

23 October 2020

Hans Hoogervorst
Chair
International Accounting Standards Board
Columbus Building
7 Westferry Circus
Canary Wharf
London
E14 4HD

Dear Mr Hoogervorst

Request for Information - Comprehensive Review of the *IFRS for SMEs* Standard

Deloitte Touche Tohmatsu Limited is pleased to respond to the International Accounting Standards Board's ("the Board") Request for Information *Comprehensive Review of the IFRS for SMEs Standard* ("the RFI") as the first step in the Board's comprehensive review of the *IFRS for SMEs*.

We support the proposed alignment of the *IFRS for SMEs* Standard with full IFRS Standards, unless differences can be justified either by the needs of users of the financial statements or a cost-benefit rationale. Indeed, we believe that the credibility of all Standards developed by the Board is enhanced if they are based on the same underlying framework and follow the same underlying principles.

In particular, we support alignment of principles and important definitions, for example through the development of a universal glossary of terms that would be applicable to both the *IFRS for SMEs* Standard and full IFRS Standards. However, we expect that in practice some principles and/or definitions in full IFRS Standards may not be relevant to the *IFRS for SMEs* Standard. Therefore, we suggest that the Board should assess which principles and definitions are relevant to the users of the *IFRS for SMEs* Standard.

Furthermore, we agree with the Board's proposal to use the principles of relevance, simplification and faithful representation to provide a framework that assists in determining whether and how the *IFRS for SMEs* Standard should be aligned with full IFRS Standards. We believe that these principles will help achieve the appropriate balance between providing relevant information to the users of financial statements whilst considering the cost of preparing such financial statements.

As we support the alignment of the *IFRS for SMEs* Standard with full IFRS Standards, we agree with the suggestions by the Board in Part B of the RFI on the specific sections of the *IFRS for SMEs* Standard that should be aligned with full IFRS Standards except for the proposed alignment with IFRS 16 *Leases*. We do not believe that this alignment should be considered at this time. This reflects our view that, in general, a new IFRS Standard should only be incorporated in the *IFRS for SMEs* Standard once it has been implemented

and tested through sufficient practical experience. Ideally, this will be once the related post-implementation review has been conducted and significant implementation issues resolved.

In response to Part C of the RFI, we note that the *IFRS for SMEs* Standard does not provide guidance on how SMEs should account for assets held for sale and discontinued operations. We believe that the Board should consider alignment with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* with simplifications, where appropriate.

Our detailed responses to the RFI questions are included in the Appendix to this letter.

If you have any questions concerning our comments, please contact Veronica Poole in London at + 44 (0) 207 007 0884.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'V. Poole', with a stylized, flowing script.

Veronica Poole
Global IFRS Leader

Appendix: Request for information **Part A: Strategic and general questions**

Question G1A: Alignment approach

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.

Overall, we support the alignment of the *IFRS for SMEs* Standard with full IFRS Standards.

We believe that the credibility of all Standards developed by the Board is enhanced if they are based on the same underlying framework and follow the same underlying principles, unless differences can be justified either by the needs of users of the financial statements or a cost-benefit rationale.

To assess the alignment approach that would best serve users of financial statements without causing undue cost and effort to preparers, we have considered three groups of entities that may prepare financial statements applying the IFRS of SMEs Standard:

- Entities that need to prepare financial statements to fulfil a responsibility to current or potential providers of capital who are not directly involved in the business and need financial statements prepared under an acceptable framework;
- Owner-managed entities with limited use of outside finance; and
- Subsidiaries of group entities.

We believe that entities in the first group would be best served by alignment of the *IFRS for SMEs* Standard with full IFRS Standards. This would allow these entities to apply a robust set of standards based on an acceptable framework which responds with appropriate timeliness to business and accounting developments. Further, this alignment would facilitate transition to full IFRS Standards if necessary in the future.

In contrast, the owner-managed entities and users of their financial statements may be satisfied by a simpler accounting framework that is more stable. Indeed, these entities may not need a framework that evolves with the same timeliness to business and accounting developments. This is explained in part by the fact that users of their financial statements are more likely to be involved in management or have the ability to require specific reporting to meet their needs. Accordingly, the benefits gained by users of the financial statements from the alignment of the *IFRS for SMEs* Standard with full IFRS Standards may not justify the additional time and effort required by the entities. However, we believe the Board should seek to develop standards that serve the needs of users who do not have the ability to obtain information directly from entities. This is why we believe that alignment is overall preferable.

Subsidiaries of group entities that follow full IFRS Standards will often want to apply the recognition and measurement principles of full IFRS Standards to simplify the preparation of the group consolidated financial statements, along with the benefits of the disclosure relief provided in the *IFRS for SMEs* Standard. We believe that the needs to these entities would be better addressed through the active Disclosure Initiative project for Subsidiaries that are SMEs rather than by influencing whether and when the *IFRS for SMEs* Standard is aligned with full IFRS Standards.

Question G1B: Alignment approach

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).

As indicated above, we believe that the two sets of Standards should be based on the same principles. We further believe that in order for users of financial statements to develop an understanding of the Standards,

there should be alignment of the important definitions through the development of a universal glossary of terms that would be applicable to both the *IFRS for SMEs* Standard and full IFRS Standards.

However, we do not believe that SMEs face the same level of complexity as larger entities and therefore we agree that the precise wording may need to be adapted for the SME environment. Consequently, we support option (b).

Although we support the concept of alignment of both principles and important definitions, we expect that in practice some principles and/or definitions in full IFRS Standards may not be relevant to the *IFRS for SMEs* Standard. Therefore, we encourage the Board to assess which of the principles and definitions would be relevant to the users of the *IFRS for SMEs* Standard.

Question G2: Alignment principles

The Board decided that in assessing whether and how to consult on aligning the IFRS for SMEs Standard with full IFRS Standards not currently included in the IFRS for SMEs Standard, the Board would apply three principles:

- (a) Relevance to SMEs;
- (b) Simplicity; and
- (c) Faithful representation.

In your view, do these principles provide a framework to assist in determining whether and how the IFRS for SMEs Standard should be aligned with full IFRS Standards? Please explain the reasoning that supports your response.

We believe that the above noted principles provide a framework to assist in determining whether and how the *IFRS for SMEs* Standard should be aligned with full IFRS Standards.

The principles proposed will help to achieve the appropriate balance between providing useful information to the users of the financial statements whilst considering the cost and efforts of preparing such financial statements. We believe that, should the Board use these three principles to guide the alignment of the *IFRS for SMEs* Standard, the revised *IFRS for SMEs* Standard will remain relevant for its users.

Question G3: When to consider alignment

Three possible dates for when to consider alignment. Which, if any, of these possible dates do you prefer? Those IFRS Standards, amendments to IFRS 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.

One of the key benefits of the *IFRS for SMEs* Standard is that it is designed to be simple in application and is not amended frequently. Users of the *IFRS for SMEs* Standard appreciate that the Standard provides a stable framework against which to prepare their financial statements. In order to provide this stability, we believe that full IFRS Standards should only be incorporated in the IFRS for SMEs Standard once they have been implemented and tested through sufficient practical experience. Ideally, this will be once a Standard has been subjected to a post-implementation review and any changes arising from that review implemented. Accordingly, we support option (c).

However, when a relief measure is issued for a particular requirement in full IFRS Standards that is contained in the *IFRS for SMEs* Standard, we would encourage the Board to consider allowing SMEs to adopt this relief measure on a timelier basis to allow them to take advantage of the benefits that the measure brings concurrently with the relief being provided to full IFRS reporters.

Part B: Questions on aligning specific sections of the *IFRS for SMEs* Standard

Question 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'?

Aligning Section 2 with the 2018 Conceptual Framework

In the absence of guidance in the *IFRS for SMEs* Standard, the Standard refers entities to the *Conceptual Framework* to develop accounting policies. Section 2 of the *IFRS for SMEs* Standard has not been updated to reflect the amendments made to the 2018 *Conceptual Framework*. As we support the alignment of the *IFRS for SMEs* Standard with the principles and important definitions contained within the full IFRS Standards, we believe it is a logical extension to include the updates made to the *Conceptual Framework* within the *IFRS for SMEs* Standard.

However, we believe that it may be possible to simplify the content of 2018 *Conceptual Framework*, while maintaining its relevance in the context of the *IFRS for SMEs* Standard. We believe this could be achieved by focusing on:

- The basic definitions such as assets and liabilities as this will ensure consistency of key concepts;
- The objectives of financial reporting; and
- The role of financial reporting.

Making appropriate amendments to other sections of the IFRS for SMEs Standard

To the extent that Section 2 affects the other sections within the Standard, any changes made to Section 2 should be applied across all other sections in order to achieve consistency.

Retaining the concept of 'undue cost or effort'

The principle of undue cost or effort is greatly valued and widely used by SMEs in preparing their financial statements. We believe that the continuation of the undue cost and effort principle by SMEs is a significant mechanism that is used to achieve simplification of application of the Standard. We therefore support retaining this concept within the *IFRS for SMEs* Standard.

Currently, the use of the 'undue cost or effort' concept can only be applied to specific sections within the *IFRS for SMEs* Standard. We propose that the Board should consider conducting an outreach programme to determine whether there is merit in expanding the scope of the 'undue cost or effort' concept to other areas of the *IFRS for SMEs* Standard.

Question S2: Aligning Section 9 Consolidated and Separate Financial Statements of the IFRS for SMEs Standard with IFRS 10 Consolidated Financial Statements

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 support aligning the definition of control in Section 9 with IFRS 10 *Consolidated Financial Statements* and retaining and updating paragraph 9.5 of the *IFRS for SMEs* Standard.

In our experience, it is not common for entities that apply the *IFRS for SMEs* Standard to utilise complex group structures. We have not noted any instances where the conclusion reached using the principles in the

IFRS for SMEs Standard differs from the conclusion that would have been reached using the principles in full IFRS Standards and therefore this has not been an area of concern in the past.

Nevertheless, as previously mentioned, we support alignment of the *IFRS for SMEs* Standard with full IFRS Standards and this is why we support alignment of the definition of control in Section 9 with that in IFRS 10.

Question S2B: Investment entities

What are your views on not introducing the requirement for investment entities to measure investments in subsidiaries at fair value through profit and loss?

We believe that the arguments set out in IFRS 10 to justify the exception to consolidation for investment entities are equally valid in the SMEs environment. Based on our discussions with a number of entities that would meet the definition of an investment entity in IFRS 10, we believe that many would appreciate the opportunity to measure their investments in subsidiaries at fair value through profit or loss.

We acknowledge that some may believe that the requirement to determine the fair value of subsidiaries may be burdensome and onerous. Accordingly, we propose that the Board allows an investment entity applying the *IFRS for SMEs* Standard an accounting policy choice to either consolidate investments in subsidiaries or measure these investments at fair value through profit and loss.

Question S3A: Aligning Section 11 Basic Financial Instruments and Section 12 Other Financial Instrument Issues of the IFRS for SMEs Standard with IFRS 9 Financial Instruments

What are your views on supplementing the list of examples in Section 11 with a principle for classifying financial assets based on their contractual cash flow characteristics?

We support replacing the list of examples in Section 11 with a principle-based approach for classifying financial instruments.

However, we note that the disclosure requirements in IFRS 7 *Financial Instruments: Disclosures* and IFRS 13 *Fair Value Measurement* can be complex and costly to prepare. Therefore, we propose that these disclosure requirements be simplified for SMEs. More specifically, we believe that rather than replicating the disclosure principles and disclosure requirements of IFRS 7 and IFRS 13 in the *IFRS for SMEs* Standard, the Board should develop specific disclosure requirements relevant to SMEs. See also our response to Question S9 where we elaborate on how the disclosures requirements in IFRS 13 could be customised to SMEs.

Question 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 support the alignment of the *IFRS for SMEs* Standard with the simplified approach to the impairment of financial assets in IFRS 9 *Financial Instruments*.

We believe that SMEs are already intuitively applying the principles of the forward-looking expected credit losses ("ECL") when considering whether to advance credit to customers. As such, we believe that the introduction of the simplified approach in the *IFRS for SMEs* Standard will not cause undue cost and effort for SMEs as they already have much of the required information to measure ECL.

We recommend that the Board allows SMEs the option to apply the IFRS 9 principles of staging to instruments that have a contractual term of longer than 12 months, while assessing whether simplification to the measurement and accounting considerations could be made in application of the staging model.

We believe that the key challenge of application of the ECL model by the financial lenders that are in the scope of the *IFRS for SMEs* Standard will be the requirement to build macroeconomic factors into their ECL

models, as this can be complex and costly. If the Board follows the alignment approach, we recommend that it should consider issuing educational guidance on implementation of the ECL model by SMEs.

Question 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.

The current requirements included in Section 12 of the Standard are simple and generally understood by SMEs and therefore we support the Board's proposal of retaining the current hedging guidance. However, we believe that the *IFRS for SMEs* Standard could be improved through the addition of guidance on hedge accounting.

Question 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 are currently not aware of entities that are opting to apply the recognition and measurement requirements in IAS 39 with the disclosure requirements in Sections 11 and 12 of the *IFRS for SMEs* Standard.

Nevertheless, consistent with our view that to the extent possible the *IFRS for SMEs* Standard should be aligned with full IFRS Standards, we are in favour of changing the reference of 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.

Question 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 support the addition of the definition of a financial guarantee contract from IFRS 9 to the *IFRS for SMEs* Standard and alignment of the accounting for issued financial guarantee contracts. Nevertheless, the Board should consider whether any simplification could be made without affecting the relevance of the information produced.

Question 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 support these proposals. Nevertheless, the Board should consider whether any simplification could be made without affecting the relevance of the information produced.

Question S5A&B: Aligning Section 19 Business Combinations and Goodwill of the IFRS for SMEs Standard with IFRS 3 (2008) Business Combinations

- (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)?
- (c) What are your views on aligning Section 19 with IFRS 3 (2008) for acquisition costs and contingent 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?

SMEs enter into step acquisition transactions and therefore we believe it would be appropriate that Section 19 be updated to include guidance on how to account for such transactions. More specifically, we believe that the guidance included in IFRS 3 for step acquisitions, acquisition costs and contingent consideration should be included in Section 19 of the *IFRS for SMEs* Standard.

In aligning the *IFRS for SMEs* Standard with this guidance, the Board should consider permitting SMEs to apply the 'undue cost or effort' exemption to the measurement of contingent consideration as this calculation can be complex.

Question 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 support aligning the *IFRS for SMEs* Standard with the amended definition of a business issued in October 2018. We note that this amendment was made in response to a need for clarification identified as part of the post-implementation review of IFRS 3. We believe that the amendment would also benefit users of the *IFRS for SMEs* Standard.

Question S6: Aligning Section 20 Leases of the IFRS for SMEs Standard with IFRS 16 Leases

The requirements in IFRS 16 could be simplified so they are easier and less costly for SMEs to apply including by:

- (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.

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

Although we support the general alignment of the *IFRS for SMEs* Standard with full IFRS Standards, we believe that this should only happen once implementation issues arising from a new IFRS Standard have been identified and resolved. More specifically, we believe that a new IFRS Standard should only be considered for adoption within the *IFRS for SMEs* Standard incorporated in the IFRS for SMEs Standard once they have been implemented and tested through sufficient practical experience. Therefore, at this time, we do not support alignment the *IFRS for SMEs* Standard with IFRS 16, even with the simplifications noted above.

Question S7A: Aligning Section 23 Revenue of the IFRS for SMEs Standard with IFRS 15 Revenue from Contracts with Customers

The Board is seeking views on the merits of three possible approaches to aligning Section 23 with IFRS 15:

- (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.
- Which of the three alternatives do you prefer for amending Section 23 to align with IFRS 15? Why have you chosen this alternative?

We support Alternative 2 above in aligning Section 23 with IFRS 15 *Revenue from Contracts with Customers*. In adopting this approach, we believe that the alignment principles of relevance, simplification and faithful representation should be used and that the principles and important definitions contained in IFRS 15 should be retained.

However, we believe that SMEs would benefit from a simplification of IFRS 15, including introduction of practical expedients in the requirement to allocate the consideration to performance obligations and accounting for the effects of significant financing components.

Question S7B: Aligning Section 23 Revenue of the IFRS for SMEs Standard with IFRS 15 Revenue from Contracts with Customers

If Alternative 1 or Alternative 2 is the basis for an Exposure Draft, should a 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 support option (b) to allow entities using the *IFRS for SMEs* Standard to continue their current revenue recognition policy but only for contracts already in progress at the transition date that are scheduled to be completed within one year from transition date.

This compromise would reduce the costs and efforts of transition by SMEs while limiting the period over which the results presented are not fully aligned with the new revenue recognition principles.

Question 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 agree with the proposal to align the guidance in Section 28 *Employee Benefits* with the amendments to IAS 19 *Employee Benefits* relating to termination benefits. We believe that alignment would contribute to comparability in the financial statements prepared by entities using full IFRS Standards and those entities using the *IFRS for SMEs* Standard without placing too great a burden on SMEs.

Question 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 support alignment for the items mentioned in (a) and (b). We believe that the alignment of the fair value definition in IFRS 13 will ensure that there is a consistent understanding of this key concept under both frameworks.

We note however that IFRS 13 requires extensive disclosure requirements that may be burdensome and costly for SMEs to prepare compared to the benefit they provide. Therefore, we recommend that the disclosure requirements be tailored to include only those requirements that are necessary to provide a sufficient understanding of transactions entered into by SMEs to the users of their financial statements.

To assist SMEs with the application of the fair value hierarchy, we agree with the IASB's proposal in (c) to include illustrative examples in the *IFRS for SMEs* Standard.

The term "fair value" is a conceptual term that is referred to throughout the *IFRS for SMEs* Standard. Therefore, as suggested in (d), we believe that it would be appropriate to move the guidance on fair value and related disclosures to Section 2 along with the other key concepts and pervasive principles used in the Standard.

Question 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.

We support the proposals by the Board

- To align the *IFRS for SMEs* Standard with all IFRS amendments outlined in Table A1; and
- Not to align the *IFRS for SMEs* Standard with all the IFRS amendments outlined in the table A2.

In both cases, we agree with the rationale provided by the Board to support their proposal and have no further comments and views that we wish to share.

For item (c), we support alignment of the *IFRS for SME* Standard with the amendments to IFRS Standards and the IFRIC Interpretations listed in Table A3, as we believe that these interpretations and amendments will provide valuable insight and understanding to the principles and concepts included in the *IFRS for SMEs* Standard.

Part C: Questions on new topics and other matters related to the *IFRS for SMEs* Standard

Question 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 agree that the *IFRS for SMEs* Standard should not be aligned with IFRS 14. We propose that the Board wait for its project on rate-regulated activities to be finalised before introducing this topic in the *IFRS for SMEs* Standard.

Question N2: Cryptocurrency

Are holdings of cryptocurrency and issues of crypto-assets prevalent (that is, are there material holdings among entities eligible to apply the IFRS for SMEs Standard) in your jurisdiction?

We do not have sufficient information to express a view. Therefore, we recommend that further research be conducted by the Board to understand if it is indeed a prevalent issue and if so the types of issues entities are experiencing.

Further, we note that full IFRS Standards do not contain any specific guidance on these issues. Therefore, we recommend that any issues related to the holdings of cryptocurrency and issues of crypto-assets should be addressed in the context of full IFRS Standards before determining whether guidance should be added to the *IFRS for SMEs* Standard, if it is determined to be a prevalent matter with SMEs.

Question 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.

We believe that this is not a pervasive issue as many SMEs do not have defined benefit plans and therefore we are not aware of difficulties being experienced in this area.

Question 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)?

The *IFRS for SMEs* Standard does not provide guidance on accounting for assets held for sale and discontinued operations. Therefore, in accordance with paragraphs 10.4 to 10.6 of the *IFRS for SMEs* Standard, entities that have assets held for sale or discontinued operations are required to use the principles of IFRS 5 to develop their accounting policy on how to recognise, measure and disclose such transactions. The principles of recognition, measurement and disclosure in IFRS 5 are complex for SMEs and therefore we believe that the Board should consider extending the scope of the *IFRS for SMEs* Standard to address these topics. We recommend that this guidance should be aligned to the principles and concepts outlined in IFRS 5 but should be tailored to allow it to be relevant and simplified for SMEs whilst still faithfully representing the related transactions.

Question N5: Other topics not addressed by the IFRS for SMEs Standard

Please describe any additional issues you would like to bring to the Board's attention relating to the IFRS for SMEs Standard.

We would like to bring the following issues to the Boards attention:

- The application of full IFRS Standards benefits from the work of the IFRS Interpretations Committee, including the agenda decisions published by the Committee. To the extent that an agenda decision relates to an issue for which the *IFRS for SMEs* Standard is aligned to full IFRS Standards, we believe that it may represent a relevant source of guidance in applying the Standard. We suggest that the Board consider amending Section 10 of the Standard to draw attention to agenda decisions published by the IFRS Interpretations Committee.
- The application of Section 27 *Impairment of Assets*, in particular in respect of goodwill, is complex, time-consuming and costly, and requires significant judgement. We note that the Board has issued DP/2020/1 *Business Combinations—Disclosures, Goodwill and Impairment* as part of a project to address concerns about the impairment test in full IFRS Standards. While our general view is that amendments should be made to the *IFRS for SMEs* Standard only once they have been implemented under full IFRS Standards, we believe that the significance of the difficulties encountered by SMEs in applying the current requirements of Section 27 justify that the Board should not wait before proposing simplifications. A reasonable simplification that could be introduced as part of this round of amendments would be to permit entities an accounting policy choice to either (i) amortise goodwill and perform an impairment test of goodwill if and when there is an indicator of impairment or (ii) not to amortise goodwill but perform an annual impairment test calculation.