Draft questions and answers (Q&As) are developed by the SME Implementation Group (SMEIG), which assists the International Accounting Standards Board (Board) in supporting the application of the IFRS for SMEs Standard. The Q&As provide non-mandatory and timely guidance on specific accounting questions about applying the IFRS for SMEs Standard. During the 2019 Comprehensive Review of the IFRS for SMEs Standard, the Board will consider the Q&As developed since the issue of the 2015 amendments to the IFRS for SMEs Standard and determine whether to incorporate the responses in the IFRS for SMEs Standard.

Comments

The SMEIG invites comments on whether this draft Q&A provides useful and sufficient guidance.

Comment deadline: 7 October 2019.


Your comments will be on the public record and posted on our website unless you request confidentiality and we grant your request. We do not normally grant such requests unless they are supported by good reason, for example, commercial confidence. Please see our website for details on this and on how we use your personal data.

More information about the SMEIG can be found on the IFRS Foundation’s website: http://www.ifrs.org/groups/sme-implementation-group/.

Issue

1. When preparing its first financial statements applying the IFRS for SMEs Standard, should an entity base its assessment of whether, at the date of transition, an investment property can be measured reliably at fair value without undue cost or effort on information about the costs and benefits at the entity’s date of transition to the IFRS for SMEs Standard or the costs and benefits at the date of preparing the first financial statements applying the IFRS for SMEs Standard?

Response

2. When preparing its first financial statements applying the IFRS for SMEs Standard, an entity bases its assessment of whether, at the date of transition, an investment property can be measured reliably at fair value without undue cost or effort on information about the costs and benefits at the entity’s date of transition to the IFRS for SMEs Standard. Additional cost or effort due to the elapse of time between the date of transition and the date of preparing the first IFRS for SMEs financial statements shall not be considered.
Basis for Conclusions

**BC1** The SMEIG was asked if an entity bases its assessment of whether, at the date of transition, an investment property can be measured reliably at fair value without undue cost or effort on information about the costs and benefits at the date of transition to the IFRS for SMEs Standard or the costs and benefits at the date when preparing the first IFRS for SMEs financial statements.

**BC2** Paragraph 35.7(d) requires an entity, at the date of transition to the IFRS for SMEs Standard, to apply the Standard in measuring all recognised assets and liabilities; thereby an entity applies Section 16 to measure investment properties. Paragraphs 35.9—35.10 provide exceptions and exemptions in specified circumstances.

**BC3** Paragraph 16.7 requires investment property whose fair value can be measured reliably without undue cost or effort to be measured at fair value at each reporting date with changes in fair value recognised in profit or loss. The exceptions and exemptions in paragraphs 35.9—35.10 do not apply to measuring investment properties at fair value at the date of transition.

**BC4** Paragraph 2.14C requires an entity to assess undue cost or effort on initial recognition in the financial statements based on information about the costs and benefits at the time of initial recognition. At any subsequent measurement of an item, paragraph 2.14C requires a new assessment of undue cost or effort to be made at that subsequent date, based on information available at that date.

**BC5** The IFRS for SMEs Standard does not amend the requirements of paragraph 2.14C for the date of transition. Consequently, the requirements of paragraph 2.14C apply to the assessment of whether an investment property can be measured reliably at fair value without undue cost or effort at the date of transition.

**BC6** Applying paragraph 2.14C the assessment of whether an investment property can be measured reliably at fair value without undue cost or effort is made at the date of transition based on information available at that date. A new assessment of undue cost or effort is made at the date of the first IFRS for SMEs financial statements. The assessment of undue cost or effort is based on information available at each date; therefore, any additional cost or effort due to the elapse of time between the date of transition and the date of the first financial statements applying the IFRS for SMEs Standard is not considered when measuring the investment property at the date of transition.