



March 7, 2023

IFRS Foundation  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London

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

Dear Board Members:

The “Group of Latin American Accounting Standard Setters”<sup>1</sup> – GLASS welcomes the opportunity to comment on Exposure Draft IASB/ED/2022/1 – Third edition of the IFRS for SMEs Accounting Standard (the “ED”).

**Due process**

The discussions regarding the ED were held within a specified Technical Working Group (TWG) created in October 2022. All country-members had the opportunity to designate at least one member to participate in this TWG. Each standard setter represented in the TWG has undertaken different tasks in their respective countries (e.g., surveys, internal working groups). All results were summarized and this summary was the platform for the TWG discussion process.

The TWG discussed the different points of view included in the summary during several conference calls. In those calls, the TWG developed a final document based on the agreed-upon responses and the technical points of view of its members. Finally, the TWG document was submitted to and approved by the GLASS Board.

**Overall Comments**

GLASS agrees with the proposals for alignment and transition of the Sections referred to in questions 1 to 10 of the ED; however, in the following Sections we did not reach agreement with respect the following issues:

- **Question 4** Proposal to modify to guidance for the impairment of financial assets in Section 11 *Financial Instruments*: GLASS disagrees with the proposal of the IASB to include the incurred loss model for certain financial assets; and

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



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- **Question 9** Proposal to modify Section 28 *Employee Benefits*: GLASS does not agree with the proposal to eliminate paragraph 28.19 that deals with simplifications for the measurement of defined benefit obligations.

For all other modified sections and transition proposals our comments are included in the attachment to this comment letter.

Additionally, GLASS supports the proposals included in questions 12 to 15, with the exception that we disagree with the proposal in **Question 14** *Requirement to offset equity instruments*, which proposes eliminating paragraph 22.7(a).

Finally, we request that the appendices to Sections 2, 12, 19 and 23 be expanded to include application guidance with examples adapted for SMEs, to more effectively guide the application of the requirements to be contained in the Third edition of the IFRS for SMEs Accounting Standard.

#### **Specific Comments**

Attached, please find our specific responses to the questions presented in the ED.

#### **Contact**

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

Sincerely,

A handwritten signature in black ink, appearing to read 'José Luiz Ribeiro de Carvalho'.

José Luiz Ribeiro de Carvalho  
President of the Group of Latin American Accounting Standard Setters (GLASS)

## GLASS Comment letter on ED IASB/PN/2022/1 Third edition of the IFRS for SMEs Accounting Standard

### 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 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 FC11–FC19 of the Basis for Conclusions on this 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.

**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?**

#### GLASS RESPONSE

*We agree that the proposed modifications will add clarity to the IFRS Accounting Standard for SMEs while maintaining its scope of application, which would provide more elements to the national regulatory authorities and standard-setting bodies, to define the types of entities of their respective jurisdictions that would apply this standard; notwithstanding, we received a proposal to review the applicability of this standard with respect to entities that maintain assets in a trust capacity for reasons secondary to their main business.*

**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.**

#### GLASS RESPONSE

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*We agree that paragraph 1.3.A provides additional elements that guide the definition of the entities that should be excluded from the scope of application of the IFRS for SMEs Standard; however, to avoid subjective application we recommend clearer guidance for the correct interpretation of the expressions "high degree of interest" and/or "wide group of users", contained in the paragraph in reference.*

### 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 this 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.**

### GLASS RESPONSE

*GLASS considers the proposed wording for Section 2 appropriate on its alignment with the 2018 Conceptual Framework; however, it recommends to the IASB the following:*

- In paragraph 2.14 it is recommended to contextualize the scope of the expression of "economic phenomena" for the purposes of preparing financial statements, such that the generic expression could make one think that other phenomena without direct impact on the financial information of an entity or that cannot be accurately measured, such as closure of companies, dismissal of workers, reduction of consumption, among others, should be considered.*
- Emphasize the primacy of compliance with the fundamental qualitative characteristics over the use of Disproportionate Cost or Effort, when an entity defines its own accounting policies, by including this in a separate paragraph.*
- For a better application of the provisions of paragraph 2.66, evaluate the inclusion of the provisions of paragraphs 7.14 to 7.19 of the Conceptual Framework for Financial Information (2018).*

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- *Modify the heading of paragraphs 2.3 to 2.7 that indicate “The objective of financial statements of small and medium-sized entities”, to say “The objective of financial information of small and medium-sized entities” and in paragraph 2.3 the expression “general purpose financial statements” should say “general purpose financial information”.*
- *Modify the heading of paragraph 2.8 that indicates “Qualitative characteristics of information in financial statements”, to say “Qualitative characteristics of useful financial information”.*

**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)?**

### GLASS RESPONSE

*GLASS agrees that Sections 18 and 21 continue using the definition of an asset and of a liability from the previous version of Section 2, since we have no evidence of any negative impact from maintaining both definitions in the IFRS for SMEs.*

*Nevertheless, we received comments expressing concern about leaving both definitions in the IFRS for SMEs standard, particularly due to the time such inconsistency will continue in the standard.*

### 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 this 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.

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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.

### GLASS RESPONSE

GLASS agrees with maintaining the rebuttable presumption as a simplification of the definition of control, since it facilitates its application by SMEs and does not affect alignment with IFRS 10.

### 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 this 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.**

### GLASS RESPONSE

GLASS does not agree with the proposal to introduce an expected credit loss model for only some financial assets. However, some board members supports the proposal of the IASB to retain the incurred loss model for trade receivables and contract assets in the scope of the revised Section 23 *Revenue from Contracts with Customers*.

As additional contributions regarding what is stated in this Section, we recommend:

1. Clarifying the scope of the expression "practical solutions" indicated in paragraph 11.26E;

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2. *Including illustrative examples regarding the application of “undue cost or effort” referred to in paragraph 11.26.B(c);*
3. *Relocating paragraphs 11.14A and 11.57 related to the recognition of dividends in a subheading other than subsequent measurement for regulating recognition; and*
4. *Relocating paragraph 11.60 to Section 12 for dealing with the regulation of measurement of the fair value of other Issues related to financial instruments.*

**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?**

*In line with our previous response, we believe that equilibrium could be achieved if the expected credit loss model were applied as the only model for the impairment of all financial assets.*

### 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 this 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.**

### GLASS RESPONSE

*As suggestions to this Section, we propose:*

1. *Expanding the appendix with illustrative examples, as contained in IFRS 13, adapted to SMEs;*
2. *Including guidance for the definition of “market participants” for the application of the provisions set forth in the subtitle Maximum and Best Use of a Non-Financial Asset;*
3. *Including guidance when there is disproportionate effort or cost, in relation to the relevance of the amounts in the financial statements.*

### Question 6— Proposed amendments to Section 15 Investments in Joint Ventures (renamed Joint Arrangements)

## GLASS Comment letter on ED IASB/PN/2022/1 Third edition of the IFRS for SMEs Accounting Standard

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 this 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.**

### GLASS RESPONSE

*GLASS agrees with this proposal, since this introduces the improvements contained in full IFRS, with simplified requirements, which makes it easier for the information shared by SMEs with their interested parties to be easy to understand because both handle the same concepts, with the benefit of reduced disclosures.*

*Additionally, we recommend considering including guidance adapted to SMEs, to evaluate the legal form and structure of the constitution of the joint agreement, through the evaluation of rights and obligations, such as the practical guides from B12 to B14 and other factors and circumstances of B28 to B33 of IFRS 11.*

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 this 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.**

### GLASS RESPONSE



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*GLASS agrees with the proposed amendment to Section 15 to align it with the requirements of paragraph 23 of IFRS 11 without making simplifications that result in an accounting result that will faithfully represent the rights and obligations of the parties derived from the agreement.*

### **Question 7— Proposed amendments to Section 19 *Business Combinations and Goodwill***

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 this Exposure Draft further explain the IASB's rationale for these proposals.

Paragraph BC177 of the Basis for Conclusions on this 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 this Invitation to Comment.

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**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.**

### GLASS RESPONSE

*GLASS agrees with the introduction of the requirements for accounting for step acquisitions in the ED and proposes the following improvements:*

- *Align the wording of the final part of paragraph 19.13B, with the first part of paragraph 42 of IFRS 3, which establishes recognition in the result of the period or in other comprehensive income, as appropriate, any variation in the new measurement participation previously held in the equity of the acquiree.*
- *Include requirements to establish that any previously held interest must be measured at fair value at the date control is acquired only when this does not imply undue cost or effort.*

**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.**

### GLASS RESPONSE

*We agree with the proportional measurement of the non-controlling interest and not allowing its fair value measurement.*

**7(iii) Do you have any further comments or suggestions on the proposed amendments to Section 19? Please explain the reasons for your suggestions.**

### GLASS RESPONSE

*We do not have any further comments.*

### 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.

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Paragraphs BC184–BC193 of the Basis for Conclusions on this 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?**

### GLASS RESPONSE

*GLASS agrees with the proposal to completely rewrite Section 23 to reflect the principles and language used in IFRS 15, to have a single framework for recognizing revenue for both goods and services, which requires revenue to be recognized when the customer gains control of the good or service that shall result in consistent and comparable information that more faithfully represents the performance of an entity.*

*As a proposal for additional clarification, since the requirements in this Section are focused on the existence of a “contract”, we recommend clarifying in the glossary the relevance of the economic essence of the transaction on the form and consequently that the existence of the contract is not conditioned on the fact that it is written.*

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?**

### GLASS RESPONSE

*GLASS considers that the guidance presented in the ED is appropriate and adequate for the application of the standard, however, we believe that the illustrative examples are essential for entities to assess whether a good or service is different and to recognize if the promises are*

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*fulfilled at a point in time or over time; however, we believe that including examples or an infographic or diagram illustrating the way in which the goods or services must be identified separately and the commitments of step 2 would further facilitate its application by SMEs.*

### 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 this 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?**

### GLASS RESPONSE

*GLASS agrees that only a few entities apply what is established in paragraph 28.19; nevertheless, we do not agree with the proposal to eliminate such paragraph, since it represents an important simplification for the measurements that SMEs must make, and its elimination would not significantly improve the quality of the information issued by such entities, not to mention the fact that its elimination would create an accounting change for the entities that currently use this simplification.*

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?**

### GLASS RESPONSE

*Consistent with our response to question 9(i), GLASS agrees with the proposals to clarify the paragraph.*

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### Question 10—Transition

The IASB, in paragraphs A2–A39 of this 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.**

### GLASS RESPONSE

*GLASS agree with the proposed transition requirements for the amendments to the IFRS for SMEs Accounting Standard.*

*As an additional comment, we suggest revising paragraph A32 that refers to paragraph 26.14B, which should be paragraph 26.14A.*

### Question 11—Other proposed amendments

Table A1, included in the Introduction, summarizes 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?**

### GLASS RESPONSE

*GLASS submits the following proposals for improvement to the IASB for consideration:*

#### **SECTION 3 PRESENTATION OF FINANCIAL STATEMENTS**

*We request incorporating guidance on materiality based on IFRS Practice Statement 2 Making Materiality Judgments available for full IFRS.*

#### **SECTION 5 STATEMENT OF COMPREHENSIVE INCOME AND INCOME STATEMENT**

*We suggest retaining in paragraph 5.11 the word " present" instead of the proposed change for the word "provide".*

#### **SECTION 7 STATEMENT OF CASH FLOWS**

*We suggest evaluating the obligation included in paragraph 7.19A related to the requirement to disclose changes in liabilities arising from financing activities, which does not follow the condition of disclosure required by paragraphs 44A and 44B of IAS 7, which is subject to being necessary to enable users of financial statements to evaluate changes in liabilities caused by financing activities; we believe this proposed disclosure is more too demanding for SMEs.*

#### **SECTION 10 ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

*In paragraph 10.11, (c) should be changed to (b).*

#### **SECTION 17 PROPERTY, PLANT AND EQUIPMENT**

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*GLASS proposes evaluating the establishment of a treatment as property, plant and equipment for producing animals, similar to that for bearer plants.*

### **SECTION 25 BORROWING COSTS**

*GLASS proposes aligning this Section with IAS 23, including the option to capitalize borrowing costs in qualifying assets, since interest rates in Latin America are very high, with some exceeding an annual rate of 100%.*

*In the current IFRS for SMEs capitalization of such costs is not allowed, even though they meet the criteria established in full IFRS; this creates inequality among entities that apply different standards and that may compete in a credit rating or contract bidding (for example, construction contracts). This inequality is evidenced by one entity not recognizing an asset while the other does.*

### **SECTION 26 SHARE-BASED PAYMENTS**

*Even though the participants stated that this type of transaction is infrequent, they expressed the need for guidance so that SMEs can carry out a correct application when appropriate.*

### **SECTION 27 IMPAIRMENT OF ASSETS**

- 1. In addition to the proposal for elimination in paragraph 27.33, items **b** Property, plant and equipment and **d** Intangible Assets must be eliminated, pursuant to the provisions of:*
  - 17.31(e)(iv) increases or decreases resulting from revaluations, in accordance with paragraphs 17.15B to 17.15D, as well as impairment losses recognized or reversed to other comprehensive income, based on the provisions of Section 27; and*
  - Paragraph 18.27(e)(v) impairment losses recognized or reversed in profit or loss applying Section 27.*
- 2. Include practical guidance for determining the types of risks that adjust the discount rates to be used to determine the value in use of a CGU.*

### **SECTION 28 EMPLOYEE BENEFITS**

*Align paragraph 28.17, which retains the jurisdictional focus for determining the discount rate, with paragraph 89 in NIC 19 of 2016, that adopted an approach based on the currency in which the obligation will be settled.*

### **SECTION 29 INCOME TAX**

- Study the addition of an appendix to this Section with the illustrative examples contained in IFRIC 23 Uncertainty over Income Tax Treatments.*
- Study the incorporation of disclosures on the accounting treatment applied to Uncertainty over Income Tax Treatments.*
- In the new paragraph 29.16A, consider the provision as mandatory, substituting the word "considers" for the expression "will consider", and in paragraph 29.19(a), it is*

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*recommended to express in the future tense, the verbs "compare" subparagraphs (i) and "ignores" subparagraphs (ii).*

### **SECTION 35 TRANSITION TO THE IFRS FOR SMES STANDARD**

*Clearly indicate the treatment to be applied to contracts with customers that are in progress on the transition date.*

#### **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 this 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.



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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).

### GLASS RESPONSE

*GLASS agrees with the IASB's decision to consider amending the Standard to align it with IFRS 16 in a future review of the Standard, since we recognize the financial information improvements derived from IFRS 16, such that its incorporation in the IFRS for SMEs would establish a more robust conceptual framework for such transactions which outweighs the cost–benefit considerations. Nevertheless, we have concerns to support a possible simplification approach without knowing the basis IASB would be working on.*

*Nevertheless, some of our constituents prefer immediate alignment with the full IFRS and not waiting until the fourth edition of the IFRS for SMEs Accounting Standard, considering that the deferral of alignment implies a significant delay and accordingly this is considered an urgent issue for which the modification might be considered apart from the regular periodic review of the Standard.*

### 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 this Exposure Draft further explain the IASB's rationale.

**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?**

**The entity would be required to demonstrate all of these criteria:**

- (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**



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- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

### GLASS RESPONSE

*GLASS agrees with the capitalization of development costs that meet the criteria in paragraph 57 of IAS 38, which will allow SMEs to more adequately present the economic reality of their transactions associated with intangible assets.*

*In the current IFRS for SMEs the capitalization of development costs is not permitted, even though they meet the criteria established in full IFRS; this creates inequality among entities that apply different standards and that may compete in a credit rating or contract bidding (for example, construction contracts). This inequality is evidenced by one entity not recognizing an asset while the other does.*

### 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 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)?

### GLASS RESPONSE

*GLASS does not agree with the elimination of paragraph 22.7(a), since the legislations in the majority of the jurisdictions in our region require the offset considered in such paragraph and, upon analysis of the economic substance of the transaction, we conclude that the offset represents more reliable information.*

*Other aspects to consider were presented such as the lack of formal plans for settlement and the concern that if treated as a financial asset, that would require the application of the expected credit loss model, which would create unnecessary complexity for SMEs. Further, with respect to the argument that this offset is not specifically addressed in full IFRS, we concluded that since the offset is not expressly prohibited in full IFRS, the establishment of such an accounting policy pursuant to IAS 8 is an option for entities that apply full IFRS.*

### 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



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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 this Exposure Draft?**

### **GLASS RESPONSE**

*GLASS supports the incorporation of paragraphs accompanied by an alphabetic identification, for partial modifications of the sections; however, where the modifications are substantial, as occurred in this ED for Sections 2 and 19, our preference is to renumber the entire section and correct the consequential cross references to other sections.*

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