Tel: +44 20 7893 3300
Fax: +44 20 7487 3686
@: abuchanan@bdoifra.com
www.bdointernational.com

BDO IFR Advisory Limited
Contact: Andrew Buchanan
55 Baker Street
London W1U 7EU
United Kingdom

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

3 March 2023

Dear Sir

Exposure Draft ED/2022/1: Third edition of the *IFRS for SMEs* Accounting Standard

We are pleased to comment on the above Exposure Draft (the ED). Following consultation with the BDO network[1], this letter summarises views of member firms that provided comments on the ED.

We support the efforts of the IASB to update the requirements of IFRS for SMEs to enhance consistent application and also consider improvements made to full IFRS Accounting Standards.

In addition to our comments supporting the proposals, we have a number of suggestions to improve and clarify the amendments proposed by the IASB.

Our responses to the questions in the ED are set out in the attached Response Document template provided.

We hope that you will find our comments and observations helpful. If you would like to discuss any of them, please contact me at +44 (0)7875 311782 or by email at abuchanan@bdoifra.com.

Yours faithfully

Andrew Buchanan

Global Head of IFRS and Corporate Reporting

---

[1] Service provision within the BDO network in connection with IFRS (comprising International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the IFRS Interpretations Committee and the former Standing Interpretations Committee), and other documents, as issued by the International Accounting Standards Board, is provided by BDO IFR Advisory Limited, a UK registered company limited by guarantee. Service provision within the BDO network is coordinated by Brussels Worldwide Services BV, a limited liability company incorporated in Belgium. Each of BDO International Limited, Brussels Worldwide Services BV, BDO IFR Advisory Limited and the BDO member firms is a separate legal entity and has no liability for another entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BV, BDO IFR Advisory Limited and/or the BDO member firms. Neither BDO International Limited nor any other central entities of the BDO network provide services to clients.

BDO is the brand name for the BDO network and for each of the BDO member firms.
BDO IFR Advisory Limited is a UK company limited by guarantee, registered in England under No 7295966.
Registered office: c/o Hackwood Secretaries Limited, One Silk Street, London, EC2Y 8HQ
© 2023 BDO IFR Advisory Limited. All rights reserved.

Exposure Draft

Third edition of the IFRS for SMEs *Accounting Standard*

September 2022

Optional Response Document

Invitation to comment

The International Accounting Standards Board (IASB) invites comments on Exposure Draft *Third edition of the* IFRS for SMEs *Accounting Standard,* particularly on questions 1–15 in the Invitation to Comment on the Exposure Draft. Comments are most helpful if they:

(a) respond to the questions as stated;

(b) specify the paragraph(s) to which they relate;

(c) contain a clear rationale;

(d) identify any wording in the proposals that is difficult to translate; and

(e) include any alternative approach the IASB should consider, if applicable.

Instructions for completion

The IASB has published this separate Microsoft Word® document for respondents to use for submitting their comments, if they wish.

This document presents all of the questions in the Invitation to Comment on the Exposure Draft in a table with spaces for responses.

Respondents are encouraged to complete this document electronically. Many respondents will find this the easiest way to submit their comments and making submissions in this form will also help ease the analysis of the answers. However, respondents are not required to use this document and responses will be accepted in all formats.

Respondents need not comment on all questions in the Invitation to Comment.

Comments to be received by **7 March 2023**

Name of Respondent: **Andrew Buchanan**

Organisation: **BDO**

Jurisdiction: **Global**

Correspondence and/or email address: **abuchanan@bdoifra.com**

Ref	Question	Response (*Please give clear reasoning to support your response*)
Questions for respondents—Scope of the Standard		
1	**Question 1—Definition of public accountability** Respondents to the Exposure Draft *Subsidiaries without Public Accountability: Disclosures*, published in July 2021, expressed some concerns about applying the definition of public accountability. The description of 'public accountability' in the Exposure Draft *Subsidiaries without Public Accountability: Disclosures* comprises the definition and supporting guidance in paragraphs 1.3–1.4 of the *IFRS for SMEs* Accounting Standard (Standard). In response to this feedback, the IASB is proposing to amend paragraph 1.3(b) to list banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks as examples of entities that often meet the second criterion of public accountability in paragraph 1.3(b). To assist an understanding of the basis for the definition of public accountability, the IASB is also proposing to clarify that an entity with these characteristics would usually have public accountability: (a) there is both a high degree of outside interest in the entity and a broad group of users of the entity's financial statements (existing and potential investors, lenders and other creditors) who have a direct financial interest in or substantial claim against the entity. (b) the users in (a) depend primarily on external financial reporting as their means of obtaining financial information about the entity. These users need financial information about the entity but lack the power to demand the information for themselves. Paragraphs BC11–BC19 of the Basis for Conclusions on the Exposure Draft explain the IASB's rationale for clarifying the definition of public accountability in Section 1. The IASB expects that the amendments to paragraphs 1.3 and 1.3A of Section 1 will add clarity, without changing the intended scope of the Standard.	

Ref	Question	Response (*Please give clear reasoning to support your response*)
1(i)	**Do you agree that the amendments will add clarity without changing the intended scope of the Standard? If you do not agree, which types of entities do you believe would be newly scoped in or scoped out?**	
1(ii)	**Do you agree with the proposal to clarify the definition of public accountability? If you do not agree with the proposal, please explain what you suggest instead and why.**	

Ref	Question	Response *(Please give clear reasoning to support your response)*
Questions for respondents—Proposal to amend the Standard		
2	**Question 2—Revised Section 2 *Concepts and Pervasive Principles*** The IASB in its Request for Information asked for views on aligning Section 2 *Concepts and Pervasive Principles* with the *Conceptual Framework for Financial Reporting*, issued in 2018. In the Request for Information, the IASB noted that the 1989 *Framework for the Preparation and Presentation of Financial Statements* (1989 *Framework*) had provided the foundations of the Standard. Based on feedback on the Request for Information, the IASB is proposing to revise Section 2 to align it with the 2018 *Conceptual Framework for Financial Reporting*. The IASB is proposing that Section 18 *Intangible Assets other than Goodwill* and Section 21 *Provisions and Contingencies* continue to use the definitions of an asset and of a liability from the previous version of Section 2, which was based on the 1989 *Framework*, to avoid unintended consequences arising from revising the definitions of an asset and of a liability. Paragraphs BC38–BC51 of the Basis for Conclusions on the Exposure Draft explain the IASB's rationale for the revisions proposed for Section 2.	
2(i)	**Do you have comments or suggestions on the revised Section 2? Please explain the reasons for your suggestions.**	
2(ii)	**Do you agree that Section 18 and Section 21 should continue to use the definition of an asset and of a liability from the previous version of Section 2 (based on the 1989 Framework)?**	

Ref	Question	Response *(Please give clear reasoning to support your response)*
3	**Question 3—Proposed amendments to the definition of control in Section 9 *Consolidated and Separate Financial Statements*** The IASB in its Request for Information asked for views on aligning the definition of control in Section 9 *Consolidated and Separate Financial Statements* with the definition in IFRS 10 *Consolidated Financial Statements* and using that definition as the single basis for consolidation (control model) to facilitate greater consistency between financial statements prepared applying the Standard. Respondents to the Request for Information were in favour of the alignment, and the IASB is proposing amendments to align Section 9 with IFRS 10, introducing control as the single basis for consolidation that applies to all entities. The IASB is proposing to retain the rebuttable presumption that control exists when an investor owns more than a majority of the voting rights of an investee. The rebuttable presumption is a simplification of the control model. Paragraphs BC52–BC62 of the Basis for Conclusions on the Exposure Draft explain the IASB's rationale for aligning the definition of 'control' in Section 9 with IFRS 10 and introducing a control model as the single basis for consolidation.	
	Do you agree with the IASB's proposal to retain the rebuttable presumption as a simplification of the definition of control? If not, please explain why you do not agree with this simplification.	

Ref	Question	Response *(Please give clear reasoning to support your response)*
4	**Question 4—Proposed amendments to impairment of financial assets in Section 11 *Basic Financial Instruments* (renamed *Financial Instruments*)** The IASB in its Request for Information asked for views on replacing the incurred loss model for the impairment of financial assets in Section 11 *Basic Financial Instruments* with an expected credit loss model aligned with the simplified approach in IFRS 9 *Financial Instruments*. Feedback suggested that the simplified approach in IFRS 9 would be complex for SMEs to apply and would not result in substantial changes in the amount of impairment for the types of financial assets held by typical SMEs, namely short-term trade receivables. The IASB anticipates that an expected credit loss model would provide relevant information for users of financial statements when SMEs hold longer-term financial assets. Consequently, the IASB is proposing to: (a) retain the incurred loss model for trade receivables and contract assets in the scope of the revised Section 23 *Revenue from Contracts with Customers*; (b) require an expected credit loss model for all other financial assets measured at amortised cost, aligned with the simplified approach in IFRS 9; and (c) retain the requirements in Section 11 for impairment of equity instruments measured at cost. Paragraphs BC72–BC80 of the Basis for Conclusions on the Exposure Draft explain the IASB's rationale for introducing an expected credit loss model for only some financial assets.	
4(i)	**Do you agree with the proposal to introduce an expected credit loss model for *only some* financial assets? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.**	We do not agree because we believe the incurred loss model should be retained in IFRS for SMEs. We believe that a mixed measurement model where the expected credit loss requirements apply to some but not all financial assets is overly complex as it would require a higher level of estimation and complexity for certain common financial assets held by small and medium entities, such as related party loans receivable, which would not be scoped out of the expected credit loss requirements. In our experience, many users of small and medium entity financial statements, such as banks and lenders, do not include the carrying amount of related party receivables as part of the

Ref	Question	Response *(Please give clear reasoning to support your response)*
		borrower's net assets, meaning the information value of recognising expected credit losses for these amounts is less significant. In our view, the incurred loss model provides sufficient information for most users of small and medium entity financial statements.
4(ii)	**Do you agree that the proposal strikes the right balance in deciding which financial assets should be in the scope of the expected credit loss model, considering the costs for SMEs and benefits for users of SMEs' financial statements?**	Please see our response to question 4(i); given the limited information value of applying the expected credit loss requirements to many common types of financial assets held by small and medium entities (e.g. related party loans receivables), we do not believe the right balance is being struck by requiring different measurement models for different types of financial assets. We recommend that the incurred loss model be retained.
5	**Question 5—Proposal for a new Section 12 *Fair Value Measurement*** The IASB in its Request for Information asked for views on aligning the Standard with IFRS 13 *Fair Value Measurement* and introducing illustrative examples into the Standard. This alignment would not amend the requirements for when to use fair value measurement. Respondents to the Request for Information favoured aligning the Standard with the definition of fair value in IFRS 13 to provide clarity and enhance comparability between financial statements prepared applying the Standard. The IASB is proposing that the requirements on measuring fair value and related disclosure requirements be consolidated in a new Section 12 *Fair Value Measurement*. Paragraphs BC108–BC118 of the Basis for Conclusions on the Exposure Draft explain the IASB's rationale for this proposal.	
	Do you have comments or suggestions on the new Section 12? Please explain the reasons for your suggestions.	

<table>
<tr><th>Ref</th><th>Question</th><th>Response
(Please give clear reasoning to support your response)</th></tr>
<tr><td>6</td><td colspan="2">Question 6—Proposed amendments to Section 15 Investments in Joint Ventures (renamed Joint Arrangements)

The IASB in its Request for Information asked for views on aligning the definition of joint control with IFRS 11 Joint Arrangements, while retaining the three classifications of joint arrangements in Section 15 Investments in Joint Ventures (jointly controlled operations, jointly controlled assets and jointly controlled entities).

Respondents to the Request for Information favoured aligning the definition of joint control. However, respondents expressed mixed views on whether to align the classification and measurement requirements with IFRS 11 or to retain the Section 15 classification and measurement requirements.

The IASB is proposing to align the definition of joint control and retain the Section 15 classification and measurement requirements as set out in the Request for Information.

Paragraphs BC119–BC127 of the Basis for Conclusions on the Exposure Draft explain the IASB's rationale for these proposals.</td></tr>
<tr><td>6(i)</td><td>Do you agree with the IASB's proposal to align the definition of joint control and retain the classification of a joint arrangement as jointly controlled assets, a jointly controlled operation, or a jointly controlled entity, and the measurement requirements for these classifications? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.</td><td></td></tr>
<tr><td></td><td colspan="2">The IASB is also proposing amendments to align Section 15 with the requirements of paragraph 23 of IFRS 11, so that a party to a jointly controlled operation or a jointly controlled asset that does not have joint control of those arrangements would account for its interest according to the classification of that jointly controlled operation or the jointly controlled asset.

Paragraphs BC128–BC129 of the Basis for Conclusions on the Exposure Draft explain the IASB's rationale for this proposal.</td></tr>
<tr><td>6(ii)</td><td>Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.</td><td></td></tr>
</table>

Ref	Question	Response *(Please give clear reasoning to support your response)*
7	**Question 7—Proposed amendments to Section 15 *Investments in Joint Ventures* (renamed *Joint Arrangements*)** Based on the feedback to the Request for Information, the IASB is proposing to align Section 19 *Business Combinations and Goodwill* with the acquisition method of accounting in IFRS 3 *Business Combinations** by: (a) adding requirements and guidance for a new entity formed in a business combination; (b) updating the references when recognising the identifiable assets acquired and liabilities assumed in a business combination to refer to the definitions of an asset and a liability in the revised Section 2 *Concepts and Pervasive Principles*; (c) clarifying that an acquirer cannot recognise a contingency that is not a liability; (d) requiring recognition of acquisition-related costs as an expense; (e) requiring measurement of contingent consideration at fair value if the fair value can be measured reliably without undue cost or effort; and (f) adding requirements for an acquisition achieved in stages (step acquisitions). For other aspects of the acquisition method of accounting, the IASB is proposing to retain the requirements in Section 19. The IASB is of the view that: (a) the guidance in IFRS 3 on reacquired rights is unlikely to be relevant to entities applying the Standard; (b) restricting the measurement of non-controlling interest in the acquiree to the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets (and not introducing the fair value option) is an appropriate simplification; and (c) retaining recognition criteria for intangible assets acquired in a business combination balances the costs and benefits of separate recognition of these items because goodwill recognised in a business combination is amortised. Paragraphs BC130–BC183 of the Basis for Conclusions on the Exposure Draft further explain the IASB's rationale for these proposals. Paragraph BC177 of the Basis for Conclusions on the Exposure Draft explains that there were mixed views on whether step acquisitions are relevant to SMEs. The IASB is asking for views on adding requirements for step acquisitions and on the proposed requirements themselves. Asking for views on whether to add requirements allows stakeholders to evaluate the proposals when responding to the Invitation to Comment. * IFRS 3 refers to the IFRS 3 (2008) version, including subsequent amendments to IFRS 3.	

Ref	Question	Response *(Please give clear reasoning to support your response)*
7(i)	**Do you agree with the proposal to introduce requirements for the accounting for step acquisitions? If your answer is yes, do you agree with the proposed requirements in the Exposure Draft? If you disagree with the proposal, please explain why and give your alternative suggestion.**	We agree with the proposal. Based on the outreach we performed, we believe these types of transactions are relatively uncommon for small and medium entities. However, the addition of these requirements will enhance consistent application for entities that do enter into these transactions.
7(ii)	**Do you agree that the IASB's proposals appropriately simplify the measurement of non-controlling interests by excluding the option to measure them at fair value? If your answer is no, please explain your reasons.**	We agree with the proposal. In our experience, the option to measure non-controlling interest at fair value is rarely used by small and medium entities in practice, primarily because this option is more complex since most entities acquired by small and medium entities do not have shares with readily determinable fair values (i.e. they are not listed entities). Eliminating this option will reduce complexity and increase the comparability of entities entering into similar transactions.
7(iii)	**Do you have any further comments or suggestions on the proposed amendments to Section 19? Please explain the reasons for your suggestions.**	We have no other comments or suggestions.

Ref	Question	Response *(Please give clear reasoning to support your response)*
8	**Question 8—Revised Section 23 *Revenue* (renamed *Revenue from Contracts with Customers*)** The IASB in its Request for Information asked for views on possible approaches to aligning Section 23 *Revenue* with IFRS 15 *Revenue from Contracts with Customers*. Respondents favoured this alignment without identifying a preferred approach. Consequently, the IASB is proposing to revise Section 23 to align it with the principles and language used in IFRS 15. The revised requirements are based on the five-step model in IFRS 15, with simplifications that retain the basic principles in IFRS 15 for recognising revenue. Paragraphs BC184–BC193 of the Basis for Conclusions on the Exposure Draft further explain the IASB's rationale for this proposal and the proposed simplifications of the IFRS 15 requirements.	

8(i)	**Do you agree that the revised Section 23 would be appropriate for SMEs and users of their financial statements? If not, what modifications—for example, further simplifications or additional guidance—do you suggest and why?**	In considering whether the additional complexity introduced by Section 23 is appropriate for small and medium entities, we considered that (as acknowledged in page 10 of the Snapshot published by the IFRS Foundation), for many contracts, the new section would be expected to have little effect on the amount and timing of revenue recognised. This is because many small and medium entities enter into relatively simple revenue contracts where the more complex requirements of Section 23 would not result in a significant change from existing practice. This is consistent with what we observed by many entities that adopted IFRS 15. In many cases, technical analysis was required to determine the appropriate accounting treatment, but in many cases the timing and amount of revenue recognised was consistent with IAS 11 and IAS 18. Given that this outcome may be the case for an even larger proportion of small and medium entities that would adopt Section 23 as opposed to other entities that applied IFRS 15, one might consider that the cost vs. benefit may not be warranted. However, in our experience, some small and medium entities do still enter into complex revenue contracts where the enhanced requirements proposed in the exposure draft would significantly improve the consistent application of IFRS for SMEs. Consistent with our view of IFRS 15 vs. IAS 11/18, the predecessor standard contains very limited requirements, which in some cases make them more challenging to apply.

Ref	Question	Response *(Please give clear reasoning to support your response)*
		On balance, we believe Section 23 would be an improvement, although we do believe that it may be possible to further simplify the requirements. As proposed in the exposure draft, Section 23 is over 20 pages in length, with nearly 5 pages dedicated to the identification of performance obligations. We recommend that the IASB explore whether the principles of IFRS 15 may be further simplified and included in Section 23 with fewer detailed requirements. Additionally, we believe it would be appropriate to permit entities to expense as incurred rather than capitalise costs to obtain contracts. We believe that identifying these costs, capitalising them and recognising them in profit or loss would generally give rise to higher costs than the benefit of the information provided by the requirement as proposed.
	Determining whether a good or service promised to a customer is distinct can involve judgement. To assist entities in making this assessment, the IASB is proposing to simplify the requirements in paragraphs 27–29 of IFRS 15 by: (a) specifying that a good or service that an SME regularly sells separately is capable of being distinct (see paragraph 23.21 of the Exposure Draft); (b) expressing the criterion in paragraph 27(b) of IFRS 15 in simpler language and reflecting the objective of the criterion by focusing on whether a good or service is an input used to produce a combined item or items transferred to the customer (see paragraphs 23.20(b) and 23.23 of the Exposure Draft); and (c) including examples that illustrate the factors supporting that criterion (see paragraph 23.23(a)–(c) of the Exposure Draft).	

<table>
<tr><th>Ref</th><th>Question</th><th>Response
(Please give clear reasoning to support your response)</th></tr>
<tr><td>8(ii)</td><td>Do you believe the guidance is appropriate and adequate for entities to make the assessment of whether a good or service is distinct? If not, is there any guidance that could be removed or additional guidance that is needed</td><td>Please see our response to question 8(i). We believe that the principles of IFRS 15 are appropriate as a base for Section 23’s requirements for identifying performance obligations. However, we believe fewer detailed requirements should be included.</td></tr>
<tr><td>9</td><td colspan="2">Question 9–Proposed amendments to Section 28 Employee Benefits
The IASB in its Request for Information asked for views on applying paragraph 28.19 of the Standard, that is the measurement simplifications for defined benefit obligations.
The feedback identified challenges when applying paragraph 28.19, resulting in diversity of application. However, the feedback also provided evidence that only a few entities apply paragraph 28.19. Therefore, the IASB is proposing to delete paragraph 28.19. Paragraphs BC197–BC203 of the Basis for Conclusions on the Exposure Draft explain the IASB’s rationale for this proposal.</td></tr>
<tr><td>9(i)</td><td>Do you agree that only a few entities apply the measurement simplifications for defined benefits? Therefore, do you agree with the IASB’s proposal to delete paragraph 28.19?</td><td></td></tr>
<tr><td></td><td colspan="2">Alternatively, if you do not agree with deleting paragraph 28.19, should the IASB clarify the paragraph by:
(a) stating that an entity may apply any, or all, of the simplifications permitted by paragraph 28.19 when measuring a defined benefit obligation; and
(b) explaining that when an entity applies paragraph 28.19(b), examples of future service of current employees (assumes closure of the plan for existing and any new employees) that can be ignored include:
(i) the probability of employees’ not meeting the vesting conditions when the vesting conditions relate to future service (future turnover rate); and
(ii) the effects of a benefit formula that gives employees greater benefits for later years of service.</td></tr>
<tr><td>9(ii)</td><td>If you disagree with the proposal in 9(i), do you agree that this alternative approach clarifies paragraph 28.19?</td><td></td></tr>
</table>

Ref	Question	Response (*Please give clear reasoning to support your response*)
10	**Question 10—Transition** The IASB, in paragraphs A2–A39 of the Exposure Draft, sets out limited relief from retrospective application for those proposed amendments for which the IASB thought the costs of retrospective application would exceed the benefits.	
	Do you agree with the proposed transition requirements for the amendments to the *IFRS for SMEs* Accounting Standard? Why or why not? If not, please explain what you suggest instead and why.	
11	**Question 11—Other proposed amendments** Table A1, included in the Introduction to the Exposure Draft, summarises the proposals for amending sections of the Standard not included in questions 2–10.	
	Do you have any comments on these other proposed amendments in the Exposure Draft?	

Ref	Question	Response *(Please give clear reasoning to support your response)*
Questions for respondents—Whether further action is required		
12	**Question 12—Section 20 *Leases* and IFRS 16 *Leases*** The IASB in its Request for Information asked for views on aligning Section 20 *Leases* with IFRS 16 *Leases* by simplifying some of the recognition and measurement requirements, the disclosure requirements and the language of IFRS 16. Feedback on the Request for Information was mixed. Stakeholders suggested the IASB assess the costs and benefits of aligning the Standard with IFRS 16, even with the simplifications, and obtain more information about the experience of entities that apply IFRS 16. The IASB decided not to propose amendments to Section 20 at this time and to consider amending the Standard to align it with IFRS 16 during a future review of the Standard. Therefore, the Exposure Draft does not propose amendments to Section 20. In making this decision the IASB placed greater emphasis on cost–benefit considerations and prioritised timing—that is, to obtain more information on entities' experience of applying IFRS 16. The IASB is asking for further information on cost–benefit considerations, particularly on whether: (a) aligning Section 20 with IFRS 16 at this time imposes a workload on SMEs disproportionate to the benefit to users of their financial statements—specifically, considering: (i) the implementation costs that preparers of financial statements could incur; (ii) the costs that users of financial statements could incur when information is unavailable; and (iii) the improvement to financial reporting that would be realised from recognising the lessee's right to use an underlying asset (and the lessee's obligation to make lease payments) in the statement of financial position. (b) introducing possible simplifications—for example, for determining the discount rate and the subsequent measurement of the lease liability (reassessment)—could help to simplify the requirements and reduce the cost of implementing an amended Section 20 (aligned with IFRS 16) without reducing the usefulness of the reported information. Paragraphs BC230–BC246 of the Basis for Conclusions on the Exposure Draft further explain the IASB's rationale for not proposing amendments to Section 20 at this time and instead for considering amending the Standard to align it with IFRS 16 during a future review of the Standard.	

Ref	Question	Response *(Please give clear reasoning to support your response)*
	Do you agree with the IASB's decision to consider amending the Standard to align it with IFRS 16 in a future review of the Standard? In responding to this question, please comment on the cost–benefit considerations in paragraphs (a) and (b) of Question 12.	We believe that on balance sheet accounting should be required for leases where the lessee is a small or medium entity, but we agree with the IASB's decision to defer the introduction of these requirements until the post implementation review (PIR) of IFRS 16 is completed. The PIR will provide the IASB with useful information on the requirements that entities have struggled with in applying IFRS 16, which may be simplified for small and medium entities. IFRS 16 introduced very significant changes in accounting for many entities worldwide. To properly understand the effect of adopting that standard, and to develop appropriate simplifications in IFRS for SMEs, the PIR should be completed prior to standard setting for small and medium entities. In our view, the IASB should consider exploring the following simplifications for small and medium entities: - Discount rates (e.g. use of a risk-free rate) - Remeasurement (e.g. reduced frequency of remeasurements) - Lease term (e.g. consideration of rebuttable presumptions or other mechanisms to simplify the determination of the lease term) The IASB may also consider simplifications already introduced in similar standards (e.g. simplifications available to private entities that apply Topic 842 under US GAAP).

<table>
<tr><th>Ref</th><th>Question</th><th>Response
(Please give clear reasoning to support your response)</th></tr>
<tr><td>13</td><td colspan="2">**Question 13—Recognition and measurement requirements for development costs**
The Standard requires all development costs to be recognised as expenses, whereas IAS 38 *Intangible Assets* requires the recognition of intangible assets arising from development costs that meet specified criteria. This simplification in the Standard was made for cost–benefit reasons. However, feedback on this comprehensive review questioned this cost–benefit decision. Therefore, the IASB is seeking views on whether it should amend the Standard to align it with IAS 38, including views on the costs and benefits of doing so.
Paragraphs BC253–BC257 of the Basis for Conclusions on the Exposure Draft further explain the IASB's rationale.
The entity would be required to demonstrate all of the criteria in paragraphs 57(a)–(f) of IAS 38, that is:
(a) the technical feasibility of completing the intangible asset so that it will be ready for use or sale;
(b) its intention to complete the intangible asset and use or sell it;
(c) its ability to use or sell the intangible asset;
(d) how the intangible asset will generate probable future economic benefits;
(e) the availability of adequate technical, financial and other financial resources to complete the development and to use or sell the intangible asset; and
(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.</td></tr>
<tr><td></td><td>**What are your views on the costs and benefits, and the effects on users, of introducing an accounting policy option that permits an SME to recognise intangible assets arising from development costs that meet the criteria in paragraphs 57(a)–(f) of IAS 38?**</td><td>In our outreach, we also received mixed feedback as to whether development costs should be recognised as an asset if criteria are met or if it is more appropriate for all such costs to be expensed primarily based on a cost vs. benefits analysis.
For many entities, the work effort required to track such costs and analyse them against criteria that are often subjective is not warranted. However, for certain entities in industries where development costs may be significant (e.g. technology), expensing all such costs may not provide useful information to users about the</td></tr>
</table>

Ref	Question	Response *(Please give clear reasoning to support your response)*
		activities of the entity and the extent to which the entity's operations may give rise to assets that generate future economic benefits. On balance, we believe that introducing an accounting policy choice would be appropriate as entities that believe that development cost information is useful will 'self sort' and select an accounting policy choice to capitalise such costs if they are considered to be significant to users. We observe that such accounting policy choices relating to development costs exist in other national GAAPs for private entities (e.g. Canadian accounting standards for private enterprises), where this 'self sorting' of entities based on the needs of users is common and has generally met the information needs of financial statement users while not increasing complexity for all entities.

Ref	Question	Response *(Please give clear reasoning to support your response)*
Questions for respondents—Full IFRS Accounting Standards in the scope of this review for which the IASB is not proposing to align the Standard		
14	**Question 14—Requirement to offset equity instruments** Paragraph 22.7(a) of the Standard states that if equity instruments are issued before an entity receives cash or other resources, the amount receivable is presented as an offset to equity in the statement of financial position, instead of being presented as an asset. Feedback from the first comprehensive review suggested that this requirement may conflict with local legislation. Stakeholders provided similar feedback during this second comprehensive review, suggesting that the IASB	

Ref	Question	Response *(Please give clear reasoning to support your response)*
	remove the requirement in paragraph 22.7(a) because it diverges from full IFRS Accounting Standards, which include no similar requirement for equity instruments.	
	What are your views on removing paragraph 22.7(a)?	In our outreach, we also received feedback that certain jurisdictions have experienced this issue, with some jurisdictions amending their national private GAAPs to take this potential conflict into account (e.g. FRS 102 in the United Kingdom, which is based on IFRS for SMEs has removed the requirement in paragraph 22.7(a)). Given that this requirement does not exist in full IFRS Accounting Standards, we do not believe it is warranted in an accounting framework designed for small and medium entities. Therefore, we agree with the removal of paragraph 22.7(a).

Ref	Question	Response *(Please give clear reasoning to support your response)*
Questions for respondents——Updating the paragraph numbers of the *IFRS for SMEs* Accounting Standard		
15	**Question 15—Updating the paragraph numbers of the *IFRS for SMEs* Accounting Standard** The proposed amendments to the requirements in the *IFRS for SMEs* Accounting Standard include the addition of new paragraphs and the deletion of existing paragraphs. A new paragraph is numbered in continuation from a previous paragraph. A deleted paragraph retains the paragraph number. Sometimes, the addition or deletion of paragraphs within a section may complicate the readability of the Standard (for example, Section 19 *Business Combinations and Goodwill*). As an alternative, a section may be revised, with paragraphs renumbered to show only requirements that would still be applicable, without a placeholder for deleted paragraphs (for example, Section 2 *Concepts and Pervasive Principles*).	

Ref	Question	Response *(Please give clear reasoning to support your response)*
	What are your views on the approach taken to retain or amend paragraph numbers in each section of the Exposure Draft?	