



- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.”

**Should the *IFRS for SMEs* be changed to require capitalisation of development costs meeting criteria for capitalisation (on the basis of on the criteria in IAS 38)?**

- (a) No—do not change the current requirements. Continue to charge all development costs to expense.
- (b) Yes—revise the *IFRS for SMEs* to require capitalisation of development costs meeting the criteria for capitalisation (the approach in IAS 38).
- (c) Other—please explain.

Please provide reasoning to support your choice of (a), (b) or (c).

- EFRAG is split on this issue and asks its constituents for input.

**ICAC’s response:**

Development costs should follow the same treatment as in IAS 38.

Additionally, we believe that the cost of research should be capitalized at least as a company's option provided that certain requirements are met.

Investment in research and development is declining as a result of the economic crisis. If the accounting standard prescribes these expenditures as an expense, it will discourage further development of these activities.

**Question S11: Amortisation period for goodwill and other intangible assets (Section 18)**

Paragraph 18.21 requires an entity to amortise an intangible asset on a systematic basis over its useful life. This requirement applies to goodwill as well as to other intangible assets (see paragraph 19.23(a)). Paragraph 18.20 states “If an entity is unable to make a reliable estimate of the useful life of an intangible asset, the life shall be presumed to be



ten years.” Some interested parties have said that, in some cases, although the management of the entity is unable to estimate the useful life reliably, management’s judgement is that the useful life is considerably shorter than ten years.

**Should paragraph 18.20 be modified to state: “If an entity is unable to make a reliable estimate of the useful life of an intangible asset, the life shall be presumed to be ten years unless a shorter period can be justified”?**

- (a) No—do not change the current requirements. Retain the presumption of ten years if an entity is unable to make a reliable estimate of the useful life of an intangible asset (including goodwill).
- (b) Yes—modify paragraph 18.20 to establish a presumption of ten years that can be overridden if a shorter period can be justified.
- (c) Other—please explain.

Please provide reasoning to support your choice of (a), (b) or (c).

- EFRAG agrees with alternative b).

**ICAC’s response:**

Treatment of Goodwill should be the same in full IFRSs and the IFRS for SMEs.

We believe that it is more appropriate to amortize this asset for both large and small companies. It does not make any sense that a large listed company does not amortize goodwill and unlisted but also large companies, do amortize it. The cost-benefit argument can apply for small businesses but not for the case described.

**Question S12: Consideration of changes to accounting for business combinations in full IFRSs (Section 19)**

The *IFRS for SMEs* accounts for all business combinations by applying the purchase method. This is similar to the ‘acquisition method’ approach currently applied in full IFRSs.

Section 19 of the *IFRS for SMEs* is generally based on the 2004 version of IFRS 3 *Business Combinations*. IFRS 3 was revised in 2008, which was near the time of the



release of the *IFRS for SMEs*. IFRS 3 (2008) addressed deficiencies in the previous version of IFRS 3 without changing the basic accounting; it also promoted international convergence of accounting standards.

The main changes introduced by IFRS 3 (2008) that could be considered for incorporation in the *IFRS for SMEs* are:

- A focus on what is given as consideration to the seller, rather than what is spent in order to acquire the entity. As a consequence, acquisition-related costs are recognised as an expense rather than treated as part of the business combination (for example, advisory, valuation and other professional and administrative fees).
- Contingent consideration is recognised at fair value (without regard to probability) and then subsequently accounted for as a financial instrument instead of as an adjustment to the cost of the business combination.
- Determining goodwill requires remeasurement to fair value of any existing interest in the acquired company and measurement of any non-controlling interest in the acquired company.

**Should Section 19 be amended to incorporate the above changes, modified as appropriate to reflect the needs of users of SME financial statements and cost-benefit considerations?**

- (a) No—do not change the current requirements. The current approach in Section 19 (based on IFRS 3 (2004)) is suitable for SMEs, and SMEs have been able to implement it without problems.
- (b) Yes—revise the *IFRS for SMEs* to incorporate the main changes introduced by IFRS 3 (2008), as outlined above and modified as appropriate for SMEs.
- (c) Other—please explain.

Please provide reasoning to support your choice of (a), (b) or (c).

- EFRAG is not able to provide a view on the issue, option c).



**ICAC's response:**

If the scope of the IFRS for SME's are small entities, the question is irrelevant, because they rarely make business combinations. If you are thinking of another scope, including large companies or unlisted groups, the starting point of the IFRS for SME's, as already indicated in other answers, should be the closest to IFRS.

**Question S13: Presentation of share subscriptions receivable (Section 22)**

Paragraph 22.7(a) requires that subscriptions receivable, and similar receivables that arise when equity instruments are issued before the entity receives the cash for those instruments, must be offset against equity in the statement of financial position, not presented as an asset.

Some interested parties have told the IASB that their national laws regard the equity as having been issued and require the presentation of the related receivable as an asset.

**Should paragraph 22.7(a) be amended either to permit or require the presentation of the receivable as an asset?**

- (a) No—do not change the current requirements. Continue to present the subscription receivable as an offset to equity.
- (b) Yes—change paragraph 22.7(a) to require that the subscription receivable is presented as an asset.
- (c) Yes—add an additional option to paragraph 22.7(a) to permit the subscription receivable to be presented as an asset, ie the entity would have a choice whether to present it as an asset or as an offset to equity.
- (d) Other—please explain.

Please provide reasoning to support your choice of (a), (b), (c) or (d).

- EFRAG thinks that the subscription receivable should be presented as an asset when certain criteria are met (Alternative (d)).



**ICAC's response:**

These rights should be accounted for as an asset only when disbursement is required. Meanwhile, they should be presented deducted from equity

**Question S14: Capitalisation of borrowing costs on qualifying assets (Section 25)**

The *IFRS for SMEs* currently requires all borrowing costs to be recognised as an expense when incurred (paragraph 25.2). The IASB decided not to require capitalisation of any borrowing costs for cost-benefit reasons, particularly because of the complexity of identifying qualifying assets and calculating the amount of borrowing costs eligible for capitalisation.

IAS 23 *Borrowing Costs* requires that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (ie an asset that necessarily takes a substantial period of time to get ready for use or sale) must be capitalised as part of the cost of that asset, and all other borrowing costs must be recognised as an expense when incurred.

**Should Section 25 of the *IFRS for SMEs* be changed so that SMEs are required to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, with all other borrowing costs recognised as an expense when incurred?**

- (a) No—do not change the current requirements. Continue to require all borrowing costs to be recognised as an expense when incurred.
- (b) Yes—revise the *IFRS for SMEs* to require capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (the approach in IAS 23).
- (c) Other—please explain.

Please provide reasoning to support your choice of (a), (b) or (c).

- EFRAG is split on this issue and asks its constituents for input.



**ICAC's response:**

Interest expense/Borrowing costs should be equally treated in IFRSs and the IFRS for SME's.

Using too much the argument on "costs-benefits analysis" might give the impression that "two speed accounting" exists. A in-between solution should be found, maybe resigning to the use of fair value accounting in general terms, so that the same accounting criteria could be applied by large and small businesses, without excessive application costs.

For example, in the case of activation of the borrowing costs, a practical solution that everyone could apply would be to force the capitalization if the period of construction of assets or inventories is more than a year. Otherwise, forbid it.

**Question S15: Presentation of actuarial gains or losses (Section 28)**

In accordance with the *IFRS for SMEs*, an entity is required to recognise all actuarial gains and losses in the period in which they occur, either in profit or loss or in other comprehensive income as an accounting policy election (paragraph 28.24).

Recently, the requirements in full IFRSs have been updated by the issue of IAS 19 *Employee Benefits* (revised 2011). A key change as a result of the 2011 revisions to IAS 19 is that all actuarial gains and losses must be recognised in other comprehensive income in the period in which they arise. Previously, under full IFRSs, actuarial gains and losses could be recognised either in other comprehensive income or in profit or loss as an accounting policy election (and under the latter option there were a number of permitted methods for the timing of the recognition in profit or loss).

Section 28 is based on IAS 19 before the 2011 revisions, modified as appropriate to reflect the needs of users of SME financial statements and cost-benefit considerations. Removing the option for SMEs to recognise actuarial gains and losses in profit or loss would improve comparability between SMEs without adding any complexity.



**Should the option to recognise actuarial gains and losses in profit or loss be removed from paragraph 28.24?**

- (a) No—do not change the current requirements. Continue to allow an entity to recognise actuarial gains and losses either in profit or loss or in other comprehensive income as an accounting policy election.
- (b) Yes—revise the *IFRS for SMEs* so that an entity is required to recognise all actuarial gains and losses in other comprehensive income (ie removal of profit or loss option in paragraph 28.24).
- (c) Other—please explain.

Please provide reasoning to support your choice of (a), (b) or (c).

**Note:** IAS 19 (revised 2011) made a number of other changes to full IFRSs. However, because Section 28 was simplified from the previous version of IAS 19 to reflect the needs of users of SME financial statements and cost-benefit considerations, the changes made to full IFRSs do not directly relate to the requirements in Section 28.

- EFRAG thinks that the profit or loss option should be removed, option b).

**ICAC's response:**

ICAC agrees with the simplification made in IAS19 and therefore also with the proposal to amend IFRS for SME's in accordance to it. Overall, options are an additional effort that must be eliminated, if removing them is additionally a technical improvement, it is a double positive effect.

**Question S16: Approach for accounting for deferred income taxes (Section 29)**

Section 29 of the *IFRS for SMEs* currently requires that deferred income taxes must be recognised using the temporary difference method. This is also the fundamental approach required by full IFRSs (IAS 12 *Income Taxes*).

Some hold the view that SMEs should recognise deferred income taxes and that the temporary difference method is appropriate. Others hold the view that while SMEs should recognise deferred income taxes, the temporary difference method (which bases deferred taxes on differences between the tax basis of an asset or liability and its



carrying amount) is too complex for SMEs. They propose replacing the temporary difference method with the timing difference method (which bases deferred taxes on differences between when an item of income or expense is recognised for tax purposes and when it is recognised in profit or loss). Others hold the view that SMEs should recognise deferred taxes only for timing differences that are expected to reverse in the near future (sometimes called the 'liability method'). And still others hold the view that SMEs should not recognise any deferred taxes at all (sometimes called the 'taxes payable method').

**Should SMEs recognise deferred income taxes and, if so, how should they be recognised?**

- (a) Yes—SMEs should recognise deferred income taxes using the temporary difference method (the approach currently used in both the *IFRS for SMEs* and full IFRSs).
- (b) Yes—SMEs should recognise deferred income taxes using the timing difference method.
- (c) Yes—SMEs should recognise deferred income taxes using the liability method.
- (d) No—SMEs should not recognise deferred income taxes at all (ie they should use the taxes payable method), although some related disclosures should be required.
- (e) Other—please explain.

Please provide reasoning to support your choice of (a), (b), (c), (d) or (e).

- EFRAG is split on this issue and asks its constituents for input.

**ICAC's response:**

In our view, as mentioned above, the most important factor is the stability of the standard. Notwithstanding the above, the starting point of the IFRS for SME's should be if possible, full IFRS. If the latter change, then it is better not to change the IFRS for SME's until it has reached a level of consistent application by all jurisdictions that choose to implement these standards.



The issue of income tax accounting is complex per-se but in this case speaking in terms of “cost-benefit” is positive, since in many jurisdictions accounting is the underlying basis for the fulfillment of country tax obligations.

Another point is that maybe it would be interesting including a residual simplification only for those “micro-entities” particularly small in size, and for specific operations; to exempt them from accounting for deferred tax, requiring only to present that information in the Notes, and only accounting for the tax accrued, and the payment made for “current tax” being presented in the in the year of presentation of annual accounts.

**Question S17: Consideration of IAS 12 exemptions from recognising deferred taxes and other differences under IAS 12 (Section 29)**

In answering this question, please assume that SMEs will continue to recognise deferred income taxes using the temporary difference method (see discussion in question S16).

Section 29 is based on the IASB’s March 2009 exposure draft *Income Tax*. At the time the *IFRS for SMEs* was issued, that exposure draft was expected to amend IAS 12 *Income Taxes* by eliminating some exemptions from recognising deferred taxes and simplifying the accounting in other areas. The IASB eliminated the exemptions when developing Section 29 and made the other changes in the interest of simplifying the *IFRS for SMEs*.

Some interested parties who are familiar with IAS 12 say that Section 29 does not noticeably simplify IAS 12 and that the removal of the IAS 12 exemptions results in more deferred tax calculations being required. Because the March 2009 exposure draft was not finalised, some question whether the differences between Section 29 and IAS 12 are now justified.

**Should Section 29 be revised to conform it to IAS 12, modified as appropriate to reflect the needs of the users of SME financial statements?**

- (a) No—do not change the overall approach in Section 29.



- (b) Yes—revise Section 29 to conform it to the current IAS 12 (modified as appropriate for SMEs).
- (c) Other—please explain.

Please provide reasoning to support your choice of (a), (b) or (c).

- EFRAG agrees with alternative b).

**ICAC's response:**

In recent years, several pronouncements have made radical changes, so before changing the current requirements it would be prudent to ensure that the criteria are not re-amended. If someone applies IFRS for SME's somewhere in the world, it is best not to change the current requirements. Otherwise, the starting point, as mentioned above, should be the closest to full IFRS.

**Question S18: Rebuttable presumption that investment property at fair value is recovered through sale (Section 29)**

In answering this question, please also assume that SMEs will continue to recognise deferred income taxes using the temporary difference method (see discussion in question S16).

In December 2010, the IASB amended IAS 12 to introduce a rebuttable presumption that the carrying amount of investment property measured at fair value will be recovered entirely through sale.

The amendment to IAS 12 was issued because, without specific plans for the disposal of the investment property, it can be difficult and subjective to estimate how much of the carrying amount of the investment property will be recovered through cash flows from rental income and how much of it will be recovered through cash flows from selling the asset.

Paragraph 29.20 currently states:

“The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the entity expects, at the



reporting date, to recover or settle the carrying amount of the related assets and liabilities.”

**Should Section 29 be revised to incorporate a similar exemption from paragraph 29.20 for investment property at fair value?**

- (a) No—do not change the current requirements. Do not add an exemption in paragraph 29.20 for investment property measured at fair value.
- (b) Yes—revise Section 29 to incorporate the exemption for investment property at fair value (the approach in IAS 12).
- (c) Other—please explain.

Please provide reasoning to support your choice of (a), (b) or (c).

**Note:** please answer this question regardless of your answer to questions S16 and S17 above.

- EFRAG is split on this issue and asks its constituents for input.

**ICAC’s response:**

As we have stated in other responses, the most important factor is the stability. Notwithstanding the above, the starting point of the IFRS for SME’s should be if possible, full IFRS. If the latter change, then it is best not to change the IFRS for SME’s until it has reached a level of consistent application by all countries that choose to implement these standards.

**Question S19: Inclusion of additional topics in the *IFRS for SMEs***

The IASB intended that the 35 sections in the *IFRS for SMEs* would cover the kinds of transactions, events and conditions that are typically encountered by most SMEs. The IASB also provided guidance on how an entity’s management should exercise judgement in developing an accounting policy in cases where the *IFRS for SMEs* does not specifically address a topic (see paragraphs 10.4–10.6).



**Are there any topics that are not specifically addressed in the *IFRS for SMEs* that you think should be covered (ie where the general guidance in paragraphs 10.4–10.6 is not sufficient)?**

- (a) No.
- (b) Yes (please state the topic and reasoning for your response).

**Note:** this question is asking about topics that are not currently addressed by the *IFRS for SMEs*. It is not asking which areas of the *IFRS for SMEs* require additional guidance. If you think more guidance should be added for a topic already covered by the *IFRS for SMEs*, please provide your comments in response to question S20.

- EFRAG is not aware of any additional topics that should be addressed on this issue.

**ICAC's response:**

ICAC is of the view that the starting point of IFRS for SME's should be full IFRS, for the reasons of globalizing standards, standardization, comparability, consolidation and simplification in economic terms, and in terms of time spent by companies when learning the criteria to be applied by SMEs and by users when understanding the annual accounts.

Therefore, from our point of view, if an operation is not covered by the IFRS for SME's, an entity should apply firstly full IFRS criteria. That is, the application order of the IFRS for SME's guidance would be: 10.6 (IFRS), 10.5 (value judgment) and 10.4 (value judgment).

If the IFRS does not provide specific criteria or its criteria differ considerably with similar transactions or principles contained in the IFRS for SME's, then paragraph 10.5 shall apply firstly with due justification in the Notes.



**Question S20: Opportunity to add your own specific issues**

Are there any additional issues that you would like to bring to the IASB's attention on specific requirements in the sections of the *IFRS for SMEs*?

- (a) No.
- (b) Yes (please state your issues, identify the section(s) to which they relate, provide references to paragraphs in the *IFRS for SMEs* where applicable and provide separate reasoning for each issue given).
- EFRAG does not have any issues it wants to bring to the IASB's attention on specific requirements in the sections of the IFRS for SME's.

**ICAC's response:**

No additional comments.



## **PART B: GENERAL QUESTIONS**

### **G1: Consideration of minor improvements to full IFRSs**

The *IFRS for SMEs* was developed from full IFRSs but tailored for SMEs. As a result, the *IFRS for SMEs* uses identical wording to full IFRSs in many places.

The IASB makes ongoing changes to full IFRSs as part of its Annual Improvements project as well as during other projects. Such amendments may clarify guidance and wording, modify definitions or make other relatively minor amendments to full IFRSs to address unintended consequences, conflicts or oversights. For more information, the IASB web pages on its Annual Improvements project can be accessed on the following link: <http://go.ifrs.org/AI>

Some believe that because those changes are intended to improve requirements, they should naturally be incorporated in the *IFRS for SMEs* where they are relevant.

Others note that each small change to the *IFRS for SMEs* would unnecessarily increase the reporting burden for SMEs because SMEs would have to assess whether each individual change will affect its current accounting policies. Those who hold that view concluded that, although the *IFRS for SMEs* was based on full IFRSs, it is now a separate Standard and does not need to reflect relatively minor changes in full IFRSs.

**How should the IASB deal with such minor improvements, where the *IFRS for SMEs* is based on old wording from full IFRSs?**

- (a) Where changes are intended to improve requirements in full IFRSs and there are similar wordings and requirements in the *IFRS for SMEs*, they should be incorporated in the (three-yearly) omnibus exposure draft of changes to the *IFRS for SMEs*.
- (b) Changes should only be made where there is a known problem for SMEs, ie there should be a rebuttable presumption that changes should not be incorporated in the *IFRS for SMEs*.
- (c) The IASB should develop criteria for assessing how any such improvements should be incorporated (please give your suggestions for the criteria to be used).



(d) Other—please explain.

Please provide reasoning to support your choice of (a), (b), (c) or (d).

- EFRAG is split on this issue and seeks input from constituents.

**ICAC's response:**

The most important factor is the stability. We refer to our previous responses; it is best not to change existing requirements until it has reached a level of consistent application by all countries that choose to implement these standards, otherwise the starting point should be the closest to full IFRS

**G2: Further need for Q&As**

One of the key responsibilities of the SMEIG has been to consider implementation questions raised by users of the *IFRS for SMEs* and to develop proposed non-mandatory guidance in the form of questions and answers (Q&As). These Q&As are intended to help those who use the *IFRS for SMEs* to think about specific accounting questions.

The SMEIG Q&A programme has been limited. Only seven final Q&A have been published. Three of those seven deal with eligibility to use the *IFRS for SMEs*. No additional Q&As are currently under development by the SMEIG.

Some people are of the view that, while the Q&A programme was useful when the *IFRS for SMEs* was first issued so that implementation questions arising in the early years of application around the world could be dealt with, it is no longer needed. Any new issues that arise in the future can be addressed in other ways, for example through education material or by future three-yearly updates to the *IFRS for SMEs*. Many who hold this view think that an ongoing programme of issuing Q&As is inconsistent with the principle-based approach in the *IFRS for SMEs*, is burdensome because Q&As are perceived to add another set of rules on top of the *IFRS for SMEs*, and has the potential to create unnecessary conflict with full IFRSs if issues overlap with issues in full IFRSs.

Others, however, believe that the volume of Q&As issued so far is not excessive and that the non-mandatory guidance is helpful, and not a burden, especially to smaller organisations and in smaller jurisdictions that have limited resources to assist their



constituents in implementing the *IFRS for SMEs*. Furthermore, in general, the Q&As released so far provide guidance on considerations when applying judgement, rather than creating rules.

**Do you believe that the current, limited programme for developing Q&As should continue after this comprehensive review is completed?**

- (a) Yes—the current Q&A programme should be continued.
- (b) No—the current Q&A programme has served its purpose and should not be continued.
- (c) Other—please explain.

Please provide reasoning to support your choice of (a), (b) or (c).

- EFRAG supports Alternative (c). EFRAG considers that it could be necessary to issue additional guidance; however, the procedure should be different from that currently applied.

**ICAC's response:**

Companies, no matter if they are large or small, want to fulfill their legal obligations. Therefore, they will welcome any written document issued by relevant statutory body, although it is not mandatory. In fulfilling its legal obligations, it seems logical that the best way to justify the criteria applied for accounting transactions is, after a legal standard, any written documentation issued by the body that produces such legislation/standards.

From our point of view it is convenient to have a body that solves all emerging questions and issues related to the application of the standard, and that simultaneously serves to support countries that want to implement the IFRS for SME's.

However, from our point of view, this body should be much closer and accessible than the IFRIC and even more informal, in the sense that it should not require/make a filter on one side to decide which questions will be answered; this body should also answer simple questions that could be clarified via informal/email responses, and from the point of view of the responses, they should be harmonized, coordinated centrally and



internally in that body, and would be written and submitted in response to each individual case; as they are not mandatory, procedures do not require this formalism nor the limitations of the IFRIC or Q & A.

As a result of the above, the mentioned body may select the most interesting and useful responses made throughout a period, and publish them anonymously for the general knowledge.

### **G3: Treatment of existing Q&As**

As noted in question G2, there are seven final Q&As for the *IFRS for SMEs*. This comprehensive review provides an opportunity for the guidance in those Q&As to be incorporated into the *IFRS for SMEs* and for the Q&As to be deleted.

Non-mandatory guidance from the Q&As will become mandatory if it is included as requirements in the *IFRS for SMEs*. In addition, any guidance may need to be incorporated in the *IFRS for SMEs* in a reduced format or may even be omitted altogether (if the IASB deems that the guidance is no longer applicable after the Standard is updated or that the guidance is better suited for inclusion in training material). The IASB would also have to decide whether any parts of the guidance that are not incorporated into the *IFRS for SMEs* should be retained in some fashion, for example, as an addition to the Basis for Conclusions accompanying the *IFRS for SMEs* or as part of the training material on the *IFRS for SMEs*.

An alternative approach would be to continue to retain the Q&As separately where they remain relevant to the updated *IFRS for SMEs*. Under this approach there would be no need to reduce the guidance in the Q&As, but the guidance may need to be updated because of changes to the *IFRS for SMEs* resulting from the comprehensive review.

### **Should the Q&As be incorporated into the *IFRS for SMEs*?**

- (a) Yes—the seven final Q&As should be incorporated as explained above, and deleted.
- (b) No—the seven final Q&As should be retained as guidance separate from the *IFRS for SMEs*.



- (c) Other—please explain.

Please provide reasoning to support your choice of (a), (b) or (c).

- EFRAG considers that the seven final Q&As should be incorporated into the IFRS for SMEs or the training material depending on the detail of the guidance (Alternative (c)).

**ICAC's response:**

We refer to the above question. The mechanism of Q & As is excessively rigid and formal, as well as IFRIC.

**G4: Training material**

The IFRS Foundation has developed comprehensive free-to-download self-study training material to support the implementation of the *IFRS for SMEs*. These are available on our website: <http://go.ifrs.org/smetraining>. In addition to your views on the questions we have raised about the *IFRS for SMEs*, we welcome any comments you may have about the training material, including any suggestions you may have on how we can improve it.

**Do you have any comments on the IFRS Foundation's *IFRS for SMEs* training material available on the link above?**

- (a) No.
- (b) Yes (please provide your comments).
- EFRAG has been informed that the training material is of high quality.

**ICAC's response:**

The training material is very important when understanding accounting standards. Didactic work could be linked to the responsibilities proposed to the technical body in our response to question G2.



**G5: Opportunity to add any further general issues**

Are there any additional issues you would like to bring to the IASB's attention relating to the *IFRS for SMEs*?

- (a) No.
- (b) Yes (please state your issues and provide separate reasoning for each issue given).
  - EFRAG has no other issues relating to the IFRS for SME's that it would like to bring to the IASB's attention.

**ICAC's response:**

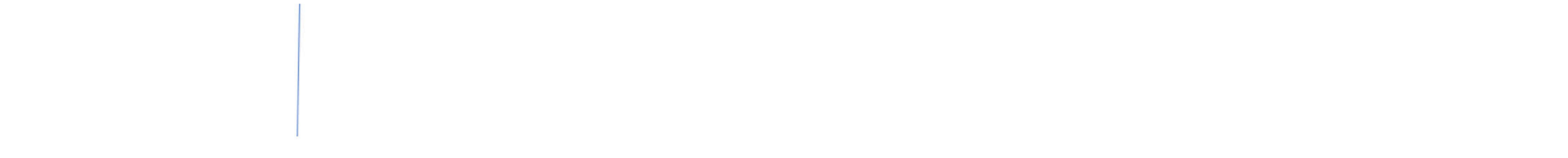
No other issues to add.

**G6: Use of *IFRS for SMEs* in your jurisdiction**

This question contains four sub-questions. The purpose of the questions is to give us some information about the use of the *IFRS for SMEs* in the jurisdictions of those responding to this Request for Information.

- 1 What is your country/jurisdiction?** Spain
- 2 Is the *IFRS for SMEs* currently used in your country/jurisdiction?**
  - (a) Yes, widely used by a majority of our SMEs.
  - (b) Yes, used by some but not a majority of our SMEs.
  - (c) No, not widely used by our SMEs.
  - (d) Other (please explain).

Spain applies the Spanish Gaap within the framework established by the European Accounting Directives. This comprises a General Accounting Plan (GAP) for all entities and a GAP for SME's with simplified criteria for some matters and operations that are usually performed by SMEs and do not require the complexity of the general GAP, adapting to its capacity/resources and to their obligations.





When these companies perform complex operations (not simplified by the GAP for SME's), they must apply the general criteria (general GAP), that is applied by all the other entities that are not SMEs.

- 3 **If the *IFRS for SMEs* is used in your country/jurisdiction, in your judgement what have been the principal benefits of the *IFRS for SMEs*?**  
(Please give details of any benefits.)
- 4 **If the *IFRS for SMEs* is used in your country/jurisdiction, in your judgement what have been the principal practical problems in implementing the *IFRS for SMEs*?**  
(Please give details of any problems.)
- Based on the input EFRAG has received, the IFRS for SMEs is only applied to a very limited extent within the EU.

Please don't hesitate to contact us if you would like to clarify any point of this letter.

Ana María Martínez-Pina  
Chairman of ICAC

Madrid, 14<sup>th</sup>.November 2012