

3 March 2014

Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London ED 4M 6XH
United Kingdom

Dear Mr Hoogervorst,

IASB Exposure Draft ED/2013/9 – Proposed amendments to the International Financial Reporting Standard for Small and Medium-sized Entities

The Malaysian Accounting Standards Board (MASB) welcomes the opportunity to provide comments on the IASB Exposure Draft on Proposed amendments to the *International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)*.

We support the proposals in the ED. In particular we welcome the proposal to align the accounting for income tax with that of IAS 12 *Income Taxes*.

On the maintenance of the *IFRS for SMEs*, we believe that a five-year cycle would be appropriate to ensure stability of new full IFRSs, with the option for urgent issues to be addressed more frequently. We believe a longer cycle would provide sufficient time to leverage on the implementation experience of full IFRS users before considering incorporating any new requirements into the *IFRS for SMEs*.

Our detailed responses are enclosed in the Appendix of this letter.

If you need further clarification, please contact Ms Tan Bee Leng at +603 2240 9200 or by email at beeleng@masb.org.my.

Thank you.

Yours sincerely,



Dato' Mohammad Faiz Azmi
Chairman

Question 1 - Definition of 'fiduciary capacity'

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

Response

We are not aware of any circumstances where the use of the term 'fiduciary capacity' has created uncertainty or diversity in practice. Therefore, we are of the opinion that the term need not be clarified or replaced.

Question 2 - Accounting for income tax

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

Response

We agree that the proposed changes to Section 29 are appropriate for SMEs and users of their financial statements as it would be in alignment of IAS 12 *Income Taxes*.

Question 3 - Other proposed amendments to the IFRS for SMEs

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

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

Response

We agree with the proposed amendments and we offer the following comments for the IASB's consideration.

- (1) Intended scope of the IFRS for SMEs (Section 1)

We welcome the proposal to add paragraph 1.7 which is based on the SMEIG Q&A 2011/01. However, in a scenario whereby a subsidiary in the group has public

accountability as described in paragraph 1.3, the proposed paragraph 1.7 is unclear whether the parent entity, which by itself does not have public accountability, has the option to use the IFRS for SMEs for its consolidated financial statements.

We would therefore like to encourage the IASB to clarify whether the parent, for the purpose of preparing its consolidated financial statements, should assess if the group has public accountability on the basis of the its own status without considering other group entities, or on the basis of the group as a whole.

(2) Paragraphs 2.14A and 2.14B – guidance on undue cost or effort

We suggest the IASB to consider incorporating the following additional guidance found in the current SMEIG Q&A 2012/01 paragraph 2 as we believe the explanation provides clarity on the application of the undue cost or effort concept:

Applying a requirement would result in 'undue cost or effort' because of either excessive cost (eg if valuers' fees are excessive) or excessive endeavours by employees in comparison to the benefits that the users of the SME's financial statements would receive from having the information.

In addition, in order for users of financial statements to understand the management's judgement when assessing the costs and benefits, the IASB may consider the encouraging the disclosure of the specific area(s) when the undue cost or effort exemption is invoked together with an explanation of how the management reached such a conclusion.

(3) Requirement to present consolidated financial statements (Section 9)

We support the proposed paragraph 9.3A (which is consistent with the existing paragraph 9.3). However, the provision is unclear as to whether the time frame of one year is from the date of acquisition or one year after the reporting date and we encourage the IASB to clarify in this respect.

We would also like to encourage the IASB to consider:

- (a) whether guidance is necessary in the event the disposal does not materialise after one year, i.e. whether the parent would be required to consolidate the previously unconsolidated subsidiary and if so, from which date.
- (b) to require disclosures of unconsolidated subsidiaries.

(4) Employee Benefits (Section 28)

The proposed amendment in paragraph 28.43 removes the requirement to disclose the accounting policy for termination benefits because Section 28 does not provide a choice of accounting treatment for termination benefits. The proposal raises questions as to whether the IASB intends to do away with the disclosure of

accounting policies (in other areas) when a choice of accounting treatment is not available.

While we do not disagree with the proposal as we believe it provides relief to entities, we would like to encourage the IASB to consider whether the deletion is consistent with the requirement of paragraph 3.17(e) which requires an entity to disclose accounting policies that are significant to the entity.

Question 4 - Additional issues

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

Response

We do not have any further issues that are not addressed by the proposed amendments in the ED that IASB should consider during this comprehensive review of *IFRS for SMEs*.

Question 5 - Transition provisions

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

Response

Except for Section 29 Income Tax which is proposed to be revised to be in line with IAS 12 Income Taxes, we agree with the proposed transition provisions for the amendments to the *IFRS for SMEs* as most of the proposed amendments to the *IFRS for SMEs* are clarifications of existing requirements or relief from existing requirements.

On Section 29, we encourage the IASB to consider allowing entities not to adopt the full retrospective application if undue cost or effort cannot be avoided when applying the proposed amendments.

Question 6 - Effective date

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

Response

We agree with the proposed effective date and the proposal to permit early adoption.

Question 7 - Future reviews of the IFRS for SMEs

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

Response

We are of the opinion that a five-year cycle would be appropriate to ensure stability of new full IFRSs, with the option for urgent issues to be addressed more frequently.

We believe a longer cycle would provide sufficient time to leverage on the implementation experience of full IFRS users before considering incorporating any new requirements into the *IFRS for SMEs*.

Question 8 - Any other comments

Do you have any other comments on the proposals?

Response

We do not have any other comments on the proposals.