

29 November 2011

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

(By online submission)

Dear Sirs

Response to Draft Q&As on IFRS for SMEs

The Singapore Accounting Standards Council appreciates the opportunity to comment on the following Draft Q&As on IFRS for SMEs issued by the SMEIG in September 2011:

- Draft Q&A General, Issue 1 *Application of the IFRS for SMEs for financial periods ending before the IFRS for SMEs was issued*
- Draft Q&A General, Issue 2 *Interpretation of 'undue cost or effort' and 'impracticable'*
- Draft Q&A Section 3, Issue 1 *Jurisdiction requires fallback to full IFRS*
- Draft Q&A Section 3, Issue 2 *Departure from a principle in the IFRS for SMEs*
- Draft Q&A Section 3, Issue 3 *Prescription of the format of financial statements by local regulation*

General

We welcome the SMEIG's efforts to provide non-mandatory and timely guidance on specific accounting questions that are being raised by users implementing the IFRS for SMEs.

However, we do not believe it is necessary to publish any of the five proposed Q&As as we are not persuaded that the IFRS for SMEs lacks clarity on the issues considered or that the issues considered are pervasive.

In addition, given that the application of the IFRS for SMEs for financial periods ending before the IFRS for SMEs was issued is a matter for each jurisdiction to decide, we consider that a Q&A for this topic would not be necessary.

Furthermore, we question if a Q&A on the interpretation of the term 'impracticable' is essential as the term is defined in both the IFRS for SMEs and the full IFRSs, and similar guidance was not considered necessary in the latter. We also question the appropriateness of a Q&A on the interpretation of the term 'undue cost or effort' since the SMEIG points out that the term was deliberately left undefined in the IFRS for SMEs. Besides, we believe that the Q&A would do nothing more than highlight that management's judgment would be required in assessing 'undue cost or effort'.

In this regard, we urge the SMEIG to be mindful of paragraph 16 of its Terms of Reference and Operating Procedures which specifies that the SMEIG is expected to focus on a limited number of pervasive issues and not to seek to create an extensive rule-oriented environment.

Should the SMEIG decide to proceed to publish the Q&As, our comments on the specific draft Q&As are as follows:

Draft Q&A Section 3, Issue 1

We do not fully agree with the proposed response as paragraph 10.5(a) of the IFRS for SMEs specifically requires an entity to first consider the requirements and guidance in the IFRS for SMEs dealing with similar and related issues, in the absence of specific requirements for a transaction, other event or condition. As the requirements and guidance in the full IFRSs may not always be consistent with those in the IFRS for SMEs, applying the former could result in non-compliance with paragraph 10.5(a), and hence the standard itself.

Draft Q&A Section 3, Issue 2

Paragraph 4 of the draft Q&A states: ‘*Where authorities in a particular jurisdiction adopt the IFRS for SMEs as their local SME standard, but modify certain sections, **an entity complying with the local SME standard will not be able to state compliance with the IFRS for SMEs unless that modification does not affect the entity...***’.

We do not agree with the proposed response in bold as we are of the view that an entity would still be able to state compliance with the IFRS for SMEs even if the modification affects the entity so long as the modification does not conflict with the requirements in the IFRS for SMEs. An example of such a situation is depicted in Draft Q&A Section 3, Issue 3.

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

Yours faithfully

Siew Luie Soh (Ms)
Secretary
Singapore Accounting Standards Council