ASC
ACCOUNTING STANDARDS COUNCIL
SINGAPORE

5 October 2020

Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

(By online submission)

Dear Hans

RESPONSE TO REQUEST FOR INFORMATION: COMPREHENSIVE REVIEW OF THE IFRS FOR SMEs STANDARD

The Singapore Accounting Standards Council appreciates the opportunity to comment on the Request for Information on *Comprehensive Review of the IFRS for SMEs Standard* (the RFI) issued by the International Accounting Standards Board (the IASB) in January 2020.

We are supportive of the IASB commencing the second comprehensive review of the IFRS for SMEs Standard (the Standard) approximately two years after the effective date of *2015 Amendments to the IFRS for SMEs*. In the first comprehensive review, the IASB had made only relatively limited amendments to the Standard to maintain stability during the early years of implementing the Standard. Therefore, it is timely for the IASB to consider whether and what changes are required to the Standard, taking into consideration a fair number of new IFRS Standards and amendments that were issued after the first comprehensive review, or that were issued at the time of that review but were not incorporated into the Standard.

Broadly, we are supportive of the IASB continuing to follow the alignment approach. The alignment approach should consider simplifications where possible, subject to the principles of relevance and faithful representation, with the aim of balancing the small and medium-sized entities' (SMEs) costs and capabilities with the users' needs. As a starting point, the IASB could consider alignment with new IFRS Standards and amendments that have been effective for at least two years, but the timing of alignment for each new IFRS Standard or amendment may vary depending on the facts and circumstances.

Applying the alignment approach, we are generally supportive of aligning specific sections of the Standard in the ways described in the RFI. Nevertheless, there are additional aspects that the IASB should consider in determining how the specific sections should be aligned with the new IFRS Standards and amendments that are being considered as part of this comprehensive review.

Our comments on the specific questions in the RFI are set out in Appendix A.

We hope that our comments will contribute to the IASB's deliberation on the RFI. Should you require any further clarification, please contact our project managers Siok Mun Leong at Leong_Siok_Mun@asc.gov.sg or Nicole Cai at Nicole_Cai@asc.gov.sg.

Yours faithfully

Suat Cheng Goh
Technical Director
Singapore Accounting Standards Council

Questions in the RFI	ASC's views
Part A: Strategic and general questions – Framework for the second comprehensive review	
G1. Alignment approach <u>G1A:</u> In your view, should the *IFRS for SMEs* Standard be aligned with full IFRS Standards? Please explain why you are suggesting the *IFRS for SMEs* Standard should or should not be aligned with full IFRS Standards.	We are supportive of the IASB continuing to follow the alignment approach. That is, the IASB would treat alignment with IFRS Standards as the starting point, and apply judgement in determining whether and how alignment should take place. The Standard was originally developed using IFRS Standards that were in effect at that time, with simplifications to address users' needs and cost-benefit considerations. That approach resulted in the Standard and IFRS Standards reflecting largely the same principles. That approach also effectively used the 1989 *Framework for the Preparation and Presentation of Financial Statements* (the 1989 Framework) as the foundation for both the Standard and IFRS Standards that were in effect at that time. In the first comprehensive review, only relatively limited amendments to the Standard were made to maintain stability during the early years of implementing the Standard, and therefore, the Standard remained largely aligned with the set of IFRS Standards from which it was developed. Therefore, we do not see any compelling reason to depart from the alignment approach in terms of the concepts and pervasive principles, as well as the principles underlying specific requirements other than as a result of the cost constraint. We also agree with the reasons shared by proponents of the alignment approach. Other than allowing the IASB to apply the insight gained while developing IFRS Standards, the alignment approach also allows preparers and users of financial statements, auditors and regulators to benefit from the experience of using IFRS Standards that has already developed in the market. Furthermore, the IASB may take reference from the issues and challenges of IFRS Standards to identify similar problems with the Standard that would potentially require standard setting, even if stakeholders have not raised them, for example, because of insufficient experience in applying specific principles. It is also debatable whether and the extent to which the requirements of the Standard could be fundamentally different from those of IFRS Standards. The IASB would have already

Questions in the RFI	ASC's views
	considered but rejected various alternatives when developing IFRS Standards, and hence would be unlikely to support those alternatives for the Standard because of different cost-benefit considerations. That said, we recognise a need to consider the cost constraint, taking into account the costs to SMEs and the capabilities of SMEs, together with the benefits to users of financial statements. Therefore, the alignment approach should consider simplifications where possible, while continuing to provide useful financial information.
G1B: What extent of alignment of the *IFRS for SMEs* Standard with full IFRS Standards do you consider most useful, and why? (a) alignment of principles; (b) alignment of both principles and important definitions; or (c) alignment of principles, important definitions and the precise wording of requirements? Please explain the reasoning that supports your choice of (a), (b) or (c).	We are supportive of aligning the principles, key requirements and important definitions, subject to the cost constraint. At the minimal, the alignment approach should involve an alignment of principles and key requirements underpinning the Standard and IFRS Standards. Definitions provide a context for, and may be closely related to, the principles and key requirements. Therefore, non-alignment of important definitions could result in different interpretation and application of principles and key requirements that have been aligned between the Standard and IFRS Standards. However, we do not consider an alignment of the precise wording of requirements to be necessary to achieve the intended benefits of the alignment approach. Indeed, simplifying the language in the Standard is one of the simplifications adopted by the IASB that is less likely to result in accounting outcomes and financial information that are significantly different from those applying IFRS Standards.
G2. Alignment principles In your view, do these principles provide a framework to assist in determining whether and how	We are supportive of the IASB applying the three principles in assessing whether, and how, the Standard should be aligned with IFRS Standards. However, we disagree with the order in which those principles are applied.

Questions in the RFI	**ASC's views**
the *IFRS for SMEs* Standard should be aligned with full IFRS Standards? (a) relevance to SMEs; (b) simplicity; and (c) faithful representation. Please explain the reasoning that supports your response.	IFRS Standards are designed to apply to the general purpose financial statements of profit-oriented entities, whether or not the entities have public accountability. Therefore, SMEs applying the requirements in IFRS Standards are presumed to produce information in the financial statements that satisfy the principles of relevance to SMEs and faithful representation. Accordingly, when considering whether and how the requirements in IFRS Standards should be incorporated into the Standard, the IASB should consider simplifications where possible, including those listed in paragraph C6 in Appendix C of the RFI. However, any simplification should not cause an amendment to cease meeting the principles of relevance to SMEs and faithful representation. Relevance to SMEs The RFI specifies that the assessment of relevance to SMEs includes determining whether the Standard needs to include requirements for the problem addressed by IFRS Standards, and whether the changes are at a level of detail beyond the scope of the Standard. However, those considerations appear to relate to simplifications of the requirements of the Standard, rather than factors affecting the relevance of information in terms of making a difference in the decisions of users of financial statements prepared applying the Standard.
G3. When to consider alignment Three possible dates for when to consider alignment are discussed in paragraphs 38–40 of this part of the Request for Information. Which, if any, of these possible dates do you prefer? Those IFRS Standards, amendments to IFRS	We believe that, as a starting point, the IASB could consider alignment with IFRS Standards that have been effective for at least two years before the publication date of the RFI. The actual length of period for each new IFRS Standard or amendment may vary, depending on the facts and circumstances. In particular, the IASB issues or amends IFRS Standards to address identified areas for improvement or problems with the existing IFRS Standards. Hence, to the extent that the principles in the Standard and IFRS Standards are aligned, those changes would reflect a

Questions in the RFI	ASC's views
Standards or IFRIC Interpretations: (a) issued up to the publication date of the Request for Information; (b) effective before the publication date of the Request for Information; (c) effective and on which the post-implementation review was completed before the publication date of the Request for Information; or (d) issued or effective on some other date (please specify). Please explain the reasoning that supports your views, for example, the benefits of the date selected.	potential need to address similar issues in the Standard. This is the case, even if stakeholders have not raised those issues in the Standard, for example, because of insufficient experience in applying specific principles. In determining the timing of alignment, the IASB should balance between (i) avoiding undue delay in bringing about improvements to, or addressing identified problems with, the Standard, and (ii) allowing implementation experience relating to the new IFRS Standard or amendment to develop sufficiently in order to assess whether the changes are working as intended and to identify unexpected costs or implementation problems. Applying those considerations, it may be appropriate for a new IFRS Standard or amendment: (1) Not to be considered for alignment even if it has been effective for at least two years, for example, in instances where (i) prior to the publication date of the RFI, the IASB is aware of existing problems or implementation challenges in relation to various aspects of that IFRS Standard or amendment that are likely to require standard-setting work, or (ii) the IASB has an active project, or a project in the pipeline, that could result in more changes to the related requirements subsequently. (2) To be considered for alignment even if it has been effective for less than two years, for example, in instances where an amendment (i) clarifies or resolves conflicts in the related requirements of another new IFRS Standards or amendment that is being considered for alignment, or (ii) addresses a pressing and pervasive issue. Accordingly, we agree that the IASB does not need to complete the post-implementation review of a new IFRS Standard or major amendment before considering alignment. This is because: (1) A post-implementation review normally begins after the new requirements have been applied internationally for two years, which is generally about 30 to 36 months after the effective date, and typically takes a few years to complete. Therefore, if the IASB were

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<table>
<tr><th>Questions in the RFI</th><th>ASC’s views</th></tr>
<tr><td></td><td>to consider alignment only after the completion of post-implementation review, it would significantly delay bringing about improvements to, or addressing identified problems, with the Standard.

(2) Although a post-implementation review may identify specific areas that would require amendments or further investigations, it is unlikely to identify fundamental issues that would prevent the new requirements from bringing about benefits that outweigh the related costs.</td></tr>
<tr><td colspan="2">Part B: Questions on aligning specific sections of the Standard</td></tr>
<tr><td>S1. Aligning Section 2 Concepts and Pervasive Principles of the IFRS for SMEs Standard with the 2018 Conceptual Framework for Financial Reporting

What are your views on:
(a) aligning Section 2 with the 2018 Conceptual Framework?
(b) making appropriate amendments to other sections of the IFRS for SMEs Standard?
(c) retaining the concept of ‘undue cost or effort’?</td><td>We are supportive of (a), (b) and (c), in line with our support for the IASB to continue following the alignment approach.

The 2018 Conceptual Framework guides the development of IFRS Standards. In theory, the IASB cannot continue aligning the Standard with new or amendments to IFRS Standards that are developed based on the 2018 Conceptual Framework, without also aligning the concepts and pervasive principles in Section 2 with the 2018 Conceptual Framework.

That said, the 2018 Conceptual Framework made some significant changes to the pervasive principles in the 1989 Framework, in particular the recognition criteria that are being used across various sections in the Standard. As a result, aligning the recognition criteria in Section 2 with the 2018 Conceptual Framework would result in inconsistencies within the Standard. Moreover, the IASB has previously concluded that any revisions to the Conceptual Framework would not automatically lead to changes to IFRS Standards. In our view, the IASB should update Section 2 in a way that would provide for exceptions being made for specific requirements in the Standard, with the clarification that the concepts and pervasive principles in Section 2 do not override any specific requirements in other sections of the Standard.</td></tr>
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Questions in the RFI	ASC's views
	Applying the alignment approach, future amendments to the Standard would be guided by new or amendments to IFRS Standards that are developed based on the 2018 Conceptual Framework. Therefore, any differences from the concepts and pervasive principles in Section 2 should be avoided, unless they are justified by conceptual or cost-benefit considerations. An alignment of Section 2 with the 2018 Conceptual Framework should require corresponding updates to be made to any existing references to and the related quotes from Section 2, provided that those updates would not make significant changes to the requirements containing those references and related quotes. If there would be unintended consequences arising from those updates, the IASB should remove the references and retain the quotes as standalone definitions or requirements. The concept of 'undue cost or effort' The Standard uses the concept of undue cost or effort as a basis for exempting individual SMEs from particular requirements. The concept provides a useful mechanism to balance the costs and benefits of the requirements of the Standard, based on entity-specific facts and circumstances. That said, the concept of undue cost or effort in the Standard appears to be more onerous than the equivalent concept used in specific IFRS Standards, such as IFRS 9 *Financial Instruments* and other IFRS Standards amended by *Amendments to References to the Conceptual Framework in IFRS Standards*. The concept of undue cost or effort in those IFRS Standards requires only an assessment of costs and efforts from an entity's perspective, without having to balance the costs to SMEs and the benefits that users would receive from having the information. Applying the concept of undue cost or effort in the Standard, the assessment of expected benefits from a user's perspective would involve significant subjectivity.

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Questions in the RFI	ASC's views
	Therefore, the IASB should consider simplifying the concept of undue cost or effort in the Standard, by aligning with the concept used in those IFRS Standards.
S2. Aligning Section 9 *Consolidated and Separate Financial Statements* of the *IFRS for SMEs* Standard with IFRS 10 *Consolidated Financial Statements* **S2A. Definition of control** What are your views on: (a) aligning the definition of control in Section 9 with IFRS 10; and (b) retaining and updating paragraph 9.5 of the *IFRS for SMEs* Standard?	We are supportive of both (a) and (b). In principle, we consider it important to align the definition of control in Section 9 with IFRS 10. The definition of control is a fundamental concept underlying consolidated financial statements, for example, in determining whether an entity is required to prepare consolidated financial statements and which other entities are required to be included in that set of financial statements. Moreover, a single principle of control would result in greater consistency between the financial statements of different entities, and is in theory simpler insofar as it removes uncertainty about which guidance to apply to different entities. That said, we recognise that the control model in IFRS 10 is intended to be used in a broad range of fact patterns and governance structures, and therefore, requires an entity to assess all relevant facts and circumstances in its application. Accordingly, there may be difficulty and significant judgment involved in applying the definition of control and the related guidance in IFRS 10, especially to more complex fact patterns. Indeed, based on the IASB's findings from the first phase of its *Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12* project, the IASB has identified several areas in IFRS 10 for inclusion in the upcoming request for information. Nevertheless, we expect that some of the most difficult areas and complex fact patterns are not common amongst SMEs. Examples of those areas or fact patterns include: (i) determining de-facto control, when the remaining shareholding is not sufficiently concentrated or dispersed to easily conclude on whether or not de-facto control exists; and (ii) identifying agency relationships, when the decision maker has exposure to variability of returns from other interests held in the investee.

Questions in the RFI	ASC's views
	On the whole, we support aligning the definition of control with IFRS 10, with simplifications, as part of this comprehensive review. Simplifications should include omitting the most difficult areas that are not common amongst SMEs, in addition to retaining and updating the simplification in paragraph 9.5. <u>Simplification in paragraph 9.5</u> Applying the simplification in paragraph 9.5, in cases where control of another entity is exercised directly through voting rights, an entity is presumed to have control when it owns more than half of the voting power of that other entity. The simplification would significantly ease application of the definition of control and the related guidance in IFRS 10, by removing the need to perform a complex review of other elements of the definition of control. However, the Standard currently specifies a high hurdle for the presumption of control to be overcome. It disregards other facts and circumstances that alter control through voting rights, unless the entity is able to clearly demonstrate that its ownership of more than half of the voting power of another entity does not constitute control. There are cases where the facts and circumstances are less straightforward, and therefore, would not be considered by the entity. Examples include contractual arrangements that determine the direction of some but not all the activities that significantly affect the investee's returns (i.e. the relevant activities), or that give another party the ability to direct the relevant activities and that ability affects the amount of returns from other interests held in the investee. As a result, the presumption of control is not overcome, even though the entity would have reached a different conclusion if it had considered other facts and circumstances. That said, we recognise that other facts and circumstances that alter control through voting rights may not be common amongst SMEs. On the whole, we support retaining and updating the simplification in paragraph 9.5.

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Questions in the RFI	ASC's views
	Nevertheless, the IASB should consider limiting the presumption to control through voting rights, without undue complexity. For example, the presumption may be accompanied by the following conditions: (1) The voting rights as described in paragraph B35 of IFRS 10. Specifically, the relevant activities are directed, or a majority of the members of the governing body that directs the relevant activities are appointed, by means of a majority of the voting power; and (2) There are no contractual arrangements that alter decision making in accordance with the voting power as described in (1).
S2B. Investment entities What are your views on not introducing the requirement that investment entities measure investments in subsidiaries at fair value through profit or loss?	We are supportive of not introducing the requirements in IFRS 10 relating to investment entities, on the basis of the IASB's rationale.
S3. Aligning Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instrument Issues* of the *IFRS for SMEs* Standard with IFRS 9 *Financial Instruments* **S3A. Classification and measurement of financial assets** What are your views on supplementing the list of examples in Section 11 with a principle for classifying financial assets based on their contractual	We are supportive of supplementing the list of basic financial instruments in Section 11 with a principle for classifying financial assets based on their contractual cash flow characteristics. We believe that a principle-based approach to classifying financial instruments is superior to the existing list in the Standard. We agree that a principle-based approach would provide a clear rationale for classifying financial instruments, and help entities to classify financial instruments that do not match the characteristics in any of the listed instruments. We consider the contractual cash flow characteristics as described in IFRS 9 to be an appropriate basis for identifying debt instruments that should be accounted for as basic financial instruments in accordance with Section 11. According to IFRS 9, contractual cash

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Questions in the RFI	ASC's views
cash flow characteristics?	flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement. Therefore, debt instruments that satisfy the contractual cash flow characteristics would be consistent with basic financial instruments that are within the scope of Section 11. It would be appropriate to measure such debt instruments at amortised cost using the effective interest method because the objective of the effective interest method is to allocate interest revenue or expense to the relevant period. That said, the IASB should consider the potential tension between the contractual cash flow characteristics and the simplified conditions as described in paragraph 11.9 of the Standard. For debt instruments that are relevant for typical SMEs, the IASB should consider whether there are those debt instruments that: (1) Meet all the conditions, but do not have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (for example, interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate). (2) Have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, but do not meet do all the conditions (for example, prepayment features that are contingent on future events other than those specified in paragraph 11.9(c), but the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding). <u>Business model for managing the financial asset</u> We are supportive of not introducing an entity's business model for managing the financial asset as a principle for classifying financial assets. We can accept the IASB's view that the consideration of the business model is unlikely to significantly affect the classification of financial assets held by SMEs. This is because: (1) Financial instruments that fail the contractual cash flow characteristics cannot be

Questions in the RFI	ASC's views
	measured at amortised cost, regardless of the business model within which they are managed. (2) For debt instruments that meet the contractual cash flow characteristics, typical SMEs are less likely to have a business model whose objective is achieved by both collecting contractual cash flows and selling such instruments. Nor are typical SMEs likely to have a portfolio of such instruments whose performance is evaluated on a fair value basis, which is largely consistent with the IASB's assessment for investment entities. Besides, if the Standard includes an entity's business model for managing the financial asset as a classification principle, it would need to address the timing and accounting for reclassification when an entity changes the business model within which it manages a financial asset. This would add complexity to the Standard. Option to present in fair value through other comprehensive income We are supportive of not introducing the option to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument. One of the simplifications adopted for the Standard is to disallow options that are permitted in IFRS Standards. There is no compelling reason to introduce this option in the Standard, in particular if some stakeholders are concerned that the fair value changes accumulated in other comprehensive income will not be reclassified subsequently to profit or loss.
S3B. Impairment of financial assets What is your view on aligning the *IFRS for SMEs* Standard with the simplified approach to the impairment of financial assets in IFRS 9?	We are supportive of aligning the Standard with the simplified approach to the expected credit loss model in IFRS 9. The expected credit loss model is a significant improvement to the incurred loss model. It results in more timely recognition of credit losses that would help users of financial statements to better predict future cash flows.

Questions in the RFI	ASC's views
	Furthermore, the simplified approach to the expected credit loss model would relieve SMEs from the burden of having to track changes in credit risk and determine whether it has increased significantly since initial recognition of a financial asset. The IASB should ensure that the alignment with IFRS 9 includes the use of practical expedients that are consistent with the principles for measuring expected credit losses, for example, a provision matrix to estimate the lifetime expected credit losses for trade receivables. However, the simplified approach would result in a higher amount of expected credit losses being recognised on initial recognition of a financial asset (unless it is a purchased or originated credit-impaired financial asset). It amplifies the effects of recognising day-1 impairment loss for a financial asset that is recognised at the transaction price, which is normally the fair value. This accounting outcome may not be easily understandable. On the whole, we consider that the relief provided by the simplified approach would justify the accounting consequences of the simplified approach.
S3C. Hedge accounting (a) Do you consider Section 12 needs to include requirements on hedge accounting? (b) If your answer is yes, what are your views on retaining the current requirements to address the needs of entities applying the Standard, rather than aligning Section 12 with IFRS 9? (c) If your answer is no, please explain the reasons for your answer.	We do not have sufficient information about whether: (i) hedge accounting is commonly being used by entities that are eligible to apply the Standard; and (ii) the requirements in Section 12 adequately address the needs of those entities.

Questions in the RFI	**ASC's views**
S3D. Using recognition and measurement requirements in IFRS Standards for financial instruments (a) Are you aware of entities that opt to apply the recognition and measurement requirements of IAS 39 with the disclosure requirements of Sections 11 and 12? (b) What are your views on changing the reference to IAS 39 to permit an entity to apply the recognition and measurement requirements of IFRS 9 and the disclosure requirements of Sections 11 and 12?	We do not have sufficient information about (a). Nevertheless, we are supportive of replacing the reference to IAS 39 with IFRS 9, if the IASB decides to retain the option of applying the recognition and measurement requirements of IFRS Standard for financial instruments with the disclosure requirements of the Standard. The recognition and measurement requirements in IAS 39 were superseded by IFRS 9. The IASB has intended for IFRS 9 to replace IAS 39 in its entirety, and has made it clear that IAS 39 (except, at present, the hedge accounting requirements) would not be maintained. However, changes in regulatory requirements in the recent years have identified a need to amend the accounting requirements to address accounting issues that have arisen from those changes. In such cases, applying the recognition and measurement requirements of IAS 39 could result in inappropriate accounting outcomes that particular amendments to IFRS 9 are intended to address. Moreover, entities would be applying accounting requirements that are based on outdated concepts, with potentially inappropriate accounting outcomes.
S3E. Treatment of Q&As on the *IFRS for SMEs* Standard What are your views on: (a) adding the definition of a financial guarantee contract from IFRS 9 to the *IFRS for SMEs* Standard; and (b) aligning the requirements in the *IFRS for SMEs* Standard for issued financial guarantee contracts with IFRS 9?	We are supportive of (a) and (b), in line with our support for the IASB to continue following the alignment approach and for the reasons stated below. By issuing Q&A 2017/12.1, the SME Implementation Group has concluded that the accounting for issued financial guarantee contracts is pervasive amongst SMEs, and that there is a lack of clarity on the required accounting in the Standard. Therefore, aligning the accounting requirements with IFRS 9, coupled with the simplified approach to the expected credit loss model, would provide measurement relief to SMEs without resulting in a loss of useful information. That said, issued financial guarantee contracts typically have features of a derivative, which is not a basic financial instrument as envisaged in the Standard. Therefore, it is important to have a clear definition of financial guarantee contract. This would prevent the simplified

Questions in the RFI	ASC's views
	accounting from being applied to other credit derivatives that are more appropriately measured at fair value.
	Other topics in IFRS 9 We are supportive of the IASB's decision of, and rationale for, not seeking views on the following topics: (1) Financial liabilities and own credit risk (2) Derecognition (3) Disclosures required by IFRS 7 *Financial Instruments: Disclosures*
S4. Aligning Section 15 *Investments in Joint Ventures* of the *IFRS for SMEs* Standard with IFRS 11 *Joint Arrangements* What are your views on: (a) aligning the definition of joint control in Section 15 with IFRS 11? (b) retaining the categories of joint arrangements: jointly controlled operations, jointly controlled assets and jointly controlled entities? (c) retaining the accounting requirements of Section 15, including the accounting policy election for jointly controlled entities in Section 15?	We are supportive of (a), (b) and (c). Consistent with our view on aligning the definition of control with IFRS 10, we also support an alignment with the definition of joint control in IFRS 11. This is because joint control is sharing of control, and accordingly, the definitions of joint control and control in the Standard should be based on the same notion of 'control'. We further agree that the definition of joint control could be aligned with IFRS 11, without a need to change the classification of joint ventures and the related accounting requirements. This is because the classification principles and accounting requirements in Section 15 of the Standard and IFRS 11 do not depend on the definition of joint control; rather they depend on the form of the joint venture, and the rights and obligations of the parties to the joint arrangement, respectively. We acknowledge the improvements that IFRS 11 would bring to the classification of, and therefore accounting for, joint arrangements.

Questions in the RFI	ASC's views
	However, there may be difficulty and significant judgement involved in applying the classification requirements in IFRS 11. The IFRS Interpretations Committee has considered a number of submissions related to the classification of joint arrangements. Based on the IASB's findings from the first phase of its *Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12* project, there are potential difficulties in applying the requirements on the classification of joint arrangements that involve a separate vehicle as a joint operation based on other facts and circumstances. Moreover, the improvements made by IFRS 11 are expected to affect only the classification of arrangements that involve a separate vehicle as a joint operation based on other facts and circumstances. This is because such arrangements are classified as jointly controlled entities applying the Standard, but would be accounted for as joint operations applying IFRS 11 using different accounting principles. On the whole, we accept the simpler classification principles in Section 15, which would provide accounting outcomes that meet the information needs of users of financial statements for typical arrangements. For cost-benefit reasons, those principles are preferable to the more complex classification principles in IFRS 11, which would improve the accounting only for particular arrangements. We have not identified compelling reasons against retaining the accounting requirements in Section 15. The accounting principles for jointly controlled operations and jointly controlled assets applying the Standard are similar to those for joint operations applying IFRS 11.
S5. Aligning Section 19 *Business Combinations and Goodwill* of the *IFRS for SMEs* Standard with IFRS 3 (2008) *Business Combinations*	We consider step acquisitions to be a relevant topic for SMEs, and are supportive of the Standard incorporating the related accounting requirements in IFRS 3 (2008). Introducing those accounting requirements in the Standard would improve comparability and

Questions in the RFI	ASC's views
S5A. Step acquisitions (a) Do you consider Section 19 needs to include requirements for the accounting for step acquisitions? (b) If your answer is yes, should the requirements be aligned with IFRS 3 (2008)?	provide useful information about business combinations that are achieved in stages. The accounting treatment for an acquirer's pre-combination interest in an acquiree is consistent with the view that obtaining control is a significant economic event that represents a significant change in the nature of and economic circumstances surrounding the investment. Accordingly, business combinations should be accounted for consistently, regardless of whether control is obtained in a single transaction or in stages. It follows that goodwill arising from step acquisitions should be determined as if all of the interests in the acquiree were acquired in a single acquisition at the acquisition date. Moreover, the IASB should consider amending the Standard to reflect similar accounting principles, if an entity loses control of a subsidiary but continues to hold an investment in the former subsidiary. Being the reverse of obtaining control, losing control should be considered to be a significant economic event because it represents the cessation of the parent-subsidiary relationship which changes the composition of the group. Remeasuring the retained interest in a former subsidiary would provide useful information about the beginning of an economically different investor-investee relationship. Furthermore, the IASB should consider requiring separate disclosure of gains and losses from remeasurement of the entity's previously held interests in business combinations and retained interests in former subsidiaries. Based on stakeholders' feedback on the post-implementation review of IFRS 3 (2008), many investors do not consider such gains and losses to be part of the entity's performance, and therefore, do not include such gains and losses in their valuation models.
S5B. Acquisition-related costs and contingent consideration What are your views on aligning Section 19 with IFRS 3 (2008) for acquisition costs and contingent	Acquisition-related costs We are supportive of aligning Section 19 with IFRS 3 (2008) in relation to the accounting requirements for acquisition-related costs. Recognising acquisition-related costs as an expense at the date of acquisition would more

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Questions in the RFI	**ASC's views**
consideration, including permitting an entity to use the undue cost or effort exemption and provide the related disclosures if measuring contingent consideration at fair value would involve undue cost or effort?	faithfully represent the underlying economics of a business combination. Acquisition-related costs are not part of the consideration transferred between the buyer and seller in exchange for the acquiree. Instead, those costs are separate transactions in which the buyer pays for the fair value of services received. As the benefits obtained are consumed as the services are received, these costs do not generally represent assets of the acquirer at the date of acquisition. We acknowledge that the accounting treatment of acquisition-related costs would differ between business acquisitions and assets that are acquired separately. However, the initial measurement of assets recognised in a business combination would have differed from the initial measurement of separately acquired assets, even if the existing requirements in the Standard are applied. This is because the acquisition-related costs of a business combination are included in the carrying amount of goodwill, while the equivalent costs of separately acquired assets are included in the carrying amount of those assets. Contingent consideration We are supportive of aligning Section 19 with IFRS 3 (2008) in relation to the accounting requirements for contingent consideration, but allowing an undue cost or effort exemption subject to the provision of the related disclosures. Measuring contingent consideration at fair value, and recognising subsequent changes in fair value in profit or loss, would more faithfully represent the underlying economics of a business combination. The obligation or right associated with a contingent consideration arrangement exists at the date of acquisition, regardless of whether it is probable (or can be measured reliably) at that date. A failure to recognise that obligation or right at the date of acquisition would not reflect the fair value of consideration transferred for the business combination at that date. Moreover, any subsequent adjustment to the business combination accounting when the

Questions in the RFI	**ASC's views**
	adjustment to the consideration becomes probable (or reliably measurable) would not distinguish events and changes in circumstances that occur after the date of acquisition from the fair value of consideration transferred for the business combination. That said, we recognise that there may be difficulty and significant judgement involved in estimating the fair value of some contingent consideration, both at the date of acquisition and subsequently. In such cases, the Standard would provide useful relief, by permitting an acquirer to use the undue cost or effort exemption, and to provide the related disclosures if measuring contingent consideration at fair value would involve undue cost or effort. Furthermore, the IASB should consider addressing contingent consideration arrangements that oblige the acquirer to deliver, or give the acquirer a right to receive, the following items if specified future events occur: (1) Equity securities of the acquirer: Whether the Standard should provide an exception to the accounting requirements as described in the RFI for some or all of such arrangements. (2) Items that do not meet the definition of financial instruments: Whether the Standard should extend the accounting requirements as described in the RFI to such arrangements.
	Other improvements in IFRS 3 (2008) We are supportive of not amending the Standard to align with the following improvements to IFRS 3 (2008). <u>Non-controlling interests</u> IFRS 3 (2008) provides an option to measure non-controlling interests recognised in a business combination at fair value.

Questions in the RFI	ASC's views
	Introducing such an option would add complexity to the Standard, without associated benefits to users of financial statements for their information needs. Based on the IASB staff's analysis of stakeholders' responses to the post-implementation review of IFRS 3 (2008), many users of financial statements do not support a measurement choice for non-controlling interests recognised in a business combination because it reduces comparability, but have mixed views on how non-controlling interests should be measured. <u>Recognition criteria for intangible assets/Assembled workforce/Reacquired rights</u> IFRS 3 (2008) does not provide any exception to recognising and measuring an intangible asset acquired in a business combination at fair value, if it meets either the separability criterion or the contractual-legal criterion. It further clarifies that intangible assets exclude an assembled workforce, but include reacquired rights. We recognise that there may be difficulty and significant judgement involved in determining the fair value of intangible assets. Therefore, the recognition exemption in the Standard provides useful relief to the acquirer when the fair value of an intangible asset cannot be measured reliably without undue cost or effort. Moreover, we note that the Standard does not contain detailed guidance on determining which intangible assets are identifiable and which are not. Hence, providing clarification or guidance for particular types of intangible assets is unlikely to be helpful and may raise more questions. Besides, we accept that the split between intangible assets and goodwill acquired in a business combination would have a less significant impact on financial statements prepared applying the Standard. This is because: (1) Intangible assets that are not recognised separately from goodwill would be accounted for through the amortisation charge for goodwill, notwithstanding that the useful lives of those intangible assets and the goodwill may be different.

Questions in the RFI	**ASC's views**
	(2) An intangible asset that is recognised for an assembled workforce would be amortised over its useful life, as would goodwill that includes intangible assets that are not separately recognised.
S5C. Definition of a business What are your views on aligning the *IFRS for SMEs* Standard with the amended definition of a business issued in October 2018?	We are supportive of aligning the Standard with the amended definition of a business in the amendment to IFRS 3 (2008). We consider the definition of a business to be important because the accounting requirements for the acquisition of a business are different from those for the acquisition of a group of assets that does not constitute a business. Stakeholders' feedback on the post-implementation review of IFRS 3 (2008) indicated that the description 'capable of being conducted and managed for the purpose of providing a return' is too broad in scope to be helpful in distinguishing businesses from assets. The IASB also concluded that the reference to 'lower costs and benefits provided directly to investors' does not help in distinguishing businesses from assets. Those issues are similarly applicable to the definition of a business in the Standard. The amendment to IFRS 3 (2008) addresses those issues, by narrowing the scope of output to goods or services to customers, investment income (such as dividends or interest), and other income from ordinary activities. In addition, the IASB should consider further alignment with the following clarification and simplification made by the amendment to IFRS 3 (2008): (1) Clarification about the minimum elements of a business, that is, an input and a substantive process that together significantly contribute to the ability to create output. The existence of substantive process(es) is important because it distinguishes a business from a group of assets. The consideration of substantive process(es) would result in

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<table>
<tr><th>Questions in the RFI</th><th>ASC's views</th></tr>
<tr><td></td><td>better classification outcomes, without adding significant complexity for typical asset and business acquisitions.

(2) A simplified assessment that rules out an acquired set of activities and assets as being a business. Specifically, an acquirer concludes that an acquired set of activities and assets is not a business, if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The Standard does not contain specific guidance on determining whether an acquired set of activities and assets is a business. The simplified assessment would help SMEs to identify asset acquisitions without further analysis of any processes acquired, while in most cases, achieving the same non-business conclusion as a full assessment.</td></tr>
<tr><td>S6. Aligning Section 20 Leases of the IFRS for SMEs Standard with IFRS 16 Leases

What are your views on aligning Section 20 with IFRS 16, and making the simplifications listed in paragraphs (a)–(c)?

(a) simplifying recognition and measurement requirements in respect of matters such as variable lease payments, determining the discount rate and the term of the lease;

(b) retaining the disclosure requirements of Section 20; and

(c) simplifying the language of the Standard.</td><td>We are supportive of aligning Section 20 with IFRS 16 for lessee accounting, with the specified simplifications.

Applying the single lessee accounting model in IFRS 16 would more faithfully represent a lessee's assets and liabilities, and result in greater transparency about the lessee's financial leverage and capital employed. In line with stakeholder' feedback on IAS 17, the lessee's operating lease accounting in the Standard produces information that lacks transparency and does not meet users' information needs. Moreover, applying the dual lessee accounting models in the Standard, transactions that are economically similar could be accounted for very differently.

In providing relief to lessees, IFRS 16 already contains recognition exemptions for short-term leases and leases of low value assets, and practical expedients for non-lease components and portfolio application. Nevertheless, the specified simplifications would provide additional relief to lessees, without a significant loss of useful information to users of financial statements.</td></tr>
</table>

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Questions in the RFI	ASC's views
	Discount rate The Basis for Conclusions on IFRS 16 states that it is likely to be difficult for lessees to determine the interest rate implicit in the lease, particularly leases for which the underlying asset has a significant residual value at the end of the lease. Similarly, it may be difficult for lessees to readily determine its incremental borrowing rate, which is required to reflect (i) a similar term; (ii) a similar security; (iii) the amount necessary to obtain an asset of a similar value to the right-of-use asset; and (iv) a similar economic environment. Therefore, we can appreciate that permitting a fall-back option to use a discount rate by reference to market yields on high-quality corporate bonds would provide additional relief to lessees, in the event that both the interest rate implicit in the lease and the lessee's incremental borrowing rate cannot be readily determined. That said, a discount rate by reference to market yields on high-quality corporate bonds would not be reflective of the risk associated with the lease liability, even though it reflects the time value of money and includes a risk allowance. For many leases, the amount of lease liability determined applying that rate is expected to be higher than the amount determined applying either the interest rate implicit in the lease or the lessee's incremental borrowing rate, with corresponding effects on the related right-of-use asset. For practical reasons, we are prepared to accept that accounting outcome. Moreover, the IASB should consider permitting a discount rate by reference to the yield on government bonds, if there is no deep market in high-quality corporate bonds. Lease term An assessment of whether a lessee is reasonably certain to exercise (or not exercise) an option to extend (or terminate) a lease requires the consideration of all relevant facts and circumstances that create an economic incentive for the lessee to exercise (or not exercise) that extension (or termination) option. It also brings into question whether and when a

Questions in the RFI	ASC's views
	reassessment should be made, and the accounting for a change in the lease term arising from the reassessment. Such assessments and reassessments may involve significant judgement, and may be burdensome and costly especially if a lessee has many leases. On the other hand, the simplified definition of lease term would comprise only the period (i) in which neither the lessee nor the lessor has the right to terminate the lease without permission from the other party with no more than an insignificant penalty, and (ii) covered by the lessor's option to terminate the lease. However, the amount of lease liability would not reflect the period covered by a lessee's option to extend the lease, even if the lessee is reasonably certain to exercise that option. As a result, it could encourage structuring opportunities to significantly reduce the amount of lease liabilities recognised in the financial statements. Conversely, the lease liability would capture the period covered by a lessee's option to terminate the lease, even if the lessee is reasonably certain to exercise that option. Therefore, the IASB could consider whether a better cost-benefit balance could be achieved by: (1) Defining the lease term as the non-cancellable period for which an entity is required to comply with the lease (that is, including the period covered by the lessor's option to terminate the lease), as adjusted by: (a) inclusion of the period covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) exclusion of the period covered by an option to terminate the lease if the lessee is reasonably certain to exercise that option. (2) Eliminating the requirement to reassess the lease term, including whether the lessee is reasonably certain to exercise an extension and/or termination option. Therefore, the lessee derecognises the lease liability relating to the period covered by an extension option, when the lessee does not exercise that option. The lessee would recognise a new lease for the period covered by a termination option, when the lessee does not exercise that option.

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Questions in the RFI	ASC's views
	<u>Reassessment and remeasurement of lease liability</u> In principle, reassessment and remeasurement of lease liabilities provide more relevant information about future cash flows relating to the lease because the measurement reflects current economic conditions, rather than the conditions that existed at the commencement date of the lease. It also generally changes the carrying amount of the related right-of-use asset, which reflect the lessee having acquired more or less of the right to use the underlying asset, or a change in the initial estimate of the cost of the right-of-use asset. However, reassessment and remeasurement of lease liabilities may be burdensome and costly, especially if a lessee has many leases. For example, a lease liability that includes variable lease payments that depend on an index or a rate may have to be remeasured frequently for changes in the index or rate used to determine those payments. It also raises the question of whether and when the discount rate should be revised, which would add complexity to the Standard. On the whole, we consider that limiting reassessment and remeasurement of lease liabilities to a substantive change in the contractual terms would achieve a reasonable balance of providing simplification, without a significant loss of useful information. <u>Retaining finance lease disclosures</u> The lessee accounting model applies an accounting treatment that is similar to the finance lease accounting applying the existing requirements of the Standard. Therefore, the existing finance lease disclosures in the Standard should remain relevant for SMEs. <u>Simplifying language</u> In addition to simplifying the language used in the Standard, the IASB should reduce the details of the requirements to focus on aspects that are most relevant to SMEs.

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Questions in the RFI	ASC's views
S7. Aligning Section 23 *Revenue of the IFRS for SMEs Standard* with IFRS 15 *Revenue from Contracts with Customers* **S7A. Alignment approach** Which of the three alternatives do you prefer for amending Section 23 to align with IFRS 15? Why have you chosen this alternative? (a) Alternative 1 – modifying Section 23 only to remove the clear differences in outcome from applying Section 23 or IFRS 15, without wholly reworking Section 23; (b) Alternative 2 – fully rewriting Section 23 to reflect the principles and language used in IFRS 15; and (c) Alternative 3 – deciding not to make amendments to Section 23 as part of this comprehensive review.	We prefer an approach of rewriting Section 23 to reflect the principles in IFRS 15, with the following simplifications: (1) Simplifying requirements that are difficult to apply, for example, based on the discussions of the Transition Resource Group for Revenue Recognition and the submissions to the IFRS Interpretations Committee, and taking into account the capabilities of SMEs. (2) Reducing details to focus on aspects that are most relevant to SMEs. (3) Using simplified language. Revenue is a crucial number to users of financial statements, and an important parameter in common financial performance ratios. Therefore, we believe that it is important to align Section 23 with the principles in IFRS 15, which would help users of financial statements to better understand, analyse and compare revenue across financial statements prepared using the Standard and IFRS Standards. While certain requirements in IFRS 15 may be difficult to apply to the more complex contracts, practice and experience would have developed sufficiently in the market by the time the amendments to the Standard become effective to help SMEs apply those requirements to similar contracts in particular industries. However, we are concerned whether Section 23 can be modified in a meaningful manner to remove clear differences in outcomes, without creating inconsistency of requirements or a patchwork of requirements that results in different outcomes depending on the type of contracts. This is because there are substantive differences in concepts and principles between the Standard and IFRS 15, ranging from (i) a distinction or the absence of a distinction between goods and services, to (ii) a transfer of significant risks and rewards of ownership or a transfer of control as a basis for revenue recognition.

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Questions in the RFI	**ASC's views**
	That said, we consider the examples in the Appendix to Section 23 to be useful, and support retaining those examples with the necessary modifications to align with the principles in IFRS 15. Moreover, the IASB should identify application guidance in IFRS 15 that are relevant to typical SMEs. Such application guidance should be incorporated into the Standard, without the details that are needed in IFRS Standards to help SMEs apply the principles more consistently.
S7B. Transition relief If Alternative 1 or Alternative 2 is the basis for an Exposure Draft, should transitional relief be provided: (a) by permitting an entity to continue its current revenue recognition policy for any contracts already in progress at the transition date or scheduled to be completed within a set time after the transition date? (b) by some other method? (c) not at all? Please explain why you have chosen (a), (b) or (c) above.	We recognise that some SMEs may have many contracts with different terms that are in progress at the transition date. In such cases, it may be costly to apply the new principles retrospectively, even with the transitional relief that IFRS 15 currently provides. However, permitting an entity to continue its current revenue recognition policy for any contracts already in progress at the transition date, or scheduled to be completed within a set time after the transition date, could result in reported revenue that is not a faithful representation of the entity's financial performance. This is particularly the case, when the timing of revenue recognition is significantly different applying the current requirements and the new principles, and the contracts do not begin and end within the same reporting period. In the interest of easing transition, we are prepared to accept, as an undue cost or effort exemption, a transitional relief of continuing with the current revenue recognition policy for any contracts scheduled to be completed within 12 months from the date of initial application, with additional disclosures. For example, the Standard could require separate disclosure of the amount of revenue that is recognised using the current revenue recognition policies, together with: (i) a description of those policies; (ii) the significant judgements made in applying those policies; and (iii) the reasons why applying the general transition provisions to such contracts would involve undue cost or effort.

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Questions in the RFI	ASC's views
S8. Aligning Section 28 *Employee Benefits* of the *IFRS for SMEs* Standard with IAS 19 (2011) *Employee Benefits* What are your views on aligning Section 28 with the 2011 amendments to IAS 19 only in respect of the recognition requirements for termination benefits?	We are supportive of aligning Section 28 with IAS 19 (2011) for the amendment relating to termination benefits. However, we do not comment on the amendments relating to defined benefit plans, which are not common in Singapore.
S9. Aligning the *IFRS for SMEs* Standard with IFRS 13 *Fair Value Measurement* What are your views on: (a) aligning the definition of fair value in the *IFRS for SMEs* Standard with IFRS 13? (b) aligning the guidance on fair value measurement in the *IFRS for SMEs* Standard with IFRS 13 so the fair value hierarchy incorporates the principles of the fair value hierarchy set out in IFRS 13? (c) including examples that illustrate how to apply the hierarchy? (d) moving the guidance and related disclosure requirements to Section 2?	We are supportive of (a), (b), (c) and (d). The single fair value framework in IFRS 13 more clearly communicates the measurement objective and principles. Therefore, an alignment with that framework would enhance the quality and comparability of fair value information reported in the financial statements. Moreover, the IASB has concluded from its post-implementation review of IFRS 13 that IFRS 13 is working as intended. That said, some areas of IFRS 13 present implementation challenges, largely in areas requiring judgement. Those challenges include assessing whether a market is active, and whether an input is significant and observable, which could lead to inconsistent classification within the fair value hierarchy and inconsistent fair value measurements. Nevertheless, the IASB noted evidence suggesting that practice is developing to resolve those challenges. Fair value definition We consider the definition of fair value in IFRS 13 to be an improvement. That definition makes it clear that fair value is an exit price, from the perspective of market participants, and at the measurement date. The clarification would improve application consistency and the quality of fair value information reported in the financial statements. Fair value hierarchy, including examples

Questions in the RFI	ASC's views
	Similarly, we consider the fair value hierarchy in IFRS 13 to be an improvement. It adopts a principle-based approach based on the subjectivity of the inputs used in the valuation model, unlike the Standard that uses an approach based on specific types of inputs. Accordingly, the fair value hierarchy in IFRS 13 would result in fair value measurements that maximise the use of relevant observable inputs that are not limited to the price quoted in an active market, a binding sale agreement, or a recent transaction. Moreover, the principles provide a basis for disclosures that would help users of financial statements to understand the measurement uncertainty and subjectivity inherent in fair value measurements using significant unobservable inputs. Furthermore, we are supportive of retaining and updating the existing examples in the Standard to illustrate the application of the principles underlying the fair value hierarchy. However, aligning the fair value hierarchy only, without additional disclosures, would not allow users of financial statements to sufficiently understand the measurement uncertainty and subjectivity of fair value. Therefore, the IASB should consider incorporating into the Standard some of the key disclosures in IFRS 13, with simplifications. Examples of such disclosures include the fair value measurements that are categorised within Level 3 of the fair value hierarchy and their measurement uncertainty. Moreover, the IASB should consider requiring an entity to apply a single set of disclosure requirements to all assets and liabilities that are measured at fair value. <u>Moving guidance and disclosure requirements for fair value measurement</u> We can appreciate the IASB's rationale. Moving the guidance on fair value measurement and related disclosure requirements to Section 2, alongside other pervasive principles, would emphasise their relevance across the Standard.

Questions in the RFI	ASC's views
S10. Aligning multiple sections of the *IFRS for SMEs* Standard for amendments to IFRS Standards and IFRIC Interpretations What are your views on: (a) aligning the *IFRS for SMEs* Standard with the amendments to IFRS Standards outlined in Table A1 of Appendix A? (b) leaving the *IFRS for SMEs* Standard unchanged for the amendments to IFRS Standards listed in Table A2 of Appendix A? (c) whether to align the *IFRS for SMEs* Standard with the amendments to IFRS Standards and the IFRIC Interpretations listed in Table A3 of Appendix A? Please explain your views and provide any relevant information in support of your views.	In the below response, the amendments to IFRS Standards and IFRIC Interpretations are collectively referred to as 'the IFRS Amendments'. <u>Table A1</u> We are supportive of aligning the Standard with the IFRS Amendments listed in Table A1, on the basis of the IASB's rationale. In addition, the IASB should consider whether the Standard should be aligned with *Interest Rate Benchmark Reform – Phase 2* (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), and if yes, whether and what alignment should be made as part of this comprehensive review, or separately as a priority to avoid delaying urgent amendments. The amendments address potentially inappropriate accounting outcomes as a result of ongoing market reform of major interest rate benchmarks to their alternative benchmark rates. Therefore, the amendments are reasonably expected to be relevant to entities applying the Standard. <u>Table A2</u> We are supportive of not aligning the Standard with the IFRS Amendments listed in Table A2, with the following exception. Specifically, the IASB should consider incorporating into the Standard the amendments in *Disclosure Initiative* (Amendments to IAS 1) relating to materiality and disaggregation. This is because those amendments would complement *Definition of Material* (Amendments to IAS 1 and IAS 8) that is being considered for alignment. Besides, those amendments either do not contradict the proposed amendments in ED/2019/7 *General Presentation and Disclosures*, or are proposed to be carried forward with only limited changes to the wording. <u>Table A3</u> We are supportive of aligning the Standard with the following IFRS Amendments, subject to

Questions in the RFI	ASC's views
	simplifications: (1) IFRIC 22 *Foreign Currency Transactions and Advance Consideration* and IFRIC 23 *Uncertainty over Income Tax Treatments*: The relevant principles in the Standard and IFRIC Interpretations are aligned, and the issues being addressed by IFRIC 22 and IFRIC 23 are reasonably expected to be relevant to entities applying the Standard. Incorporating the key conclusions in IFRIC 22 and IFRIC 23 as explanatory guidance on the principles in the Standard would help entities apply those principles more consistently. We do not think it is necessary to align the Standard with the following IFRS Amendments: (1) *IFRS Standards 2011–2013 Cycle* relating to investment property: The Standard does not contain guidance on assessing the significance of services provided to the occupants of a property in determining whether that property is an investment property. Neither does the Standard contain guidance on assessing the significance of acquired processes in determining whether an acquired set of activities and assets is a business combination. There would be unnecessary complexity, if the Standard clarifies that determining whether a transaction meets the definition of both business combination and investment property requires separate application of the respective requirements independently of one another. (2) *Recognition of Deferred Tax Assets for Unrealised Losses* (Amendments to IAS 12): The amendment addresses diversity in views relating to a debt instrument that is measured at fair value, which is lower than its tax base at cost, but the entity expects to recover all contractual cash flows. The amendment would not be relevant for debt instruments that are basic financial instruments measured at amortised cost applying the Standard. That said, the amendment applies to other assets of which tax base exceeds their carrying amount. Should stakeholders' feedback indicate that there are diverse views amongst SMEs on the issues being addressed by the amendment, the IASB should consider aligning the Standard with the amendment.

Questions in the RFI	**ASC's views**
	(3) IFRIC 21 *Levies*: The principles for recognising a provision in the Standard and IAS 37 are aligned. Unlike IAS 37, the Standard does not provide application guidance for particular types of provisions, but rather examples in the Appendix to illustrate the application of the recognition and measurement principles. That said, there is a need for balance between maintaining simplicity and providing guidance to help entities apply the principles more consistently. Should stakeholders' feedback identify diversity in practice amongst SMEs, the IASB could consider adding an example in the Appendix to illustrate how the recognition principles apply to levies.
Part C: Questions on new topics and other matters related to the Standard	
N1. Aligning the *IFRS for SMEs* Standard with IFRS 14 *Regulatory Deferral Accounts* What are your views on not aligning the *IFRS for SMEs* Standard with IFRS 14, that is, not including requirements for regulatory deferral account balances in the *IFRS for SMEs* Standard?	We believe that the IASB should consider including the principles in IFRS 14 for regulatory deferral account balances in the Standard as part of this comprehensive review, if stakeholders' feedback indicates that rate regulation is relevant to entities that are eligible to apply the Standard. In the *Rate-regulated Activities* project, the IASB is developing a new accounting model that would result in recognition of assets and liabilities for particular incremental rights and obligations arising from rate-regulated activities. An alignment with the principles in IFRS 14 would prevent a first-time adopter of the Standard from having to change its accounting policies for regulatory deferral account balances potentially twice. Specifically, the entity first derecognises regulatory deferral account balances that were recognised in accordance with its previous GAAP at the date of transition to the Standard., The entity then recognises and measures regulatory deferral account balances after the Standard is amended to align with the new IFRS Standard that replaces IFRS 14.
N2. Cryptocurrency	We do not have sufficient information on the subject matter.

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Questions in the RFI	**ASC's views**
Are holdings of cryptocurrency and issues of cryptoassets prevalent (that is, are there material holdings among entities eligible to apply the *IFRS for SMEs* Standard) in your jurisdiction? **N3. Defined benefit plans – simplifications allowed in measuring the defined benefit obligation** Are you aware of entities applying the simplifications allowed by paragraph 28.19 of the *IFRS for SMEs* Standard? If so, are you aware of difficulties arising in applying the simplifications? Please include a brief description of the difficulty encountered in applying the simplification.	
N4. Other topics not addressed by the *IFRS for SMEs* Standard Are there any topics the *IFRS for SMEs* Standard does not address that you think should be the subject of specific requirements (for example, topics not addressed by the Standard for which the general guidance in paragraphs 10.4–10.6 of the *IFRS for SMEs* Standard is insufficient)? **N5. Additional issues relating to the *IFRS for SMEs* Standard**	None.

Questions in the RFI	ASC's views
Please describe any additional issues you would like to bring to the Board's attention relating to the *IFRS for SMEs* Standard.	

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