

# **Request for Information**

## Comprehensive Review of the *IFRS for SMEs* Standard

January 2020

### **Optional Response Document**

#### **Instructions for completion**

The International Accounting Standards Board (Board) has published this separate Microsoft Word® document for respondents to use for submitting their comments, if they wish.

This document presents all of the questions in Parts A, B and C of the Request for Information in a table with spaces for responses.

Respondents are encouraged to complete this document electronically. Many respondents will find this the easiest way to submit their comments and making submissions in this form will also help ease the analysis of the answers. However, respondents are not required to use this document and responses will be accepted in all formats.

Comments to be received by 27 July 2020

Part B—Questions on aligning specific sections of the *IFRS for SMEs* Standard

**Name of Respondent:** SARAS (The Georgian PAO and IFRS for SME Trainers –trained with the support of the World Bank and USAID, Independent local experts)

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**Organisation:** SARAS

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**Jurisdiction:** Georgia

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**Correspondence and/or email address:** info@saras.gov.ge

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Ref	Question	Response <i>(Please give clear reasoning to support your response.)</i>
<i>Part A of the Request for Information sets out the framework the Board developed for approaching the second comprehensive review and asks for comments on the Board's approach.</i>		
G1	<p><b>Alignment approach</b></p> <p>The <i>IFRS for SMEs</i> Standard was originally developed using an alignment approach. That is, the Standard was based on the 1989 <i>Framework for the Preparation and Presentation of Financial Statements</i> and the principles and related requirements of full IFRS Standards, with modifications that were appropriate in the light of users' needs and cost-benefit considerations.</p> <p>In considering how to approach this comprehensive review of the <i>IFRS for SMEs</i> Standard, the Board considered whether it should continue to follow the alignment approach or if the Board should only consider issues raised by stakeholders regarding the <i>IFRS for SMEs</i> Standard. The second approach would see the <i>IFRS for SMEs</i> Standard diverge from full IFRS Standards over time and become an independent Standard.</p> <p>The Board's approach at the first stage of the review is to continue to align the principles in the <i>IFRS for SMEs</i> Standard with those in full IFRS Standards and to seek views on this approach.</p>	

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	<i>This approach is discussed in paragraph 30 of part A of the Request for Information.</i>	
G1A	<p><b>In your view, should the <i>IFRS for SMEs</i> Standard be aligned with full IFRS Standards?</b></p> <p><b>Please explain why you are suggesting the <i>IFRS for SMEs</i> Standard should or should not be aligned with full IFRS Standards.</b></p>	<p>In our view, the IFRS for SMEs need not be realigned with full IFRS when full IFRS changes. However, in instances when improvement to the requirements of the IFRS for SMEs as a stand-alone financial reporting framework are needed, it is logical that the IASB would, in the first instance consider the extent to which the extant requirements of full IFRS could be adapted for inclusion in the IFRS for SMEs. However, the benefits of any proposed change should significantly exceed the costs imposed of making that change and of applying the new requirement on an ongoing basis. In other words, we believe that convergence with full IFRS is in itself not appropriate justification for changing the IFRS for SMEs.</p> <p>Put another way, while we believe the extent to which alignment with full IFRS was considered when setting the first version (2009) of the IFRS for SMEs to be appropriate for that version (ie when the IFRS for SMEs was not being applied by any entity), when proposing necessary amendments to the IFRS for SMEs, the IASB must now also consider the costs such changes impose on those that currently prepare (auditing, regulate and use) financial statements in accordance with the IFRS for SMEs.</p> <p>In making this cost-benefit assessment, we believe that the IASB should be alert to potential bias from those not</p>

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		<p>using the IFRS for SMEs that could be motivated to argue for maximum alignment with the Full IFRS because they do not carry the costs of such changes. Moreover, we argue that jurisdictions that do not currently use the IFRS for SMEs have incentives to seek maximum alignment of the recognition and measurement requirements of the IFRS for SMEs with full IFRS because they do not carry the costs of those additional complexities and their listed companies would benefit from their qualifying subsidiaries (in other jurisdictions) using an SME Standard that is essentially a reduced disclosure framework (ie IFRS for SMEs disclosures and full IFRS recognition and measurement).</p> <p>Georgian PAO representative (GFPAA representative):</p> <p>IFRS for SMEs developed by IASB is attractive for professional community due to the following reasons: a) The disclosure requirements in the IFRS for SMEs Standard are substantially reduced; and b) IFRS for SMEs Standard offers simplified method of accounting for investments.</p> <p>One of the advantages of the IFRS for SMEs compared to IFRS is assumed to be its smaller size. However, it's not material/substantial and in some cases this makes it even difficult to understand the content of the IFRS for SMEs</p>

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		<p>unless you address your knowledge of the full IFRS Standards.</p> <p>Maximum alignment with full IFRS Standards may result in the IFRS for SMEs Standard becoming less attractive. If we aim at maximum alignment, we should admit that IFRS for SMEs Standard proved unproductive and it is not reasonable to use our resources for the alignment process.</p> <p>Alignment of IFRS for SMEs Standard with full IFRS Standards (such as abovementioned IFRS 9, IFRS 15 and IFRS 16) can even be a rash decision. However, if maintaining similarity between IFRS for SMEs Standard and IFRS Standards becomes internationally accepted approach, it would be better to do so, only when amendments to IFRS Standards are implemented in practice, i.e. 3-5 years after the amendments are effective. This is an important matter as it is essential to accumulate the practical experience of adopting new Standard-based approaches within the professional community that can lead to introducing new approaches in IFRS for SMEs Standard.</p>
G1B	<p><b>What extent of alignment of the <i>IFRS for SMEs</i> Standard with full IFRS Standards do you consider most useful, and why?</b></p>	<p>Subject to any proposed change being justified on the basis of its relevance to SMEs and cost-benefit</p>

Ref	Question	Response <i>(Please give clear reasoning to support your response.)</i>
	<p>(a) alignment of principles;                      (b) alignment of both principles and important definitions; or                      (c) align of principles, important definitions and the precise wording of requirements?</p> <p>Please explain the reasoning that supports your choice of (a), (b) or (c).</p>	<p>considerations (see response to Question G1A above and G2 below):</p> <ul style="list-style-type: none"> <li>• For new IFRS principles (ie broadly stated requirements that are designed to faithfully reflect current economics) we support alternative (b) because we believe that only the principle and important definitions are necessary to apply principles consistently. Consequently, for example, we support changing the fair value measurement requirements in the IFRS for SMEs to replicate the more clearly articulated fair value measurement principle and definition as specified in IFRS 13 Fair Value Measurement (see our responses to Questions in S9).</li> <li>• For new broadly stated requirements in full IFRS that take the form of vague notions (rather than principles) it is difficult to see how they could be applied consistently without also replicating the precise wording of the more detailed</li> </ul>

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		<p>requirements in full IFRS that are designed to give effect to the notion (ie alternative (c)).</p> <p>Moreover, changing from one notion to another notion is unlikely to satisfy the cost-benefit threshold we propose (see response to Question G1A above) be applied when proposing changes to the IFRS for SMEs. Consequently, for example, we do not support changing the IFRS for SMEs broadly stated requirements for financial instruments (ie Sections 11 and 12) to align with the broadly stated requirements as specified in IFRS 9 Financial Instruments (see our responses to Questions in S3).</p>

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Ref	Question	Response <i>(Please give clear reasoning to support your response.)</i>
G2	<p><b>Alignment principles</b></p> <p>The Board decided that in assessing whether and how to consult on aligning the <i>IFRS for SMEs</i> Standard with full IFRS Standards not currently included in the <i>IFRS for SMEs</i> Standard, the Board would apply three principles:</p> <ul style="list-style-type: none"> <li>(a) relevance to SMEs;</li> <li>(b) simplicity; and</li> <li>(c) faithful representation.</li> </ul> <p><i>These principles are discussed in paragraphs 32–37 of part A of the Request for Information.</i></p>	<p>Subject to any proposed change being justified (see response to Question G1A above) we suggest that the alignment criteria proposed in Question G2 be extended to explicitly include a cost-benefit considerations.</p> <p>Otherwise cost-benefit considerations appear to have been downgraded from when setting earlier versions of the IFRS for SMEs (see, for example the explicit reference to cost-benefit considerations in paragraph P9 of the extant Preface to the IFRS for SMEs) when their relevance is now greater because entities using the IFRS for SMEs will carry the costs of making changes to it.</p>
	<p><b>In your view, do these principles provide a framework to assist in determining whether and how the <i>IFRS for SMEs</i> Standard should be aligned with full IFRS Standards?</b></p> <p><b>Please explain the reasoning that supports your response.</b></p>	<p>We suggest that an evaluation on the basis of the answers to the following questions might arrive at a more appropriate basis for proposing changes to the IFRS for SMEs:</p> <ol style="list-style-type: none"> <li>1. Relevance (ie does the preliminarily proposed amendment more faithfully reflect the current economics of the phenomenon thus providing</li> </ol>

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		<p>information that has greater potential as an input to inform economic decisions made on the basis of that information)?</p> <ol style="list-style-type: none"> <li>2. What are the benefits, if any, of the preliminarily proposed amendment?</li> <li>3. What are the costs of implementing the preliminarily proposed amendment? (On the basis of experience we assume the IASB will seek to minimise such costs by allowing prospective application of amendment requirements.)</li> <li>4. What are the incremental costs, if any, of applying the preliminarily proposed amendment on an ongoing basis?</li> <li>5. Do the benefits of the preliminarily proposed amendment (2 above) outweigh the costs of the preliminarily proposed amendment (3 and 4 above)?</li> </ol>
	<b>When to consider alignment</b>	

Ref	Question	Response <i>(Please give clear reasoning to support your response.)</i>
G3	<p>If the alignment approach is maintained there needs to be an agreed approach as to how soon after an IFRS Standard, an amendment to an IFRS Standard, or an IFRIC Interpretations is issued the Board should consider that change for incorporation into the <i>IFRS for SMEs</i> Standard.</p>	
	<p><b>Three possible dates for when to consider alignment are discussed in paragraphs 38–40 of part A of the Request for Information. Which, if any, of these possible dates do you prefer?</b></p> <p><b>Those IFRS Standards, amendments to IFRS Standards or IFRIC Interpretations:</b></p> <p>(a) <b>issued up to the publication date of the Request for Information;</b>            (b) <b>effective before the publication date of the Request for Information;</b>            (c) <b>effective and on which the post-implementation review was completed before the publication date of the Request for Information; or</b>            (d) <b>issued or effective on some other date (please specify).</b></p> <p><b>Please explain the reasoning that supports your views, for example, the benefits of the date selected.</b></p>	<p>Subject to any proposed change being justified on the basis of its relevance to SMEs and cost-benefit considerations (see response to Questions G1A and G2 above) we support alternative ‘(c) effective and on which the post-implementation review was completed before the publication date of the Request for Information’ because this timing allows:</p> <ul style="list-style-type: none"> <li>(i) time for the eradication of implementation issues;</li> <li>(ii) time for capacity to build in the application of the requirements (before potentially requiring SMEs to apply the new requirements); and</li> <li>(iii) the experience of applying the requirements under full IFRS to enable more informed consideration of the relevance to SMEs and cost-benefit considerations.</li> </ul>

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Ref	Question	Response <i>(Please give clear reasoning to support your response.)</i>
<p><i>Part B of the Request for Information contains questions on sections of the IFRS for SMEs Standard that are being considered for alignment with IFRS Standards, amendments to IFRS Standards or IFRIC Interpretations in the scope of the comprehensive review. Part B summarises each of the issues under review. More detailed explanations of the Board’s reasoning are set out in Appendix B of the Request for Information.</i></p>		
S1	<p><b>Aligning Section 2 Concepts and Pervasive Principles of the IFRS for SMEs Standard with the 2018 Conceptual Framework for Financial Reporting</b></p> <p>In developing the <i>IFRS for SMEs</i> Standard, the Board stated that the 1989 <i>Framework for the Preparation and Presentation of Financial Statements (1989 Framework)</i> provides the foundation for the <i>IFRS for SMEs</i> Standard as well as for full IFRS Standards. Section 2 is currently aligned with the <i>1989 Framework</i>.</p> <p>The Board is seeking views on aligning Section 2 with the <i>Conceptual Framework for Financial Reporting</i> issued in 2018 (<i>2018 Conceptual Framework</i>). This alignment would require amendments to other sections of the <i>IFRS for SMEs</i> Standard. For example, Section 17 <i>Property, Plant and Equipment</i> paragraph 17.4 uses the definition of ‘asset’ from Section 2.</p> <p>Section 2 also includes the concept of ‘undue cost or effort’, a concept that is made available to an entity applying the <i>IFRS for SMEs</i> Standard in specified circumstances. The <i>2018 Conceptual Framework</i> has no direct equivalent concept; however, the Board is seeking views on retaining the concept of ‘undue cost or effort’ in Section 2 because it provides a mechanism the Board can use to balance the costs and benefits of the requirements of the <i>IFRS for SMEs</i> Standard.</p>	
	<p><b>What are your views on:</b></p> <p>(a) <b>aligning Section 2 with the 2018 Conceptual Framework?</b></p> <p>(b) <b>making appropriate amendments to other sections of the IFRS for SMEs Standard?</b></p>	<p>Consistently with our answer to Question G3 above we believe that it is premature to consider whether the IFRS for SMEs should be updated to reflect the 2018 Conceptual Framework (because it becomes effective</p>

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	(c) <b>retaining the concept of ‘undue cost or effort’?</b>	<p>only in 2020). Consequently, subject to any proposed change being justified on the basis of its relevance to SMEs and cost-benefit considerations (see response to Questions G1A and G2 above) we would currently support considering whether the IFRS for SMEs should be updated to reflect the concepts specified in the <b>2010</b> Conceptual Framework.</p> <p>In our view, the concept of ‘undue cost or effort’ should be retained in the IFRS for SMEs. However, we do not believe this concepts inclusion in the IFRS for SMEs is related to changes in the 2010 and 2018 versions of the Conceptual Framework because the concept of undue cost or effort is absent from all of the 2018, 2010 and 1989 versions of the Conceptual Frameworks.</p>
S2	<p><b>Aligning Section 9 Consolidated and Separate Financial Statements of the IFRS for SMEs Standard with IFRS 10 Consolidated Financial Statements</b></p> <p>Section 9 of the <i>IFRS for SMEs</i> Standard establishes control as the basis for determining which entities are included in the consolidated financial statements. The definition of control in Section 9 is aligned with the definition of control from the superseded version of IAS 27 <i>Consolidated and Separate Financial Statements</i> and includes some of the guidance from the superseded SIC-12 <i>Consolidation—Special Purpose Entities</i>.</p> <p>The Board is seeking views on aligning the definition of control in Section 9 with the definition in IFRS 10 <i>Consolidated Financial Statements</i> to provide a clearer principle and facilitate greater consistency among the financial statements of entities applying the <i>IFRS for SMEs</i> Standard. IFRS 10 sets out a single principle of control that applies to all investees.</p> <p>The Board is also seeking views on retaining and updating the simplification in paragraph</p>	

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	9.5 of the <i>IFRS for SMEs</i> Standard, which states that control is presumed to exist when the parent entity owns, directly or indirectly through subsidiaries, more than half the voting power of the entity.	
S2A	<p><b>What are your views on:</b></p> <p>(a) <b>aligning the definition of control in Section 9 with IFRS 10; and</b></p> <p>(b) <b>retaining and updating paragraph 9.5 of the <i>IFRS for SMEs</i> Standard?</b></p> <p><i>Further information on this question is provided in paragraphs B15–B24 of Appendix B of the Request for Information.</i></p>	<p>Subject to any proposed change being justified on the basis of its relevance to SMEs and cost-benefit considerations (see response to Questions G1A and G2 above), consistently with our answer to Question G3 above we believe that it is now appropriate to consider whether the <i>IFRS for SMEs</i> should be updated to align the definition of control in Section 9 with IFRS 10.</p> <p>We support retaining the <b>rebuttable</b> presumption specified in paragraph 9.5 of the <i>IFRS for SMEs</i>.</p>
S2B	<p><b>Investment entities</b></p> <p>IFRS 10 requires an investment entity to measure an investment in a subsidiary at fair value through profit or loss and not consolidate such entity. The <i>IFRS for SMEs</i> Standard has no equivalent requirement.</p> <p>Based on the definition of investment entity in IFRS 10 the Board considered that few entities eligible to apply the <i>IFRS for SMEs</i> Standard will also be investment entities. Consequently, the Board is seeking views on not introducing the requirement that an investment entity measure an investment in a subsidiary at fair value through profit or loss rather than consolidate such entities.</p>	

<b>Ref</b>	<b>Question</b>	<b>Response</b> <i>(Please give clear reasoning to support your response.)</i>
	<p><b>What are your views on not introducing the requirement that investment entities measure investments in subsidiaries at fair value through profit and loss?</b></p> <p><i>Further information on this question is provided in paragraphs B25–B26 of Appendix B of the Request for Information.</i></p>	<p>On the basis of our consultations with domestic constituents, we are unable to reach a consensus view on the appropriateness of considering whether to include in the IFRS for SMEs the investment entity exception (rule) from the consolidation principle.</p>
S3	<p><b>Aligning Section 11 <i>Basic Financial Instruments</i> and Section 12 <i>Other Financial Instrument Issues</i> of the <i>IFRS for SMEs</i> Standard with IFRS 9 <i>Financial Instruments</i></b></p> <p>In July 2014 the Board issued IFRS 9 <i>Financial Instruments</i>, completing its project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> with a principle-based Standard.</p> <p><b>Classification and measurement of financial assets</b></p> <p>IFRS 9 applies a principle-based approach to the classification of financial assets. Applying IFRS 9, when an entity initially recognises a financial asset, its classification is based on:</p> <ul style="list-style-type: none"> <li>(a) the contractual cash flow characteristics of the financial asset; and</li> <li>(b) the business model for managing the financial asset.</li> </ul> <p>Section 11 of the <i>IFRS for SMEs</i> Standard provides a list of examples of basic financial instruments as well as the conditions a debt instrument must satisfy to qualify (that is to be classified) as a basic financial instrument and therefore be measured at a mortised cost.</p> <p>The Board’s discussions on aligning the classification of financial assets included considering whether supplementing the list of examples in Section 11 with a principle based on their contractual cash flow characteristics would be helpful to entities in the</p>	<p>Cconsistently with our answer to Question G1B above we do not support changing the IFRS for SMEs to align with the notions specified in IFRS 9.</p> <p>Georgian PAO representative (GFPAA representative):</p> <p>For the purpose of aligning with IFRS 9 “<i>Financial Instruments</i>” IFRS for SMEs Standard should require the following: If an entity does not fully apply Section 11 and Section 12, it shall apply IFRS 9 for recognition and measurement purposes.</p>

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	circumstance in which a financial asset does not match the characteristics described in any of the examples.	
S3A	<p><b>What are your views on supplementing the list of examples in Section 11 with a principle for classifying financial assets based on their contractual cash flow characteristics?</b></p> <p><i>Further information on this question is provided in paragraphs B27–B34 of Appendix B of the Request for Information.</i></p>	Consistently with our answer to Question G1B above we do not support changing the IFRS for SMEs to align with the notions specified in IFRS 9.
S3B	<p><b>Impairment of financial assets</b></p> <p>The current requirements for recognising and measuring impairment of financial assets measured at cost or a amortised cost in the <i>IFRS for SMEs</i> Standard are based on IAS 39. The impairment model in IAS 39 (an incurred loss model) may delay an entity’s recognition of credit losses because an impairment test is not required until there is objective evidence of impairment.</p> <p>The impairment requirements in IFRS 9 addressed the problem of delayed recognition by requiring an entity to recognise expected credit losses. IFRS 9 includes a simplified approach to provide for lifetime expected credit losses for trade receivables, contract assets and lease receivables. The Board is seeking views on introducing the simplified approach into the <i>IFRS for SMEs</i> Standard.</p>	
	<p><b>What is your view on aligning the <i>IFRS for SMEs</i> Standard with the simplified approach to the impairment of financial assets in IFRS 9?</b></p> <p><i>Further information on this question is provided in paragraphs B35–B37 of Appendix B of the Request for Information.</i></p>	<p>Consistently with our answer to Question G1B above we do not support changing the IFRS for SMEs to align with the notions specified in IFRS 9.</p> <p>By replacing the incurred loss model in Section 11 for the impairment of financial assets with the simplified approach in IFRS 9, gives users ability to predict future cash flows better than they can</p>

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		<p>do with the incurred loss model in Section 11, Accordingly it enhance the relevancy of financial information provided in financial statements.</p> <p>But, on the other hand, simplified approach set out in IFRS 9 requires the loss allowance to be measured at an amount equal to lifetime expected credit losses, which requires complex judgement and statistical data (for estimating the expected credit losses). The Georgian entities are not ready for such changes, even using unfair statistical information may impair the faithfulness of financial information: impose the risk related to present the financial information free from error and bias.</p>
S3C	<p><b>Hedge accounting</b></p> <p>IFRS 9 includes new hedge accounting requirements that represent a major overhaul of hedge accounting and introduce significant improvements.</p> <p>Section 12 sets out requirements for the types of hedging activities an entity applying the <i>IFRS for SMEs</i> Standard is likely to use to manage risks.</p> <p>The Board decided to seek views on the need for Section 12 to provide hedge accounting requirements and to seek views on retaining the current requirements rather than aligning with IFRS 9.</p>	<p>(a) <b>Do you consider Section 12 needs to include requirements on hedge accounting?</b></p> <p>(b) <b>If your answer is yes, what are your views on leaving the current requirements to address the needs of entities applying the Standard, rather than aligning Section 12 with IFRS 9?</b></p>
		<p>We support deleting from the IFRS for SMEs all hedge accounting requirements because they add significant complexity to the IFRS for SMEs and SMEs in our jurisdiction generally don't do hedge accounting.</p>

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	(c) <b>If your answer is no, please explain the reasons for your answer.</b>	
S3D	<p><b>Using recognition and measurement requirements in IFRS Standards for financial instruments</b></p> <p>The <i>IFRS for SMEs</i> Standard currently permits entities to opt to apply either:</p> <p>(a) the requirements of both Sections 11 and 12 of the <i>IFRS for SMEs</i> Standard in full; or</p> <p>(b) the recognition and measurement requirements of IAS 39 and the disclosure requirements of Sections 11 and 12.</p> <p>In order to decide whether to amend the <i>IFRS for SMEs</i> Standard and permit an entity to opt to apply the recognition and measurement requirements of IFRS 9 and the disclosure requirements of Sections 11 and 12, the Board would like to obtain evidence on how frequently the option to apply IAS 39 is used.</p> <p>(a) <b>Are you aware of entities that opt to apply the recognition and measurement requirements of IAS 39 with the disclosure requirements of Sections 11 and 12?</b></p> <p>(b) <b>What are your views on changing the reference to IAS 39 to permit an entity to opt to apply the recognition and measurement requirements of IFRS 9 and the disclosure requirements of Sections 11 and 12?</b></p>	<p>We are not aware of any entities that use the seemingly pointless IAS 39 recognition and measurement alternative.</p> <p>However, we do find support for including in the <i>IFRS for SMEs</i> a possibly more relevant IFRS 9 recognition and measurement alternative because this alternative might be useful to some SMEs, for example, as a ‘stepping stone’ for SMEs building their capacity to transition to full IFRS.</p>
S3E	<p><b>Treatment of Q&amp;As on the <i>IFRS for SMEs</i> Standard</b></p> <p>Since the 2015 <i>Amendments to the IFRS for SMEs Standard</i> were issued by the Board, the SMEIG has published one Q&amp;A on <i>Accounting for financial guarantee contracts in individual or separate financial statements of the issuer</i> (Q&amp;A 2017/12.1).</p>	

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	<p>This comprehensive review provides an opportunity for the Q&amp;A 2017/12.1 to be incorporated into the <i>IFRS for SMEs</i> Standard and for the Q&amp;A to be withdrawn. The Board noted the SMEIG’s recommendation that the Board revisit the accounting treatment for issued financial guarantee contracts during the second comprehensive review with a view to providing measurement relief. The SMEIG made this recommendation based on feedback that measuring issued financial guarantee contracts at fair value each reporting date is more complex than the accounting requirements in IFRS 9. The Board is seeking views on aligning the accounting requirements in Section 12 for issued financial guarantee contracts with IFRS 9.</p>	
	<p><b>What are your views on:</b></p> <p>(a) <b>adding the definition of a financial guarantee contract from IFRS 9 to the <i>IFRS for SMEs</i> Standard; and</b></p> <p>(b) <b>aligning the requirements in the <i>IFRS for SMEs</i> Standard for issued financial guarantee contracts with IFRS 9?</b></p> <p><i>Further information on this question is provided in paragraphs B38–B45 of Appendix B of the Request for Information.</i></p>	<p><b>Agree (a)</b></p> <p><b>Rationale</b></p> <p>(a) In developing the Q&amp;A, the SMEIG applied the definition in IFRS 9, as the IFRS for SMEs Standard does not define financial guarantee contracts. Accordingly, by adding the definition of financial guarantee contract will enhance the understandability of financial information.</p> <p><b>Agree with incorporation of Q&amp;A 2017/12.1 into the <i>IFRS for SMEs</i> Standard and withdraw existing Q&amp;A (b)</b></p> <p><b>Rationale</b></p> <p>IFRS 9 requires a financial guarantee contract issued by an entity need to be measured initially at fair value and thereafter at the higher of:</p> <p>1) the amount of any expected credit losses that would have been recognised had the entity made the loan itself (rather than guaranteeing the loan repayments);</p>

<b>Ref</b>	<b>Question</b>	<b>Response</b> <i>(Please give clear reasoning to support your response.)</i>
		<p>2) the amount initially recognised less the cumulative amount of income recognised, when appropriate, applying the principles of IFRS 15 Revenue from Contracts with Customers.</p> <p>Accordingly, to align the IFRS for SMEs Standard for issued financial guarantee contracts with IFRS 9, additionally requires to apply IFRS 15 and simplified approach to the impairment of financial assets set out in IFRS 9, which is more complex than incorporation of Q&amp;A 2017/12.1 into the IFRS for SMEs Standard.</p>
S4	<p><b>Aligning Section 15 <i>Investments in Joint Ventures</i> of the <i>IFRS for SMEs</i> Standard with IFRS 11 <i>Joint Arrangements</i></b></p> <p>Section 15 of the <i>IFRS for SMEs</i> Standard is based on IAS 31 <i>Interests in Joint Ventures</i>, requiring entities that are jointly controlled to be classified as either jointly controlled operations, jointly controlled assets or jointly controlled entities. A significant difference between Section 15 and IAS 31 is that Section 15 does not permit proportionate consolidation for jointly controlled entities.</p> <p>In May 2011 the Board issued IFRS 11 <i>Joint Arrangements</i>, which replaced IAS 31. Applying IFRS 11, an entity classifies joint arrangements on the basis of the parties' rights and obligations under the arrangement. IFRS 11 changed the definitions and requirements of IAS 31 and classifies arrangements as either joint operations or joint ventures.</p> <p>The Board is seeking views on aligning the definition of joint control in Section 15 with the definition in IFRS 11 but retaining the three categories of joint arrangements—jointly controlled operations, jointly controlled assets and jointly controlled entities—in Section 15. Consequently, the accounting requirements of Section 15 would be retained.</p> <p>Retaining these accounting requirements would include retaining the accounting policy election in Section 15 such that a venturer can choose to apply the cost model, the equity method or the fair value model to account for jointly controlled entities.</p>	

Part B—Questions on aligning specific sections of the *IFRS for SMEs* Standard

Ref	Question	Response <i>(Please give clear reasoning to support your response.)</i>
	<p><b>What are your views on:</b></p> <p>(a) <b>aligning the definition of joint control in Section 15 with IFRS 11?</b></p> <p>(b) <b>retaining the categories of joint arrangements: jointly controlled operations, jointly controlled assets and jointly controlled entities?</b></p> <p>(c) <b>retaining the accounting requirements of Section 15, including the accounting policy election for jointly controlled entities in Section 15?</b></p> <p><i>Further information on this question is provided in paragraphs B50–B54 of Appendix B of the Request for Information.</i></p>	<p>On the basis of feedback from our constituents the proposed change would not satisfy the criteria for proposing a change to the IFRS for SMEs, ie relevance to SMEs and cost-benefit considerations (see response to Questions G1A and G2 above). Consequently, we believe that Section 15 of the IFRS for SMEs should not be aligned with IFRS 11.</p>
S5	<p><b>Aligning Section 19 <i>Business Combinations and Goodwill</i> of the <i>IFRS for SMEs</i> Standard with IFRS 3 (2008) <i>Business Combinations</i></b></p> <p>Section 19 of the <i>IFRS for SMEs</i> Standard is based on IFRS 3 (2004) <i>Business Combinations</i>, which applies the purchase method of accounting for business combinations.</p> <p>The Board is seeking views on aligning Section 19 with parts of IFRS 3 (2008) to:</p> <p>(a) introduce requirements for step acquisitions.</p> <p>(b) recognise acquisition-related costs as an expense at the time of the acquisition.</p> <p>(c) require contingent consideration to be recognised at fair value and subsequently accounted for as a financial instrument with changes in fair value recognised in profit or loss. The Board is also seeking views on permitting an entity to use the undue cost or effort exemption in paragraph 2.14A of the <i>IFRS for SMEs</i> and provide the related disclosures if measuring contingent consideration at fair value would involve undue cost or effort.</p>	

Part B—Questions on aligning specific sections of the *IFRS for SMEs* Standard

Ref	Question	Response <i>(Please give clear reasoning to support your response.)</i>
S5A	<p>(a) <b>Do you consider Section 19 needs to include requirements for the accounting for step acquisitions?</b></p> <p>(b) <b>If your answer is yes, should the requirements be aligned with IFRS 3 (2008).</b></p> <p><i>Further information on this question is provided in paragraphs B55–B66 of Appendix B of the Request for Information.</i></p>	<p>On the basis of feedback from our constituents, we find little, if any, support for specifying requirements for the accounting for step acquisitions in the IFRS for SMEs because they believe that the IFRS for SMEs must remain concise and can appropriately be filled by applying the SME hierarchy (ie paragraphs 10.4–10.6) including, but not requiring, seeking such detailed application guidance from full IFRS if an SME feels that they need it.</p>
S5B	<p><b>What are your views on aligning Section 19 with IFRS 3 (2008) for acquisition costs and contingent consideration, including permitting an entity to use the undue cost or effort exemption and provide the related disclosures if measuring contingent consideration at fair value would involve undue cost or effort?</b></p> <p><i>Further information on this question is provided in paragraphs B55–B66 of Appendix B of the Request for Information.</i></p>	<p>Cconsistently with our answer to Question G1B above, we strongly support changing the IFRS for SMEs to align with the principle specified in IFRS3 for recognising acquisition-related costs as an expense at the time of the acquisition because this proposed change is consistent with economics and consequently provides more relevant information. This change also potentially reduces costs because including acquisition-related costs in goodwill can contrary to the economics result in goodwill that would otherwise not need to be tested for impairment.</p> <p>Cconsistently with our answer to Question G1B above, we support changing the IFRS for SMEs to align with the principle specified in IFRS 3 for contingent consideration (ie recognised and</p>

Part B—Questions on aligning specific sections of the *IFRS for SMEs* Standard

<b>Ref</b>	<b>Question</b>	<b>Response</b> <i>(Please give clear reasoning to support your response.)</i>
		measured at fair value on initial recognition) because this proposed change provides more relevant information (ie consistent with the economics). However, we note that about half of those we consulted with expressed concerns about the additional costs and complexity such accounting might bring to SMEs. Consequently, there is consensus that such concerns would be appropriately addressed by adding the proposed undue cost or effort exemption.
S5C	<p><b>Definition of a business</b></p> <p>In October 2018 the Board issued an amendment to IFRS 3, effective for acquisitions on or after 1 January 2020, to improve consistency of application by clarifying the definition of a business. The amended definition emphasises that the output of a business is the goods and services it provides to customers; the previous definition defined outputs as having the ability to provide returns in the form of dividends, lower costs and other economic benefits to investors and others.</p>	
	<p><b>What are your views on aligning the <i>IFRS for SMEs</i> Standard with the amended definition of a business issued in October 2018?</b></p>	<p>Our constituents support making this change.</p> <p>Georgian Trainers:</p> <p>Majority of trainers say YES, ie they support making this change.</p>
	<p><b>Aligning Section 20 <i>Leases</i> of the <i>IFRS for SMEs</i> Standard with IFRS 16 <i>Leases</i></b></p> <p>In January 2016 the Board issued IFRS 16 <i>Leases</i>. IFRS 16 replaced IAS 17 <i>Leases</i> and became effective on 1 January 2019.</p>	<p>Consistently with our answer to Question G3 above we believe that it is premature to consider whether Section 20 of the <i>IFRS for SMEs</i> should be updated to reflect IFRS 16 because the Post Implementation Review is yet to be performed.</p>

Part B—Questions on aligning specific sections of the *IFRS for SMEs* Standard

<b>Ref</b>	<b>Question</b>	<b>Response</b> <i>(Please give clear reasoning to support your response.)</i>
	<p>Section 20 of the <i>IFRS for SMEs</i> is based largely on IAS 17.</p> <p>The Board noted that leases provide an important source of funding to SMEs and therefore decided to seek views on aligning Section 20 with IFRS 16, with simplifications. The requirements in IFRS 16 can be simplified so they are easier and less costly for SMEs to apply including by:</p> <ul style="list-style-type: none"> <li>(a) simplifying recognition and measurement requirements in respect of matters such as a variable lease payments, determining the discount rate and the term of the lease;</li> <li>(b) retaining the disclosure requirements of Section 20; and</li> <li>(c) simplifying the language in the Standard.</li> </ul>	<p>Georgian PAO:</p> <p>IFRS 16 “Leases” – the part of “Finance Leases” has not been materially changed. As for the “Operating Leases” part – transmitting accounting model of operating leases to IFRS for SMEs will substantially complicate the lives of SMEs in Georgia as a broad range of SMEs use operating leases rather than finance leases.</p>
	<p><b>What are your views on aligning Section 20 with IFRS 16, making the simplifications listed in paragraphs (a)–(c)?</b></p> <p><i>Further information on this question is provided in paragraphs B67–B72 of Appendix B of the Request for Information.</i></p>	<p><b>No Need</b></p> <p><b>Rationale</b></p> <p>Aligning the IFRS for SMEs Standard with IFRS 16 would result in greater transparency about entities’ financial leverage and capital employed, as well as enhance faithfulness and usefulness of financial information presented in financial statements. But complex accounting treatment and judgements used in IFRS 16, will expose the risk related to errors and biases in financial statements.</p> <p>Even simplified approach of IFRS 16, presented in paragraph B67-B72 of “<i>Comprehensive Review of the IFRS for SMEs Standards</i>” impose the pressure on management to meet the accounting requirements and might lead to intentional misapplication of accounting principles relating to amounts, classification, manner of presentation, or disclosure.</p>

Part B—Questions on aligning specific sections of the *IFRS for SMEs* Standard

<b>Ref</b>	<b>Question</b>	<b>Response</b> <i>(Please give clear reasoning to support your response.)</i>
S7	<p><b>Aligning Section 23 Revenue of the <i>IFRS for SMEs</i> Standard with IFRS 15 Revenue from Contracts with Customers</b></p> <p>Section 23 of the <i>IFRS for SMEs</i> Standard is based on IAS 18 <i>Revenue</i>. IAS 18 provided relatively limited principles for the recognition of revenue from the supply of goods or services.</p> <p>IFRS 15, effective from 1 January 2018, replaced IAS 18 and set out a more structured framework based on performance obligations and the timing of their satisfaction. The main distinction it makes is between performance over time and performance at a point in time, rather than between goods and services.</p> <p>The Board considered that although there are substantive conceptual differences between IAS 18 and IFRS 15, the effect in practice for most entities in the scope of the <i>IFRS for SMEs</i> Standard would be minimal in terms of the timing and measurement of revenue. However, some feedback indicates that aligning principles and language would be helpful for preparers who seek consistency with IFRS Standards.</p> <p>The Board is seeking views on the merits of three possible approaches to aligning Section 23 with IFRS 15:</p> <p>(a) Alternative 1—modifying Section 23 to remove the clear differences in outcome from applying Section 23 or IFRS 15, without wholly reworking Section 23;</p> <p>(b) Alternative 2—fully rewriting Section 23 to reflect the principles and language used in IFRS 15; and</p> <p>(c) Alternative 3—deciding not to make amendments to Section 23 as part of this comprehensive review.</p>	<p>Georgian PAO representative (GFPAA representative):</p> <p>Alignment with IFRS 15 “Revenue from Contracts with Customers” is not appropriate.</p> <p>Amendments to Section 23 as part of this comprehensive review should not be done. IFRS 15 is difficult standard to understand, requirements in section 23 are easier to understand and apply. Also as the effect of change in practice for most entities would be minimal in terms of the timing and measurement of revenue, changing is not critical. Also should be noted that it would require additional effort and cause undue costs for SMEs.</p> <p>So alternative 3 seems reasonable.</p>
S7A	<p><b>Which of the three alternatives do you prefer for amending Section 23 to align with IFRS 15? Why have you chosen this alternative?</b></p>	<p>Consistently with our answer to Question G3 above we believe that Alternative 3 is appropriate because it is premature to consider whether</p>

Part B—Questions on aligning specific sections of the *IFRS for SMEs* Standard

<b>Ref</b>	<b>Question</b>	<b>Response</b> <i>(Please give clear reasoning to support your response.)</i>
	<i>Further information on this question is provided in paragraphs B73–B74 of Appendix B of the Request for Information.</i>	Section 23 of the IFRS for SMEs should be updated to reflect IFRS 15 because the Post Implementation Review is yet to be performed.
S7B	<p>The Board also discussed whether to provide transition relief, if Alternative 1 or Alternative 2 is chosen, by permitting an entity to continue its current revenue recognition policy for any contracts already in progress at the transition date or scheduled to be completed within a set time after the transition date.</p> <p><b>If Alternative 1 or Alternative 2 is the basis for an Exposure Draft, should transitional relief be provided:</b></p> <p>(a) <b>by permitting an entity to continue its current revenue recognition policy for any contracts already in progress at the transition date or scheduled to be completed within a set time after the transition date?</b></p> <p>(b) <b>by some other method?</b></p> <p>(c) <b>not at all?</b></p> <p><b>Please explain why you have chosen (a), (b) or (c) above.</b></p>	<p>On the basis of consultation with our constituents, we do not support changing Section 23 for alignment with IFRS 15 <i>Revenue from Contracts with Customers</i>.</p>
S8	<p><b>Aligning Section 28 <i>Employee Benefits</i> of the <i>IFRS for SMEs</i> Standard with IAS 19 (2011) <i>Employee Benefits</i></b></p> <p>In 2011 the Board issued amendments to IAS 19 <i>Employee Benefits</i> that changed the requirements for presenting actuarial gains and losses relating to defined benefit plans.</p> <p>Paragraph 28.24 of the <i>IFRS for SMEs</i> Standard permits an entity to select a policy for the presentation of actuarial gains and losses. The Board’s view is this simplification is appropriate for entities applying the <i>IFRS for SMEs</i> Standard.</p> <p>The 2011 amendments to IAS 19 also clarified that termination benefits should be recognised at the earlier of:</p> <p>(a) when the entity can no longer withdraw those benefits; and</p> <p>(b) when any related restructuring costs are recognised.</p>	

Part B—Questions on aligning specific sections of the *IFRS for SMEs* Standard

<b>Ref</b>	<b>Question</b>	<b>Response</b> <i>(Please give clear reasoning to support your response.)</i>
	<p>The Board is seeking views on aligning the recognition requirements for termination benefits in Section 28 with those in IAS 19.</p>	
	<p><b>What are your views on aligning Section 28 with the 2011 amendments to IAS 19 only in respect of the recognition requirements for termination benefits?</b></p> <p><i>Further information on this question is provided in paragraphs B75–B78 of Appendix B of the Request for Information.</i></p>	<p><i>No Need</i></p> <p><b>Rationale</b></p> <p>It's very rare (if any) that Georgian SMEs apply defined benefit plans.</p>
S9	<p><b>Aligning the <i>IFRS for SMEs</i> Standard with IFRS 13 <i>Fair Value Measurement</i></b></p> <p>The <i>IFRS for SMEs</i> Standard requires the use of fair value and thereby includes a definition of fair value. Paragraphs 11.27–11.32 of the <i>IFRS for SMEs</i> Standard set out requirements for estimating fair value and are also referred to in other sections of the <i>IFRS for SMEs</i> Standard, for example, Sections 14 and 15 (regarding the fair value model for associates and jointly controlled entities), Section 16 (regarding investment property) and Section 28 (regarding the fair value of pension plan assets). The definition of fair value and the requirements to estimate fair value are not aligned with IFRS 13.</p> <p>In the first comprehensive review of the <i>IFRS for SMEs</i> Standard, the Board consulted on aligning the definition of fair value, but decided to wait, because IFRS 13 had only recently become effective.</p> <p>The Board completed its post-implementation review of IFRS 13 in December 2018 and concluded that the Standard is working as intended.</p> <p>The Board is seeking views on aligning the <i>IFRS for SMEs</i> Standard with IFRS 13 and including the illustrative examples in the Standard. This change would not add new requirements for the use of fair value measurement.</p>	

Ref	Question	Response <i>(Please give clear reasoning to support your response.)</i>
	<p><b>What are your views on:</b></p> <p>(a) <b>aligning the definition of fair value in the <i>IFRS for SMEs</i> Standard with IFRS 13?</b></p> <p>(b) <b>aligning the guidance on fair value measurement in the <i>IFRS for SMEs</i> Standard with IFRS 13 so the fair value hierarchy incorporates the principles of the fair value hierarchy set out in IFRS 13?</b></p> <p>(c) <b>including examples that illustrate how to apply the hierarchy?</b></p> <p>(d) <b>moving the guidance and related disclosure requirements to Section 2?</b></p> <p><i>Further information on this question is provided in paragraphs B79–B83 of Appendix B of the Request for Information.</i></p>	<p>Consistently with our answer to Question G3 above we believe that it is now appropriate to:</p> <ul style="list-style-type: none"> <li>• align the definition of fair value in the <i>IFRS for SMEs</i> Standard with IFRS 13;</li> <li>• incorporates the principles of the fair value hierarchy set out in IFRS 13 in the <i>IFRS for SMEs</i>; and</li> <li>• include minimal guidance on how to measure fair value in Section 2. [Similarly we suggest that guidance for other pervasive measurements could also be included in Section 2, for example, historical cost, a mortised cost etc]</li> </ul> <p>However, our constituents:</p> <ul style="list-style-type: none"> <li>• do not support including fair value measurement disclosures in Section 2 (perhaps such disclosure requirements could more appropriately be included in Section 8 <i>Notes to the Financial Statements</i>).</li> <li>• worry that in making changes to align with IFRS 13, the IASB might be tempted to add too much guidance which is unnecessary to specify the application of such a clear principle (and, in any event, if an SME wants to look to IFRS 13 it can but is not required to do so).</li> <li>• do not support adding the IFRS 13 fair value hierarchy disclosures to the <i>IFRS for SMEs</i> because they believe that the extant disclosures about key measurement assumptions provide the relevant information in appropriate circumstances.</li> </ul>
S10	<p><b>Aligning multiple sections of the <i>IFRS for SMEs</i> Standard for amendments to IFRS Standards and IFRIC Interpretations</b></p>	

Part B—Questions on aligning specific sections of the *IFRS for SMEs* Standard

Ref	Question	Response <i>(Please give clear reasoning to support your response.)</i>
	<p>The Board is seeking views on whether and how to align the <i>IFRS for SMEs</i> Standard with the amendments to IFRS Standards and IFRIC Interpretations set out in Appendix A of the Request for Information.</p> <p>In aligning the <i>IFRS for SMEs</i> Standard with amendments to IFRS Standards and IFRIC Interpretations the Board would introduce simplifications and language appropriate to the <i>IFRS for SMEs</i> Standard.</p> <p>Appendix A groups the amendments to IFRS Standards and IFRIC Interpretations using the following tables:</p> <p>Table A1—Amendments to IFRS Standards—Board is seeking views on aligning the <i>IFRS for SMEs</i> Standard;</p> <p>Table A2—Amendments to IFRS Standards—Board is seeking views on leaving the <i>IFRS for SMEs</i> Standard unchanged;</p> <p>Table A3—Amendments to IFRS Standards and IFRIC Interpretations and—Board is requesting further information on whether to align the <i>IFRS for SMEs</i> Standard;</p> <p>Table A4—Amendments to IFRS Standards—Board will consider along with the full IFRS Standards they amend; and</p> <p>Table A5—Amendments to IFRS Standards with which the <i>IFRS for SMEs</i> Standard is already aligned.</p>	
	<p><b>What are your views on:</b></p> <p>(a) <b>aligning the <i>IFRS for SMEs</i> Standard with the amendments to IFRS Standards outlined in Table A1 of Appendix A?</b></p> <p>(b) <b>leaving the <i>IFRS for SMEs</i> Standard unchanged by the amendments to IFRS Standards listed in Table A2 of Appendix A?</b></p>	<p>Regarding Table A1 of Appendix A:</p> <ul style="list-style-type: none"> <li>Consistently with our answer to Question G1B above we support aligning the definition of materiality in the IFRS for SMEs with the clarified definition of materiality in the <i>Definition of Material Amendments to IAS 1 and IAS 8</i>.</li> </ul>

Part B—Questions on aligning specific sections of the *IFRS for SMEs* Standard

Ref	Question	Response <i>(Please give clear reasoning to support your response.)</i>
	<p>(c) <b>whether to align the <i>IFRS for SMEs</i> Standard with the amendments to IFRS Standards and IFRIC Interpretations listed in Table A3 of Appendix A?</b></p> <p><b>Please explain your views and provide any relevant information in support of your views.</b></p>	<ul style="list-style-type: none"> <li>• We do not support changing the IFRS for SMEs for the <i>Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)</i> because we believe that the extant depreciation/amortization principle is clear without making such a mendment.</li> <li>• We do not support Amending Section 7 <i>Statement of Cash Flows</i> to align with full <i>IFRS Disclosure Initiative (Amendments to IAS 7)</i>.</li> <li>• We do not support amending Section 34 <i>Specialised Activities</i> to align with the <i>Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)</i> because we believe that extant IFRS for SMEs has a more appropriate way of determining which measurement model an SME applies to its biological assets in a agricultural activity.</li> </ul> <p>Regarding Table A2 of Appendix A we support leaving the <i>IFRS for SMEs</i> Standard unchanged.</p> <p>Regarding Table A3 of Appendix A we support amending:</p> <ul style="list-style-type: none"> <li>• Section 30 <i>Foreign Currency Translation</i> to a lign with IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i> because doing so will reduce help eliminate an inconsistency in the application of the IFRS for SMEs.</li> </ul> <p>Regarding Table A3 of Appendix A we do not support amending:</p> <ul style="list-style-type: none"> <li>• Section 21 <i>Provisions and Contingencies</i> to a lign with IFRIC 21 <i>Levies</i> because we believe that applying extant Section 21 would result in the a ccounting specified in IFRIC</li> </ul>

Part B—Questions on aligning specific sections of the *IFRS for SMEs* Standard

<b>Ref</b>	<b>Question</b>	<b>Response</b> <i>(Please give clear reasoning to support your response.)</i>
		<p>21.</p> <p>Regarding Table A3 of Appendix A YET TO BE CONSIDERED?:</p> <ul style="list-style-type: none"> <li>• with full IFRS Annual Improvements to IFRS Standards 2011–2013 Cycle (IAS 40) that clarifies that determining whether a specific transaction satisfies the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both Standards independently of each other?</li> <li>• IFRIC 23 Uncertainty over Income Tax Treatments that specifies a accounting for uncertain tax positions?</li> </ul>

Part C—Questions on new topics and other matters related to the *IFRS for SMEs* Standard

<b>Ref</b>	<b>Question</b>	<b>Response</b> <i>(Please give clear reasoning to support your response)</i>
<p><i>Part C of the Request for Information seeks views on topics that are not addressed in the IFRS for SMEs Standard and on whether, in relation to these topics, the Standard should be aligned with full IFRS Standards. It also asks about specific topics on which the Board has received feedback.</i></p>		
N1	<p><b>Aligning the <i>IFRS for SMEs</i> Standard with IFRS 14 <i>Regulatory Deferral Accounts</i></b></p> <p>The Board issued IFRS 14 <i>Regulatory Deferral Accounts</i> in January 2014. IFRS 14 addresses regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation. The <i>IFRS for SMEs</i> Standard has no section that corresponds to IFRS 14. Entities applying the <i>IFRS for SMEs</i> Standard cannot recognise regulatory deferral account balances if these balances would not be permitted or required to be recognised by other sections of the <i>IFRS for SMEs</i> Standard.</p> <p>Entities subject to rate regulation may be in the scope of the <i>IFRS for SMEs</i> Standard and hence the topic may be relevant. The Board, however, has an active project on Rate-regulated Activities which could lead to the replacement of IFRS 14. Consequently, the Board’s view is it should not, as part of this comprehensive review, amend the <i>IFRS for SMEs</i> Standard to align with IFRS 14.</p>	
	<p><b>What are your views on not aligning the <i>IFRS for SMEs</i> Standard with IFRS 14, that is, not including requirements for regulatory deferral account balances within the <i>IFRS for SMEs</i> Standard?</b></p>	<p>On the basis of consultation with our constituents, we support not aligning the IFRS for SMEs with IFRS 14.</p>
N2	<p><b>Cryptocurrency</b></p> <p>The Board would like to gather information about the prevalence of holdings of cryptocurrency and issues of cryptoassets among entities eligible to apply the <i>IFRS for SMEs</i> Standard. Obtaining this information will help the Board decide whether the <i>IFRS for SMEs</i> Standard should address the accounting for holdings of cryptocurrency and issues of cryptoassets.</p>	

Part C—Questions on new topics and other matters related to the *IFRS for SMEs* Standard

Ref	Question	Response <i>(Please give clear reasoning to support your response)</i>
	<p><b>Are holdings of cryptocurrency and issues of cryptoassets prevalent (that is, are there material holdings among entities eligible to apply the <i>IFRS for SMEs</i> Standard) in your jurisdiction?</b></p> <p><i>Further information on this question is provided in paragraphs B85–B86 of Appendix B of the Request for Information.</i></p>	<p>On the basis of consultation with our constituents, we support specifying accounting for cryptocurrencies in the IFRS for SMEs.</p>
N3	<p><b>Defined benefit plans—simplifications allowed in measuring the defined benefit obligation</b></p> <p>Section 28 <i>Employee Benefits</i> of the <i>IFRS for SMEs</i> Standard allows an entity to apply simplifications in measuring a defined benefit obligation if the entity is unable, without undue cost or effort, to use the projected unit credit method. Paragraph 28.19 of the <i>IFRS for SMEs</i> Standard allows an entity to ignore estimated future salary progression, the effect of future service and death in service.</p> <p>The Board has received feedback that some preparers are uncertain about how to apply the simplifications.</p> <p>To decide whether to clarify how to apply the simplifications in paragraph 28.19, the Board would like to know how frequently the simplifications are applied and whether constituents experience difficulties in applying them.</p>	
	<p><b>Are you aware of entities applying the simplifications allowed by paragraph 28.19 of the <i>IFRS for SMEs</i> Standard? If so, are you aware of difficulties arising in applying the simplifications? Please include a brief description of the difficulty encountered in applying the simplification.</b></p>	<p><i>No Need</i></p> <p><b>Rationale</b></p> <p>The Georgian entities under SMEs category rarely use defined benefit obligation plan. Accordingly, a doption of the simplification presented in paragraph 28.19 of IFRS for SMEs standards lacks the sense.</p>

Part C—Questions on new topics and other matters related to the *IFRS for SMEs* Standard

Ref	Question	Response <i>(Please give clear reasoning to support your response)</i>
N4	<p><b>Other topics not addressed by the <i>IFRS for SMEs</i> Standard</b></p> <p>The Board intended that the 35 sections in the <i>IFRS for SMEs</i> Standard would cover the kinds of transactions, events and conditions typically encountered by most SMEs. The Board also provided guidance on how an entity’s management should exercise judgement in developing an accounting policy in a case in which the <i>IFRS for SMEs</i> Standard does not specifically address a topic (see paragraphs 10.4–10.6 of the <i>IFRS for SMEs</i> Standard).</p> <p><i>Note: this question is asking about topics that the IFRS for SMEs Standard does not address. It is not asking for areas of the IFRS for SMEs Standard for which additional guidance is required. If you think more guidance should be added for a topic already covered by the IFRS for SMEs Standard, please provide your comments in response to question N5.</i></p>	
	<p><b>Are there any topics the <i>IFRS for SMEs</i> Standard does not address that you think should be the subject of specific requirements (for example, topics not addressed by the Standard for which the general guidance in paragraphs 10.4–10.6 of the <i>IFRS for SMEs</i> Standard is insufficient)?</b></p>	
N5	<p><b>Please describe any additional issues you would like to bring to the Board’s attention relating to the <i>IFRS for SMEs</i> Standard.</b></p>	