

The Chairman  
Accounting Standards Board  
The Institute of Chartered Accountants of India  
ICAI Bhawan  
Indraprastha Marg, PO.Box.No - 7100  
New Delhi -110002

Dear Sir,

We are pleased to submit the inputs / suggestions from Chartered Accountants and other stakeholders on Exposure Draft on IFRS for SMEs Accounting Standard. In this regard, the Bengaluru Branch has obtained comments from the Members. Kindly find the following comments:

Firstly, the area we had in mind to comment on has been marked in Grey in the ED which has been described as - "requirements unaffected by the proposals are shaded in grey" and no specific question has been given in the ED for Financial instruments.

Secondly, as per para 22.3A

An entity shall classify a financial instrument as a financial liability or as equity in accordance with the substance of the contractual arrangement, not merely its legal form, and in accordance with the definitions of a financial liability and an equity instrument. Unless an entity has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation, the obligation meets the definition of a financial liability, and is classified as such, except for those instruments classified as equity instruments in accordance with paragraph 22.4.

Comment - No specific mention has been made regarding the treatment of a Convertible note (debt) with a zero coupon rate with an option to redeem the same instead of conversion in the event of liquidation. The IASB could consider including the treatment of such instruments as an example.

With warm regards,

CA. Srinivasa T

Chairman \_\_\_\_\_

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