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: Jan Marton, Marita Blomkvist, Anna-Karin Pettersson

Organisation: University of Gothenburg

Jurisdiction: Sweden

Correspondence and/or email address: jan.marton@gu.se

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

Ref	Question	Response (*Please give clear reasoning to support your response*)
1(i)	**Do you agree that the amendments will add clarity without changing the intended scope of the Standard? If you do not agree, which types of entities do you believe would be newly scoped in or scoped out?**	We do agree that the amendments will add clarity to the concept of public accountability, without changing the scope of the standard.
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.**	We agree that the clarification is helpful to preparers of financial statements in accordance with IFRS for SMEs.

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 support the revision of Section 2. Our response, however, relates to broader issues of the relationship between full IFRS and IFRS for SMEs. As a background, Swedish regulation of entities without public accountability is a local standard (*K3*). K3 follows IFRS for SMEs as closely as possible, considering restrictions from Swedish accounting and taxation legislation. Section 2 is one area where IFRS for SMEs is fully applied in Swedish accounting, and it is therefore of particular importance, e.g., in relation to the requirements in IFRS for SMEs, paragraphs 10.4–10.6.

Ref	**Question**	**Response** *(Please give clear reasoning to support your response)*
		Several of the proposed revisions to IFRS for SMEs relate to aligning IFRS for SMEs with updated requirements in full IFRS. A general comment is that having requirements that are close to IFRS, but with less guidance (as sometimes occurs in IFRS for SMEs) is not necessarily simplification of full IFRS. Instead, it creates implementation uncertainty. However, aligning Section 2 in IFRS for SMEs with the IFRS Conceptual Framework does not create added uncertainty. Instead, it facilitates for preparers, auditors and other advisors, and educators, by aligning the conceptual basis for a broader spectrum of accounting regulation. In particular, it facilitates application of paragraph 10.6 in IFRS for SMEs. Furthermore, we support that the alignment with the IFRS Conceptual Framework considers the difference in intended user between entities with and without public accountability.
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)?**	Yes, we agree. Even if the new definitions would possibly not change the interpretation of Sections 18 and 21, it would be unfortunate to have unintended changes. Any changes to those sections should be deliberate and the result of careful consideration. The ED singles out Sections 18 and 21. However, there may be additional areas affected by the proposed changes to Section 2. It could, therefore, make sense to either add a general statement that specific recognition and measurement criteria are not changed, or exclude additional specified sections.

<table>
<tr><td>3</td><td colspan="2">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.</td></tr>
<tr><td></td><td>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.</td><td>We are in favor of retaining the rebuttable presumption of control. It is a substantive simplification for SMEs, who do not have to go through complex assessments of control in the common situation that they own most of the voting rights in an investee.

A situation where the rebuttable presumption could be questioned is for investment managers, who invest in firms on commission from someone else. This raises the question of who the principal is and who is the agent. Meanwhile, it would be unfortunate to include the full need for judgment—and possible subjectivity—of IFRS 10 into IFRS for SMEs. Perhaps the solution would be to include specific guidance on investment management cases in IFRS for SMEs.</td></tr>
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4	**Question 4—Proposed amendments to impairment of financial assets in Section 11 *Basic Financial Instruments* (renamed *Financial Instruments*)** The IASB in its Request for Information asked for views on replacing the incurred loss model for the impairment of financial assets in Section 11 *Basic Financial Instruments* with an expected credit loss model aligned with the simplified approach in IFRS 9 *Financial Instruments*. Feedback suggested that the simplified approach in IFRS 9 would be complex for SMEs to apply and would not result in substantial changes in the amount of impairment for the types of financial assets held by typical SMEs, namely short-term trade receivables. The IASB anticipates that an expected credit loss model would provide relevant information for users of financial statements when SMEs hold longer-term financial assets. Consequently, the IASB is proposing to: (a) retain the incurred loss model for trade receivables and contract assets in the scope of the revised Section 23 *Revenue from Contracts with Customers*; (b) require an expected credit loss model for all other financial assets measured at amortised cost, aligned with the simplified approach in IFRS 9; and (c) retain the requirements in Section 11 for impairment of equity instruments measured at cost. Paragraphs BC72–BC80 of the Basis for Conclusions on the Exposure Draft explain the IASB's rationale for introducing an expected credit loss model for only some financial assets.	
4(i)	**Do you agree with the proposal to introduce an expected credit loss model for *only some* financial assets? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.**	We note that the Swedish regulation (K3, see response to Question 2(i), has a different logic than IFRS for SMEs. Consistent with Swedish legislation, K3 gives firms a choice between a full historical cost model for financial assets, and a model based on IFRS 9. Consequently, Swedish entities will have either more (most common) or less long-term financial assets measured at historic cost compared to those that follow IFRS for SMEs. Noting that IFRS for SMEs only applies to non-financial firms (as financial firms, by definition, have public accountability), we question the cost-benefit balance in requiring the expected loss model. It involves more complicated and costly assessments, while likely only giving limited benefits to users of financial statements.
4(ii)	**Do you agree that the proposal strikes the right balance in deciding which financial assets should be in the scope of the expected credit loss model, considering the costs for SMEs and benefits for users of SMEs' financial statements?**	If long-term financial assets are measured using an expected credit loss model, we do not see the logic of excluding trade receivables from these requirements. Instead, it may be confusing to financial statement users to have two different models.

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<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>Swedish legislation is restrictive regarding the use of fair value measurement, and therefore the applicability of this proposed Section would be limited. However, in cases where fair value is used, such as in business combinations and financial instruments in some cases, the new section would be useful. Therefore, we support the inclusion of such a section in IFRS for SMEs.</td></tr>
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<tr><td>6</td><td colspan="2">Question 6—Proposed amendments to Section 15 Investments in Joint Ventures (renamed Joint Arrangements)

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

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

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

Paragraphs BC119–BC127 of the Basis for Conclusions on the Exposure Draft explain the IASB's rationale for these proposals.</td></tr>
<tr><td>6(i)</td><td>Do you agree with the IASB's proposal to align the definition of joint control and retain the classification of a joint arrangement as jointly controlled assets, a jointly controlled operation, or a jointly controlled entity, and the measurement requirements for these classifications? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.</td><td>While it is generally beneficial that this area becomes regulated as proposed, we question whether there are many cases of joint arrangements in entities without public accountability. It may exist in the transportation industry, including airports, public transportation entities, etc., owned by municipalities or private entities. In the cases with a governmental owner, there may be public accountability, so IFRS for SMEs may not be applicable. However, overall, we support the harmonization of terminology with full IFRS.</td></tr>
<tr><td></td><td colspan="2">The IASB is also proposing amendments to align Section 15 with the requirements of paragraph 23 of IFRS 11, so that a party to a jointly controlled operation or a jointly controlled asset that does not have joint control of those arrangements would account for its interest according to the classification of that jointly controlled operation or the jointly controlled asset.

Paragraphs BC128–BC129 of the Basis for Conclusions on the Exposure Draft explain the IASB's rationale for this proposal.</td></tr>
<tr><td>6(ii)</td><td>Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.</td><td>See response to Question 6(i).</td></tr>
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<tr><td>7</td><td colspan="2">Question 7—Proposed amendments to Section 15 Investments in Joint Ventures (renamed Joint Arrangements)

Based on the feedback to the Request for Information, the IASB is proposing to align Section 19 Business Combinations and Goodwill with the acquisition method of accounting in IFRS 3 Business Combinations* by:

(a) adding requirements and guidance for a new entity formed in a business combination;
(b) updating the references when recognising the identifiable assets acquired and liabilities assumed in a business combination to refer to the definitions of an asset and a liability in the revised Section 2 Concepts and Pervasive Principles;
(c) clarifying that an acquirer cannot recognise a contingency that is not a liability;
(d) requiring recognition of acquisition-related costs as an expense;
(e) requiring measurement of contingent consideration at fair value if the fair value can be measured reliably without undue cost or effort; and
(f) adding requirements for an acquisition achieved in stages (step acquisitions).

For other aspects of the acquisition method of accounting, the IASB is proposing to retain the requirements in Section 19. The IASB is of the view that:

(a) the guidance in IFRS 3 on reacquired rights is unlikely to be relevant to entities applying the Standard;
(b) restricting the measurement of non-controlling interest in the acquiree to the non-controlling interest’s proportionate share of the recognised amounts of the acquiree’s identifiable net assets (and not introducing the fair value option) is an appropriate simplification; and
(c) retaining recognition criteria for intangible assets acquired in a business combination balances the costs and benefits of separate recognition of these items because goodwill recognised in a business combination is amortised.

Paragraphs BC130–BC183 of the Basis for Conclusions on the Exposure Draft further explain the IASB’s rationale for these proposals.

Paragraph BC177 of the Basis for Conclusions on the Exposure Draft explains that there were mixed views on whether step acquisitions are relevant to SMEs. The IASB is asking for views on adding requirements for step acquisitions and on the proposed requirements themselves. Asking for views on whether to add requirements allows stakeholders to evaluate the proposals when responding to the Invitation to Comment.

* IFRS 3 refers to the IFRS 3 (2008) version, including subsequent amendments to IFRS 3.</td></tr>
<tr><td>7(i)</td><td>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</td><td>We generally agree with the proposed requirements, and do not consider them too costly or complicated for entities that apply IFRS for SMEs. We are unsure how common, e.g., stepwise acquisitions</td></tr>
</table>

	your alternative suggestion.	are in these types of entities, but to the extent that they occur, the requirements are reasonable. We also note that the current regulation for SMEs in Sweden (K3, see reply to Question 2) already requires the proposed treatment of step acquisitions, so the change would mean no change in Sweden.
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.**	Yes, we fully agree, and see this as an essential and important simplification. Currently, K3 requires measuring non-controlling interest at fair value, so this change would be a clear simplification.
7(iii)	**Do you have any further comments or suggestions on the proposed amendments to Section 19? Please explain the reasons for your suggestions.**	The interpretation of the Swedish implementation of the EU Directive 2013/34/EU is that acquisition-related costs must be capitalized and cannot be treated as an expense.

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<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>We support the proposed approach in Section 23. The experience from the implementation of IFRS 15 suggests that difficulties resulted from complexity in practice, not in the standard. To the extent that practice is, on average, less complex in SMEs, introducing the IFRS 15 approach should not be problematic. Furthermore, the IFRS 15 approach to revenue recognition has resulted in better accounting. For SMEs this may aid in management's analysis of their own operations, in addition to being helpful to external financial statement users.

We identify one area where we suggest further simplification. The disclosure requirements in the exposure draft are excessive in relation to the needs of users of SME financial statements.</td></tr>
<tr><td></td><td colspan="2">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).</td></tr>
</table>

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**	Yes, we believe the guidance is appropriate and adequate.

<table>
<tr><td>9</td><td colspan="2">Question 9–Proposed amendments to Section 28 Employee Benefits
The IASB in its Request for Information asked for views on applying paragraph 28.19 of the Standard, that is the measurement simplifications for defined benefit obligations.
The feedback identified challenges when applying paragraph 28.19, resulting in diversity of application. However, the feedback also provided evidence that only a few entities apply paragraph 28.19. Therefore, the IASB is proposing to delete paragraph 28.19. Paragraphs BC197–BC203 of the Basis for Conclusions on the Exposure Draft explain the IASB's rationale for this proposal.</td></tr>
<tr><td>9(i)</td><td>Do you agree that only a few entities apply the measurement simplifications for defined benefits? Therefore, do you agree with the IASB's proposal to delete paragraph 28.19?</td><td>In the Swedish setting, there is an alternative simplification. Entities do not have to apply the projected unit credit method. Instead, they follow a simplified method that aligns with Swedish tax regulation. Therefore, removal of paragraph 28.19 would have no consequences for Swedish SMEs.</td></tr>
<tr><td></td><td colspan="2">Alternatively, if you do not agree with deleting paragraph 28.19, should the IASB clarify the paragraph by:
(a) stating that an entity may apply any, or all, of the simplifications permitted by paragraph 28.19 when measuring a defined benefit obligation; and
(b) explaining that when an entity applies paragraph 28.19(b), examples of future service of current employees (assumes closure of the plan for existing and any new employees) that can be ignored include:
(i) the probability of employees' not meeting the vesting conditions when the vesting conditions relate to future service (future turnover rate); and
(ii) the effects of a benefit formula that gives employees greater benefits for later years of service.</td></tr>
<tr><td>9(ii)</td><td>If you disagree with the proposal in 9(i), do you agree that this alternative approach clarifies paragraph 28.19?</td><td>We do not disagree; see response to Question 9(i).</td></tr>
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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.	In general, our view of transition requirement is that they should be like those that applied when new standards were implemented in full IFRS. For example, the requirements for adoption of IFRS 10 and IFRS 15 should be used when the amended IFRS for SMEs is introduced. In addition, if capitalization for intangible assets is used (see Question 13), retrospective application would not be relevant.
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?	We have a comment on contingent consideration in business combinations, as part of proposed amendments in Section 19. We believe the measurement at fair value, including subsequent measurement, involves too much judgement to be relevant in SMEs. Contingent consideration is not uncommon in business combinations carried out by SMEs, so the required judgement would be costly for preparers. We also note that the EFRAG recently issued a Discussion Paper on the general question on variable consideration. It might be worthwhile to wait for any input from EFRAG's discussion.

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

Ref	Question	Response *(Please give clear reasoning to support your response)*
	Do you agree with the IASB's decision to consider amending the Standard to align it with IFRS 16 in a future review of the Standard? In responding to this question, please comment on the cost–benefit considerations in paragraphs (a) and (b) of Question 12.	Experience from implementation of IFRS 16 suggests that it requires substantial investment in system support, which would be costly for SMEs. It is likely that aligning IFRS for SMEs with IFRS will lead to only marginal increases in relevance for financial statement users. Therefore, we believe the cost–benefit consideration speaks against alignment. Of course, creditors are interested in contractual future outflows of cash, which would be included in the balance sheet based on IFRS 16 requirements. However, the current disclosure requirements in paragraph 20.30 are sufficient. Furthermore, any changes to the lease accounting requirements in IFRS for SMEs should await the outcome of a post-implementation review of IFRS 16.
13	**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.	

Ref	Question	Response *(Please give clear reasoning to support your response)*
	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?	There are both advantages and disadvantages with introducing such an option. An advantage, as claimed, e.g., by tech start-ups, is that giving such firms the option to show development assets on the balance sheet promotes innovation and technological development. It is possible that capitalization would be useful for capital providers in start-ups. Another advantage is that capitalization would require better project management by firms. This would give firms better tools for controlling their intangible asset investments. A potential disadvantage, suggested by preliminary research using Swedish data (where firms have a voluntary choice to capitalize), is that capitalization is primarily used to soften the financial statement effects of poor performance. In other words, capitalization seems to be used to improve the optics of the balance sheet (or income statement), instead of providing information that is useful for prediction of future cash flows generated by investments in intangible assets. Another disadvantage is that it is costly to capitalize development costs. Not only does it require judgment whether the conditions of capitalization are met, it also requires subsequent judgment on useful life and impairment tests. In addition, an option would be negative for comparability between entities that choose capitalization versus those that do not. There are both benefits and costs with giving firms an option to capitalize intangibles. We suggest that the IASB awaits the results of the intangible asset project for full IFRS before taking decitions.

Ref	Question	Response *(Please give clear reasoning to support your response)*
Questions for respondents—Full IFRS Accounting Standards in the scope of this review for which the IASB is not proposing to align the Standard		
14	**Question 14—Requirement to offset equity instruments** Paragraph 22.7(a) of the Standard states that if equity instruments are issued before an entity receives cash or other resources, the amount receivable is presented as an offset to equity in the statement of financial position, instead of being presented as an asset. Feedback from the first comprehensive review suggested that this requirement may conflict with local legislation. Stakeholders provided similar feedback during this second comprehensive review, suggesting that the IASB 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)?	We have no opinion of this.

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 current approach, as it simplifies references to the IFRS for SMEs. For example, databases that contain regulatory information are easier to manage if references to existing paragraphs do not have to be updated.