

30 November 2011

SME Implementation Group (SMEIG)  
30 Cannon Street  
LONDON EC4M 6XH  
United Kingdom

Email: [CommentLetters@ifrs.org](mailto:CommentLetters@ifrs.org)

Dear Sir/Madam

**SAICA SUBMISSION ON THE DRAFT Q&As ON *IFRS FOR SMEs***

In response to your request for comments on the SMEIG's Draft Q&As on *IFRS for SMEs*, General, Issue 1, *Application of the IFRSs for SMEs for financial periods ending before the IFRSs for SMEs was issued*; General, Issue 2, *Interpretation of 'undue cost or effort' and 'impracticable'*; Section 3, Issue 1, *Jurisdiction requires fallback to full IFRSs*; Section 3, Issue 2, *Departure from a principle in the IFRSs for SMEs*; Section 3, Issue 3, *Prescription of the format of financial Statements by local regulation*, attached is the comment letter prepared by The South African Institute of Chartered Accountants (SAICA). Please note that SAICA is not only a professional body, but also secretariat for the Accounting Practices Board (APB), the official standard-setting body in South Africa. The SAICA comment letter results from deliberations of the Accounting Practices Committee (APC), which is the technical advisory body to the APB.

We thank you for the opportunity to provide comments on this document.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours sincerely

**Sue Ludolph**  
**Project Director – Financial Reporting**

cc: Moses Kgosana (Chairman of the Accounting Practices Board)  
Prof Alex Watson (Chairman of the Accounting Practices Committee)

**SAICA SUBMISSION ON DRAFT Q&As ON IFRS FOR SMEs, GENERAL,  
ISSUE 1-2 AND SECTION 3, ISSUE 1-3**

**GENERAL**

**ISSUE 1 – *Application of the IFRSs for SMEs for financial periods ending before the IFRSs for SMEs was issued***

*The IASB issued the IFRS for SMEs on 9 July 2009 and did not specify a date from which the IFRS for SMEs is effective. Can the IFRS for SMEs be used for periods ending before 9 July 2009?*

We agree that the *IFRS for SMEs* can be used for financial periods ending before the issue date, 9 July 2009, and that the decision whether an entity can apply the *IFRS for SMEs* rests with the individual jurisdictions' legislative and regulatory authorities and standard-setters. In South Africa, the *IFRS for SMEs* was approved to apply to annual financial statements that are authorised for issue after 13 August 2009, and is therefore applicable to financial periods ending before this implementation date that are authorised for issue after the implementation date.

**ISSUE 2 – *Interpretation of 'undue cost or effort' and 'impracticable'***

*Several sections of the IFRS for SMEs contain 'undue cost or effort' and 'impracticable' exemptions in relation to certain requirements. How should these be interpreted?*

We welcome the further clarification of these concepts. We agree with the restricted view regarding impracticability that the concept only covers situations where information is unavailable since undue cost and effort is applicable to situations of excessive cost or excessive endeavors by employees (burden).

**SECTION 3**

**ISSUE 1 – *Jurisdiction requires fallback to full IFRSs***

*A jurisdiction permits all entities meeting the definition of an SME to follow the IFRS for SMEs. However, the jurisdiction adds a requirement that where the recognition and measurement requirements for a particular transaction, other event or condition are not specifically covered by the IFRS for SMEs, but they are covered in full IFRSs, an SME must follow the recognition and measurement requirements in full IFRSs for that transaction, event or condition. May SMEs in that jurisdiction state compliance with the IFRS for SMEs?*

We agree that when particular transactions, events or conditions are not specifically covered by the *IFRS for SMEs*, and full IFRS is applied, the jurisdiction may state compliance with the *IFRS for SMEs*.

**SAICA SUBMISSION ON DRAFT Q&As ON IFRS FOR SMEs, GENERAL,  
ISSUE 1-2 AND SECTION 3, ISSUE 1-3**

**ISSUE 2 – *Departure from a principle in the IFRSs for SMEs***

- 1 *An entity chooses to use a principle that is not allowed under the IFRS for SMEs (e.g. capitalising borrowing costs or revaluing property, plant and equipment), but otherwise complies with the IFRS for SMEs in full. Can its financial statements be described in any way as complying with the IFRS for SMEs?*
- 2 *Such a situation arises if a subsidiary of a group applying full IFRSs applies the IFRS for SMEs in its own financial statements, but uses one or more full IFRS principles that are used by the group where the IFRS for SMEs requires a different principle. It also arises in a jurisdiction where the authorities adopt the IFRS for SMEs as their local SME standard, but modify one or more of the sections.*

We agree that the financial statements cannot be described in any way as complying with the *IFRS for SMEs* if there is a departure from any principle in the framework. We also welcome the example of words that could be used in circumstances where an entity is applying local standards that depart from the *IFRS for SMEs*.

**ISSUE 3 – *Prescription of the format of financial statements by local regulation***

*Local law or regulation sometimes prescribes format requirements for the financial statements of SMEs. For example, it may require a particular order of items in the financial statements (e.g. in order of ascending or descending liquidity) or it may specify the terminology to be used (e.g. it may require that the statement of financial position be called the balance sheet). What is the impact of such local requirements on an entity's ability to state compliance with the IFRS for SMEs?*

We agree that if the minimal basic formatting requirements in the *IFRS for SMEs*, are applied, the prescription of the format of financial statement by local regulation should not influence the statement of compliance with the *IFRS for SMEs*.

#369833