Brasília, July 31, 2024

IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD, UK

REF: Addendum to the Exposure Draft Third edition of the IFRS for SMEs Accounting Standard

Dear members of the Foundation:

The "Group of Latin American Accounting Standard Setters"[1] – GLASS welcomes the opportunity to comment on the Addendum to the Exposure Draft Third edition of the IFRS for SMEs Accounting Standard (the "Addendum").

This response includes the comments obtained by the members of the different countries that comprise GLASS, pursuant to the following due process.

Due process

The discussions regarding the Addendum, were held within a specified Technical Working Group (TWG) created in April 2024. All country members had the opportunity to designate at least one member to participate in this TWG. Each standard setter represented in the TWG carried out different tasks in their respective countries (for example, meetings, forums, surveys, internal working groups. All results were compiled and this summary was the basis of the TWG discussion process.

The TWG discussed the different points of view in the virtual meetings and included a summary through emails exchanged between its members, produced a final document based on the agreed answers and the technical points of view of its members, which was presented to, discussed with and approved by the GLASS Board.

Overall comments:

GLASS is in agreement with the proposed amendments in the Addendum, with the exception that we recommend eliminating the requirements of paragraph 7.19C (b)(ii), due to the complexity of maintaining controls to perform these reconciliations, which results in disproportionate cost for an SME of providing such information.

For Section 30, GLASS suggests the incorporation of illustrative examples for the practical application of the proposed provisions in Annex A of Section 30.

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[1] The overall objective of the Group of Latin American Accounting Standard Setters (GLASS) is to present technical contributions with respect to all Exposure Drafts, Requests for Information and Discussion Papers issued by the IASB and ISSB, and to generate proposals originated from the regional initiatives. Therefore, GLASS aims to have a unified regional opinion 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).

Specific comments

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

Contact

If you have any questions about our comments, please contact glenif@glenif.org.

Sincerely yours,

José Luiz Ribeiro de Carvalho
Chairman

Group of Latin American Accounting Standard Setters (GLASS)

Question 1—Supplier finance arrangements—Scope and disclosure requirements (proposed new paragraphs 7.19B–7.19C)

Proposed new paragraph 7.19B describes the characteristics of an arrangement about which an SME would be required to disclose the information described in this exposure draft. Paragraph 7.19B also sets out examples of the various forms of such arrangements that would be within the scope of the proposals.

The IASB proposes an SME disclose in aggregate for its supplier finance arrangements:

(a) the terms and conditions (but disclosing separately the terms and conditions of arrangements with dissimilar terms and conditions);

(b) as at the beginning and end of the reporting period:

   i. the carrying amounts, and associated line items presented in the SME's statement of financial position, of the financial liabilities that are part of a supplier finance arrangement;

   ii. the carrying amounts, and associated line items, of the financial liabilities required to be disclosed (as described in the preceding subparagraph) for which suppliers have already received payment from the finance providers; and

   iii. the range of payment due dates for both the financial liabilities that would be required to be disclosed (as described in (i)) and comparable trade payables that are not part of the supplier finance arrangement; and

(c) the type and effect of non-cash changes in the carrying amounts of the financial liabilities that would be required to be disclosed (as described in (b)(i)).

Paragraphs BC1–BC12 of the Basis for Conclusions explain the IASB's rationale for these proposals.

Do you have comments or suggestions on the proposed amendments to Section 7? Please explain the reasons for your suggestions.

GLASS Response

GLASS agrees with the amendment to Section 7; however, with respect to paragraph 7.19B, we recommend developing the concept of what is considered a financing arrangement and what is not, similar to the ammendement to IAS 7 did in its paragraph 44G.

Question 2—Supplier finance arrangements—Costs of applying proposed new paragraph 7.19C(b)(ii)

Some stakeholders informed the IASB that some information about supplier finance arrangements might not be readily available and might be costly to obtain. In particular, information about the carrying amounts, and associated line items, of the financial liabilities that are part of such arrangements and for which suppliers have already received payment from the finance providers (proposed new paragraph 7.19C(b) (ii)) might not be readily available.

Paragraphs BC13–BC15 of the Basis for Conclusions provide information about the potential costs of complying with the proposed disclosure requirement and explain the IASB's rationale for this proposal.

Do you agree that the benefits for users of SMEs' financial statements would outweigh the potential costs for SMEs to provide the information required by proposed new paragraph 7.19C(b)(ii)? Please explain the reasons for your view.

GLASS Response

GLASS agrees with the proposed disclosures of vendor financing arrangements, with the exception that we recommend eliminating the requirements of paragraph 7.19C (b)(ii), due to the complexity of maintaining such controls to perform these reconciliations, resulting in disproportionate cost of providing such information for an SME. We also considered that an SME is not a Public Interest Entity and the information related to this project might not be relevant to this type of entity.

Question 3—Lack of exchangeability (proposed new paragraphs 30.5A, 30.28–30.29 and 30A.1–30A.18)

Section 30 of the IFRS for SMEs Accounting Standard generally requires the use of a spot exchange rate when an SME reports foreign currency transactions or a foreign operation's results and financial position in its financial statements. However, it does not specify the exchange rate to use when there is a lack of exchangeability between two currencies. To address this deficiency, the IASB proposes to amend Section 30 of the Standard:

(a) to specify when a currency is exchangeable into another currency;
(b) to set out the factors an SME is required to consider in assessing exchangeability and to specify how those factors affect the assessment;
(c) to specify how an SME determines the spot exchange rate when a currency is not exchangeable into another currency; and
(d) to require an SME to disclose information that would enable users of its financial statements to understand how a lack of exchangeability between two currencies affects, or is expected to affect, its financial performance, financial position and cash flows.

Paragraphs 30A.1–30A.11 of [draft] Appendix A to Section 30 of the Standard set out the factors an SME would be required to consider in assessing exchangeability and specify how those factors would affect the assessment.

Paragraphs 30A.12–30A.18 of [draft] Appendix A to Section 30 of the Standard provide application guidance that would help an SME estimate the spot exchange rate when a currency is not exchangeable into another currency.

Paragraphs BC18–BC39 of the Basis for Conclusions explain the IASB's rationale for these proposals.

Do you have comments or suggestions on the proposed amendments to Section 30? Please explain the reasons for your suggestions.

Do you agree that the proposals in paragraphs 30A.1–30A.18 of [draft] Appendix A to Section 30 would provide sufficient application guidance for SMEs? If you disagree with these proposals, please explain what you would suggest instead and why.

GLASS Response

GLASS agrees with the proposed amendments to Section 30, recommending considering the incorporation of illustrative examples based on some elements of the economic complexity of different countries to guide an SME in the application of the provisions of Appendix A.

Question 4—Effective date and transition (proposed new paragraph A37A)

The IASB proposes:

(a) that the amended Section 7 and Section 30 of the IFRS for SMEs Accounting Standard have the same effective date as that of the third edition of the Standard;[2]

(b) no transition relief in relation to the amendments to Section 7 of the Standard; and

(c) specific transition requirements in relation to the amendments to Section 30 of the Standard.

Proposed new paragraph A37A of Appendix A to the Standard sets out transition requirements for the amendments to Section 30 of the Standard.

Paragraphs BC16–BC17 and paragraphs BC40–BC44 of the Basis for Conclusions explain the IASB's rationale for these proposals.

Do you agree with these proposals? Why or why not? If you disagree with these proposals, please explain what you would suggest instead and why.

GLASS Response

GLASS agrees with this proposal, considering the reasons set forth in the bases for conclusions.

[2] In the Exposure Draft Third edition of the IFRS for SMEs Accounting Standard the IASB proposed that the effective date of the third edition of the Standard be a minimum of two years from the issue date, with early application permitted.

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