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International Accounting Standards Board

INFORMATION FOR OBSERVERS

Project:	**IFRS for Small and Medium-sized Entities**
Meeting:	**SME Working Group, 10-11 April 2008, London**
Paper:	**Disclosure Requirements in the [draft] IFRS for SMEs Section by Section with Suggestions for Reductions and Enhancements (Appendix to Agenda Paper 4)**

Paragraphs 9 and 10 of Agenda Paper 4 enumerate the main proposals raised in the comment letters and field test reports for further disclosure simplifications and reductions and for additional disclosures. To provide an overall picture of how those suggestions fit in with all the other disclosure requirements, this Appendix presents those same proposals in their appropriate place within the disclosure checklist that was included with the ED.

- Proposals for eliminations/simplifications in paragraph 9 that relate to a specific disclosure requirement in the ED have been included in the right hand column to the disclosure checklist below, adjacent to the related proposed disclosure. The affected disclosure item and the proposal are shown with a shaded background.
- All general comments on eliminations/simplifications (from paragraph 9) and proposals for additional disclosures (from paragraph 10) are included in boxes immediately following the section to which they relate, if appropriate, or at the end of this Appendix.

Section 1 Scope

No disclosures required by this section.

Section 2 Concepts and Pervasive Principles

No disclosures required by this section.

Section 3 Financial Statement Presentation

Compliance with the [draft] *IFRS for SMEs*

3.2	An entity whose financial statements comply with the *IFRS for SMEs* shall make an explicit and unreserved statement of such compliance in the notes.	
3.4	When an entity departs from a requirement of this [draft] standard in accordance with paragraph 3.3, it shall disclose: (a) that management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows; (b) that it has complied with the *IFRS for SMEs*, except that it has departed from a particular requirement to achieve a fair presentation; (c) the nature of the departure, including the treatment that the *IFRS for SMEs* would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in Section 2, and the treatment adopted; and (d) for each period presented, the financial effect of the departure on each item in the financial statements that would have been reported in complying with the requirement.	Delete 3.4(d) or add impracticability exemption.
3.5	When an entity has departed from a requirement of this [draft] standard in a prior period, and that departure affects the amounts recognised in the financial statements for the current period, it shall make the disclosures set out in paragraph 3.4(c) and (d).	
3.6	In the extremely rare circumstances in which management concludes that compliance with a requirement in this [draft] Standard would be so misleading that it would conflict with the objective of financial statements of SMEs set out in Section 2, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing: (a) the nature of the requirement in this [draft] standard, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in Section 2; and (b) for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.	
3.7	When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.	

Reclassifications

3.10	When the presentation or classification of items in the financial statements is changed, an entity shall reclassify comparative amounts unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose: (a) the nature of the reclassification; (b) the amount of each item or class of items that is reclassified; and (c) the reason for the reclassification.	
3.11	When it is impracticable to reclassify comparative amounts, an entity shall disclose: (a) the reason for not reclassifying the amounts; and (b) the nature of the adjustments that would have been made if the amounts had been reclassified.	Delete 3.11(b) or add impracticability exemption.

Comparative information

3.12	Except when this [draft] standard permits or requires otherwise, an entity shall disclose comparative information in respect of the previous comparable period for all amounts reported in the financial statements (including the information on the face of the financial statements and in the notes). An entity shall include comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.	

Identification of the financial statements

3.20	Disclose: (a) the name of the reporting entity and any change in its name since the end of the preceding reporting period; (b) whether the financial statements cover the individual entity or a group of entities; (c) the date of the end of the reporting period and the period covered by the financial statements; (d) the presentation currency, as defined in Section 31; and (e) the level of rounding, if any, used in presenting amounts in the financial statements.	

Section 4 Balance Sheet

Information to be presented on the face of the balance sheet

4.2	As a minimum, an entity shall include, on the face of the balance sheet, line items that present the following amounts: (a) cash and cash equivalents; (b) trade and other receivables; (c) financial assets (excluding amounts shown under (a), (b) and (h)); (d) inventories; (e) property, plant and equipment; (f) intangible assets; (g) biological assets; (h) investments accounted for using the equity method; (i) the total of non-current assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with Section 36; (j) trade and other payables; (k) financial liabilities (excluding amounts shown under (j) and (o); (l) liabilities and assets for current tax; (m) deferred tax liabilities and deferred tax assets (these shall always be classified as non-current); (n) liabilities included in disposal groups classified as held for sale. (o) provisions; (p) minority interest, presented within equity separately from the parent shareholders' equity; and (q) equity attributable to shareholders of the parent.	

Current/non-current distinction

4.5	An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its balance sheet in accordance with paragraphs 4.6–4.9, except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, all assets and liabilities shall be presented in order of approximate liquidity.	

Information to be presented either on the face of the balance sheet or in the notes

4.12	An entity shall disclose, either on the face of the balance sheet or in the notes, the following subclassifications of the line items presented: (a) classes of items of property, plant and equipment in accordance with Section 16; (b) amounts receivable from trade customers, receivables from related parties, prepayments and other amounts; (c) classes of inventories in accordance with Section 12, such as merchandise, production supplies, materials, work in progress and finished goods; (d) provisions for employee benefits and other provisions; and (e) classes of equity, such as paid-in capital, share premium, retained earnings and items of income and expense that, as required by this [draft] standard, are recognised directly in equity.	
4.13	An entity with share capital shall disclose the following, either on the face of the balance sheet or in the notes: (a) for each class of share capital: (i) the number of shares authorised; (ii) the number of shares issued and fully paid, and issued but not fully paid; (iii) par value per share, or that the shares have no par value; (iv) a reconciliation of the number of shares outstanding at the beginning and at the end of the period (see paragraph 21.12 for further guidance); (v) the rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital; (vi) shares in the entity held by the entity or by its subsidiaries or associates; (vii) shares reserved for issue under options and contracts for the sale of shares, including the terms and amounts; and (b) a description of each reserve within equity.	Reduce disclosures in 4.13. Consider removing 4.13(a) (iv) as IFRS for SMEs is for entities without public accountability. 4.13(b) is contradictory to current regulations in Argentina and Costa Rica.
4.14	An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that required by paragraph 4.13(a), showing changes during the period in each category of equity, and the rights, preferences and restrictions attaching to each category of equity.	
21.12	Paragraph 4.13(a)(iv) requires an entity with share capital to disclose, either on the face of the balance sheet or in the notes, for each class of share capital, a reconciliation of the number of shares outstanding (or other measure of quantity) at the beginning and at the end of the period. In that reconciliation, the entity shall identify separately each significant type of change in the number of shares outstanding, including new issues; exercises of options, rights and warrants; conversions of convertible securities; treasury share transactions; business combinations; and bonus issues (share dividends) and share splits.	

Section 5 Income Statement

Information to be presented on the face of the income statement

5.3	As a minimum, an entity shall include, on the face of the income statement, line items that present the following amounts for the period: (a) revenue; (b) finance costs; (c) share of the profit or loss of investments in associates and joint ventures accounted for using the equity method; (d) tax expense; (e) a single amount comprising the total of (i) the post-tax profit or loss of discontinued operations and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation (see Section 36); and (f) profit or loss.	
5.4	An entity shall disclose separately the following items on the face of the income statement as allocations of profit or loss for the period: (a) profit or loss attributable to minority interest; and (b) profit or loss attributable to equity holders of the parent.	

Information to be presented either on the face of the income statement or in the notes

5.7	An entity shall disclose separately the nature and amount of material components of income and expense. Such disclosures shall include: (a) write-downs of property, plant and equipment to fair value less costs to sell, and the reversal of such write-downs; (b) write-downs of inventories to net realisable value, and the reversal of such write-downs; (c) restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring; (d) disposals of items of property, plant and equipment; (e) disposals of investments; (f) discontinued operations; (g) litigation settlements; and (h) the reversal of other provisions.	Revise or delete 5.7, a rather specific list. Also, 5.7(a)(b)(c)(f)&(h) are repeated by 26.25, 12.21, 20.14 and 36.2.
5.9	An entity shall present an analysis of expenses using a classification based on either the nature of expenses or their function of expenses within the entity, whichever provides information that is reliable and more relevant.	
5.10	Entities classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense.	Delete 5.10 as it requires additional information to be compiled, which does not give a simplified application.

Section 6 Statement of Changes in Equity and Statement of Income and Retained Earnings

Information to be presented on the face of the statement of changes in equity

6.2	An entity shall present a statement of changes in equity showing on the face of the statement: (a) profit or loss for the period; (b) each item of income and expense for the period that, as required by this [draft] standard, is recognised directly in equity, and the total of those items; (c) total income and expense for the period (calculated as the sum of (a) and (b)), showing separately the total amounts attributable to equity holders of the parent and to minority interest; and (d) for each component of equity, the effects of changes in accounting policies and corrections of errors recognised in accordance with Section 10.	

Information to be presented either on the face of the statement of changes in equity or in the notes

6.3	An entity shall also present, either on the face of the statement of changes in equity or in the notes: (a) the amounts of investments by, and dividends and other distributions to, equity holders, showing separately issues of shares, treasury share transactions, and dividends and other distributions to equity holders; (b) the balance of retained earnings (ie accumulated profit or loss) at the beginning of the reporting period and at the end of the period, and the changes during the period; and (c) a reconciliation of the carrying amount of each class of contributed equity and each item of income and expense recognised directly in equity (see paragraph 6.2(b)) at the beginning and the end of the period, separately disclosing each change.	

Information to be presented on the face of the statement of income and retained earnings

6.5	An entity shall present, on the face of the statement of income and retained earnings, the following items in addition to the information required by Section 5: (a) retained earnings at the beginning of the reporting period; (b) dividends declared and paid or payable during the period; (c) restatements of retained earnings for corrections of prior period errors; (d) restatements of retained earnings for changes in accounting policy; and (e) retained earnings at the end of the reporting period.	

Section 7 Cash Flow Statement

7.3	An entity shall present a cash flow statement that reports cash flows for a period classified by operating activities, investing activities and financing activities.	
7.7	An entity shall report cash flows from operating activities using either: (a) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or (b) the indirect method, whereby profit or loss is adjusted for the effects of non-cash transactions, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.	

Reporting cash flows from investing and financing activities

7.10	An entity shall report separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities. The aggregate cash flows arising from acquisitions and from disposals of subsidiaries or other business units shall be presented separately and classified as operating activities.	

Interest and dividends

7.14	An entity shall disclose separately cash flows from interest and dividends received and paid.	

Income taxes

7.17	An entity shall disclose separately cash flows arising from taxes on income and shall classify them as cash flows from operating activities unless they can be specifically identified with financing and investing activities. When tax cash flows are allocated over more than one class of activity, the entity shall disclose the total amount of taxes paid.	

Non-cash transactions

7.18	An entity shall exclude from the cash flow statement investing and financing transactions that do not require the use of cash or cash equivalents. An entity shall disclose such transactions elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.	

Components of cash and cash equivalents

7.20	An entity shall disclose the components of cash and cash equivalents and shall present a reconciliation of the amounts reported in the cash flow statement to the equivalent items reported in the balance sheet.	

Other disclosures

7.21	An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the entity. Cash and cash equivalents held by an entity may not be available for use by the entity because of, among other reasons, foreign exchange controls or legal restrictions.	

Section 8 Notes to the Financial Statements

8.3	An entity shall, as far as practicable, present the notes in a systematic manner. An entity shall cross-reference each item on the face of the financial statements to any related information in the notes.	
8.4	An entity normally presents the notes in the following order: (a) a statement that the financial statements have been prepared in compliance with the *IFRS for SMEs* (see paragraph 3.2); (b) a summary of significant accounting policies applied (see paragraph 8.5); (c) supporting information for items presented on the face of the financial statements, in the order in which each statement and each line item is presented; and (d) other disclosures, including: (i) contingent liabilities and contingent assets (see Section 20) and unrecognised contractual commitments; (ii) non-financial disclosures (iii) the amount of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to equity holders during the period, and the related amount per share; and (iv) the amount of any cumulative preference dividends not recognised.	

Proposed Additions:

Requirements of IAS 1.126 should be added.

IAS 1.126) An entity shall disclose the following, if not disclosed elsewhere in information published with the financial statements:

(a) the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office);

(b) a description of the nature of the entity's operations and its principal activities; and

(c) the name of the parent and the ultimate parent of the group.

Disclosure of accounting policies

8.5	An entity shall disclose in the summary of significant accounting policies: (a) the measurement basis (or bases) used in preparing the financial statements; (b) the accounting policy the entity has chosen whenever the entity has adopted an accounting policy for an event, a transaction, other event or condition for which this [draft] standard allows an accounting policy choice; and (c) the other accounting policies used that are relevant to an understanding of the financial statements.	

Proposed Additions:

To the extent that a SME uses the optional fallback to any of the full IFRSs (by cross-reference), accounting policies must clearly state that fact.

Information about judgements

8.6	An entity shall disclose, in the summary of significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 8.7), that management has made in the process of applying the entity’s accounting policies and that have the most significant effect on the amounts recognised in the financial statements.	Delete 8.6 or modify, for example by adding an impracticability exemption.

Information about key sources of estimation uncertainty

8.7	An entity shall disclose in the notes information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of: (a) their nature; and (b) their carrying amount as at the end of the reporting period.	Delete 8.7 or modify, for example by adding an impracticability exemption.

Information about externally imposed capital requirements

8.8	If an entity is subject to externally imposed capital requirements, it shall disclose the nature of those requirements and how they are managed, including whether the requirements have been complied with.	Delete or modify 8.8. Sufficient to only disclose existence of externally imposed capital requirements and if entity sees any risk of non-compliance or there have been any violations.

Section 9 Consolidated and Separate Financial Statements

Separate financial statements

9.19	When a parent, a venturer with an interest in a jointly controlled entity or an investor in an associate prepares separate financial statements, those separate financial statements shall disclose: (a) that the statements are separate financial statements and the reasons why those statements are prepared if not required by law; (b) a list of significant investments in subsidiaries, jointly controlled entities and associates, including the name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held; and (c) a description of the method used to account for the investments listed under (b); and shall identify the consolidated financial statements to which they relate.	

Combined financial statements

9.22	If an entity prepares combined financial statements and describes them as conforming to the *IFRS for SMEs*, those statements shall comply with all of the requirements of this [draft] standard. Intercompany transactions and balances shall be eliminated; profits or losses resulting from intercompany transactions that are recognised in assets such as inventory and fixed assets shall be eliminated; the financial statements of the entities included in the combined financial statements shall be prepared as of the same reporting date unless it is impracticable to do so; and uniform accounting policies shall be followed for like transactions and other events in similar circumstances. Disclosures shall include the fact that the financial statements are combined financial statements and the related party disclosures required by Section 33.	

Proposed Additions:

For combined financial statements, an SME should be required to disclose the reason why combined financial statements are prepared (like 9.19(a)), the basis for determining which entities are included in the combined financial statements and the basis of preparation of the combined financial statements.

Section 10 Accounting Policies, Estimates and Errors

Disclosure of a change in accounting policy

10.11	When initial application of this [draft] standard, or an amendment to this [draft] standard, has an effect on the current period or any prior period or might have an effect on future periods, an entity shall disclose: (a) the nature of the change in accounting policy; (b) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected; (c) the amount of the adjustment relating to periods before those presented, to the extent practicable; and (d) an explanation if it is not practicable to determine the amounts to be disclosed in (b) or (c) above. Financial statements of subsequent periods need not repeat these disclosures.	
10.12	When a voluntary change in accounting policy has an effect on the current period or any prior period, or might have an effect on future periods, an entity shall disclose: (a) the nature of the change in accounting policy; (b) the reasons why applying the new accounting policy provides reliable and more relevant information; (c) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected; (d) the amount of the adjustment relating to periods before those presented, to the extent practicable; and (e) an explanation if it is not practicable to determine the amounts to be disclosed in (c) or (d) above. Financial statements of subsequent periods need not repeat these disclosures.	

Disclosure of a change in estimate

10.16	An entity shall disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.	Delete 10.16.
10.17	If the amount of the effect in future periods is not disclosed because estimating it is impracticable, an entity shall disclose that fact.	Delete 10.17.

Disclosure of prior period errors

10.23	An entity shall disclose the following about prior period errors: (a) the nature of the prior period error; (b) for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected; (c) the amount of the correction at the beginning of the earliest prior period presented; and (d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected. Financial statements of subsequent periods need not repeat these disclosures.	Don't require 10.23(d) if impracticable.

Section 11 Financial Assets and Financial Liabilities

Proposed Changes:

A principles-based approach to disclosing financial instruments would be simpler than the checklist-based approach in IFRS 7 [much of which is retained in paragraphs 11.40 to 11.52] and would give SMEs greater discretion to determine the level of disclosures appropriate to reflect the nature and extent of their exposure to financial risk and the way they manage that exposure.

Disclosure of accounting policies for financial instruments

11.40	In accordance with paragraph 8.5 of Section 8, an entity shall disclose, in the summary of significant accounting policies, the measurement basis (or bases) used for financial instruments and the other accounting policies used for financial instruments that are relevant to an understanding of the financial statements.	

Balance sheet – categories of financial assets and financial liabilities

11.41	An entity shall disclose the carrying amounts of each of the following categories of financial assets and financial liabilities, in total and by each significant type of financial asset or financial liability within each category, either on the face of the balance sheet or in the notes: (a) financial assets measured at fair value through profit or loss (paragraph 11.8); (b) financial assets measured at amortised cost less impairment (paragraph 11.7(a)); (c) equity instruments measured at cost (paragraph 11.7(c)); (d) forward commitments and options measured at cost less impairment (paragraph 11.7(b)); (e) financial liabilities measured at fair value through profit or loss (paragraph 11.8); and (f) financial liabilities measured at amortised cost (paragraph 11.7(a)).	Delete or modify 11.41. This additional disaggregation has little informational value, but is very costly to produce.
11.42	For all financial assets and financial liabilities measured at fair value, the entity shall disclose the basis for determining fair value, eg quoted market price in an active market or a valuation technique. When a valuation technique is used, the entity shall disclose the assumptions applied in determining fair values of each class of financial assets or financial liabilities. For example, if applicable, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates.	
11.43	If a reliable measure of fair value is no longer available for an equity instrument measured at fair value through profit or loss, the entity shall disclose that fact.	

Proposed Additions:

A movement chart of financial assets could be required by 11.41 to assess changes during period (for example, if changes in the balance sheets are due to purchases or fair value gains).

Derecognition

11.44	If an entity has transferred financial assets to another party in a transaction that does not qualify for derecognition (see paragraphs 11.24–11.26), the entity shall disclose for each class of such financial assets: (a) the nature of the assets; (b) the nature of the risks and rewards of ownership to which the entity remains exposed; (c) the carrying amounts of the assets and of any associated liabilities that the entity continues to recognise.	Delete 11.44

Collateral

11.45	When an entity has pledged financial assets as collateral for liabilities or contingent liabilities, it shall disclose: (a) the carrying amount of the financial assets pledged as collateral; and (b) the terms and conditions relating to its pledge.	

Defaults and breaches on loans payable

11.46	For loans payable recognised at the reporting date, an entity shall disclose: (a) details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable; (b) the carrying amount of the loans payable in default at the reporting date; and (c) whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.	Allow SMEs to give less detail under 11.46 & 11.47. E.g., in 11.46(a) only disclose the fact (default) and carrying amount of loans payable. If default was remedied, no disclosure under 11.46 & 11.47 should be required.
11.47	If, during the period, there were breaches of loan agreement terms other than those described in paragraph 11.46, an entity shall disclose the same information as required by paragraph 11.46 if those breaches permitted the lender to demand accelerated repayment (unless the breaches were remedied, or the terms of the loan were renegotiated, on or before the reporting date).	SMEs should be able to give less detail under 11.47 (see comment for 11.46).

Income statement and equity – items of income, expense, gains or losses

11.48	An entity shall disclose the following items of income, expense, gains or losses either on the face of the financial statements or in the notes: (a) net gains or net losses recognised on: (i) financial assets measured at fair value through profit or loss; (ii) financial liabilities measured at fair value through profit or loss; (iii) financial assets measured at amortised cost; and (iv) financial liabilities measured at amortised cost; (b) total interest income and total interest expense (calculated using the effective interest method) for financial assets or financial liabilities that are not at fair value through profit or loss; and (c) the amount of any impairment loss for each class of financial asset.	

Hedge accounting

11.49	An entity shall disclose the following separately for each type of hedge described in paragraph 11.31: (a) a description of the hedge; (b) a description of the financial instruments designated as hedging instruments and their fair values at the reporting date; and (c) the nature of the risks being hedged, including a description of the hedged item.	
11.50	For a hedge of fixed interest rate risk or commodity price risk of a commodity held (paragraphs 11.33–11.36) the entity shall disclose: (a) the amount of the change in fair value of the hedging instrument recognised in profit or loss and (b) the amount of the change in fair value of the hedged item recognised in profit or loss.	Delete 11.50
11.51	For a hedge of variable interest rate risk, foreign exchange risk, commodity price risk in a firm commitment or highly probable forecast transaction, or a net investment in a foreign operation (paragraphs 11.37–11.39) the entity shall disclose: (a) the periods when the cash flows are expected to occur and when they are expected to affect profit or loss; (b) a description of any forecast transaction for which hedge accounting had previously been used, but which is no longer expected to occur; (c) the amount of the change in fair value of the hedging instrument that was recognised in equity during the period (paragraph 11.37); (d) the amount that was removed from equity and recognised in profit or loss for the period, showing the amount included in each line item in the income statement (paragraphs 11.38 and 11.39).	Delete 11.51. We view target users of SMEs to be more on the creditor side, so disclosures for financial liabilities and liquidity risks are appropriate. Disclosures of interest rate risk, foreign exchange risk and default risk for financial assets are less relevant in assessing short term cash flows, liquidity, and solvency.

Risks relating to financial instruments measured at cost or amortised cost

11.52	For financial assets measured at amortised cost less impairment, the entity shall disclose the significant terms and conditions that may affect the amount, timing and certainty of future cash flows, including interest rate risk, foreign currency exchange rate risk and credit risk.	Delete 11.52 or add impracticability exemption. 11.52 is complex and expensive for SMEs

Section 12 Inventories

12.21	An entity shall disclose: (a) the accounting policies adopted in measuring inventories, including the cost formula used; (b) the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity; (c) the amount of inventories recognised as an expense during the period ('cost of goods sold'); (d) the amount of any impairment of inventories recognised as an expense in the period in accordance with paragraph 12.18 and paragraphs 26.2–26.4; (e) the amount of any reversal of any impairment recognised in the period in accordance with paragraph 12.18 and paragraph 26.4, and a description of the circumstances or events that led to such reversal; and (f) the carrying amount of inventories pledged as security for liabilities.	Delete 12.21(d) & (e) or add impracticability exemption. In 12.21(e), sufficient to include material amounts of reversals, or delete requirement to describe the circumstances that led to the reversal as it is burdensome and not justifiable by cost-benefits.

Section 13 Investments in Associates

13.7	An investor in an associate shall disclose: (a) its accounting policy for investments in associates; (b) the fair value of investments in associates for which there are published price quotations; (c) summarised financial information of associates, including the aggregated amounts of assets, liabilities, revenues and profit or loss, along with the investor's percentage of ownership of the associates; and (d) the nature and extent of any significant restrictions (eg resulting from borrowing arrangements or regulatory requirements) on the ability of associates to transfer funds to the investor in the form of cash dividends, or repayment of loans or advances.	Simplify or delete 13.7(c). It is not required for joint ventures. Difficult to obtain information on a timely basis. Related party disclosures are sufficient. Rarely needed by users.

Section 14 Investments in Joint Ventures

14.16	An investor in a joint venture shall disclose the aggregate amount of the following contingent liabilities, unless the probability of loss is remote, separately from the amount of other contingent liabilities: (a) any contingent liabilities that the investor has incurred in relation to its interests in joint ventures and its share in each of the contingent liabilities that have been incurred jointly with other venturers; (b) its share of the contingent liabilities of the joint ventures themselves for which it is contingently liable; and (c) those contingent liabilities that arise because the investor is contingently liable for the liabilities of the other venturers of a joint venture.	
14.17	An investor in a joint venture shall also disclose: (a) the aggregate amount of its commitments relating to joint ventures, including its share in the capital commitments that have been incurred jointly with other venturers, as well as its share of the capital commitments of the joint ventures themselves; (b) a listing and description of interests in significant joint ventures and the proportion of ownership interest held in jointly controlled entities; and (c) the method it uses to recognise its interests in jointly controlled entities.	

Section 15 Investment Property

Fair value model

15.5	An entity that elects to use the fair value model shall apply IAS 40 *Investment Property* (see especially paragraphs 33–55), and shall make the disclosures required by paragraphs 76–78 of that standard.	

Cost model

15.6	An entity that elects to use the cost model shall account for all of its investment property as property, plant and equipment in accordance with the requirements for the cost model in Section 16. The entity shall make the disclosures required by that section.	

Proposed Additions:

For entities with investment properties, the removal of the requirement to disclose fair value for investment properties held at cost is a serious omission as it assists users with their resource allocation decisions. It ignores the fact that a key reason for holding investment properties is their capital appreciation.

Section 16 Property, Plant and Equipment

16.29	An entity shall disclose, for each class of property, plant and equipment: (a) the measurement bases used for determining the gross carrying amount; (b) the depreciation methods used; (c) the useful lives or the depreciation rates used; (d) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and (e) a reconciliation of the carrying amount at the beginning and end of the period showing: (i) additions; (ii) disposals, including assets classified as held for sale or included in a disposal group classified as held for sale; (iii) acquisitions through business combinations; (iv) impairment losses recognised or reversed in profit or loss in accordance with Section 26; (v) depreciation; (vi) the net exchange differences arising on the translation of the financial statements from the functional currency into a different presentation currency, including the translation of a foreign operation into the presentation currency of the reporting entity (see Section 30); and (vii) other changes.	Delete 16.29(e). See general comment on reconciliations below.
16.30	The entity shall also disclose: (a) the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities; (b) the amount of contractual commitments for the acquisition of property, plant and equipment; and (c) if it is not disclosed separately on the face of the income statement, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is recognised in profit or loss.	
16.31	An entity shall present property, plant and equipment that is held for sale separately from other assets on the face of the balance sheet. The entity shall present any liabilities related to property, plant and equipment that is held for sale separately from other liabilities on the face of the balance sheet.	

Section 17 Intangible Assets other than Goodwill

17.23	An entity that uses the revaluation model shall apply paragraphs 75–87 of IAS 38 *Intangible Assets* and shall make the disclosures required by paragraphs 124 and 125 of IAS 38.	
17.32	An entity shall disclose the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets: (a) whether the useful lives are indefinite or finite and, if finite, the useful lives or the amortisation rates used; (b) the amortisation methods used for intangible assets with finite useful lives; (c) the gross carrying amount and any accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the period; (d) the line item(s) of the income statement in which any amortisation of intangible assets is included; (e) a reconciliation of the carrying amount at the beginning and end of the period showing separately additions, disposals, amortisations, impairment losses, and other changes.	Delete 17.32(e). See general comment on reconciliations below
17.33	An entity shall also disclose: (a) for an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the entity shall describe the factor(s) that played a significant role in determining that the asset has an indefinite useful life. (b) a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the entity's financial statements. (c) for intangible assets acquired by way of a government grant and initially recognised at fair value (see paragraph 17.10): (i) the fair value initially recognised for these assets; (ii) their carrying amount; and (iii) whether they are measured after recognition using the cost model or the revaluation model. (d) the existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities. (e) the amount of contractual commitments for the acquisition of intangible assets.	Delete 17.33, in particular 17.33(c) which is unnecessary on top of 23.5.
17.34	An entity shall disclose the aggregate amount of research and development expenditure recognised as an expense during the period.	

Section 18 Business Combinations and Goodwill

For business combinations effected during the reporting period

18.23	For each business combination that was effected during the period (or group of individually immaterial business combinations), the acquirer shall disclose the following: (a) the names and descriptions of the combining entities or businesses. (b) the acquisition date. (c) the percentage of voting equity instruments acquired. (d) the cost of the combination and a description of the components of that cost, including any costs directly attributable to the combination. When equity instruments are issued or issuable as part of the cost, the following shall also be disclosed: (i) the number of equity instruments issued or issuable; and (ii) the fair value of those instruments and the basis for determining that fair value. (e) details of any operations the entity has decided to dispose of as a result of the combination. (f) the amounts recognised at the acquisition date for each class of the acquiree's assets, liabilities and contingent liabilities, including goodwill. (g) the amount of any excess recognised in profit or loss in accordance with paragraph 18.22, and the line item in the income statement in which the excess is recognised. (h) a description of the factors that contributed to a cost that results in the recognition of goodwill—a description of each intangible asset that was not recognised separately from goodwill and an explanation of why the intangible asset's fair value could not be measured reliably—or a description of the nature of any excess recognised in profit or loss in accordance with paragraph 18.22. (i) the amount of the acquiree's profit or loss since the acquisition date included in the acquirer's profit or loss for the period, unless disclosure would be impracticable. If such disclosure would be impracticable, that fact shall be disclosed, together with an explanation of why this is the case.	Delete 18.23 as sensitive and burdensome, except 18.23(a), (b) & maybe (c). 18.23(h)&(i) give most problems. SMEs have fewer such transactions so disclosures are less aggregated and so the degree of detail is relatively higher. Information is unlikely to be relevant for users. Regarding 18.23(d), SMEs often do not use due diligences so cannot allocate the components of the costs. If keep 18.23(i), only require a general description of how acquiree contributed to profit or loss since acquisition.

For business combinations effected after the end of the reporting period but before the financial statements are authorised for issue

18.24	For each business combination effected after the end of the reporting period but before the financial statements are authorised for issue, the acquirer shall make the disclosures required by paragraph 18.23 unless such disclosure would be impracticable. If disclosure of any of that information would be impracticable, that fact shall be disclosed, together with an explanation of why this is the case.	Revise or delete 18.24 as too burdensome. Only require the fact a business combination was carried out. SMEs should not be required to disclose the info for each business combination after reporting period, but, if applicable, on all business combinations combined.

For all business combinations

18.25	An acquirer shall disclose a reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period, showing separately changes arising from new business combinations, impairment losses, disposals of previously acquired businesses, and other changes. An acquirer shall also disclose the gross amount and accumulated impairment losses at the end of the period.	

Section 19 Leases

Financial statements of lessees – finance leases

19.12	Lessees shall make the following disclosures for finance leases: (a) for each class of asset, the net carrying amount at the end of the reporting period. (b) the total of future minimum lease payments at the end of the reporting period, for each future year. (c) contingent rents recognised as an expense. (d) the total of future minimum sublease payments expected to be received under non-cancellable subleases at the end of the reporting period. (e) a general description of the lessee's leasing arrangements including, but not limited to, the following: (i) the basis on which contingent rent payable is determined; (ii) the existence and terms of renewal or purchase options and escalation clauses; and (iii) restrictions imposed by lease arrangements, such as those concerning dividends, additional debt and further leasing.	19.12(b) is more onerous than IAS 17. Sufficient to distinguish between MLPs within 12 months and after 12 months. Or breakdown future MLPs by "less than 1 year" & "over 5 years" like IAS 17. Revise or delete 19.12(c),(d)&(e). May involve long explanations if SME has a small number of high volume contracts with different conditions.

Financial statements of lessees – operating leases

19.14	Lessees shall make the following disclosures for operating leases: (a) the total of future minimum lease payments under non-cancellable operating leases for each future year. (b) the total of future minimum sublease payments expected to be received under non-cancellable subleases at the end of the reporting period. (c) lease and sublease payments recognised as an expense, with separate amounts for minimum lease payments, contingent rents, and sublease payments. (d) a general description of the lessee's significant leasing arrangements including, but not limited to, the following: (i) the basis on which contingent rent payable is determined; (ii) the existence and terms of renewal or purchase options and escalation clauses; and (iii) restrictions imposed by lease arrangements, such as those concerning dividends, additional debt and further leasing.	Same comment for 19.14(a) as 19.12(b) above. Revise or delete 19.14(c)&(d). Same comment as for 19.12(c), (d)&(e) above.

Financial statements of lessors: finance leases

19.15	A lessor in a finance lease shall apply paragraphs 36–46 of IAS 17 *Leases* and shall make the disclosures required by paragraph 47 of IAS 17.	Provide disclosure relief for lessors applying IAS 17 via 19.15. This is a much broader issue than just leases and is identified as a 'general' disclosure comment below. Currently, when SME elects or is required to look to a full IFRS, it is required also to make the disclosures in that full IFRS.

Financial statements of lessors: operating leases

19.23	Lessors shall disclose the following for operating leases: (a) the future minimum lease payments under non-cancellable operating leases in the aggregate and for each future year. (b) total contingent rents recognised as income. (c) a general description of the lessor's leasing arrangements.	Same comment for 19.23(a) as 19.12(b) above. Same comment for 19.23(b)&(c). as for 19.12(c), (d)&(e) above.

Sale and leaseback transactions

19.27	Disclosure requirements for lessees and lessors apply equally to sale and leaseback transactions. The required description of leasing arrangements includes description of unique or unusual provisions of the agreement or terms of the sale and leaseback transactions.	

Section 20 Provisions and Contingencies

Disclosures about provisions

20.14	For each class of provision, an entity shall disclose: (a) the carrying amount at the beginning and end of the period. (b) additional provisions made in the period, including increases to existing provisions. (c) amounts used (ie incurred and charged against the provision) during the period. (d) unused amounts reversed during the period. (e) the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate. (f) a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits. (g) an indication of the uncertainties about the amount or timing of those outflows. (h) the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement. Comparative information is not required.	Delete 20.14(e)(f),(g)&(h).

Disclosures about contingent liabilities

20.15	Unless the possibility of any outflow in settlement is remote, an entity shall disclose for each class of contingent liability at the end of the reporting period a brief description of the nature of the contingent liability and,when practicable: (a) an estimate of its financial effect, measured in accordance with paragraphs 20.6–20.9. (b) an indication of the uncertainties relating to the amount or timing of any outflow. (c) the possibility of any reimbursement. If it is impracticable to make one or more of these disclosures, that fact shall be stated.	Delete 20.15(b)&(c).

Disclosures about contingent assets

20.16	If an inflow of economic benefits is probable (more likely than not) but not virtually certain, an entity shall disclose a description of the nature of the contingent assets at the end of the reporting period, and, when practicable, an estimate of their financial effect, measured using the principles set out in paragraphs 20.8–20.11. If it is impracticable to make this disclosure, that fact shall be stated.	Delete 20.16. Disclosure should not be given as a user would make decisions based on unrealised gains.

Prejudicial disclosures

20.17	In extremely rare cases, disclosure of some or all of the information required by paragraphs 20.14–20.16 can be expected to prejudice seriously the position of the entity in a dispute with other parties on the subject matter of the provision, contingent liability or contingent asset. In such cases, an entity need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.	

Section 21 Equity

No disclosures required by this section (but see paragraph 4.13).

Section 22 Revenue

22.28	An entity shall disclose: (a) the accounting policies adopted for the recognition of revenue, including the methods adopted to determine the stage of completion of transactions involving the rendering of services. (b) the amount of each category of revenue recognised during the period, including revenue arising from: (i) the sale of goods; (ii) the rendering of services; (iii) interest; (iv) royalties; (v) dividends. (c) the amount of revenue arising from exchanges of goods or services included in each category of revenue.	22.28(b)&(c) should refer to "significant" categories of revenue to decrease the burden. Alternatively delete 22.28(c).

Proposed Additions:

Disclose separately amounts in revenue as principal and as agent.

Disclosures relating to revenue from construction contracts

22.29	An entity shall disclose: (a) the amount of contract revenue recognised as revenue in the period; (b) the methods used to determine the contract revenue recognised in the period; and (c) the methods used to determine the stage of completion of contracts in progress.	Reduce 22.29 – 22.31. Substantial info is required for construction contracts. Hence the project process, overall order conditions and complete cost structure is apparent. This is unwelcome and anti-competitive for SMEs.
22.30	An entity shall disclose each of the following for contracts in progress at the balance sheet date: (a) the aggregate amount of costs incurred and recognised profits (less recognised losses) to date; (b) the amount of advances received; and (c) the amount of retentions (progress billings that are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts or until defects have been rectified).	Delete 22.30
22.31	An entity shall present: (a) the gross amount due from customers for contract work as an asset; and (b) the gross amount due to customers for contract work as a liability.	Reduce 22.31. See comment to 22.29.

Section 23 Government Grants

23.5	An entity shall disclose the following regardless of which choice it has made under paragraph 23.3: (a) the accounting policy adopted for government grants, including an explanation of how the grant is presented in the financial statements; (b) the nature and amounts of government grants recognised in the financial statements; (c) unfulfilled conditions and other contingencies attaching to government grants that have not been recognised in income; and (d) an indication of other forms of government assistance from which the entity has directly benefited.	

Section 24 Borrowing Costs

24.5	An entity shall disclose the accounting policy adopted for borrowing costs. If the capitalisation model is adopted as provided in paragraph 24.4, the entity shall include the relevant disclosures required by IAS 23 *Borrowing Costs*.	

Section 25 Share-based Payment

25.8	An entity shall disclose a description of each type of share-based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement, such as vesting requirements, the maximum term of options granted, and the method of settlement (eg whether in cash or equity). An entity with substantially similar types of share-based payment arrangements may aggregate this information.	Delete 25.8 or consider limiting to arrangements that exist at the end of the period for cost-benefits. In the later case, any short term arrangements (begin & end in period) should be reported.
25.9	An entity shall disclose the following information about the effect of share-based payment transactions on the entity's profit or loss for the period and on its financial position, including at least the following: (a) the total expense recognised for the period arising from share-based payment transactions in which the goods or services received did not qualify for recognition as assets and hence were recognised immediately as an expense, including separate disclosure of that portion of the total expense that arises from transactions accounted for as equity-settled share-based payment transactions. (b) with respect to liabilities arising from share-based payment transactions: (i) the total carrying amount at the end of the period; and (ii) the total intrinsic value at the end of the period of liabilities for which the counterparty's right to cash or other assets had vested by the end of the period (eg vested share appreciation rights).	

Section 26 Impairment of Non-financial Assets

26.25	An entity shall disclose the following for each class of assets: (a) the amount of impairment losses recognised in profit or loss during the period and the line item(s) of the income statement in which those impairment losses are included. (b) the amount of reversals of impairment losses recognised in profit or loss during the period and the line item(s) of the income statement in which those impairment losses are reversed. (c) the amount of impairment losses on revalued assets recognised directly in equity during the period. (d) the amount of reversals of impairment losses on revalued assets recognised directly in equity during the period.	
26.26	An entity shall disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no separate information is disclosed: (a) the main classes of assets affected by impairment losses and the main classes of assets affected by reversals of impairment losses. (b) the main events and conditions that led to the recognition of these impairment losses and reversals of impairment losses.	

Proposed Additions:

Accumulated impairment losses (26.11) should be disclosed in the notes since it provides relevant information for statistical purposes.

Section 27 Employee Benefits

Disclosures about short-term employee benefits

27.36	Section 27 does not require specific disclosures about short-term employee benefits.	

Proposed Additions:

- 27.36 should require specific information to be disclosed on short-term employee benefits (salaries, social security etc) which are the most important employee benefits for SMEs. Some requirements (e.g. breakdown of employee expense) should be given.
- Disclose employee figures to allow ratios, eg personnel cost/productivity per employee, to be calculated and to help to analyse employee expenses or defined benefit obligations.

Disclosures about defined contribution plans

27.37	An entity shall disclose the total cost of defined contribution plans for the period and their amounts (a) recognised in profit or loss as an expense and (b) included in the cost of an asset.	Delete 27.37 as exceeds full IFRS disclosure requirements.

Disclosures about defined benefit plans

27.38	An entity shall disclose the following information about defined benefit plans: (a) a general description of the type of plan, including funding policy. (b) the entity's accounting policy for recognising actuarial gains and losses and the amount of actuarial gains and losses recognised during the period. (c) a reconciliation of opening and closing balances of the defined benefit liability showing separately benefits paid and all other changes. (d) an analysis of the defined benefit liability into amounts arising from plans that are wholly unfunded and amounts arising from plans that are wholly or partly funded. (e) a reconciliation of the opening and closing balances of the fair value of plan assets and of the opening and closing balances of any reimbursement right recognised as an asset, showing separately, if applicable: (i) contributions by the employer; (ii) contributions by plan participants; (iii) benefits paid; and (iv) other changes in plan assets. (f) the total cost relating to defined benefit plans recognised in profit or loss as an expense for the period, and the line item(s) in which they are included. (g) the total cost relating to defined benefit plans during the period that was: (i) included in the cost of producing inventories in accordance with Section 12; or (ii) included in the cost of property, plant and equipment in accordance with Section 16. (h) for each major category of plan assets, which shall include, but is not limited to, equity instruments, debt instruments, property, and all other assets, the percentage or amount that each major category constitutes of the fair value of the total plan assets. (i) the amounts included in the fair value of plan assets for: (i) each category of the entity's own financial instruments; and (ii) any property occupied by, or other assets used by, the entity. (j) the actual return on plan assets. (k) the principal actuarial assumptions used, including, when applicable: (i) the discount rates; (ii) the expected rates of return on any plan assets for the periods presented in the financial statements; (iii) the expected rates of salary increases; and (iv) medical cost trend rates.	Reduce 27.38. Only need 27.38 (a),(c)&(k). 27.38(f)&(g) exceed requirements of IAS 19 and are not necessary. Disclosure of accounting policy for actuarial gains & losses is redundant, as no option is allowed (27.38(b)).

Disclosures about other long-term benefits

27.39	For each category of other long-term benefits that an entity provides to its employees, the entity shall disclose the nature of the benefit, the amount of its obligation and the funding status at the balance sheet date, and the amount of any actuarial gains and losses arising in the current period and its accounting policy for such actuarial gains and losses.	Disclosure of accounting policy for actuarial gains & losses is redundant.

Disclosures about termination benefits

27.40	For each category of termination benefits that an entity provides to its employees, the entity shall disclose the nature of the benefit, its accounting policy, and the amount of its obligation and the funding status at the balance sheet date.	Delete 27.40 as more onerous than full IFRSs.
27.41	When there is uncertainty about the number of employees who will accept an offer of termination benefits, a contingent liability exists. Section 20 requires an entity to disclose information about its contingent liability unless the possibility of an outflow in settlement is remote.	Delete 27.41 as more onerous than full IFRSs.

Section 28 Income Taxes

28.28	An entity shall disclose separately the major components of tax expense (income). Such components of tax expense (income) may include: (a) current tax expense (income). (b) any adjustments recognised in the period for current tax of prior periods. (c) the amount of deferred tax expense (income) relating to the origination and reversal of temporary differences. (d) the amount of deferred tax expense (income) relating to changes in tax rates or the imposition of new taxes. (e) the amount of the benefit arising from a previously unrecognised tax loss, tax credit or temporary difference of a prior period that is used to reduce current tax expense. (f) deferred tax expense (or income) arising from the impairment, or reversal of a previous impairment, of a deferred tax asset (see paragraph 28.26).	

28.29	An entity shall disclose the following separately: (a) the aggregate current and deferred tax relating to items that are recognised directly in equity. (b) a numerical reconciliation between tax expense (income) as recognised and tax expense (income) that would be expected by multiplying profit by the applicable tax rate(s), with each significant difference disclosed separately. (c) an explanation of changes in the applicable tax rate(s) compared with the previous reporting period. (d) the amount (and expiry date, if any) of temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset is recognised. (e) the aggregate amount of temporary differences associated with investments in foreign subsidiaries, branches and associates and joint ventures, for which deferred tax liabilities have not been recognised (see paragraph 28.18(b)). (f) the aggregate amount of temporary differences associated with the initial recognition of goodwill for which deferred tax liabilities have not been recognised (see paragraph 28.18(c))	Delete 28.29(b)-(f), except aggregated amount, as too burdensome. 28.29(b) is cost intensive and does not significantly add to forward looking analysis of future tax burden. Consider an “explanatory reconciliation”. Permit SMEs to explain relationship between tax expense (income) and profit in 28.29(b) using gross amounts of relevant items of income or expense, rather than their related tax effects. Users better understand a reconciliation using gross amounts.
28.30	In the circumstances described in paragraph 28.25, an entity shall disclose the nature of the potential income tax consequences that would result from the payment of dividends to its shareholders. In addition, the entity shall disclose the amounts of the potential income tax consequences, if practicably determinable, and whether there are any potential income tax consequences not practicably determinable.	

Section 29 Financial Reporting in Hyperinflationary Economies

29.2	An entity whose functional currency is the currency of a hyperinflationary economy shall apply IAS 29 *Financial Reporting in Hyperinflationary Economies* in preparing and presenting its financial statements in accordance with this [draft] standard.	

Section 30 Foreign Currency Translation

30.25	In paragraphs 30.27 and 30.29, references to 'functional currency' apply, in the case of a group, to the functional currency of the parent.	
30.26	An entity shall disclose: (a) the amount of exchange differences recognised in profit or loss except for those arising on financial instruments measured at fair value through profit or loss in accordance with Section 11. (b) net exchange differences classified in a separate component of equity, and a reconciliation of the amount of such exchange differences at the beginning and end of the period.	
30.27	An entity shall disclose the currency in which the financial statements are presented. When the presentation currency is different from the functional currency, an entity shall state that fact and shall disclose the functional currency and the reason for using a different presentation currency.	
30.28	When there is a change in the functional currency of either the reporting entity or a significant foreign operation, the entity shall disclose that fact and the reason for the change in functional currency.	
30.29	When an entity displays its financial statements or other financial information in a currency that is different from either its functional currency or its presentation currency (for example, a 'convenience translation' of all amounts at closing rate), it shall: (a) clearly identify the information as supplementary information to distinguish it from the information that complies with this [draft] standard; (b) disclose the currency in which the supplementary information is displayed; and (c) disclose the entity's functional currency and the method of translation used to determine the supplementary information.	Delete 30.29.

Section 31 Segment Reporting

31.1	An entity using this [draft] standard is not required to present information about operating segments. An entity that chooses to disclose segment information in financial statements described as conforming to the *IFRS for SMEs* shall comply fully with the requirements of IFRS 8 *Operating Segments*. If an entity discloses information about segments that does not comply with IFRS 8, it shall not describe the information as segment information.	

Proposed Additions:

Clear disclosure of the basis of preparation of any voluntary disclosures is required so readers can make an assessment of its reliability and comparability.

Section 32 Events after the End of the Reporting Period

Date of authorisation for issue

32.8	An entity shall disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the entity's owners or others have the power to amend the financial statements after issue, the entity shall disclose that fact.	

Non-adjusting events after the end of the reporting period

32.9	An entity shall disclose the following for each category of non-adjusting event after the end of the reporting period: (a) the nature of the event; and (b) an estimate of its financial effect, or a statement that such an estimate cannot be made.	Simplify 32.9 by requiring disclosure only for each 'material' category of non-adjusting event (like IAS 10.21).
32.10	The following are examples of non-adjusting events after the end of the reporting period that would generally result in disclosure: (a) a major business combination (Section 18 requires specific disclosures in such cases) or disposing of a major subsidiary. (b) announcing a plan to discontinue an operation. (c) major purchases of assets, classification of assets as held for sale in accordance with Section 16, other disposals of assets, or expropriation of major assets by government. (d) the destruction of a major production plant by a fire. (e) announcing, or commencing the implementation of, a major restructuring (see Section 20). (f) major ordinary share transactions and potential ordinary share transactions. (g) abnormally large changes in asset prices or foreign exchange rates. (h) changes in tax rates or tax laws enacted or announced that have a significant effect on current and deferred tax assets and liabilities (see Section 28). (i) entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees. (j) commencing major litigation arising solely out of events that occurred after the end of the reporting period.	

Section 33 Related Party Disclosures

Disclosure of relationships

33.4	Relationships between parents and subsidiaries shall be disclosed irrespective of whether there have been transactions between those related parties. An entity shall disclose the name of the entity's parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces financial statements available for public use, the name of the next most senior parent that does so (if any) shall also be disclosed.	Delete 33.4

Disclosure of key management personnel compensation

33.5	Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Compensation includes all employee benefits (as defined in Section 27) including those in the form of share-based payment (see Section 25). Employee benefits include all forms of consideration paid, payable or provided by the entity, or on behalf of the entity (for example, by its parent or by a shareholder), in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity.	Delete or modify 33.5. If disclosure of key management personnel compensation results in providing individual compensation of 1 or 2 key managers, this information should not be required because it can be sensitive for SMEs.
33.6	An entity shall disclose key management personnel compensation in total and for each of the following categories: (a) short-term employee benefits; (b) post-employment benefits; (c) other long-term benefits; (d) termination benefits; and (e) share-based payment.	Delete or modify 33.6. Only the lump sum amount needs to be disclosed.

Disclosure of related party transactions

33.7	A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Examples of related party transactions that are common to SMEs include, but are not limited to: (a) transactions between an entity and its principal owner(s). (b) transactions between an entity and another entity where both entities are under the common control of a single entity or individual. (c) transactions in which an entity or individual that controls the reporting entity incurs expenses directly that otherwise would have been borne by the reporting entity.	Reduce or delete 33.7 – 33.10. May reveal sensitive information and cause competitive harm. Question the relevance of related party disclosures in a non-listed environment. Disclosure requirements in 33.7 – 10 are difficult to understand.
33.8	If there have been transactions between related parties, an entity shall disclose the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements. These disclosure requirements are in addition to the requirements in paragraph 33.6 to disclose key management personnel compensation. At a minimum, disclosures shall include: (a) the amount of the transactions. (b) the amount of outstanding balances and: (i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and (ii) details of any guarantees given or received. (c) provisions for uncollectible receivables related to the amount of outstanding balances. (d) the expense recognised during the period in respect of bad or doubtful debts due from related parties.	Delete or modify 33.8 (see comment for 33.7 above). Only need a general description of the nature of related party transactions – it's not necessary to go into further detail. Related party disclosures are lengthy and onerous. Mandating detailed disclosures for such items could be a matter for local legislation instead.
33.9	An entity shall make the disclosures required by paragraph 33.8 separately for each of the following categories: (a) the parent. (b) entities with joint control or significant influence over the entity. (c) subsidiaries. (d) associates. (e) joint ventures in which the entity is a venturer. (f) key management personnel of the entity or its parent (in the aggregate). (g) other related parties.	Delete or modify 33.9 (see comments for 33.7 and 33.8 above).

33.10	The following are examples of transactions that are disclosed if they are with a related party. (a) purchases or sales of goods (finished or unfinished). (b) purchases or sales of property and other assets. (c) rendering or receiving of services. (d) leases. (e) transfers of research and development. (f) transfers under licence agreements. (g) transfers under finance arrangements (including loans and equity contributions in cash or in kind). (h) provision of guarantees or collateral. (i) settlement of liabilities on behalf of the entity or by the entity on behalf of another party. (j) participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities.	Delete or modify 33.10 (see comments for 33.7 and 33.8 above).
33.11	An entity shall not state that related party transactions were made on terms equivalent to those that prevail in arm's length transactions unless such terms can be substantiated.	
33.12	An entity may disclose items of a similar nature in the aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.	

Proposed Additions:

SMEs are often heavily reliant on one or a few major customers or otherwise have significant economic dependencies. Knowledge of the nature of those dependences is essential for assessing the SME's future cash flows and financial position. The IFRS for SMEs should require disclosure of reliance on major customers and other economic dependencies.

Section 34 Earnings per Share

34.1	An entity using this [draft] standard is not required to present amounts of earnings per share. However, if the entity discloses earnings per share, it shall calculate and disclose earnings per share in accordance with IAS 33 *Earnings per Share*.	

Proposed Additions:

Clear disclosure of the basis of preparation of any voluntary disclosures is required so readers can make an assessment of its reliability and comparability.

Section 35 Specialised Industries

Agriculture

35.1	An entity using this [draft] standard that is engaged in agricultural activity shall determine, for each of its biological assets, whether the fair value of that biological asset is readily determinable without undue cost and effort: (a) The entity shall apply the fair value model in paragraphs 10–29 of IAS 41 *Agriculture* to account for those biological assets whose fair value is readily determinable without undue cost or effort, and the entity shall make all related disclosures required by IAS 41. (b) The entity shall measure at cost less any accumulated depreciation and any accumulated impairment losses those biological assets whose fair value is not readily determinable without undue cost or effort. The entity shall disclose, for such biological assets: (i) a description of the biological assets; (ii) an explanation of why fair value cannot be measured reliably; (iii) if possible, the range of estimates within which fair value is highly likely to lie; (iv) the depreciation method used; (v) the useful lives or the depreciation rates used; and (vi) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.	Delete 35.1(b)(ii)&(iii). Disclosure in 35.1(b)(iii) defeats the purpose of allowing the cost method so should be deleted.

Section 36 Discontinued Operations and Assets Held for Sale

Presentation and disclosure

36.2	An entity shall disclose: (a) a single amount on the face of the income statement comprising the total of: (i) the post-tax profit or loss of discontinued operations; and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or group(s) of assets and liabilities constituting the discontinued operation. (b) an analysis of the single amount in (a) into: (i) the revenue, expenses, pre-tax profit or loss and income tax expense of discontinued operations; (ii) the gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or group(s) of assets constituting the discontinued operation and the related income tax expense. The analysis may be presented in the notes or on the face of the income statement. If it is presented on the face of the income statement it shall be presented in a section identified as relating to discontinued operations, ie separately from continuing operations. (c) the net cash flows attributable to the operating, investing and financing activities of discontinued operations. These disclosures may be presented either in the notes or on the face of the financial statements.	Covered in Agenda paper 1 – 3.
36.3	Unless impracticable, an entity shall restate the disclosures in the preceding paragraph for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.	
36.4	If an entity ceases to classify a component of an entity as held for sale, the entity shall reclassify the results of operations of the component previously presented in discontinued operations and shall include them in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been restated.	

Non-current assets held for sale

36.8	An entity shall disclose the following information in the period in which property, plant and equipment has been either classified as held for sale or sold: (a) a description of the asset or disposal group; (b) a description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of that disposal; and (c) the gain or loss recognised, if not separately presented on the face of the income statement.	

Section 37 Interim Financial Reporting

37.1	An entity that issues an interim financial report that is described as complying with this [draft] standard shall apply either IAS 34 *Interim Financial Reporting* or all of the requirements of this [draft] standard, except as provided in paragraph 37.2.	

Proposed Additions:

Clear disclosure of the basis of preparation of any voluntary disclosures is required so readers can make an assessment of its reliability and comparability.

Section 38 Transition to the *IFRS for SMEs*

Explanation of transition to the *IFRS for SMEs*

38.10	An entity shall explain how the transition from its previous GAAP to this [draft] standard affected its reported financial position, financial performance and cash flows.	

Reconciliations

38.11	To comply with paragraph 38.10, an entity's first financial statements prepared using this [draft] standard shall include: (a) reconciliations of its equity reported under previous GAAP to its equity under the [draft] standard for both of the following dates: (i) the date of transition to this [draft] standard; and (ii) the end of the latest period presented in the entity's most recent annual financial statements under previous GAAP; and (b) a reconciliation of the profit or loss reported under previous GAAP for the latest period in the entity's most recent annual financial statements to its profit or loss under this [draft] standard for the same period.	
38.12	If an entity becomes aware of errors made under previous GAAP, the reconciliations required by paragraph 39.11(a) and (b) shall distinguish the correction of those errors from changes in accounting policies.	
38.13	If an entity did not present financial statements for previous periods, it shall disclose that fact in its first financial statements that conform to this [draft] standard.	

Miscellaneous

Proposed Additions:

Where impracticability or undue cost and effort arguments are used this fact should be disclosed.

Proposed Eliminations/simplifications:

- Do not require disclosure of reconciliations of opening and closing balances, e.g. 16.29(e) [each class of PP&E], 17.32(e) [each class of intangibles], 20.14 [each class of provisions] and 27.38(c)-(e) [defined benefit liability and fair value of plan assets] or only require reconciliations for the current period (from start to end of current year). We question information usefulness of these reconciliations, particularly when there is either no movement or only one movement in the balance for the year. Not very relevant to users.

- Reduce disclosures for options available by cross-references to full IFRSs. SMEs should not be penalised for choosing the more complex treatment. Eg, disclosures required by IFRS 7 in event SME chooses to apply IAS 39.

- Requirements to disclose all of the assumptions and similar information in connection with valuation of financial instruments, share based payments, pension liabilities and revalued assets should be reconsidered and simplified.

- To the extent that disclosures are included in group financial statements, the subsidiaries of that group, when preparing individual financial statements, should be exempted from providing full disclosures in certain areas, for example share-based payments, cash flow statements, events after the balance sheet date, segment reporting, employee benefits, related parties, investments in associates and financial instruments.

- IFRS for SMEs should state that non-material items do not require disclosure.

Proposed Restructuring

- Rather than giving SMEs detailed disclosure requirements, they should instead follow a skeleton outline of necessary requirements for note disclosures. For example, notes to SME financial statements should be limited to:

- ***description of the major accounting policies***
- ***impact of all changes in accounting policies and prior error corrections on opening balance of equity for the current period (plus restatement of the prior period)***
- ***details of assets and liabilities by category or origin (excluding: provisions), where relevant (our proposals lead to separate disclosure on the face of the balance sheet of assets carried at revalued amount (easily disposable) from assets carried at cost);***
- ***reconciliations between opening and closing balances for assets subject to depreciation and impairment and provisions. These reconciliations should be based on a standard reconciliation***
- ***a specific reconciliation between the opening and closing balance of net pension liabilities***
- ***details of maturity and interest rates for all financial debt (including finance lease related debt and minimum payments for operating leases);***
- ***summarised information related to ownerships in associates and joint ventures (interest share, joint control or significant influence, total revenue, net income and equity for each entity)***
- ***description and main information related to significant transactions and events of reporting period (business combinations, disposals etc.);***
- ***off balance sheet items such as commitments, pledges and collaterals***
- ***contingencies;***
- ***hedging strategies and related amounts in the balance sheet; and***
- ***income tax: basic tax and effective tax rates.***