

Mr Paul Pacter  
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16 November 2011

Dear Paul,

**Draft Q&A General, Issue 1: Application of the IFRS for SMEs for financial periods ending before the IFRS for SMEs was issued**

**Draft Q&A General, Issue 2: Interpretation of ‘undue cost or effort’ and ‘impracticable’**

**Draft Q&A Section 3, Issue 1: Jurisdiction requires fallback to full IFRSs**

**Draft Q&A Section 3, Issue 2: Departure from a principle in the IFRS for SMEs**

**Draft Q&A Section 3, Issue 3: Prescription of the format of financial statements by local regulation**

Deloitte Touche Tohmatsu Limited is pleased to respond to the SME Implementation Group’s five draft Q&As on general issues and on Section 3 of the IFRS for SMEs.

In general, we question the appropriateness of these draft Q&As for the following reasons:

- we are not convinced that the issues are areas in which we consider that the IFRS for SMEs lacks clarity such that inconsistent implementation is likely to occur in the absence of a Q&A; and
- we do not consider publication of a high volume of draft Q&As (nine since February 2011) to be in keeping with the Board’s plan for periodic updating of the IFRS for SMEs. In light of the cost-benefit considerations noted in paragraph BC163 of the IFRS for SMEs, we believe that unless issues are clearly urgent, widespread and likely to result in significant divergence in practice they should be addressed through the next omnibus exposure draft of the IFRS for SMEs rather than by producing a continuous stream of new guidance.

In addition and in respect of the draft Q&A on ‘General, Issue 2’ we re-iterate our comment on Draft Q&A 2011/03 ‘Interpretation of ‘traded in a public market’ that it is not appropriate for a Q&A on the IFRS for SMEs to address issues which applies to other IFRSs. The term ‘impracticable’ is used in several IFRSs and is, in our view, applied appropriately.

We also re-iterate the concern expressed in our comment letter on Draft Q&As 2011/02-04 over whether the level of SME Implementation Group’s due process applied to the Q&As is appropriate and consistent with other similar activities at the IFRS Foundation and IASB. As the Q&As are considered IFRS related documents and are associated with the IASB, we believe that the due

process steps followed in the development of an IFRIC Interpretation, which include discussion and voting in a public meeting, public consultation on agenda items and formal approval of an Interpretation by the IASB should be followed for these and any future proposed Q&As.

Appendix A contains our detailed responses to each draft Q&A.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0)20 7007 0884.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'V. Poole', is positioned above the typed name.

**Veronica Poole**  
Global Managing Director  
IFRS Technical

cc. David Sidwell (Chair, Due Process Oversight Committee)

## **Appendix A: Comments on each draft Q&A**

### **Draft Q&A General, Issue 1: Application of the IFRS for SMEs for financial periods ending before the IFRS for SMEs was issued**

We agree that the IFRS for SMEs could be used for a period ending before 9 July 2009. We also agree that this is a matter for individual jurisdictions so would not support publication of a general Q&A on the issue.

### **Draft Q&A General, Issue 2: Interpretation of ‘undue cost or effort’ and ‘impracticable’**

In respect of the interpretation of ‘impracticable’ and as noted in our cover letter, we do not consider it appropriate for a Q&A on the IFRS for SMEs to address an issue which applies to other IFRSs.

In respect of the interpretation of ‘undue cost or effort’, we agree that this is a matter of judgement for those responsible for the preparation of an entity’s financial statements. However, as stated in the draft Q&A, this term was deliberately not defined in the IFRS for SMEs so we would question the appropriateness of a Q&A on this issue.

### **Draft Q&A Section 3, Issue 1: Jurisdiction requires fallback to full IFRSs**

We agree that a jurisdictional requirement to apply the requirements of full IFRSs to transactions not specifically covered by the IFRS for SMEs would not necessarily preclude a statement of compliance with the IFRS for SMEs. However, paragraph 10.5 requires that in such circumstances consideration be given first to the requirements of the IFRS for SMEs dealing with similar and related issues. In areas where the IFRS for SMEs departs from the model applied in full IFRSs (for example, income taxes and financial instruments), application of the requirements of full IFRSs may be inconsistent with the model required by the IFRS for SMEs and, hence, with the requirements of paragraph 10.5.

That point notwithstanding, we do not consider that the criteria for a Q&A stated in the Group’s *Terms of Reference and Operating Procedures* are met.

### **Draft Q&A Section 3, Issue 2: Departure from a principle in the IFRS for SMEs**

We agree with the conclusion of the draft Q&A, provided that the departure is material. Further to the general concern noted in our comment, we consider the requirements of paragraph 3.3 of the IFRS for SMEs to be clear on this question and therefore that the criteria for a Q&A stated in the Group’s *Terms of Reference and Operating Procedures* are not met.

### **Draft Q&A Section 3, Issue 3: Prescription of the format of financial statements by local regulation**

We consider this to be a variant of the question raised in ‘Draft Q&A Section 3, Issue 1’. Again, we think it is clear that a jurisdictional requirement to apply one of several treatments allowed by the IFRS for SMEs does not preclude a statement of compliance with the IFRS for SMEs and therefore that the criteria for a Q&A stated in the Group’s *Terms of Reference and Operating Procedures* are not met.