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:	**The South African Institute of Chartered Accountants (SAICA) Accounting Practices Committee (APC)**
Organisation:	**The South African Institute of Chartered Accountants (SAICA)**
Jurisdiction:	**South Africa**
Correspondence and/or email address:	**Prof Ahmed Mohammadali-Haji - Chairperson of the APC** **Bongeka Nodada – SAICA - Executive Corporate Reporting** **Mulala Sadiki – SAICA – Project Director: Financial Reporting**

This response document results from deliberations of SAICA's Accounting Practices Committee (APC), which comprises members from reporting organisations, regulators, auditors, IFRS specialists, investment analysts and academics.

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	

<table>
<tr><th>Ref</th><th>Question</th><th>Response
(Please give clear reasoning to support your response)</th></tr>
<tr><td></td><td colspan="2">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.</td></tr>
<tr><td>1(i)</td><td>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?</td><td rowspan="2">Participants had concerns on the proposed clarification of paragraph 1.3A and how it will be received by SMEs. Many respondents do not support the proposed clarification in its current format.

Some participants noted that they believe that the proposed clarification could be subjective, and that it could be difficult to apply. These participants highlighted the subjectivity around the concept of "outside interest", and questioned how outside interest would be interpreted where, for example, larger SMEs may attract a high</td></tr>
<tr><td>1(ii)</td><td>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.</td></tr>
</table>

Ref	Question	Response (*Please give clear reasoning to support your response*)
		degree of outside interest because of the entity's reputation or actions. Some participants noted that an entity's circumstances could change over time, and that outside interest in a particular entity could increase or decrease from period to period, giving rise to questions about whether the entity's public accountability would likewise evolve over time. Participants also noted the following concerns: • It is also not clear whether the proposed characteristic (a) is connected with characteristic (b), i.e., whether both criteria would be expected to apply or that either criterion could be applicable. • The proposed criteria may be interpreted as an additional form of public accountability, or a de facto third hurdle in assessing whether an entity has public accountability. • Some participants recommended that proposed characteristic 1.3A(b) should be removed as it may have the effect of narrowing the scope of IFRS for SMEs. However, participants were in

Ref	Question	Response (*Please give clear reasoning to support your response*)
		agreement that the amendments would not likely extend the scope. Some of the participants support keeping the definition of public accountability the way it was before and believe that no further clarification is needed. Some participants noted that, if the proposed clarification in paragraph 1.3A is retained, it would be helpful to link it more explicitly to the second criterion of public accountability in paragraph 1.3(b), to explain why the holding of assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses may give rise to public accountability for some entities while not for others, depending on their specific circumstances. Participants noted a specific example that has been debated extensively in the South African context recently, involving attorneys who hold funds in trust for their clients, and whether such activity would give rise to public accountability in the context of paragraph 1.3(b). Some participants noted that the proposed addition of the clarification in paragraph 1.3A would not provide further

Ref	Question	Response (*Please give clear reasoning to support your response*)
		useful clarity in this instance.

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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.**	We are in support of the revisions to Section 2.
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**	We are in support of the proposal to continue using the definition of asset and liability from the previous version of Section 2 in Sections 18 and 21. However, some

Ref	Question	Response (*Please give clear reasoning to support your response*)
	Section 2 (based on the 1989 Framework)?	participants propose that the International Accounting Standards Board (IASB or Board) also considers extending the use of the definitions of an asset and of a liability from the previous version of Section 2, which was based on the 1989 *Framework*, to Section 20 – *Leases* as was done for Section 18 and Section 21. This proposal was suggested as IFRS 16 – *Leases* references to the definition of an asset and a liability as per the *Conceptual Framework for Financial Reporting* issued in 2018 and Section 20 has not yet been aligned to the principles of IFRS 16. Therefore, requiring entities to apply the new definitions of an asset and a liability when considering Section 20 may have unintended consequences.

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.	We support the IASB's proposal to retain the rebuttable presumption as a simplification of the definition of control.

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<table>
<tr><th>Ref</th><th>Question</th><th>Response
(Please give clear reasoning to support your response)</th></tr>
<tr><td>4</td><td colspan="2">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.</td></tr>
<tr><td>4(i)</td><td>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.</td><td>Participants' views were broadly mixed on this matter.

There was unanimous support for limiting expected credit losses (ECLs) under the proposed revised Section</td></tr>
</table>

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Ref	Question	Response *(Please give clear reasoning to support your response)*
		11 to a simplified approach, rather than aligning to the general approach under IFRS 9. However, the majority of our participants do not support the mixed model as it is currently proposed in the ED. The following views were expressed: • Some participants believe that SMEs should be allowed an accounting policy choice on whether to use the ECL model or the incurred loss model. They are also of the view that using a mixed model would bring a lot of additional complications for SMEs, as, for example, related party loans would fall under the ECL approach, yet these are often the more complex receivables to value under an ECL approach (given the nature of the loans), and that these would benefit from remaining under an incurred loss approach. • Some participants observed that companies applying IFRS 9 generally use provision matrices to determine ECLs for trade receivables and contract assets, and that it would not be inherently

Ref	Question	Response *(Please give clear reasoning to support your response)*
		onerous to expect SMEs to assess recoverability on the basis of what the entity expects to collect from its customers based on its past experience and trends, supplemented by forward looking expectations. • A participant suggested that management's "best estimate" could be included as a component of ECL calculations, since most entities generally use this as a means of assessing recoverability of trade receivables even under the incurred loss approach. • Some participants suggested that the Board should extend the simplified approach i.e., the ECL model on all financial assets (including trade receivables), rather than only on some financial assets (e.g., loans receivable). • Some participants observed that the current proposals restrict those SMEs who may believe that ECL information on trade receivables and

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		contract assets would be useful to users of financial statements, from applying ECLs to these balances, and that limiting such balances to an incurred loss approach restricts such companies from anticipating losses that are expected.
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?**	Having regard to the comments noted in the response above, we believe that the proposal potentially complicates the requirements by introducing an unfamiliar mixed approach and focusing heavily on the cost-benefit considerations for very small SMEs while ignoring the cost-benefit perspectives of larger SMEs in relation to ECLs of trade receivables. It may be more appropriate to leave the cost-benefit assessment in the hands of the individual entity, perhaps through an undue cost or effort exemption in this regard.
		<u>Additional commentary on Section 11 proposals</u> While not specifically indicated as questions for comment, participants raised the following comments around the proposed amendments to Section 11: <u>Financial Guarantees</u> Some participants noted that intercompany financial

Ref	Question	Response *(Please give clear reasoning to support your response)*
		guarantees often involve no transaction price or premium, with the result that the initial measurement of such guarantees would be nil, as noted in BC101, while the subsequent measurement of the of the guarantee liability to reflect the ECL allowance would be recorded in profit or loss. It was also noted that, under full IFRS, the initial recording of such items at fair value is often recorded in equity given the intercompany nature of the arrangement, but under the proposal in Section 11, since the adjustment to ECL would arise from subsequent measurement of the liability, it would be inappropriate to record the remeasurement in equity as would have been the case for the initial recognition of the guarantee. Participants noted that this could be an unintended outcome of requiring the initial measurement of the guarantee to transaction price (nil) as opposed to recognising the liability initially at fair value. <u>Classification and Measurement</u> A suggestion was made to add a simplified business model assessment (in the form of a rebuttable presumption) or irrevocable accounting policy designation at initial recognition to allow entities holding financial assets for trading purposes to carry these at fair

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<tr><td></td><td></td><td>value through profit or loss.</td></tr>
<tr><td>5</td><td colspan="2">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.</td></tr>
<tr><td></td><td>Do you have comments or suggestions on the new Section 12? Please explain the reasons for your suggestions.</td><td>We support the IASB's proposal on aligning the Standard with IFRS 13 – Fair Value Measurement and introducing appropriate illustrative examples into the Standard.</td></tr>
</table>

Ref	Question	Response *(Please give clear reasoning to support your response)*
6	**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.	
6(i)	**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.**	We 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.

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Ref	Question	Response *(Please give clear reasoning to support your response)*
	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.	
6(ii)	**Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.**	We agree with the IASB's proposal 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.

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.	

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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 to introduce requirements for the accounting for step acquisitions, and agree with the proposed requirements in the ED.
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 that the IASB's proposals appropriately simplify the measurement of non-controlling interests by excluding the option to measure them at fair value.
7(iii)	**Do you have any further comments or suggestions on the proposed amendments to Section 19? Please explain the reasons for your suggestions.**	Not applicable.

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<tr><th>Ref</th><th>Question</th><th>Response
(Please give clear reasoning to support your response)</th></tr>
<tr><td>8</td><td colspan="2">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.</td></tr>
<tr><td>8(i)</td><td>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?</td><td>The majority of participants support the move towards broad alignment of Section 23 with IFRS 15 and believe that there would be benefits for SMEs arising from the alignment, particularly for SMEs who may have more complex transactions involving multiple components.

Participants noted that the simplifications made to the IFRS 15 requirements for the purposes of the revised Section 23 appear to be sensible.

The participants also suggested that additional implementation guidance and examples should be provided to assist entities with applying the section. These participants observed that in the absence of</td></tr>
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Ref	Question	Response *(Please give clear reasoning to support your response)*
		guidance that is directly aligned to the simplifications of the proposed Section 23, some entities may feel obliged to refer to IFRS 15 by analogy, which may be problematic in areas where IFRS 15 and Section 23 differ as a result of deliberate simplifications that have been introduced into Section 23. As an example, for the principal-agent assessment under IFRS 15.B35, an entity is a principal if it controls the specified good or service before that good or service is transferred to a customer, and paragraph B37 goes on to provide examples of indicators that an entity controls the specified good or service before it is transferred to a customer. However, the proposed paragraph 23.38 lists control of the good or service as one of three indicators, of which, it is implied, that only one of the three indicators is required to reach a conclusion that the entity is a principal. While the IASB's reasoning for the change in paragraph BC 191(g) is noted, participants expressed concern that this could be problematic in instances where the outcome of such an assessment under IFRS 15 and Section 23 yields inconsistent conclusions. However, some of the participants noted the comment in

Ref	Question	Response *(Please give clear reasoning to support your response)*
		BC 186 that many entities will see limited changes in the amount and timing of revenue recognised and feel that section 23 should be kept unchanged with no alignment to IFRS 15.

Ref	Question	Response *(Please give clear reasoning to support your response)*
	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).	
8(ii)	**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**	Participants supported the broad approach followed in simplifying the requirements of paragraphs 27-29 of IFRS 15. However, some of the participants noted that the Board's proposed simplification of the assessment of whether a good or service is distinct would benefit from additional illustrative examples to clarify the paragraph 23.20(b) criterion as explained within paragraph 23.23. In particular, it was noted that proposed paragraph 23.23(c) currently includes no practical example for when an entity would not be able to fulfil its promise by

Ref	Question	Response *(Please give clear reasoning to support your response)*
		transferring each of the goods or services independently. We propose that additional examples should be provided as to how a preparer would apply these requirements in their assessment,
9	**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.	
9(i)	**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?**	Participants observed that of the few SMEs who may have defined benefit plans, most probably utilise the services of external actuaries to value their defined benefit plans. We agree that only a few entities probably apply the measurement simplifications for defined benefits and therefore we support the IASB's proposal to delete paragraph 28.19.

Ref	Question	Response *(Please give clear reasoning to support your response)*
	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.	
9(ii)	**If you disagree with the proposal in 9(i), do you agree that this alternative approach clarifies paragraph 28.19?**	Not applicable.

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.	We support the proposed transition requirements for the amendments to the *IFRS for SMEs* Accounting Standard.
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?	Participants had no specific comments on the other proposed amendments in the ED.

<table>
<tr><th>Ref</th><th>Question</th><th>Response
(Please give clear reasoning to support your response)</th></tr>
<tr><td colspan="3">Questions for respondents—Whether further action is required</td></tr>
<tr><td>12</td><td colspan="2">**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;</td></tr>
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Ref	Question	Response *(Please give clear reasoning to support your response)*
	(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.	
	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 agree with the IASB's decision to consider amending the Standard to align it with IFRS 16 in a future review of the Standard. However, we suggest that the IASB should align IFRS 16 with the *IFRS for SMEs* standard as a stand-alone project, rather than waiting for the next comprehensive review cycle of this Standard.. Participants recommended that the IASB undertake a stand-alone project to consider alignment to IFRS 16 with appropriate simplifications once the post-implementation review of IFRS 16 has been concluded.

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<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**</td><td>Participants noted that, conceptually, it would be more appropriate to require entities to recognise intangible assets for all development costs that meet the criteria of</td></tr>
</table>

Ref	Question	Response *(Please give clear reasoning to support your response)*
	SME to recognise intangible assets arising from development costs that meet the criteria in paragraphs 57(a)–(f) of IAS 38?	paragraphs 57(a)-(f). However, an entity's inability to "prove" certain criteria would disqualify capitalisation and require expensing of these costs. Companies who have no wish to pursue capitalisation need only to fail to prove one of the six criteria to result in expensing these costs, and this would likely arise out of a cost-benefit analysis of the entity. Therefore, from a practicality perspective, we support the Board's proposal 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.

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	

Ref	Question	Response *(Please give clear reasoning to support your response)*
	provided similar feedback during this second comprehensive review, suggesting that the IASB 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 the South African context, our Companies Act does not consider a share to have been issued until it has been fully paid up. Therefore, in our jurisdiction, the legal position aligns to the existing *IFRS for SMEs* outcome in that such shares would not be reflected as issued share capital to the extent that the receivable offsets the equity. However, if the paragraph is removed, and the entity has a right to payment for an invoice or other contractual receivable prior to the shares being issued, it remains unclear how such a transaction would be recorded in terms of the corresponding credit to the receivable debit. Logic suggests that the only place for the credit would be some other component of equity until the shares are actually legally issued. Under such circumstances, the offset of the receivable to equity seems to be appropriate, without necessarily conflicting with regulatory concerns around whether the share capital is legally issued. We are of the view that paragraph 22.7(a) should not be removed.

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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*).	
	What are your views on the approach taken to retain or amend paragraph numbers in each section of the Exposure Draft?	We support the Board's approach taken on updating the paragraph numbers of the *IFRS for SMEs* Standard.