ASC
ACCOUNTING STANDARDS COUNCIL

4 April 2011

International Accounting Standards Board
1st Floor 30 Cannon Street
London EC4M 6XH
United Kingdom

(By online submission)

Dear Sirs

RESPONSE TO DRAFT Q&A 2011/01 – USE OF THE IFRS FOR SMEs IN PARENT'S SEPARATE FINANCIAL STATEMENTS

The Accounting Standards Council (ASC) appreciates the opportunity to comment on the IFRS for SMEs Section 1, Issue 1 on the use of the IFRS for SMEs in parent's separate financial statements.

General

We agree, in principle, with the IASB's proposed response to the question raised on the use of the IFRS for SMEs in parent's separate financial statements and our support is expressed in the context of the IASB's definition of SMEs (i.e. all non-publicly accountable entities) in determining the applicability of the IFRS for SMEs.

However, as mentioned in the Draft Q&A 2011/01, separate financial statements are sometimes presented together with the consolidated financial statements and sometimes as a separate document. In cases where separate financial statements are presented together with the consolidated financial statements, we do foresee practical challenges if group and company-level financials are prepared based on different frameworks and presented alongside each other. In our view, this could reduce comparability of the financial figures and could also potentially create confusion to users of the consolidated financial statements. Thus, where separate financial statements are presented alongside consolidated financial statements (i.e. in one single document), we recommend that the Board set out the principle that both the company and group financials be prepared consistently either under the IFRS or IFRS for SMEs framework.

In addition, we would like to point out that in addition to the IASB's definition of "public accountability", some jurisdictions may use a quantitative "size test" to define a SME and its eligibility to use the IFRS for SMEs, and the quantitative "size test" could be determined on a consolidated basis, rather than on a standalone basis as a separate entity. For example, Singapore

Address: The Secretariat, Accounting Standards Council,
c/o Ministry of Finance, 100 High Street, #10-01, The Treasury, Singapore 179434.
Website: www.asc.gov.sg Email: MOF_Feedback_ASC@mof.gov.sg Fax: (65) 6332 7435

has prescribed a size threshold criterion as one of the qualifying criteria in adopting the IFRS for SMEs as the Singapore Financial Reporting Standards for Small Entities ("SFRS for SE").

Specifically, the ASC has decided that in the case of an entity that has one or more subsidiaries and is required or chooses to prepare consolidated financial statements, the total annual revenue, total gross assets and total number of employees are to be determined on a consolidated basis, and not on the basis of the entity as a single economic entity. In addition, the ASC has made a considered policy decision that the same determination criteria and condition would apply to a parent entity's own financial statements. In other words, a parent entity qualifies for SFRS for SE only if it is itself not publicly accountable and satisfy the quantitative "size test" (to be determined on a consolidated basis). The ASC Statement on Applicability can be accessed via the link below.
http://www.asc.gov.sg/attachments/SFRS%20for%20SE%20(Statement)-z.pdf

We understand that the decision on which entities can apply the IFRS for SMEs lies with the individual jurisdictions. As such, we believe that the ASC's policy decision on how to apply the IFRS for SMEs in Singapore should not be seen as a conflict to the IASB's position. We hope that our comment can serve as a point of reference for the Board in understanding how the IFRS for SMEs is implemented in different jurisdictions.

We hope that our comments will contribute to the Board's deliberation on the Draft Q&A. Should you require any further clarification, please contact the project manager Kate Ho at kate_ho@acra.gov.sg.

Yours faithfully

Siew Luie Soh
Secretary, Accounting Standards Council

Address: The Secretariat, Accounting Standards Council,
c/o Ministry of Finance, 100 High Street, #10-01, The Treasury, Singapore 179434.
Website: www.asc.gov.sg Email: MOF_Feedback_ASC@mof.gov.sg Fax: (65) 6332 7435