs, if an amendment is made

14. We think that the application of paragraph 10.9.b that any amendment to an IFRS in full IFRSs that is applied via a reference has to be applied by SMEs is extremely burdensome for SMEs since SMEs would need to be knowledgeable about all amendments to both full IFRSs and IFRS for SMEs. We underline EFRAG's call for a stand-alone document. It should be noted that the issue would no longer arise when cross-references to full IFRSs are eliminated.

15. In addition, the elimination of the requirement in paragraph 10.9 of the ED would be consistent with the approach to disconnecting the maintenance of the IFRS for SMEs from revisions of full IFRSs. See also our response to Question 11 in Appendix 1.

Section 11: Financial Assets and Financial Liabilities

16. See our response to Question 2 in Appendix 1.

Section 12: Inventories

17. We agree with this section.

Section 13: Investments in Associates and 14: Investments in Joint Ventures

18. See our comments in Section 9.

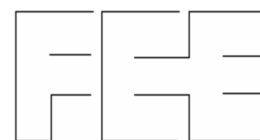
Section 15: Investment property

1 – Guidance on accounting for lease transactions which is included in the scope of the section is not sufficient

(a) Property held by lessees that are accounted for as investment property – the financial statements of the lessee

19. We are of the opinion that the option should be kept for a property interest that is held by a lessee under an operating lease in the IFRS for SMEs to be accounted for as investment property, as we believe that there may be certain cases where properties held by lessees in the market of SMEs fall under operating leases, in particular the lease of land where additional guidance is needed.

20. We believe that there is a need for further guidance to be provided in order to improve the understanding of the accounting of property held by lessees that are accounted for as investment property.



(b) Investment property provided by lessors under operating leases – the financial statements of the lessor

21. We believe that other aspects of the accounting for operating leases in the financial statements of the lessors should be scoped out of Section 19 in relation to the measurement of investment property.

2 – Elimination of cross-reference to IAS 40 *Investment Property*

22. We think that the cross-reference should be eliminated. See also our response to Question 4 and Question 6 in Appendix 1.

Section 16: Property, Plant and Equipment

1 – Both the cost model and revaluation model should be retained and subsequent measurement

23. We agree that the ability to use both the cost model and revaluation model should be retained for SMEs for Property, Plan and Equipment.

24. We are of the opinion that the models should continue to be optional, consistently with the option available under IAS 16 for full IFRSs. We believe that consistency with full IFRSs should prevail whenever this is possible and the most appropriate.

Section 17: Intangible Assets other than Goodwill

1 – All intangible assets (including goodwill) should be accounted for as assets with a finite life and be amortised

25. See our response to Question 2 in Appendix 1.

2 – Supportive of the expense model

26. We agree that the option to apply the expense model should be retained; expensing is used in practice and is regarded as the simpler option for SMEs.

27. We agree with the additional disclosure to be provided, as detailed in paragraph 34 of the ED.

3 – The revaluation model should not be retained for intangible assets

28. We believe that the revaluation model for intangible assets should not be retained for SMEs.

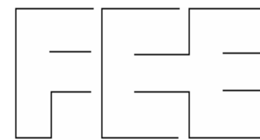
4 – Emphasise that internally generated goodwill shall not be recognised

29. We believe that internally generated goodwill shall not be recognized as an asset.

Section 18: Business Combinations and Goodwill

1 – The requirement to allocate the cost of the business combination to contingent liabilities should be eliminated

30. We agree that the elimination of this requirement would improve the simplification of the method for allocating the cost of a business combination.



31. However, we note that this elimination would give rise to difficulties when the relevant contingent liabilities are significant to the particular financial statements. This issue would need to be addressed.

32. Overall, we believe that SMEs would benefit if more detailed guidance on business combinations related transactions that are commonly specific to SMEs were provided in the proposed standard. For example, some of the simplifications provided to the entities using full IFRSs in IFRS 3.B16 concerning the allocation of the cost of a business combination to the identifiable assets, liabilities and contingent liabilities are necessary for SMEs, too (ED 18.13). Otherwise, they would be obliged to determine the actual fair value instead of being able to benefit from the simplifications provided by IFRS 3.B16. This would be unduly burdensome for SMEs, especially e.g. for defined benefit obligations or deferred taxes. Similar guidance should be included in the proposed SMEs standard.

Section 19: Leases

1 – Assets and liabilities in a finance lease should be measured at an amount equal to the present value of the minimum lease payments and not fair value

33. See our response to Question 2 in Appendix 1.

2 – Some change to the scope is needed

34. Section 15 does not provide sufficient guidance on "property held by lessees that is accounted for as investment property" and "investment property provided by lessors under operating leases".

35. We have addressed our position regarding the comments of Section 15 under Section 15 - 1 (a), notably that we are of the opinion that the option should be kept to account for a property interest that is held by a lessee under an operating lease in the IFRS for SMEs and that there is a need for further guidance.

3 – Our interpretation of paragraph 16 of section 19 – the financial statements of the lessors – operating lease

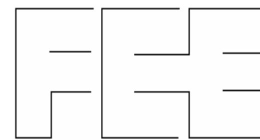
36. We believe that there is room for misinterpretation of the meaning of paragraph 16 of Section 19. Expanding the meaning of paragraph 16 of Section 19 would avoid misinterpretation.

4 – Elimination of cross-reference to IAS 17 *Leases*

37. We agree that the cross-reference should be eliminated. This is consistent with our responses to support the elimination of any cross-references to full IFRSs and our overall support for a comprehensive stand-alone document. See also our response to Question 4 and Question 6 in Appendix 1.

38. The exact meaning of "fiduciary capacity" cannot be fully understood. As noted in paragraph 53 of Appendix 1, the notion of "fiduciary capacity" needs either to be explained or replaced, or alternatively removed.

39. Further guidance for accounting by the lessor may be necessary, since lessors are not in all cases publicly accountable entities. Without such guidance lessors would have to refer back to IAS 17.



Section 20: Provision and Contingencies

1 – No liability arising from executory contracts should be recognised

40. It may be necessary to include a specific mention to clarify that executory contracts are excluded from the scope of this section.

Section 21: Equity

1 – Missing or outsourced definitions make the section difficult to read

41. Equity shares need to be defined.

2 – Definition of financial liabilities leads to doubtful or no distinction between equity and liability

42. It may be necessary to take into account the need to respect the different company law requirements in the different jurisdictions in relation to the distinction between equities and liabilities in order to properly reflect the economic situation of those companies.

3 – Other comments

43. Consistently with our response on the proposed amendments to IAS 27, we disagree with the accounting treatment set out in paragraph 21.11. Although we agree that minority interest in the net assets of a subsidiary do not meet the definition of a liability we believe that this should still be separate from equity, as non-controlling interest may represent third party interest in certain subsidiaries.

44. We believe that the main objective of financial reporting is to prepare financial information for the shareholders of the parent entity. Consequently, changes in a parent's controlling interest in a subsidiary that do not result in a loss of control should be reflected in the financial statements and not merely treated as transactions with equity holders in their capacity as equity holders. Also, we believe that in order to report financial performance from the perspective of the controlling interest, any gain and loss on these changes should be recognized in the consolidated profit and loss.

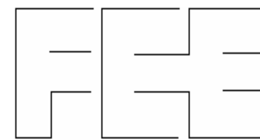
Section 22: Revenue

1 – Guidance on the elements of contract revenue and contract cost are not included in the ED

45. Guidance on the elements of contract revenue and contract cost is needed. The illustrative examples in the section should include examples of both construction contracts and other revenue transactions covered by the section.

Section 23: Government Grants

46. To date it is uncertain if the proposed SMEs model based on IAS 41 will ultimately be adopted by the IASB in the revision of IAS 20. As indicated before, we are of the opinion that IFRS for SMEs should in principle not be ahead of full IFRSs and that future changes should not be anticipated. Although we agree that the IAS 41 model is simpler than the methods of IAS 20, we do not believe that the IAS 41 treatment is that much simpler that it merits a deviation from full IFRSs. Therefore we only support the (IAS 41) SME model if it were to be introduced in the revision of IAS 20 before the eventual IFRS for SMEs is issued. If the SME model is not introduced in full IFRSs we prefer to stick to the income approach and capital approach available under IAS 20 and to introduce the SME (IAS 41) model during the maintenance and update of the IFRS for SMEs when it is also available under full IFRSs.



47. There should be no use of cross-references to other IFRSs for any options (if available), and we suggest that summaries are included instead. This structure is consistent with our support for a comprehensive stand-alone document.

Section 24: Borrowing Costs

48. See our response to Question 5 in Appendix 1.

Section 25: Share-based payment

1 – Equity settled share-based payment transactions should trigger disclosure only

49. See our response to Question 3 in Appendix 1.

2 – Measurement of liabilities incurred in a cash-settled share-based payment transaction should be simplified

50. See our response to Question 3 in Appendix 1.

3 – Transfer of equity instruments within the group

51. It may be useful to underline that Section 25 also applies to transfers of equity instruments of the entity's parent or equity instruments of another entity in the same group as the entity, to parties that have supplied goods or services to the entity.

Section 26: Impairment of Non-financial Assets

1 – Changes made to impairment requirements lack relevance and remain burdensome for goodwill

52. See our response under point 3 of Question 2 in Appendix 1.

Section 27: Employee Benefits

1 – Presentation of actuarial gains and losses in the income statement

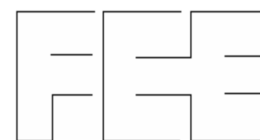
53. We believe that the "corridor approach" is complex and it should not be available for SMEs in order to make the accounting of SMEs simpler.

54. However, as we consider that removing the "corridor approach" will increase the volatility of the resulting actuarial gains and losses, the presentation of the actuarial gains and losses should be made in a SORIE rather than in the income statement. See also our comments in Section D – Section 3 to 8: Presentation of financial statements.

55. Regarding the discounting method to measure the defined benefit obligation and in order to reduce volatility, we suggest that SMEs are given the option to determine the rate used as an average long-term rate if this is simpler than the proposed method of reference to market yields. In addition, we suggest that such an average long-term rate is determined every three years instead of at each reporting date, if there have been no significant changes in the underlying data or there is no indication that a change in the rate used would be necessary. We believe that this will offer further simplification to SMEs.

2 – Treatment of unvested past service cost is not clear

56. If the term "defined benefit liability" (as detailed in Section 27) covers unvested as well as vested past service costs, the presented accounting treatment should only apply to vested past service costs. For unvested past service costs, any changes in a defined plan should be



recognized as an expense on a straight-line basis over the average period until the benefits become vested in line with IAS 19, as opposed to reflecting any changes by increasing or decreasing the defined benefit liability.

Section 28: Income Taxes

1 – Offsetting principles are missing for current taxes

57. There should be more guidance on the principles regarding the presentation of current income taxes by integrating the offsetting principles in the standard. We suggest that this additional guidance is addressed in the general section only (Section 2: Concepts and Pervasive Principles) rather than in Section 28, as these principles also apply to other sections such as the presentation of financial instruments. Paragraph 2.45 needs to be expanded and actually cover the principle rather than including only a general prohibition, i.e. the entity should offset assets and liabilities if, and only if, it currently has a legally enforceable right to set off the amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is consistent with full IFRSs.

2 – Support for temporary approach for deferred taxes

58. We agree with that SMEs should be required to use the temporary difference approach for deferred taxes. We believe that the temporary difference approach is simpler and easier to implement than the timing difference approach.

59. We agree that deferred taxes should be recognised on book value/tax differences that arise in a business combination or on initial recognition of an asset or liability. We also agree that unused tax losses to carry –forward, tax credits and deferred tax assets should be recognised in the same way to the accounting for deductible temporary differences.

60. We believe that for the purposes of the consolidated statements, the temporary concept should apply only to the temporary differences between the carrying amounts of the individual assets and liabilities in the consolidated financial statements and their tax basis in the tax jurisdiction of the individual group entity. This would result in the non-consideration of outside basis differences as defined in paragraph 28.11(b). We are of the opinion that it is burdensome for SMEs to determine outside basis differences. In order to reduce complexity and for cost-benefit reasons we therefore suggest to delete paragraph 28.11(b).

61. It would be helpful to clarify that paragraph 28.23 on the use of average rates applies to groups with subsidiaries in different countries.

Section 29: Financial Reporting in Hyperinflationary Economies

1 – Accounting of hyperinflationary economies needs to be included in the standard and cross-reference to full IFRS should be deleted

62. We have no further observations to make.

Section 30: Foreign Currency Translation

1 – Relevant requirements related to hyperinflationary currencies should be included in the standard and cross-reference to full IFRS should be deleted

63. We have no further observations to make.

Section 31: Segment Reporting

1 – Delete section 31 from IFRS for SMEs

64. See our response to Question 1 in Appendix 1, where we agree with EFRAG that Section 31 should be deleted.

Section 32: Events after the End date of the Reporting Period

1 – Clarification of the requirement to update disclosure about conditions at the balance sheet date

65. A clarification would be required to make it clearer that information received after the balance sheet date about conditions at the balance sheet date needs to be reflected even when not affecting the amounts recognised in the financial statements.

66. In addition, we suggest that additional guidance is provided in the standard to specifically address the accounting of events (after the end date of the reporting period) that would give rise to going concern issues based on IAS 10 paragraphs 14 to 16.

Section 33: Related Party Disclosure

67. Regarding paragraph 5 in Section 33, we suggest to limit the term "key management personnel" to the Board of Directors of the SME in order to offer clarity to SMEs. In the circumstance that the Board involves one or two members only, we suggest that an exemption applies for the required disclosure in paragraph 6 in Section 33, since in private companies the disclosures of remuneration is any how of lesser importance.

Section 34: Earnings per Share

1 – Delete section 34 from IFRS for SMEs

68. See our response to Question 1 in Appendix 1, where we agree with EFRAG that Section 34 should be deleted.

Section 35: Specialised Industries

1 – Agriculture; Cross-reference to full IFRS should be deleted and the accounting for agriculture should be scoped in non-financial assets

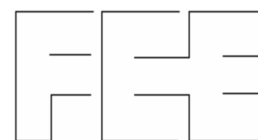
69. We agree that the cross-reference should be eliminated. This is consistent with our responses to support the elimination of any cross-references to full IFRSs and our overall support for a comprehensive stand-alone document.

2 – No need to explain that insurance is not in the scope of the IFRS for SMEs

70. There is no need to include a paragraph to explain that insurance is not in the scope of the IFRS for SMEs. However, we would appreciate clarification in the eventual standard that the insurance industry is not covered by IFRS for SMEs but that insurance contracts such as guarantees are covered. The ED is unclear in this respect. For the scope out for insurance contracts see our comments in point 1 of Question 2 in Appendix 1.

3 – Extractive Industries should be scoped in other sections

71. There is no need to have a separate section on extractive industries.



Section 36: Discontinued Operations and Assets Held for Sale

72. See our comments in point 5 and 6 of Question 2 in Appendix 1.

Section 37: Interim Financial Reporting

1 – Delete section 37 from IFRS for SMEs

73. See our response to Question 1 in Appendix 1, where we agree with EFRAG that Section 37 should be deleted.

Section 38: Transition to the *IFRS for SMEs*

74. See our response to Question 10 in Appendix 1.