

**Question 1a**

*Do you agree that full IFRSs should be considered suitable for all entities?*

*If not, why not?*

The objective of financial statements, as set out in the IASB Framework for the Preparation and Presentation of Financial Statements, is relevant to most entities. Full IFRS are suitable for general purpose financial statements and should be applied by entities that are publicly accountable. For limited purpose financial statements the requirements of full IFRS should be relaxed, based on users needs and cost/benefit. Users include members, lenders and the tax authority.

**Question 1b**

*Do you agree that the Board should develop a separate set of financial reporting standards suitable for SMEs?*

*If not, why not?*

The Board should develop a separate set of financial reporting standards for SME's. If the Board develops these standards, it would reduce the burden on national standard setters, many of whom lack the resources to develop high quality standards for SMEs.

**Question 1c**

*Do you agree that IASB Standards for SMEs should not be used by publicly listed entities (or any other entities not specifically intended by the Board), even if national law or regulation were to permit this?*

An international organisation cannot impose law on another country. How the IASB standards for SMEs are used, is a matter for each country to decide.

*Do you also agree that if the IASB Standards for SMEs are used by such entities, their financial statements cannot be described as being in compliance with IFRSs for SMEs?*

As stated above, this is a matter for each country to decide.

**Question 2**

*Are the objectives of IASB Standards for SMEs as set out in preliminary view 2 appropriate and, if not, how should they be modified?*

The objectives set out by the IASB are acceptable to us, namely:

- (a) provide high quality, understandable and enforceable accounting standards suitable for SMEs globally;
- (b) focus on meeting the needs of users of SME financial statements;
- (c) be based on the same conceptual framework as IFRSs;
- (d) reduce the financial reporting burden on SMEs that want to use global standards;
- (e) allow easy transition to full IFRSs for those SME that become publicly accountable or choose to switch to IFRS.

**Question 3a**

*Do you agree that the Board should describe the characteristics of the entities for which it intends the standards but that those characteristics should not prescribe quantitative ‘size tests’?*

*If not, why not, and how would an appropriate size test be developed?*

We agree that the IASB should describe the characteristics of those entities for which it intends the standards to apply and also that it would be inappropriate to prescribe a quantitative “size test”. The characteristic of size and any additional characteristics should be left to the legislators of each country.

**Question 3b**

*Do you agree that the Board should develop standards that would be suitable for all entities that do not have public accountability and should not focus only on some entities that do not have public accountability, such as only the relatively larger ones or only the relatively smaller ones?*

*If not, why not?*

The IASB should develop standards suitable for entities that have been classified as SMEs. Each country may have different classification criteria for SMEs. Public accountability may be a criterion useful to countries in determining this classification.

**Question 3c**

*Do the two principles in preliminary view 3.2, combined with the presumptive indicators of ‘public accountability’ in preliminary view 3.3, provide a workable definition and appropriate guidance for applying the concept of ‘public accountability’?*

*If not, how would you change them?*

The principles in preliminary view 3.2 combined with the presumptive indicators in 3.3 are acceptable means of determining public accountability. Each country may have additional indicators unique to their circumstances which could be added by them.

**Question 3d**

*Do you agree that an entity should be required to use full IFRSs if one or more of the owners of its shares object to the entity’s preparing its financial statements on the basis of IASB Standards for SMEs.*

*If not, why not?*

We agree that minority shareholders need the protection the above proposal provides. However, this is a matter that should be included in the legislative framework of each country.

**Question 3e**

*Do you agree that if a subsidiary, joint venture or associate of an entity with public accountability prepares financial information in accordance with full IFRSs to meet the requirements of its parent, venturer or investor, the entity should comply with full IFRSs, and not IASB Standards for SMEs, in its separate financial statements?*

*If not, why not?*

The jurisdiction and materiality of the subsidiary, joint venture or associate should be taken into consideration when determining whether it should comply with full IFRS or IASB standards for SMEs

#### **Question 4**

*Do you agree that if IASB Standards for SMEs do not address a particular accounting recognition or measurement issue, the entity should be required to look to the appropriate IFRS to resolve that particular issue?*

*If not, why not, and what alternative would you propose?*

We agree that the entity should look to the appropriate IFRS to resolve an issue not addressed in the IASB standards for SMEs. This will assist in retaining comparability and eliminate tax planning opportunities. However, a need to refer to full IFRS to resolve an issue would demonstrate that IASB standards for SME's are not a complete set of standards.

#### **Question 5a**

*Should an SME be permitted to revert to an IFRS if the treatment in the SME version of the IFRS differs from the treatment in the IFRS, or should an SME be required to choose only either the complete set of IFRSs or the complete set of SME standards with no optional reversion to individual IFRSs?*

*Why?*

SMEs should be permitted to revert to an IFRS if the treatment in the two standards differs. This is consistent with the view that SME standards should be formatted as allowed exemptions from disclosure requirement of full IFRS and allowed alternatives to recognition and measurement requirements of full IFRS. The IASB should however note that accessibility to IFRS in developing nations is an issue.

#### **Question 5b**

*If an SME is permitted to revert to an IFRS, should it be:*

- (a) required to revert to the IFRS in its entirety (a standard by standard approach);*
- (b) permitted to revert to individual principles in the IFRS without restriction while continuing to follow the remainder of the SME version of the IFRS (a principle by principle approach); or*
- (c) required to revert to all of the principles in the IFRS that are related to the treatment in the SME version of that IFRS while continuing to follow the remainder of the SME version of the IFRS (a middle ground between a standard by standard and principle by principle approach)?*

*Please explain your reasoning and, if you favour (c), what criteria do you propose for defining 'related' principles?*

If reversion to individual IFRS is permitted, it should be on a standard by standard approach. Allowing reversion to IFRS on a principle by principle approach would become complex and consequently the adoption of a particular principle may create

inconsistencies in accounting and reporting under a mixture of full IFRS and IASB standards for SMEs.

**Question 6**

*Do you agree that development of IASB Standards for SMEs should start by extracting the fundamental concepts from the Framework and the principles and related mandatory guidance from IFRSs (including Interpretations), and then making modifications deemed appropriate?*

*If not, what approach would you follow?*

We agree that the starting point in developing IASB standards for SMEs should be the extraction of the fundamental concepts from the Framework and the principles of IFRS.

**Question 7a**

*Do you agree that any modifications for SMEs to the concepts or principles in full IFRSs must be on the basis of the identified needs of users of SME financial statements or cost/benefit analyses? If not, what alternative bases for modifications would you propose, and why? And if so, do you have suggestions about how the Board might analyse the costs and benefits of IFRSs in an SME context?*

We agree that modifications for SMEs to the concepts or principles in full IFRS should be on the basis of identified needs of users of SME financial statements or a cost/benefit analysis.

**Question 7b**

*Do you agree that it is likely that disclosure and presentation modifications will be justified on the basis of user needs and cost/benefit analyses and that the disclosure modifications could increase or decrease the current level of disclosure for SMEs?*

*If not, why not?*

We agree that disclosure and presentation modifications should be justified on the basis of user needs and a cost/benefit analysis.

**Question 7c**

*Do you agree that, in developing standards for SMEs, the Board should presume that no modification would be made to the recognition or measurement principles in IFRSs, though that presumption could be overcome on the basis of user needs and a cost/benefit analysis?*

*If not, why not?*

Recognition and measurement principles in IFRS should be modified on the basis of user needs and a cost/benefit analysis.

**Question 8a**

*Do you agree that IASB Standards for SMEs should be published in a separate printed volume?*

*If you favour including them in separate sections of each IFRS (including Interpretations) or some other approach, please explain why.*

The IASB standards for SMEs should be published in separate printed volume.

**Question 8b**

*Do you agree that IASB Standards for SMEs should be organised by IAS/IFRS number rather than in topical sequence?*

*If you favour topical sequence or some other approach, please explain why.*

We agree that IASB standards for SMEs should be organised by IAS/IFRS number.

**Question 8c**

*Do you agree that each IASB Standard for SMEs should include a statement of its objective, a summary and a glossary of key terms?*

We agree that a statement of the objective, a summary and a glossary of key terms should be included in the separate printed volume of IASB standards for SMEs.

**Question 9**

*Are there any other matters related to how the Board should approach its project to develop standards for SMEs that you would like to bring to the Board's attention?*

Each country should be entitled to determine which entities should use the IASB standards for SMEs.