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Dear Paul,

**Draft Q&A Section 11, Issue 1: Fallback to IFRS 9 *Financial Instruments***  
**Draft Q&A Section 30, Issue 1: Recycling of cumulative exchange differences on disposal of a subsidiary**

Deloitte Touche Tohmatsu Limited is pleased to respond to the SME Implementation Group's two draft Q&As on Sections 11 and 30 of the IFRS for SMEs.

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

- both draft Q&As seek to restrict entities from adopting certain accounting policies which may be permitted, or indeed required, following the Board's comprehensive review of the IFRS for SMEs. We do not believe that requiring a change in accounting policy which may be reversed within the next 2-3 years is useful to either preparers or users of the financial statements of SMEs; and
- we do not consider publication of a high volume of draft Q&As (11 since February 2011) to be in keeping with the Board's plan for periodic updating of the IFRS for SMEs. As such, we welcome the commitment made in the November 2011 IFRS for SMEs Update to issue few, if any, further Q&As before the next comprehensive review of the IFRS for SMEs.

We also re-iterate the concern expressed in our previous comment letters on Draft Q&As 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 Section 11, Issue 1: Fallback to IFRS 9 *Financial Instruments***

We do not believe that the arguments presented in the draft Q&A are sufficient to prohibit the application of IFRS 9.

- The reference to IAS 39 in paragraph BC106 of the Basis of Conclusions issued with the IFRS for SMEs is not sufficient evidence for the conclusion in paragraph BC1 of the draft Q&A that allowing use of IFRS 9 would require a change to the IFRS for SMEs.
- The relevance of the relationship between the expecting timing of the next review of the IFRS for SMEs and the mandatory effective date of IFRS 9 laid out in paragraph BC2 of the draft Q&A is unclear given that IFRS 9 is already available for early adoption.

We believe that the range of accounting policy choices available for financial instruments following issuance of IFRS 9 should be addressed as part of the Board's comprehensive review of the IFRS for SMEs, not by a Q&A.

### **Draft Q&A Section 30, Issue 1: Recycling of cumulative exchange differences on disposal of a subsidiary**

We agree that it would be logical to apply a consistent treatment to exchange differences arising on translation of a foreign subsidiary to that which is explicitly required for exchange differences arising on translation of a monetary item forming part of a net investment in that subsidiary.

However, we believe that it would be preferable to address the ambiguity of paragraph 9.18 on this issue as part of the Board's comprehensive review of the IFRS for SMEs rather than by a Q&A.