

Report of AOSSG Survey on the IFRS for SMEs Standard

[22 February 2018]

WORKING GROUP ON IFRS for SMEs

This Report presents the responses received from the Survey on the Application of IFRS for SMEs Standard in the Asia-Oceania Region up to 15 February 2018. The issues may not be exhaustive, and may not have taken into account developments since 15 February 2018.

LEAD MEMBER

Malaysian Accounting Standards Board (MASB)

MEMBERS

Ministry of Economy and Finance of Cambodia
Indonesian Institute of Accountants
Institute of Chartered Accountants of Pakistan
Nepal Accounting Standards Board
Association of Syrian Certified Accountants

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Executive summary

The IASB in October 2016, after having considered the advice of the SME Implementation Group, decided not to perform an interim review of the IFRS for SMEs Standard in advance of the next comprehensive review. The next comprehensive review of the IFRS for SMEs Standard is expected to start in early 2019. The IASB's expectation for comprehensive reviews is that there will always be some amendments (i.e. the IASB will definitely be amending the IFRS for SMEs) given the IASB's objective of considering all *changes* made to full IFRS over the period since the last review, but the IASB will not know the extent of these amendments until it has performed that review.

In this regard, the AOSSG Working Group decided to conduct a survey to solicit feedback as possible input to the IASB staff preparation work. The Survey sought input from AOSSG members of:

- (a) what is working and what is not working in relation to the IFRS for SMEs Standard in the AOSSG region and
- (b) whether the IFRS for SMEs Standard should incorporate the requirements of new IFRSs.

Existing IFRS for SMEs Standard requirements

The subject matter which attracted the most comments from respondents is the requirement to measure investment property at fair value if the fair value can be measured reliably without undue cost or effort. The views of these respondents are consistent and they recommend the IASB to provide SMEs the accounting policy choice of measuring investment property using either the fair value model or the cost model, similar to that permitted in IAS 40 *Investment Property*. The respondents noted that the undue cost or effort exemption relief provided in the Standard is rather superfluous because SMEs tend to use the exemption without firstly attempting to assess whether they qualify to use the exemption. Adding to this, some respondents felt that assessment is complex and highly subjective, and it is subject to different interpretations. Some of these respondents are of the view it is burdensome for SMEs of having to make a new assessment at each reporting date to determine whether they qualify to use the undue cost or effort exemption relief.

Below is a list of subject matters raised by the respondents and their comments are detailed in paragraphs 13 to 28 of this Report.

Subject matter	# of jurisdictions	Paragraph(s)
Investment property	5 India, Malaysia, Pakistan, the Philippines, Thailand	13-15
Biological asset	2 Malaysia, Thailand	13
Undue cost or effort exemption relief (general comment)	5 China, Pakistan, Sri Lanka, Syria, Thailand	16

Subject matter	# of jurisdictions	Paragraph(s)
Borrowing costs and development costs	3	Malaysia, Pakistan, Thailand
Impairment of assets	2	India, Pakistan
Income tax	3	China, India, Thailand
Public accountability	1	Hong Kong
Financial guarantee contracts	1	Malaysia
Business combinations and goodwill	1	Pakistan
Liabilities and equity classification	1	India
Hyperinflation	1	India
Non-monetary government grant	1	Pakistan

New IFRSs

The views of the AOSSG members who responded to the Survey are mixed as to whether the IFRS for SMEs Standard should incorporate the requirements of new IFRSs.

Subject matter	Incorporate in IFRS for SMEs Standard	Do not incorporate in IFRS for SMEs Standard	Amend specific requirement only
IFRS 3 Business Combinations (2008)	Thailand (paragraph 32)	Cambodia, Korea, India, Malaysia, Nepal, Pakistan, the Philippines, Sri Lanka, Syria (paragraph 30)	
IFRS 10 Consolidated Financial Statements		China, Cambodia, Korea, India, Malaysia, Nepal, Pakistan, the Philippines, Sri Lanka, Syria (paragraphs 30 and 31)	-
IFRS 11 Joint Arrangements			
IFRS 13 Fair Value Measurement			
IAS 19 Employee Benefits (2011)	Nepal (paragraph 34)	China, Cambodia, Korea, India, Malaysia, Pakistan, the Philippines,	-

Subject matter	Incorporate in IFRS for SMEs Standard	Do not incorporate in IFRS for SMEs Standard	Amend specific requirement only
		Syria, Sri Lanka, Thailand (paragraph 33)	
IFRS 9 Financial Instruments	Cambodia, India, Nepal, Pakistan (paragraph 40(a))	China, Korea, Malaysia, Sri Lanka, Syria, Thailand, the Philippines (paragraph 40(b))	-
IFRS 15 Revenue from Contracts with Customers	Cambodia, Nepal, Syria (paragraph 42(a))	China, Korea, Malaysia, Pakistan, Sri Lanka, Thailand, the Philippines (paragraph 42(b))	India (paragraph 42(c))
IFRS 16 Leases	Cambodia, Nepal, Syria (paragraph 44(a))	China, India, Korea, Malaysia, Pakistan, Sri Lanka, Thailand, the Philippines (paragraph 44(b))	-

Recommendation

The AOSSG Working Group, after due discussion, continue to believe that the priority should be a simplified IFRS for SMEs Standard although they are mindful of the widening gap between the two frameworks.

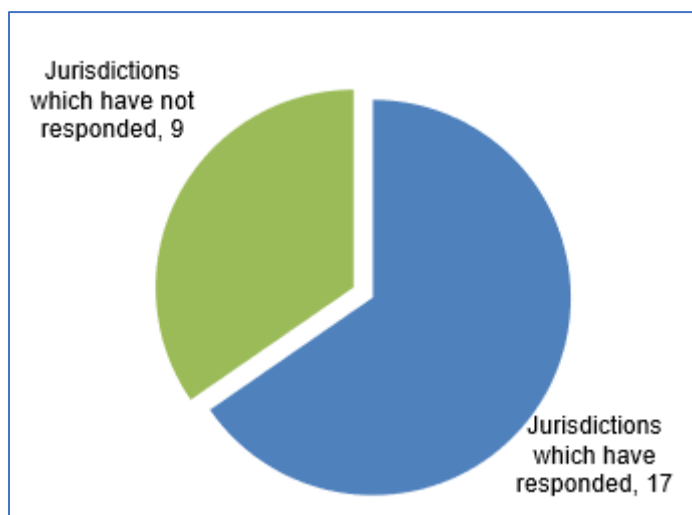
In this regard, the Working Group recommends the IASB to consider only incorporating any new IFRSs requirements, but simplified to the extent to suit the needs of users, after a post implementation review of the new IFRSs. This approach enables the IFRS for SMEs Standard to be reviewed and updated for improvement, but only after having considered the implementation experience of IFRS adopters. In addition, the new IFRSs would have been in application for at least four to five years after the post implementation review and this provide a sufficient period of stability for SMEs prior to the IFRS for SMEs Standard being amended to incorporate the new IFRSs.

PART I: Introduction and purpose

1. In October 2017, the Asia Oceania Standard Setters Group (AOSSG) Working Group (WG) on the IFRS for SMEs issued a Survey on the IFRS for SMEs Standard. The comment period ended in December 2017. The Survey and the responses received are annexed as Appendix 1 and Appendix 2 respectively.
2. The objective of this paper is to provide the International Accounting Standards Board (IASB) with a summary of the feedback received.
3. The IASB in October 2016, after having considered the advice of the SME Implementation Group, decided not to perform an interim review of the IFRS for SMEs Standard in advance of the next comprehensive review. The next comprehensive review of the IFRS for SMEs Standard is expected to start in early 2019. The IASB's expectation for comprehensive reviews is that there will always be some amendments (i.e. the IASB will definitely be amending the IFRS for SMEs) given the IASB's objective of considering all *changes* made to full IFRS over the period since the last review, but the IASB will not know the extent of these amendments until it has performed that review. In this regard, the AOSSG WG decided to conduct a survey to solicit feedback as possible input to the IASB staff preparation work in 2018 for the 2019 review of the IFRS for SMEs Standard.
4. AOSSG consists of 26 jurisdictions, some of which are in different status with regard to IFRS for SME adoption or convergence, and some have decided not to converge with the Standard. In this regard, the Survey:
 - (a) sought input from AOSSG members applying the IFRS for SMEs Standard on whether they have encountered any challenges in applying the Standard.
 - (b) sought input from AOSSG members not applying the IFRS for SMEs Standard of their reasons for not doing so.
5. The Survey was developed by the AOSSG IFRS for SMEs WG comprising members from Cambodia, Indonesia, Malaysia, Nepal, Pakistan and Syria. The IFRS for SMEs Standard (or equivalent) is being used in the AOSSG WG jurisdictions except for Indonesia and Syria. The Survey comprises the following sections:
 - (a) Sections A and B relate to the general information of the respondent and the regulation and use of accounting standards in the respondent jurisdiction.
 - (b) Section C consists of questions relating to the IFRS for SMEs Standard.

PART II: Feedback summary

6. As at 15 February 2018, 17 of the 26 AOSSG members completed the Survey. Seven of the 17 respondents have adopted the IFRS for SMEs Standard or equivalent Standard.
7. Five respondents, Australia, Indonesia, Macao, New Zealand and Uzbekistan, have not adopted the IFRS for SMEs or Standards equivalent to the IFRS for SME and accordingly did not provide comment to the questions in Section C. However, China, India, Korea, Syria and Thailand, which also have not adopted the IFRS for SMEs or Standards equivalent to the IFRS for SMEs, provided comments to the questions in Section C.



- IFRS for SMEs (or equivalent) permitted:
 - 1 Cambodia
 - 2 Hong Kong
 - 3 Malaysia
 - 4 Nepal
 - 5 Pakistan
 - 6 Philippines
 - 7 Sri Lanka
- IFRS for SMEs not used (applying Local GAAP or IFRS):
 - 8 Australia
 - 9 China
 - 10 India
 - 11 Indonesia
 - 12 Korea
 - 13 Macao
 - 14 New Zealand
 - 15 Syria
 - 16 Thailand
 - 17 Uzbekistan

8. The matters arising from the Survey are summarised in this paper as follows:
- (a) why local GAAP or IFRS?
 - (b) what is working and what is not working in relation to the IFRS for SMEs Standard in the AOSSG region?
 - (c) should the IFRS for SMEs Standard incorporate the requirements of new IFRSs which have been effective since 2013?
 - (d) should the IFRS for SMEs Standard incorporate changes in each of the major new full IFRS Standards which are effective in or after 2018?
 - (e) Training Material for the *IFRS[®] for SMEs* (version 2013-1).

Why local GAAP or IFRS?

9. The reasons given by the respondents for adopting local GAAP instead of the IFRS for SMEs Standard are summarised below:
- (a) the reduced disclosure regime (RDR) adopted retains the same recognition and measurement requirements as IFRS. (Australia and New Zealand)
 - (b) some sections of the IFRS for SMEs Standard are too simple and some sections are too difficult. (India)
 - (c) some sections in the IFRS for SMES Standard are too complex. (China, Indonesia and Thailand)
 - (d) local GAAP reflects local companies' characteristics and circumstances. (Korea)
 - (e) there is already a set of accounting standards. (Macao and Uzbekistan)
 - (f) there is lack of awareness of the IFRS for SMEs Standard. (Syria)
10. The detailed reasons given by respondents that have not adopted the IFRS for SMEs Standard are as follows.

AOSSG member	Why local GAAP or IFRS?
Australia	<p>Tier 2 reporting requirements in Australia have the same recognition, measurement and presentation requirements as Tier 1, but significantly reduced disclosure requirements.</p> <p>The AASB concluded in 2010 that the IFRS for SMEs Standard is not a suitable set of requirements for a Tier 2 in Australia having regard to the following concerns:(a) some of the accounting policy options removed would be the favoured Australian option;</p> <p>(b) IFRS for SMEs would force subsidiaries to adjust their accounting policies for consolidation purposes when parents apply full IFRS (Tier 1 in Australia);</p> <p>(c) IFRS for SMEs would only be updated every three years;</p> <p>(d) different streams of recognition and measurement requirements would require different streams of knowledge;</p> <p>(e) loss of comparability across Australian entities; and</p> <p>(f) comparability with overseas entities applying IFRS for SMEs would have limited benefits as entities seeking to access international capital markets would generally apply full IFRS.</p>
China	IFRS for SMEs is too complex.

AOSSG member	Why local GAAP or IFRS?
India	<ul style="list-style-type: none"> • <i>IFRS for SMEs</i> is too simplified. • Other reasons: <ol style="list-style-type: none"> (1) Formulation and issuance of Accounting Standards (ASs) was initiated by ICAI in the year 1977 based on International Accounting Standards of IASC Board, now a part of IFRS and continued thereafter which are well accepted by SMEs in India. All the existing Accounting Standards are being updated with the principles of converged IFRS, namely Ind AS subject to: <ol style="list-style-type: none"> (i) Minimal use of Fair Value (FV) (ii) Minimal use of Time Value of Money (iii) Minimal disclosures requirement (iv) Simplification (2) Converged IFRS Standards i.e. Ind ASs are applicable to public listed entities (listed companies other than on SME Stock Exchange and large corporates with threshold criteria of Net Worth, Banks, Insurance Companies and NBFCs). SME sector in India has no exposure for IFRS Standards. (3) Though IFRS for SMEs is based on IFRS Standards, in some sections it is too simple and some sections too difficult to adopt by SMEs in India without adequate guidance. (4) In our view, some sections, for example Financial Instruments, Presentation of Financial Statements in IFRS for SMEs require restructuring. (5) Few sections, for example Section 29 –Income Tax, Section 27 – Impairment of Assets require detailed explanation along with illustrations for better clarity and understanding. (6) Relevance of few sections, for example, Share Based Payments, Hyperinflation may need to be evaluated. <p>In the above context, some of our ASs as applicable to the SME sector are at higher platform and better structure.</p>
Indonesia	<p>Currently there are three tiers of GAAP that are established in Indonesia:</p> <ul style="list-style-type: none"> ▪ Tier 1 – SAK, for listed companies and other entities with significant public accountability (<i>SAK as at 1 January 2017 to be substantially in line with IFRS Standards as at 1 January 2016</i>)

AOSSG member	Why local GAAP or IFRS?
	<ul style="list-style-type: none"> ▪ Tier 2 – SAK ETAP, for entities with no significant public accountability. SAK ETAP effective for annual periods beginning on or after 1 January 2010; and ▪ Tier 3 – SAK EMKM, for micro, small and medium entities that meet the definition and criteria of micro, small and medium as stipulated by the laws and regulations applicable in Indonesia, at least for 2 consecutive years. <p>In 2009, SAK ETAP is developed using the Exposure Draft (ED) IFRS for SMEs as one point of references. Nonetheless, SAK ETAP is a further simplified version of IFRS for SMEs, taking into consideration responses from the relevant stakeholders in Indonesia.</p> <p>Currently, DSAK IAI is conducting Post Implementation Review to revise SAK ETAP with IFRS for SMEs is used as reference.</p>
Korea	Our jurisdiction developed Korean GAAP for SMEs to reflect local companies' characteristics and circumstances well.
Macao	There is already a set of accounting standards for micro and mini businesses in Macao. The CRAC feels that it is not appropriate to have too many tiers of accounting standards in Macao.
New Zealand	<p>The XRB decided on the reduced disclosure regime (RDR) – over other approaches, including IFRS for SMEs – because it retains the same recognition and measurement requirements as “full” NZ IFRS.</p> <p>The XRB noted that the advantages of this include:</p> <ul style="list-style-type: none"> • preparers and users need to be familiar with only one set of recognition and measurement requirements which are applied in both NZ IFRS and NZ IFRS RDR; • the comparability of financial information between NZ IFRS and NZ IFRS RDR is enhanced; • the preparation of consolidated financial statements where a group comprises entities that apply both NZ IFRS and NZ IFRS RDR is simplified; and • it is easier and less costly for entities to move between NZ IFRS and NZ IFRS RDR. <p>An RDR approach is also common with the approach taken in Australia.</p> <p>Therefore, adopting an RDR approach in New Zealand enhances harmonisation with Australia and reduces compliance costs for entities with trans-Tasman reporting obligations that apply those requirements.</p>

AOSSG member	Why local GAAP or IFRS?
Syria	<ul style="list-style-type: none"> • Lack of awareness of IFRS for SMEs. The IASB should make continuous efforts to promote IFRSs and IFRS SMEs to educate the public on the IFRS for SMEs. • SMEs are not generally required to prepare general purpose financial statements. Those that do may use full IFRS.
Thailand	<p>Some sections in IFRS for SMES are too complex e.g. cash flow, consolidated financial statement, Income taxes, financial instruments and share-based payments. The FAP simplified those sections in Thailand context.</p> <p>[Note: However, the FAP is in the process of permission the NPAES are eligible to use IFRS for SMEs for the financial statements for the period ended 31 December 2019 onward. At present, the FAP is in the process of amendment of TFRS for NPAEs to be appropriate for current circumstance and decision usefulness.]</p>
Uzbekistan	There is a national standard on accounting for small entities though it is also not widely used.

What is working and what is not working in relation to the IFRS for SMEs Standard in the AOSSG region?

11. The requirements of the IFRSs for SMEs which some respondents noted are complex and unduly burdensome to apply are investment property, biological asset, the undue cost or effort exemption relief, the interpretation of public accountability, financial guarantee contracts, distinction of liabilities and equity, impairment of asset, income tax, hyperinflation and government grants.
12. On the other hand, three respondents noted that the complex option of capitalisation of borrowing costs and capitalisation of intangible assets other than goodwill should be permitted.

Investment property and biological asset

13. Two respondents, Malaysia and Thailand, are of the view that the IASB should remove the undue cost or effort exemption for biological asset and investment property and provide the fair value model and the cost model as an accounting policy choice.
 - (a) Malaysia noted from a survey conducted in Malaysia in early 2017 which showed that SMEs faced implementation challenges in measuring fair value and many SMEs would initially consider using the undue cost or effort exemption rather than attempt to properly understand and apply the fair value guidance in the IFRS for SMEs Standard.
 - (b) Thailand is of the view it is difficult to seek fair value for SMEs and even though the IASB has provided the undue cost or effort exemption relief, SMEs have a burden to

prove whether those items could meet the undue cost or effort criteria. Furthermore, an entity must make a new assessment of whether a requirement will involve undue cost or effort at each reporting date.

14. One respondent, India, is of the view that since the fair value measurement is an accounting policy, insertion of choice of undue cost or effort exemption for initial measurement is confusing and may be avoided.
15. Two respondents, Pakistan and the Philippines, requested the IASB to also allow the option to use the cost model in measuring investment property. Pakistan considers that the undue cost or effort exemption relief in the IFRS for SMEs Standard could be used as the first choice for the measurement of investment property. Resultantly, it may act as a hurdle towards the fair value measurement of the investment property. This approach will result in the lack of understanding and consideration of the fair value measurement related requirements of the IFRS for SMEs Standard. This approach may not result in transparent and faithful representation of the investment property. It also noted that IAS 40 *Investment Property* gives an accounting policy choice of fair value or cost model for the measurement of investment property.

Undue cost or effort exemption relief

16. Five respondents provided their views on the undue cost or effort exemption.
 - (a) China and Sri Lanka are of the view the undue cost or effort exemption is useful.
 - (b) Pakistan is of the view the “undue cost or effort’ assessment is complex and highly subjective. As SMEs with limited accounting experience and expertise they may find it difficult to determine the benefits of users of financial statements. It believes that the wording contained in paragraph 2.14B (reproduced below for reference) of IFRS for SMEs Standard requires further explanatory guidance and illustrative examples to help SMEs in understanding and applying the concept of ‘undue cost or effort’ and its interaction with the benefits derived by users of financial statements.

Considering whether obtaining or determining the information necessary to comply with a requirement would involve undue cost or effort depends on the entity’s specific circumstances and on management’s judgement of the costs and benefits from applying that requirement. This judgement requires consideration of how the economic decisions of those that are expected to use the financial statements could be affected by not having that information. Applying a requirement would involve undue cost or effort by an SME if the incremental cost (for example, valuers’ fees) or additional effort (for example, endeavours by employees) substantially exceed the benefits that those that are expected to use the SME’s financial statements would receive from having the information. An assessment of undue cost or effort by an SME in accordance with this Standard would usually constitute a lower hurdle than an assessment of undue cost or effort by a publicly accountable entity because SMEs are not accountable to public stakeholders.

- (c) Syria is of the view that “Undue cost or efforts” cannot be clearly defined and is subject to different interpretations from one preparer of the financial statements to another. This will affect the comparability of financial statements between entities. It also noted that the IFRS Foundation Training Material for the IFRS for SMEs Standard can never cover all cases. However, it helps but still not sufficient. So the exemption is still subject to different interpretations from one preparer of the financial statements to another.
- (d) Thailand, is of the view that the undue cost or effort exemption is not helpful in providing relief to SMEs because an entity must make a new assessment of whether a requirement will involve undue cost or effort at each reporting date (as required by paragraph 2.14C). It is also of the view that the explanations or examples in the IFRS Foundation: Training Material for the *IFRS for SMEs Standard* are not helpful in demonstrating how an entity could satisfy the criteria to apply the undue cost or effort exemption. Paragraph 2.14C is reproduced below for reference:

Assessing whether a requirement would involve undue cost or effort on initial recognition in the financial statements, for example at the date of the transaction, should be based on information about the costs and benefits of the requirement at the time of initial recognition. If the undue cost or effort exemption also applies subsequent to initial recognition, for example to a subsequent measurement of an item, a new assessment of undue cost or effort should be made at that subsequent date, based on information available at that date.

Borrowing costs and intangible assets other than goodwill

- 17. Three respondents, Malaysia, Pakistan and Thailand, are of the view that borrowing costs and intangible assets other than goodwill should not be recognised as expenses in profit or loss in the period in which they are incurred.
 - (a) Malaysia is of the view that the IFRS for SMEs Standard requirements for borrowing costs, development costs and other internally generated intangible assets (e.g. patents) should be consistent with IFRSs.
 - (b) Pakistan and Thailand are of the view that SMEs should be granted the option to capitalise borrowing costs and development costs to assets.
 - (i) Pakistan noted that there could be situations where an entity expects to receive economic benefits from the intangible asset (e.g. software) and SMEs generally borrow funds for specific qualifying assets and the calculation of borrowing costs eligible for capitalisation is generally straight forward and relatively less complex compared to other estimation and measurement requirements contained in the IFRS for SMEs Standard.

[Note: Previously, under the reporting framework applicable to medium-sized entities, borrowing costs related to qualifying asset have been capitalised (prior to 1 January 2018, under the Pakistan reporting framework the capitalisation of borrowing costs was the only modification in IFRS for SMEs Standard. However, this exception is not carried

forward in the new framework under the Companies Act 2017 and the medium-sized companies are required to follow the IFRS for SMEs Standard issued by IASB).]

- (ii) Thailand noted that some jurisdictions have applied the capitalisation concept which is consistent with the definition of asset in the conceptual framework.

Impairment of assets

- 18. Two respondents, India and Pakistan, are of the view that an alternative and simplified method of impairment of assets is required because the concept of value in use and cash generating units (CGUs) are complex and difficult to apply by SMEs.
- 19. Pakistan, in addition, is of the view that SMEs should only be required to allocate the goodwill to the entity as a whole for the purpose of impairment testing because identifying and allocating goodwill to CGUs on a non-arbitrary basis requires some structural prerequisites in the entity and also the expertise of accounting staff to develop a proper basis of allocation. Given the less formal structures of most SMEs and lack of sufficient and skilled accounting staff would make it difficult to implement.

Income tax

- 20. Three respondents, China, India and Thailand, are of the view that the balance sheet approach is difficult to understand and apply.
 - (a) India suggested that the income statement approach may be proposed for easy understanding and adoption by SMEs. China also supported the income statement approach and noted that the approach might be more cost effective.
 - (b) Thailand suggested deferred tax recognition should be optional.

Public accountability

- 21. One respondent, Hong Kong, stated that there are varying applications and interpretations of whether insurance brokers have public accountability because conflicts exist between paragraphs 1.3 and 1.4 of the Standard (reproduced below for reference). Some believe that insurance brokers have a fiduciary capacity in the same way as securities brokers but others believe insurance brokers have such a role for reasons incidental to its primary business. It requested the IASB to clarify how to handle the conflicts by illustrating in examples or application guidance how entities should apply these paragraphs in forming a decision on whether it has public accountability.

1.3 An entity has public accountability if:

- (a) *its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or*

(b) *it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (most banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks would meet this second criterion).*

1.4 *Some entities may also hold assets in a fiduciary capacity for a broad group of outsiders because they hold and manage financial resources entrusted to them by clients, customers or members not involved in the management of the entity. However, if they do so for reasons incidental to a primary business (as, for example, may be the case for travel or real estate agents, schools, charitable organisations, co-operative enterprises requiring a nominal membership deposit and sellers that receive payment in advance of delivery of the goods or services such as utility companies), that does not make them publicly accountable.*

Financial guarantee contracts

22. One respondent, Malaysia, is of the view that the *IFRS for SMEs Standard* should explicitly require the issuer of financial guarantee contracts (FGC), after initial recognition, to measure the FGC at the higher of the amount determined in accordance with Section 21 *Provisions and Contingencies* and the amount initially recognised less, when appropriate, the cumulative amortisation recognised in accordance with Section 23 *Revenue*, as fair value requirements will be burdensome as opposed to cost measurement basis.
23. The respondent is of the view that although the parent entity can choose to apply the recognition and measurement principles of IAS 39 for financial guarantees in the parent's separate financial statements, such requirements in IAS 39 would be burdensome for other types of financial instruments.

Business combinations and goodwill

24. One respondent, Pakistan, is of the view that the *IFRS for SMEs Standard* should be amended as follows:
- (a) to incorporate the amendments to the definition of a business in line with the final decision of IASB's Exposure Draft ED/2016/1 *Definition of a Business and Accounting for Previously Held Interests* (Proposed amendments to IFRS 3 and IFRS 11) to provide more explanatory guidance in order to understand and determine whether a transaction is a business combination or an asset acquisition (being a significant area which posed implementation challenges identified in the PIR of IFRS 3) because little guidance is provided in the *IFRS for SMEs Standard*.
- (b) the requirements related to contingent consideration and contingent liability should be simplified by requiring adjustments that relate to contingent future events to be recognised when they materialise. It is of the view that the costs associated with the determination of contingent consideration and contingent liability as currently required by the *IFRS for SMEs Standard* may exceed the benefits because:

- (i) the estimation of the contingent consideration is highly judgmental and difficult to validate. Further, there are uncertainties regarding outcomes accordingly the fair value of contingent liabilities is difficult to measure.
- (ii) most of the SMEs do not have the internal resources and expertise and therefore may need to employ external experts to assess the probability and to estimate the amount of contingent consideration and fair value of contingent liabilities which could involve complex and varied valuation models.
- (c) only purchased intangible assets should be accounted for by an acquirer in accounting for business combinations because internally generated intangible assets of an acquire may pose significant difficulty in determining if fair value can be measured reliably.

Liabilities and equity classification

- 25. One respondent, India, is of the view that the application of the concept of substantial contractual arrangement for classification of financial instruments into liability and equity and the puttable instrument exception is complex and difficult for practical implementation by SMEs. It suggested that liability and equity may be based on legal form for valuation.
- 26. The respondent also is of the view that the criteria for classification and measurement of preference shares as equity or liability are confusing.

Hyperinflation

- 27. One respondent, India, is of the view that the applicability of this section needs to be evaluated.

Government grants

- 28. One respondent, Pakistan, noted that the IFRS for SMEs Standard mandatory requirement to recognise government grant in the form of non-monetary asset at fair value may not be cost effective and is burdensome. It is of the view that the IFRS for SMEs Standard should allow SMEs the choice of recognising government grant in the form of non-monetary asset at fair value or nominal amount, consistent with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* requirements.

Should the IFRS for SMEs Standard incorporate the requirements of new IFRSs which have been effective since 2013?

- 29. During the initial comprehensive review in 2013, the IASB had decided not to amend the IFRS for SMEs Standard to incorporate IFRS 3 *Business Combinations* (2008), IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits* (2011) in the light of the following reasons:

- (a) although the *IFRS for SMEs Standard* was issued in 2009, the IASB decided that there is a greater need to provide SMEs with a stable, independent and stand-alone Standard over maximising alignment with full IFRSs because for the majority of SMEs using, or about to use, the *IFRS for SMEs Standard*, it is still a new Standard.
- (b) the current approach in the *IFRS for SMEs Standard* (based on IFRS 3 (2004) *Business Combinations*), which has the same basic underlying approach as IFRS 3 (2008) but simplified, is working well in practice and is well understood and accepted by preparers and users of SME financial statements whereas incorporating the changes in IFRS 3 (2008) would result in significant complexity for SMEs, particularly because of the additional fair value measurements required.
- (c) although IFRS 10, IFRS 11 and IFRS 13 are supported with significant implementation guidance, the complex changes would be expected to have a limited practical impact on the majority of SMEs because the new requirements are unlikely to affect many common fair value measurements and the accounting for groups of entities with a simple group structure.
- (d) it may be better to continue to permit SMEs the choice of recognising actuarial gains and losses in profit or loss or other comprehensive income (OCI) than incorporating the main change in IAS 19 (2011) to present actuarial gains and losses in OCI as the IASB *Conceptual Framework for Financial Reporting* project is considering its treatment of OCI which may result in changes to the requirements relating to OCI under full IFRSs.

IFRS 3 (2008), IFRS 10, IFRS 11, IFRS 13

30. Nine respondents, Cambodia, Korea, India, Malaysia, Nepal, Pakistan, the Philippines, Sri Lanka and Syria, continue to agree with the IASB's reasons for not incorporating these IFRSs requirements in the IFRS for SMEs Standard:
- (a) notwithstanding that the IASB Post Implementation Review (PIR) for IFRS 3 (2008) has concluded that there exists general support for its accounting requirements with the limited exceptions that the definition of a business, accounting for goodwill and the identification and fair value measurement of intangible assets such as customer relationships and brand names needed further action to be undertaken.
 - (b) for IFRS 10, IFRS 11 and IFRS 13, these respondents are concerned about the uncertainty of the respective PIR outcome – the IASB has indicated that a PIR will be undertaken for IFRS 10 and IFRS 11 but the timeline is not yet available¹ and the IASB has not concluded the outcome of IFRS 13 PIR² which focused on disclosures about fair value measurements, prioritising Level 1 inputs or the unit of account,

¹ Based on information available on IASB website as at 3 January 2018.

² The Request for Information was issued in May 2017.

application of the concept of the highest and best use when measuring the fair value of non-financial assets, and application of judgement in specific areas.

31. China also agrees with the IASB's reasons for not incorporating IFRS 10, IFRS 11 and IFRS 13 requirements in the IFRS for SMEs Standard.
32. However, one respondent, Thailand, is of the view that the IFRS for SMEs Standard should incorporate IFRS 3 (2008), IFRS 10, IFRS 11 and IFRS 13 requirements because:

".. some SMEs who have acquired subsidiaries and joint ventures are not listed company but their ultimate parent applies full IFRS. They have burden to converse from IFRS for SMEs to IFRS 3 for the purpose of financial statement consolidation with the ultimate parent."

IAS 19 (2011)

33. Ten respondents, China, Cambodia, Korea, India, Malaysia, Pakistan, the Philippines, Sri Lanka, Syria and Thailand, agree with the IASB's reason for not incorporating IAS 19 (2011) requirements in the IFRS for SMEs Standard. In addition, Korea noted that since incorporating IAS 19 (2011) requirements as per the IASB *Conceptual Framework for Financial Reporting* may impose significant burdens in practice and SMEs are not ready to fully adopt the *Conceptual Framework for Financial Reporting* yet, SMEs should be allowed to choose the recognition of actuarial gains and losses in profit or loss or OCI for the time being.
34. However, one respondent, Nepal, is of the view that the IFRS for SMEs Standard should incorporate IAS 19 (2011) requirements.

Should the IFRS for SMEs incorporate changes in each of the major new full IFRS Standards which are effective in or after 2018?

35. During the initial comprehensive review, the IASB noted that it may decide only to incorporate changes from a complex new or revised IFRS after implementation experience of that IFRS has been assessed. It also noted that it will make this assessment at the periodic review following the issue of new or revised IFRSs instead of automatically waiting until there is substantial experience from entities who have applied a new or revised IFRS or until a PIR on an IFRS has taken place.
36. In this regard, the Survey sought feedback about what kinds of modifications to IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* might be appropriate.

IFRS 9

37. Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instruments Issues* of the IFRS for SMEs Standard and IAS 39 *Financial Instruments: Recognition and Measurement* share some similar principles for the recognition and measurement of

financial instruments; however, there are a number of significant differences between the IFRS for SMEs Standard and IAS 39. Nonetheless, an entity is permitted to apply the recognition and measurement requirements of IAS 39 instead of applying Sections 11 and 12 of the IFRS for SMEs Standard.

38. IFRS 9 will replace IAS 39 for annual reporting periods beginning on or after 1 January 2018. The most significant change is the requirement for the impairment of financial assets. Under IAS 39 and the IFRS for SMEs Standard, entities recognise an impairment loss immediately if there is objective evidence of impairment. Under the impairment approach in IFRS 9 an entity always accounts for expected credit losses, and changes in those expected credit losses is updated at each reporting date.
39. Consistently with the primary aim of developing a stand-alone, simplified set of accounting principles for SMEs, the IASB would prefer the fallback to full IFRS to be ultimately removed. However, the IASB during the initial comprehensive review decided that the fallback to IAS 39 should be retained until IFRS 9 is considered at a future review (BC217).
40. The views of the respondents are mixed of whether the IFRS for SMEs Standard should incorporate IFRS 9 requirements and hence remove the fallback to IAS 39.
 - (a) Four respondents, Cambodia, India, Nepal and Pakistan, are of the view that the IFRS for SMEs Standard should incorporate IFRS 9 main requirements given that IFRS 9 is widely regarded as an improvement to IAS 39.
 - (i) Cambodia, Nepal and Pakistan added that the fallback to IAS 39 should be removed.
 - (ii) India added that if the IASB disagree to incorporate IFRS 9 main requirements to the IFRS for SMEs Standard, it is of the view the IFRS for SMEs Standard should change the fallback to IAS 39 to fallback to IFRS 9.
 - (b) Seven respondents, China, Korea, Malaysia, Sri Lanka, Syria, Thailand and the Philippines, are of the view the IFRS for SMEs Standard should not incorporate IFRS 9 main requirements. Nonetheless, Malaysia, Sri Lanka, Syria, Thailand and Philippines are of the view the IFRS for SMEs Standard should be amended to change the fallback to IAS 39 to fallback to IFRS 9 while Korea believes otherwise.
 - (i) China is of the view that the main requirements of IFRS 9 are too complex for small enterprises.
 - (ii) Korea is of the view that the main requirements of IFRS 9 are relatively more complex and subject to judgment (e.g., assessment for business model, solely for payment of principle and interest test and the necessity to incorporate forward-looking data and assumption, etc.) than those of IAS 39. In this regard and considering the purpose of developing a simplified set of accounting principles for SMEs, the fallback to IFRS 9 may not be consistent with the primary aim of accounting principles for SMEs. The requirements for SMEs

should avoid accounting treatments that are complex and judgmental as far as possible.

- (iii) Malaysia is of the view that the current recognition and measurement requirements in IFRS for SMEs Standard (i.e. Sections 11 and 12) provide adequate guidance for recognising and measuring financial instruments, as most plain vanilla financial instruments can be measured at cost or amortised cost, without having to go through the business model and cash flow characteristics test (as required by IFRS 9), which may add compliance cost to SMEs without obvious benefits. For impairment, the incurred loss model is more appropriate for SMEs, taking into consideration the profile of the users of the financial statements (owner-manager, bankers etc.) and the type of the financial assets typically held (cash and cash equivalents, trade and other receivables, etc). Using a forward looking expected loss model for SMEs adds significant compliance cost without having any obvious benefits to users of the financial statements. It also is of the view that it is important to observe the implementation experience of IFRS 9 by IFRS adopters first before introducing the requirements for SMEs as many SMEs have limited resources. Nevertheless, certain requirements in IFRS 9 such as allowing equity investments to be classified and measured at fair value through other comprehensive income and allowing an entity to fair value its own used contracts to avoid complex hedge accounting could be considered to be included in the IFRS for SMEs Standard.
- (iv) The Philippines is of the view that while the classification and measurement rules under IFRS 9 have been simplified, the expected credit loss model could create complexities for SMEs.
- (v) Sri Lanka is of the view that most for the SMEs do not have complex instruments. It further noted that frequent changes of accounting standards, especially in the case of financial instruments standard, will be burdensome for SMEs.
- (vi) Syria is of the view that some SMEs do not have the necessary expertise, data, and systems to implement the expected credit losses model for impairment of financial assets. Furthermore, the cost of implementing the expected credit losses model for impairment of financial assets may be unaffordable for some SMEs.
- (vii) Thailand's view is as follows:

"It is difficult for SMEs which have burden to judge business model for classify financial instruments."

IFRS 15

41. Section 23 *Revenue* of the *IFRS for SMEs Standard* and IAS 18 *Revenue* and IAS 11 *Construction Contracts* share the same principles for accounting and reporting revenue. IFRS 15 will replace IAS 18 and IAS 11 for annual reporting periods beginning on or after 1 January 2018. IAS 18 and IAS 11 provided limited guidance and, consequently may be difficult to apply to complex transactions, such as accounting for multiple-element arrangements. The core principle in IFRS 15, based on the notion of transferring control, is expected to improve the consistency of reporting because it would provide a more objective assessment for determining the timing of revenue recognition. IFRS 15 core principle is that revenue is recognised when the entity satisfies its performance obligations as a result of the customer obtaining control of those goods or services.
42. The views of the respondents are mixed of whether the IFRS for SMEs Standard should incorporate IFRS 15 requirements.
- (a) Three respondents, Cambodia, Nepal and Syria, are of the view the IFRS for SMEs Standard should incorporate IFRS 15 requirements given that revenue is an important number to users of financial statements in assessing an entity's financial performance and position.
- (b) Seven respondents, China, Korea, Malaysia, Thailand, Pakistan, Sri Lanka and the Philippines, are of the view the IFRS for SMEs Standard should not incorporate IFRS 15 requirements because it is important to have the implementation experience of IFRS 15 first before introducing the requirements for SMEs as many SMEs have limited resources.
- (i) The Philippines added that since the IFRS for SMEs Standard is not yet widely adopted, it will be difficult to attract other countries to adopt the Standard if it frequently changes like full IFRS.
- (ii) Thailand added:
- “IFRS 15 applies principle base to recognize revenue. It is burden for SMEs to apply judgement to consider the recognition of revenue from contract with customer.”*
- (c) One respondent, India, is of the view that IFRS 15 measurement principles based on transaction price may be incorporated to the IFRS for SMEs Standard.

IFRS 16

43. Section 20 *Leases* of the *IFRS for SMEs Standard* and IAS 17 *Leases* share the same principles for accounting and reporting leases. IFRS 16 will replace IAS 17 for annual reporting periods beginning on or after 1 January 2019. IAS 17 accounting model for leases required lessees and lessors to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IAS 17 was criticised for failing

to meet the needs of users of financial statements because it did not always provide a faithful representation of leasing transactions because it did not require lessees to recognise assets and liabilities arising from operating leases. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 approach is expected to result in a more faithful representation of a lessee's assets and liabilities to provide greater transparency of a lessee's financial leverage and capital employed.

44. The views of the respondents are mixed of whether the IFRS for SMEs Standard should incorporate IFRS 16 requirements.
- (a) Three respondents, Cambodia, Nepal and Syria, are of the view the IFRS for SMEs Standard should incorporate IFRS 16 requirements given that leasing is an important activity for many entities as a means of gaining access to assets, of obtaining finance and of reducing an entity's exposure to the risks of asset ownership.
 - (b) Eight respondents, China, India, Korea, Malaysia, Thailand, Pakistan, Sri Lanka and the Philippines, are of the view the IFRS for SMEs Standard should not incorporate IFRS 16 requirements because it is important to have the implementation experience of IFRS 16 first before introducing the requirements for SMEs as many SMEs have limited resources.

Training Material for the IFRS® for SMEs (version 2013-1)

45. The Survey sought views whether the explanations or examples in the IFRS Foundation: Training Material for the *IFRS® for SMEs Standard* helpful in demonstrating how an entity could satisfy the criteria to apply the undue cost or effort exemption. Three respondents, India, Syria and Thailand provided comments to this question.
46. Syria's and Thailand's views are summarised in the undue cost or effort section of this Report and below is India's comment on Module 2 *Concepts and Pervasive Principles*:
- (a) Ex 40 can be expanded to consider a case when gold bullion is acquired to gain from change in market value of gold bullion. In such cases, Section 13 *Inventories* may be relevant for accounting application.

Ex 40 (Page 36)
<p>On 1 January 20X7, instead of distributing its excess cash to its shareholders, an entity acquired gold bullion for CU50,000. The entity holds the gold for capital appreciation rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.</p> <p>The <i>IFRS for SMEs</i> does not explicitly specify how to account for the gold bullion held for capital appreciation. Because the <i>IFRS for SMEs</i> does not specify how to account for the entity's investment in gold bullion management must develop the entity's accounting policy in accordance with paragraphs 10.4 and 10.5 that results in information that is relevant and reliable.</p>

Ex 40 (Page 36)

Relevant financial information is capable of making a difference in the decisions made by users. Information about the gold bullion's current market value would be relevant to the decisions made by users of the entity's financial statements (eg existing and potential investors, lenders and other creditors). The current market value of gold bullion is readily obtainable on a continuous basis without undue cost or effort—it is publicly traded in a deep and active market. Consequently, that information is reliable (faithful representation, neutral and free from material error).

In developing the entity's accounting policy for the investment in gold bullion, management would, in accordance with paragraph 10.5(a) refer to Section 16 *Investment Property* that specifies how to account for investment property—ie property (land or buildings, or both) held to earn rentals or for capital appreciation or both. By analogy, the investment in gold bullion should be accounted for in accordance with the requirements of Section 16. Consequently, the entity should recognise its investment in the gold bullion as a separate class of asset. That asset should initially be measured at cost. Thereafter, the asset should be measured at its fair value with changes in its fair value recognised in profit or loss in the period in which the changes occur.

- (b) for question 14, application of option (c) may not be appropriate but (d) may be.

Question 14 (Page 52)

Rather than distributing its excess cash to its shareholders an entity acquired a rare painting. The painting is held for capital appreciation rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business. The *IFRS for SMEs* does not explicitly specify how to account for investments in paintings. How should the entity account for its investment in the painting?

- (a) Because the *IFRS for SMEs* does not explicitly specify how to account for an investment in a painting, on initial recognition the entity would recognise the expenditure on the painting as an expense in profit or loss.
- (b) Because the carrying amount of the painting will be recovered through capital appreciation (or possibly rental to others), the relevant information that users' of the entity's financial statements would want about the painting is its current market value. Consequently, by analogy to the accounting specified for investment property (see Section 16 *Investment Property*) the entity should initially measure the painting at cost and thereafter at fair value, with changes in fair value being recognised in profit or loss.
- (c) Same as (b). However, if the fair value of the painting cannot be measured reliably without undue cost or effort on an ongoing basis then, by analogy to Section 17 *Property, Plant and Equipment* (which includes investment property whose fair value cannot be determined reliably without undue cost or effort on an ongoing basis) the entity would account for the painting using the cost-depreciation-impairment model.
- (d) Because the *IFRS for SMEs* does not explicitly specify how to account for an investment in a painting the entity must, in accordance with paragraph 2.46, measure the painting asset at its historical cost and subsequently, in accordance with paragraph 2.49, measure it at cost less impairment.

Answer: (c) see paragraph 2.35

PART III: Recommendation to the IASB

47. The AOSSG Working Group observation is that the IASB needs to decide at a point sometime in future whether the objective is:
- (a) to maintain the simplicity of the IFRS for SMEs Standard, but this will widen the gap between the IFRS for SMEs and IFRS Standards over time; or
 - (b) to maintain minimum differences and narrow the gap between the two frameworks, but this may result in the IFRS for SMEs Standard being updated too frequently with the risk of having difficulty to attract other countries to adopt the Standard. In addition, if the IFRS for SMEs Standard requirements were similar to IFRSs, albeit at a later date, SMEs may see little benefit of adopting the IFRS for SMEs and hence choose to adopt IFRSs instead because ultimately the IFRS for SMEs Standard will be changed to follow IFRSs.
48. The AOSSG Working Group, after due discussion, continue to believe that the priority should be a simplified IFRS for SMEs Standard although they are mindful of the widening gap between the two frameworks. In this regard, the Working Group recommends the IASB to consider only incorporating any new IFRSs requirements, but simplified to the extent to suit the needs of users, after a post implementation review of the new IFRSs.

The Working Group is of the view that this approach enables the IFRS for SMEs Standard to be reviewed and updated for improvement, but only after having considered the implementation experience of IFRS adopters, so that financial statements prepared using the IFRS for SMEs Standard will continue to produce financial information that is relevant to the decision-making needs of users. In addition, the new IFRSs would have been in application for at least four to five years after the post implementation review and this provide a sufficient period of stability for SMEs because the IFRS for SMEs Standard will not change too frequently.

PART IV: HKICPA's survey results

49. Coincidentally, Hong Kong Institute of Certified Public Accountants (HKICPA) is reviewing its home-grown SME standard (issued in 2005) and has sent a survey to AOSSG members applying a SME standard that is not IFRS for SMEs Standard as issued by the IASB for it to understand how those other SME standards work.
50. A copy of the HKICPA's survey is attached in Appendix 3. Specifically, the HKICPA's survey asks whether the SME standard of the respondent include reporting and accounting requirements for certain elements or transactions [and whether those requirements are consistent with the IFRS for SMEs Standard].
51. As at 19 February 2018, five jurisdictions - Australia³, China⁴, India⁵, Macao⁶ and New Zealand⁷ - had responded to the Hong Kong's survey and their responses are tabulated below for information purpose only. Such information may be useful to IASB when IASB considers how, or whether, the IFRS for SMEs Standard requirements should be amended or revised or simplified.

³ The Australian recognition and measurement requirements for SMEs are the same as in IFRS Standards, although with some modifications for entities in the not-for-profit private and public sectors, which apply whether or not they are SMEs. Any SME preparing general purpose financial statements applies either Australian Accounting Standards (Tier 1) or the Australian Accounting Standards – Reduced Disclosure Requirements (Tier 2).

⁴ China did not clarify whether its SME standard requirements are consistent with the IFRS for SMEs Standard.

⁵ In India, the IFRS for SMEs Standard is not taken as a base in preparing India Accounting Standard for SMEs. Hence a detailed comparison with the IFRS for SMEs Standard is not possible.

⁶ Macau General Financial Reporting Standards are abridged versions of the Framework and 2004 version of IFRSs. Therefore, in general, CRAC does not think the requirements would be consistent with the IFRS for SMEs Standard.

⁷ Tier 2 For-profit Accounting Requirements (NZ IFRS RDR) has the same recognition and measurement requirements as IFRS Standards issued by the IASB (including IFRS 9, 15 and 16) but with reduced disclosure requirements. NZ IFRS RDR can be applied by for-profit entities which do not have public accountability and are not a large for-profit public sector entity (large being expenses over \$NZD 30m).

HKICPA's survey results

Does your SME standard include reporting and accounting requirements for:	Australia	China	India	Macao	New Zealand
Revenue	✓ Incorporated IFRS 15	✓ IFRS 15 under consideration	✓ Upgrade to IFRS 15 yet to be decided	✓ IFRS 15 not under consideration	✓ Incorporated IFRS 15
Leases	✓ Incorporated IFRS 16	✓ IFRS 16 under consideration	✓ Upgrade to IFRS 16 yet to be decided	✓ IFRS 16 not under consideration	✓ Incorporated IFRS 16
Financial instruments	✓ A cost measurement basis is permitted for some instruments by criteria [as per IFRS 9]; incorporated IFRS 9	✓ All instruments may apply cost measurement basis without restrictions; IFRS 9 under consideration	✓ A cost measurement basis is permitted for some instruments by criteria. Investments are classified as current (measured at the lower of cost and fair value) and long term (measured at cost and reduced to recognise a decline other than temporary). Currently upgrading standard with respect to IFRS 9.	✗ IFRS 9 not under consideration	✓ A cost measurement basis is not permitted except as permitted under IAS 39 (and IFRS 9 for periods on or after 1 Jan 2018); incorporated IFRS 9

Does your SME standard include reporting and accounting requirements for:	Australia	China	India	Macao	New Zealand
Financial guarantee contracts	✓	✗	✗	✗	✓
Distinction of liabilities and equity	✓	✓	✗	✓	✓
Insurance contracts	✓	✗	✗	✗	✓
Fair value measurement	✓	✗	✗	✗	✓
Impairment of asset	✓	✗	✓	✗	✓
Property, plant and equipment	✓ Revaluation model is permitted	✓ Revaluation model is not permitted; fair value disclosure is not permitted / required	✓ Revaluation model is permitted	✓	✓ Revaluation model is permitted
Investment property	✓ Fair value model is permitted	✗ Fair value disclosure is not permitted / required	✓ Fair value is not permitted; fair value disclosure is not permitted / required	✗	✓ Fair value model is permitted

Does your SME standard include reporting and accounting requirements for:	Australia	China	India	Macao	New Zealand
Intangible assets other than goodwill	✓ All IA are subject to impairment test annually	✓ IA are required to be amortised but not subject to impairment test; amortisation period is not specified	✓ All IA are subject to amortisation and impairment test annually. Amortisation period of computer software is 3-5 years; acquired goodwill is 5 years; other IA is 10 years.	✓ IA are not subject to impairment test; IA with finite useful life are required to be amortised	✓ All IA are subject to impairment in accordance with IAS 36 <i>Impairment of Assets</i>
Business combinations	✓ Goodwill is not amortised	✗	✓ Goodwill is amortised	✗	✓ Goodwill is not amortised
Consolidation	✓ IFRS 10 <i>Consolidated Financial Statements</i> control definition is applicable	✗	✓ Control definition: (a) the ownership, directly or indirectly through subsidiary(ies) of more than one-half of voting power of an enterprise; (b) control the composition of the board of directors / governing body so as	✗	✓ IFRS 10 <i>Consolidated Financial Statements</i> control definition is applicable

Does your SME standard include reporting and accounting requirements for:	Australia	China	India	Macao	New Zealand
			to obtain economic benefits from its activities.		
Joint arrangements	✓	✗	✓	✗	✓
Biological asset	✓	✓	✗	✗	✓
Borrowing costs	✓	✓	✓	✓	✓
Income taxes	✓	✓ Deferred taxes not included	✓	✓	✓
Share-based payments	✓	✗	✗	✗	✓
Employee benefits	✓	✗	✓	✗	✓
Non-current assets held for sale and discontinued operations	✓	✗	✓	✗	✓
Exploration for and evaluation of mineral resources	✓	✗	✗	✗	✓
Operating segments	✓	✗	✗	✗	✗
Disclosure of interests in other entities	✓	✓	✗	✗	✓
Regulatory deferral accounts	✓	✗	✗	✗	✓

Does your SME standard include reporting and accounting requirements for:	Australia	China	India	Macao	New Zealand
Separate financial statements	✓	✗	✓	✗	✓
Financial reporting in hyperinflationary economies	✓	✗	✗	✗	✓
Earnings per share	✓	✗	✓	✗	✗
Interim financial reporting	✓	✗	✓	✗	✓
The effects of changes in foreign exchange rates	✓	✓	✓	✓	✓
Cash flow statement	✓	✓	✗	✗	✓

✓ - Yes

✗ - No / Not applicable

Appendix 1

Survey on the Application of IFRS for SMEs Standard in the Asia-Oceania Region






AOSSG Survey on
IFRS for SMEs-2017.c

Appendix 2

Survey responses received

Index of Survey responses received

	Jurisdiction	Organisation	Document (double-click the object to access the document)
1.	Australia	Australian Accounting Standards Board	 Australia.docx
2.	Cambodia	National Accounting Council	 Cambodia.docx
3.	China	Accounting Regulatory Department, Ministry of Finance	 China.docx
4.	Hong Kong	Hong Kong Institute of Certified Public Accountants	 HongKong.docx
5.	India	The Institute of Chartered Accountants of India	 India.docx
6.	Indonesia	Institute of Indonesia Chartered Accountants	 Indonesia.pdf
7.	Korea	Korea Accounting Standards Board	 Korea.docx
8.	Macao	Committee for the registry of Auditors and Accountants	 Macao.docx
9.	Malaysia	Malaysian Accounting Standards Board	 Malaysia.docx
10.	Nepal	Accounting Standard Board Nepal	 Nepal.docx

	Jurisdiction	Organisation	Document (double-click the object to access the document)
11.	New Zealand	New Zealand Accounting Standards Board	 New Zealand.docx
12.	Pakistan	Institute of Chartered Accountants of Pakistan	 Pakistan.docx
13.	The Philippines	Philippines Financial Reporting Standards Council	 Philippines.docx
14.	Sri Lanka	The Institute of Chartered Accountants of Sri Lanka	 Sri Lanka.docx
15.	Syria	Association of Syrian Certified Accountants	 Syria.docx
16.	Thailand	The Federation of Accounting Professions (FAP)	 Thailand.pdf
17.	Uzbekistan	Ministry of Finance of the Republic of Uzbekistan	 Uzbekistan.docx

Appendix 3

Hong Kong Institute of Certified Public Accountants Survey Request



HKICPA Survey -
local SME standard.d