

March 3, 2014

**International Accounting Standards Board**

30 Cannon Street  
London EC4M 6XH  
United Kingdom

**RE: Exposure Draft ED/2013/9 on *Proposed amendments to the International Financial Reporting Standard for Small and Medium-sized Entities***

Dear Board Members,

The “Group of Latin American Accounting Standard Setters” – GLASS<sup>1</sup> welcomes the opportunity to comment on the Exposure Draft on *Proposed amendments to the International Financial Reporting Standard for Small and Medium-sized Entities* (the “ED”), published in October 2013.

This response summarizes the primary views of our country-members, in accordance with the following due process.

**Due-process**

The discussions in regard to the ED were held within a specified Technical Working Group (TWG) created in October 2013. All country-members had the opportunity to designate at least one member to participate in this TWG. The following countries participated in the TWG: Argentina (coordinator of this TWG), Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Panama, Uruguay and Venezuela.

Additionally, through a query installed on a website, the opinion of stakeholders from Spain, Guatemala, Puerto Rico and the Dominican Republic were obtained.

The working steps in developing the present response were as follows:

1. **Conformation of the TWG.**
2. **Agreement of all TWG members in advance for requesting information in their own jurisdictions:** each standard-setting body represented in the TWG carried out different processes in their respective countries (e.g. discussion forums, surveys, internal working groups, etc.).
3. **Inviting different stakeholders to contribute to the TWG:** we received individual responses from all country-members that participated in this TWG.
4. **Summarization of all points of view collected:** all results from the processes described in steps 2 and 3 above were summarized, and this summary was the platform for the TWG discussion process.

The TWG discussed in several virtual meetings the different points of view included in the summary. Apart from those meetings, the TWG drafted final documents on the basis of the consensus responses and the technical points of view of its members. Finally, the TWG document was presented to the GLASS Board.

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<sup>1</sup> The general objective of the Group of Latin American Accounting Standard Setters (GLASS) is to present technical contributions in respect to all documents issued by the IASB. Therefore, GLASS aims to have a single regional voice before the IASB. GLASS is constituted by: Argentina (Chairman), Bolivia, Brazil (Board), Chile, Colombia (Board), Dominican Republic, Ecuador, El Salvador, Guatemala (Board), Mexico (Vice Chairman), Panama, Paraguay, Peru, Uruguay (Board), Venezuela (Board), Costa Rica (Observer) and Honduras (Observer).

## Overall comments

The *IFRS for SMEs* is a very important accounting issue for Latin American countries. As you well know, the majority of our countries has adopted – or is in the process of adopting – the *IFRS for SMEs*, that involves millions of entities in this part of the globe.

While the application of the *IFRS for SMEs* has not experienced the same progress in all countries of our region, all Latin American accounting standard setters have nevertheless followed this process in a cooperative work since the *IFRS for SMEs* was published in July 2009. That is why we hope our experience will become an important input for the IASB project on this matter.

## ED comments

Our region by and large supports the proposed amendments to the *IFRS for SMEs*.

However, there are certain aspects we would like to highlight:

### a. Views on specific questions

In each response we have highlighted those aspects that we consider may need a different approach to that in the ED.

### b. Issues not included by the IASB in the ED, despite having been consulted in the previous Request for Information (RfI)

There are some issues that the IASB has not included as potential changes and its rationale is explained in the relevant section of the ED.

However, GLASS members consider it necessary to insist on the consideration of those issues specifically noted in the responses.

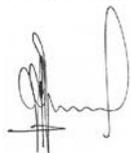
The additional issues on which we insist are:

- a. Allowing the option to use the revaluation model for property, plant and equipment (Section 17 *Property, Plant and Equipment*). Although this view is not unanimous among GLENIF members, it is the majority position.
- b. Allowing a treatment for costs of research and development in a manner similar to IAS 38 *Intangible Assets*.
- c. Allowing a treatment of borrowing costs similar to IAS 23 *Borrowing Costs*.

The reasons for this request for inclusion are detailed in each specific response of the Attachment to this letter.

If you have any questions about our comments, please contact [glenif@glenif.org](mailto:glenif@glenif.org).

Yours sincerely,



**Jorge José Gil**

Chairman

Group of Latin American Accounting Standard Setters (GLASS)



## GLASS' Comment Letter on Proposed amendments to the International Financial Reporting Standard for Small and Medium-sized Entities

### Question 1—Definition of 'fiduciary capacity'

The IASB has received feedback that the meaning of 'fiduciary capacity' in the definition of 'public accountability' (see paragraph 1.3(b) of the *IFRS for SMEs*) is unclear as it is a term with different implications across jurisdictions. However, respondents generally did not suggest alternative ways of describing public accountability or indicate what guidance would help to clarify the meaning of 'fiduciary capacity'. Based on the outreach activities to date, the IASB has determined that the use of this term does not appear to create significant uncertainty or diversity in practice.

- (a) Are you aware of circumstances where the use of the term 'fiduciary capacity' has created uncertainty or diversity in practice? If so, please provide details.
- (b) Does the term 'fiduciary capacity' need to be clarified or replaced? Why or why not? If you think it needs to be clarified or replaced, what changes do you propose and why?

### Answer to question 1:

- a) We are not aware of cases in which the term has created uncertainty or diversity in practice.
- b) We consider it appropriate to clarify the term "fiduciary capacity" by including it in the Glossary. Also, translators and review committees should verify whether the expression used in their respective languages fits within the glossary definition.

### Question 2—Accounting for income tax

The proposal to align the main principles of Section 29 *Income Tax* with IAS 12 *Income Taxes* for the recognition and measurement of deferred tax (see amendment number 44 in the list of proposed amendments at the beginning of this Exposure Draft) is the most significant change being proposed to the *IFRS for SMEs*.

When the *IFRS for SMEs* was issued in 2009, Section 29 was based on the IASB's Exposure Draft *Income Tax* (the '2009 ED'), which was issued in March 2009. However, the 2009 ED was never finalised by the IASB. Consequently, the IASB has concluded that it is better to base Section 29 on IAS 12. The IASB proposes to align the recognition and measurement principles in Section 29 with IAS 12 (see paragraphs BC55–BC60) whilst retaining some of the presentation and disclosure simplifications from the original version of Section 29.

The IASB continues to support its reasoning for not permitting the ‘taxes payable’ approach as set out in paragraph BC145 of the *IFRS for SMEs* that was issued in 2009. However, while the IASB believes that the principle of recognising deferred tax assets and liabilities is appropriate for SMEs, it would like feedback on whether Section 29 (revised) can currently be applied (operationalised) by SMEs, or whether further simplifications or guidance should be considered.

A ‘clean’ version of Section 29 (revised) with the proposed changes to Section 29 already incorporated is set out in the appendix at the end of this Exposure Draft.

Are the proposed changes to Section 29 appropriate for SMEs and users of their financial statements? If not, what modifications, for example further simplifications or additional guidance, do you propose and why?

### **Answer to question 2:**

Yes, we agree with the proposal. We consider suitable the IASB approach on amending Section 29 to be consistent with the IAS 12 approach (modified to suit other differences arising from other sections of the *IFRS for SMEs*) and not the focus of the 2009 ED that has not been approved. These changes are appropriate for SMEs and the users of their financial statements.

While we found general support for the proposal, in the study by GLASS two suggestions arise:

#### 1. Recognition of certain deferred tax liabilities.

In some countries of the region it has been verified that there is debate as to whether to recognize deferred tax liabilities related to investment property that is not held for sale. Instead of including the presumption that an entity must determine the tax basis of the asset as if it were classified as held for sale, we suggest that when there are two possible classifications – held for sale or held for use – the following rule be applied:

- a) Determine the tax basis according to the most likely classification;
- b) Disclose the management decision and the reasons for its decision, as well as the amount of the deferred tax liability that would have been recognized by the entity if the other classification had been considered.

### **Example:**

- 01.01.20X1, an entity owned investment property (land) with a carrying amount of CU100, whose fair value can be measured reliably without undue cost or effort, in accordance with Section 16 *Investment Property*. The carrying amount at that date is the same that the tax basis of the asset.

- 31.12.20X1, the fair value of this investment property is CU150 and the applicable tax rate is 30%.

According to the proposal for Section 29, the entity should recognize a liability of CU15 (CU150 - CU100 = CU50 x 30 % = CU15). However, if the entity does not intend to sell the investment property in the short or medium term, users of this SME's financial statements would consider an effect on the short and medium-term future cash flows of the entity of CU15, associated with the payment of income tax, when in fact it would not faithfully represent the economic reality (these CU15 will not have an effect on the target horizon of analysis raised by the *IFRS for SMEs*, and therefore it could create user confusion).

According to our proposal, as the most likely classification of the asset is not to be sold in the short to medium term:

- a) The tax basis of the asset would equal its accounting basis (this is an asset that has no effect on taxable income);
- b) The temporary difference would be CU0;
- c) It should be disclosed that a temporary difference was not determined and therefore, "the deferred tax liability is not recognized because ( ...)", and if the entity had intended to sell the investment property a deferred tax liability of CU15 would have been recognized.

We also believe that it would be helpful for the SMEIG to develop an Application Guide in which specific examples are included to standardize the proposed treatment.

2. In some jurisdictions in the region, the government promotes a simplified method to determine the income tax regime for SMEs. Instead of calculating the tax based on a tax result, an estimate is made based on the income of the entity. Therefore, we suggest that the IASB generate guidance for cases where the income tax is not based on the tax result. One possibility is to make a clarification in Section 29 to the effect that such cases should be accounted as an income tax.

### Question 3—Other proposed amendments to the *IFRS for SMEs*

The IASB proposes to make a number of other amendments to the *IFRS for SMEs*. The proposed amendments are listed and numbered 1–43 and 45–57 in the list of proposed amendments. Most of those amendments are minor and/or clarify existing requirements.

- (a) Are there any amendments that you do not agree with or have comments on?
- (b) Do any of the amendments require additional guidance or disclosure requirements to be added to the *IFRS for SMEs*? If so, which ones and what are your suggestions?

If you disagree with an amendment please state any alternatives you propose and give

your reasoning.

**Answer to question 3:**

- a) The country members of the TWG in general have expressed their agreement with the amendments proposed by the IASB. However, we would like to make some suggestions for amendments and comments on the ED as listed below:

**1. Paragraph 11.9 (a) and (c)**

The wording of this paragraph is difficult to understand. We believe that the wording should be simplified by the Staff.

The *IFRS for SMEs* should be easy to understand and apply by SMEs.

In particular, we believe that following Section 11 *Basic Financial Instruments* a guide should be included with examples based on paragraph 11.9 (similar to Sections 21 *Provisions and Contingencies*, 22 *Liabilities and Equity* and 23 *Revenue*).

**2. Paragraph 28.43**

We believe that the requirement to disclose the accounting policy of termination benefits should not be deleted.

3. Some minority positions expressed the following points to be considered:

**(i) Paragraph 9.18.**

The view is that once the subsidiary has been disposed of, maintaining a balance in cumulative other comprehensive income in equity is unnecessary. Therefore, an option to transfer the balance to retained earnings should be proposed.

**(ii) Paragraphs 18.20 and 19.23 (a)**

The minority position disagrees with the amendment related to the deadline to estimate of the useful life of certain intangible assets, since it could result in the following scenarios:

- Two entities with similar assets could take different positions, such as one entity recording 100% of the profit or loss in the first year, and the other entity recognizing the profit or loss over a period of 10 years;
- By not clarifying if the accounting choice should be made on a 'case by case' basis or as an overall accounting policy, different practices even within the same entity could result.
- If an entity can reliably estimate the useful life of an asset, with the current version is not required to use the term of 10 years.

The minority position prefers that the current version not be changed, but recommends that it establish that the "10-year default period" (single period) only be used if a reliable estimation by the entity requires undue cost or effort.

### **(iii) Paragraph 19.14**

Some believe that paragraph 19.14 should simplify the distribution of the cost of a business combination through the non-recognition of assets and liabilities arising from the application of the deferred tax method.

### **(iv) Paragraph 22.3A**

Local regulations of various jurisdictions require recognition of preferred shares as equity, and many SMEs are family businesses that implicitly include these instruments as part of their equity. In these cases, some believe it would be appropriate to recognize these preferred shares as equity if they are issued to current owners. Through proper disclosure the conditions of these preferred shares and their effect on equity could be reported.

b) Yes. We believe the following additional guidance or disclosure requirements are required:

#### **1. Section 2.14**

We believe this section should specifically include any modification or additional guidance on the inclusion of the 'undue cost or effort' exemptions (Section 2). If an entity applies the aforementioned exemption, it should disclose that fact and the reasons that led to the conclusion that the compliance with accounting policies and disclosure requirements set out in other sections of the *IFRS for SMEs* represents an undue cost or effort.

#### **2. Section 5.5 (g)**

In relation to 'other comprehensive income', we suggest that a better understanding of the concept and its treatment should be expanded through illustrative examples.

#### **3. Section 10**

We believe that explanation of the concept of undue cost or effort in Section 10 (which is included in Section 2 of the ED) should be strengthened, so that the *IFRS for SMEs* can be applied to link accounting policy selections and to clarify that it is not a free accounting policy choice.

### **Question 4—Additional issues**

In June 2012 the IASB issued a Request for Information (RfI) seeking public comment

on whether there is a need to make any amendments to the *IFRS for SMEs* (see paragraphs BC2–BC15). The RfI noted a number of specific issues that had been previously identified and asked respondents whether the issues warranted changes to the *IFRS for SMEs*. Additionally, the RfI asked respondents to identify any additional issues that needed to be addressed during the review process. Any issues so identified were discussed by the IASB during its deliberations.

Do respondents have any further issues that are not addressed by the 57 amendments in the list of proposed amendments that they think the IASB should consider during this comprehensive review of the *IFRS for SMEs*? Please state these issues, if any, and give your reasoning.

#### **Answer to question 4**

We have identified the following additional issues that have not been addressed by the changes proposed in the ED and that we once again (in some cases) believe the IASB should consider for this comprehensive review of the *IFRS for SMEs*:

- 1. Aligning the objective of general purpose financial statements of SMEs (Section 2) with paragraph OB2 and following of the *Conceptual Framework for Financial Reporting* of full IFRS (revised in 2010).**
- 2. Qualitative characteristics of information (section 2).**

We suggest matching the qualitative characteristics of the information contained in Section 2 with the *Conceptual Framework for Financial Reporting* of full IFRS (revised in 2010).

- 3. Rate used in the calculation of amortized cost.**

We suggest reviewing the requirements for the measurement of financial instruments at amortized cost to clarify that the rate to be used is determined upon initial recognition of the financial instrument and not the rate current at the date of measurement.

- 4. Contributions by members of cooperatives and similar entities (paragraph 22.6).**

We suggest amending paragraph 22.6 in relation to members' shares of cooperative entities and similar instruments, because the conditions in paragraphs (a) and (b) of the paragraph contain the same guidelines as IAS 32 for the treatment of this type of instrument.

Therefore, it is necessary to add text identical to paragraphs 5-11 of IFRIC 2 *Members' Shares in Cooperative Entities and Similar Instruments*. This would require introducing new paragraphs (c), (d), (e), (f), (g), (h), (i), or to implement a similar mechanism of alternative treatment for the effects when for the recognition and measurement of

financial instruments either Sections 11 and 12 of the *IFRS for SMEs* or IAS 39 *Financial Instruments: Recognition and Measurement* of full IFRS may be applied.

## 5. Biological assets.

Considering the approach included in paragraph BC29 that the main purpose for developing the *IFRS for SMEs* was to provide a simplified and independent set of accounting standards for entities that do not have public accountability and usually engage in less complex transactions, we believe the accounting for biological assets should be reviewed.

Along this line, and considering the proposed amendments to IAS 41, we recommend the alternative of allowing the accounting for certain biological assets at their cost.

Not allowing the accounting for biological assets under the cost model does not support the simplification process intended by the *IFRS for SMEs*.

## 6. Capitalization of borrowing costs.

We suggest incorporating the capitalization of borrowing costs in the *IFRS for SMEs* with an amendment of Section 25 *Borrowing Costs*, for assets that meet conditions similar to those set out in IAS 23 *Borrowing Costs*.

This would allow better alignment with economic reality (by considering borrowing costs as a component of the cost of construction or production) and improve comparability with companies that apply full IFRS.

For example:

- In the case of the construction industry, where it is very common for companies to incur significant funding for the development of real estate projects and/or other significant projects that can be important for either own use or for future sale, financial analysis would be impacted, taking into account that from the point of view of the management of the companies, in order to determine the selling prices of these assets in the future, borrowing costs that have been incurred during the construction period are equally considered. However, under the existing *IFRS for SMEs*, these companies are required to immediately expense the cost of financing incurred instead of capitalizing it as part of the cost of the asset and recognizing it as expense when the sale of the property is made. In summary, in this scenario the *IFRS for SMEs* does not appropriately reflect the economic performance of these businesses.
- A second scenario arises for companies that finance all or a major part of their office or production plant expansion projects through the use of funding, and where financing costs are an important component of the total value of constructed assets.

If borrowing costs are directly attributable to the construction of the asset, the criteria for capitalization of borrowing costs should be similar to those set out in IAS 23. If the

IASB decides not to accept this overall recommendation, it might consider creating exceptions for specific industries such as the construction industry.

## **7. Development costs.**

The treatment of development costs in the *IFRS for SMEs* differs from treatment in IAS 38 *Intangible Assets*.

The *IFRS for SMEs* requires the immediate expensing of all such costs, even though the entity may meet the IAS 38 criteria for recognition as assets.

This separates the accounting treatment from economic reality (in this case development costs have a direct relationship with the future inflow of funds) and also harms the SME if its financial statements are compared to a company that applies full IFRS (the latter records developments costs as an asset and the SME as an expense).

The recognition of development expenses directly in the income statement adversely affects the evaluation of financial position and results of operations. This is especially detrimental to certain sectors such as pharmaceuticals, software development, and mining, among others.

Consequently, we recommend that criteria similar to IAS 38 be established in the *IFRS for SMEs* (with possible simplifications in the methodology).

Additionally, the undue cost or effort exception could be introduced with the suggested modification.

## **8. Not-for-profit organizations.**

The *IFRS for SMEs* is silent about whether not-for-profit organizations are eligible to use the standard. Some interested parties have questioned whether soliciting and accepting contributions automatically converts a not-for-profit organization into an entity with public accountability.

The *IFRS for SMEs* specifically identifies only two ways in which entities come to have public accountability and, therefore, are not eligible to use the standard.

We suggest clarifying in the *IFRS for SMEs* that a not-for-profit organization that receives from third parties contributions that represent its main source of funds is not automatically an entity with public accountability.

We also suggest initiating a process to expand the scope of the *IFRS for SMEs* to allow some adaptation of its guidance or sections for application in such organizations, as well as to incorporate specific minimum disclosure requirements in the notes to the financial statements.

## **9. Revaluation model for property, plant and equipment.**



Section 17 *Property, Plant and Equipment* of the *IFRS for SMEs* currently does not allow the revaluation of property, plant and equipment (PP&E).

Most of the member countries of GLASS insisted that we include in our response to the RfI, and once again suggest including in our response to the ED, an option to allow the revaluation model for PP&E.

We would accept the possibility of relaxing some aspects of the revaluation model, such as the frequency of revaluations, the requirements for measurement and other minor items.

This option would allow more closely aligning with economic reality, particularly in economic environments with low but persistent changes in the price levels of a country, thereby enhancing comparability with the financial statements of entities applying full IFRS.

A minority position considers the revaluation model to be a complex issue and therefore does not support its inclusion as an option in the *IFRS for SMEs*, which aims to simplify the requirements of full IFRS.

#### **10. Treatment of remeasurements of liabilities for defined benefit plans.**

We suggest deleting the option to recognize actuarial gains and losses in profit or loss from paragraph 28.24.

We understand that the most representative treatment of economic reality is to recognize the remeasurements components in other comprehensive income.

#### **11. Fair value.**

We recommend incorporating the definition, method of calculation and disclosure of fair value in accordance with the improvements introduced by IFRS 13 *Fair Value Measurement*.

We also believe that the guidance for fair value measurement should be moved to a separate section to comprehensively consolidate all applicable references to “fair value” in the *IFRS for SMEs*. In the future the use of a single section would, among other things, simplify the updating (or improvement) of any aspect of fair value, without affecting several sections or references between them.

#### **12. Option of using the equity method to measure investments in associates, joint ventures and subsidiaries in the separate financial statements of the investor.**

The IASB's proposed changes to IAS 27 *Separate Financial Statements* will solve the impediment that exists in many countries in the region to use full IFRS in separate financial statements.

This same obstacle exists for the application of the *IFRS for SMEs*.

We recommend the inclusion of this option in paragraph 9.26 of the *IFRS for SMEs*.

### 13 . Nonhyperinflationary economies.

In a context of inflation (not hyperinflation), the financial information of entities that does not recognize the effects of the loss of purchasing power of the currency moves away from economic reality.

The application of Section 31 of the *IFRS for SMEs* occurs only in a context of hyperinflation.

As already raised in our letter on the IASB 's Agenda, we suggest the initiation of an investigation into the effects of inflation on the financial statements and the requirements of users of the financial information of SMEs in this area.

#### Question 5—Transition provisions

The IASB does not expect retrospective application of any of the proposed amendments to be significantly burdensome for SMEs and has therefore proposed that the amendments to the *IFRS for SMEs* in Sections 2–34 are applied retrospectively.

Do you agree with the proposed transition provisions for the amendments to the *IFRS for SMEs*? Why or why not? If not, what alternative do you propose?

#### Answer to question 5.

We agree in general with the proposed transitional provisions of the amendments to the *IFRS for SMEs*. One country differs from the majority opinion and believes the transitional provisions should be prospective and not retroactive.

We consider it important to make the following clarifications:

**1. We do not agree that the proposed changes to Section 29 *Income Tax* are simple.** Therefore, we suggest investigating need to establish some transition rules for the effects that changes in this section may cause in the financial statements of SMEs.

#### **2. Exception to applying fair value.**

There are numerous sections that have the "undue cost or effort" exception to the application of fair value. In this case undue cost is applied.

For example, paragraph 2.47 of Section 2 *Concepts and Pervasive Principles* of the *IFRS for SMEs* includes an exception when measuring financial assets (preferred and common shares) that allows measuring such assets at cost if the cost or effort to determine their fair value is excessive. However, we see no need to recognize this



effect retroactively, since if in prior or comparative periods fair values were determined for measuring such assets, we believe that its application should be prospective.

Alternatively one might consider the value determined in prior periods as a reference value.

#### Question 6—Effective date

The IASB does not think that any of the proposed amendments to the *IFRS for SMEs* will result in significant changes in practice for SMEs or have a significant impact on their financial statements. It has therefore proposed that the effective date of the amendments to the *IFRS for SMEs* should be one year after the final amendments are issued. The IASB also proposes that early adoption of the amendments should be permitted.

Do you agree with the proposed effective date and the proposal to permit early adoption? Why or why not? If not, what alternative do you propose?

#### Answer to question 6:

**The majority opinion of the group** agrees with the proposed effective date and the proposal to allow early application, but we suggest clarifying that mandatory application starts with the financial year commencing on or after the period of one year from the issuance of the new IFRS by the IASB.

**One country** believes that a maximum earliest application date should be established.

**Another country** believes that since in some jurisdictions this standard is adopted by the local legislative body, a period of one year to implement the changes represents a potential challenge and recommends taking into consideration the additional time required for issuers of national standards to carry out local public consultations, receive comments and approve the new version of the Standard. This country believes that a longer period (two years) would be desirable.

**Another country** does not agree with the proposal to allow early application, as certain aspects could have an impact on the comparability of the financial statements. In order to observe the uniformity, this country believes that implementation should be applied uniformly a year after issuance of the final modifications.

#### Question 7—Future reviews of the *IFRS for SMEs*

When the *IFRS for SMEs* was issued in 2009 the IASB stated that after the initial comprehensive review, the IASB expects to propose amendments to the *IFRS for SMEs* by publishing an omnibus Exposure Draft approximately once every three years. The IASB further stated that it intended this three-year cycle to be a tentative plan, not a firm commitment. It also noted that, on occasion, it may identify a matter for which an amendment to the *IFRS for SMEs* may need to be considered earlier than in the normal three-year cycle; for example to address an urgent issue.

During the comprehensive review, the IASB has received feedback that amendments to the *IFRS for SMEs* once every three years (three-year cycle) may be too frequent and that a five-year cycle, with the ability for an urgent issue to be addressed earlier, may be more appropriate.

Do you agree with the current tentative three-year cycle for maintaining the *IFRS for SMEs*, with the possibility for urgent issues to be addressed more frequently? Why or why not? If not, how should this process be modified?

### Answer to question 7

**The majority opinion of the group** agrees with the cycle of three years for the current interim maintenance of the *IFRS for SMEs*, with the ability to address urgent issues more often.

The minority position, however, in relation to urgent matters, has some suggestions:

**1. One country** believes amendments should be included immediately as identified, provided that they can have a significant effect on financial information, and in the future when the Standard has stabilized and is applied consistently, the review cycle can move to 3 to 5 years. It also suggests the possibility of introducing annual improvements to the *IFRS for SMEs*, which would include explanatory paragraphs, pinning down definitions or modifications to the guidelines, among others, in order to facilitate proper implementation by entities and keep the standard up to date.

**2. Another country** believes that dealing with "urgent issues" is a concern because this *IFRS* is designed for entities that do not necessarily have the resources to evaluate frequent proposed changes. Nevertheless, the country recognizes that some urgent issues can become extremely relevant to address before the end of the 3-year cycle, and in such cases the IASB should establish that this would be done only in exceptional circumstances.

**3. Another country** does not agree with maintaining a provisional three-year cycle and believes that SMEs have fewer resources than companies that apply full *IFRS* to include new rules or changes to their systems and policies. A stable basis of accounting is important for SMEs to establish their implementation process and go through a process of application maturity. High frequency changes tend to destabilize this process. Accordingly, the country recommends a longer period (e.g. five years).

### Question 8—Any other comments

Do you have any other comments on the proposals?

#### Answer to question 8

1. We consider it necessary that when the IASB publishes the new text of the *IFRS for SMEs*, it do so together with:
  - a) Updated Illustrative Financial Statements and an updated Presentation and Disclosure Checklist;
  - b) An updated guide for micro-entities that apply the *IFRS for SMEs*.
2. We suggest that once the new *IFRS for SMEs* is approved, training materials should be updated for financial information preparers to have an authoritative source of training for SMEs.
3. One country believes that the distinction between entities that have public accountability and entities that do not should be a recommendation for purposes of the mandatory application of the *IFRS for SMEs*. The decision as to which entities should apply the *IFRS for SMEs* should be made by each jurisdiction. For example, there may be entities with public accountability that are very small and do not engage in complex transactions and may be candidates to apply the *IFRS for SMEs*.
4. Another country would like to point out that it does not agree with amending the *IFRS for SMEs* as a result of changes that occur in full IFRS. Therefore, it believes it is important to follow the following process:
  - a) To analyze changes in concepts that could occur if the *Conceptual Framework for Financial Reporting* of full IFRS project is completed before the next amendment to the *IFRS for SMEs* and align the concepts of Section 2 *Concepts and Pervasive Principles* with those of full IFRS.
  - b) If at the level of full IFRS changes in individual requirements are required by its new *Conceptual Framework for Financial Reporting*, it would be advisable to reconsider the analogous requirements in the *IFRS for SMEs* and to submit for consideration the need to change.