

ASC

ACCOUNTING STANDARDS COUNCIL
SINGAPORE

11 October 2019

Mr Darrel Scott
Chairman, SME Implementation Group
IFRS Foundation
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

(By online submission)

Dear Darrel

RESPONSE TO DRAFT SMEIG Q&A 35.1: APPLICATION OF THE UNDUE COST OR EFFORT EXEMPTION FOR INVESTMENT PROPERTY ON TRANSITION TO THE IFRS FOR SMEs STANDARD

The Singapore Accounting Standards Council appreciates the opportunity to comment on the draft Q&A on *Application of the undue cost or effort exemption for investment property on transition to the IFRS for SMEs Standard* (Section 35 *Transition to the IFRS for SMEs Standard*, Issue 1) (the draft Q&A) issued by the SME Implementation Group (SMEIG) in August 2019.

We agree with the SMEIG's conclusion in its response as set out in the draft Q&A.

However, it appears to us that there is much merit in not restricting the SMEIG's response to one particular type of 'undue cost or effort' assessment in relation to reliable measurement of fair value for investment property at the date of transition. The same principle in paragraph 2.14C of the IFRS for SMEs Standard that underlies the SMEIG's response would apply to other types of 'undue cost or effort' assessment at the date of transition. For example:

- (a) Whether the fair value of an investment in equity instrument that is not publicly traded can be measured reliably without undue cost or effort;
- (b) Whether the fair value of an investment in associate or jointly controlled entity can be measured reliably without undue cost or effort;
- (c) Whether an estimate of the financial effect of contingent assets, from which an inflow of economic benefits is probable, would involve undue cost or effort; and
- (d) In offsetting current/deferred tax assets and liabilities, whether an entity can demonstrate without undue cost or effort that it plans either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Accordingly, we recommend that the SMEIG should consider broadening the scope of the Q&A by:

- (a) Extending the conclusion in the guidance to different types of ‘undue cost or effort’ assessment at the date of transition, or at a minimum to those in relation to reliable measurement of fair value for the various items specified by the Standard; and
- (b) Including the specific issue in question as an example of the guidance.

We trust that our comments will contribute to the SMEIG’s deliberation on the draft Q&A. Should you require any further clarification, please contact our project manager Nicole Cai at Nicole_Cai@asc.gov.sg.

Yours faithfully

Suat Cheng Goh
Technical Director
Singapore Accounting Standards Council