

Exposure Draft on IFRS for SMEs Accounting Standard

I would like to share comments regarding this draft which are as follows:

1. Meaning of Public accountability:

Public accountability means when a person is given the responsibility to hold, use, or dispose of resources not belonging to him, he must be fully answerable to the owner of the resources for what he does with them. In other words, Accountability is an acceptance of responsibility for honest and ethical conduct towards others. In the corporate world, a company's accountability extends to its shareholders, employees, and the wider community in which it operates.

Question 1(i): Do you agree that the amendments will add clarity without changing the intended scope of the Standard?

Ans: Yes, I agree that amendment will add clarity. So, I would like to add above meaning of accountability in this also.

Question 1(ii): Do you agree with the proposal to clarify the definition of public accountability?

Ans: Yes, I agree with the proposal to clarify the definition of public accountability as it is very necessary for SME to fully answerable to the owner i.e banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks.

2. Question 2(ii) : Do you agree that Section 18 and Section 21 should continue to use the definition of an asset and of a liability from the previous version of Section 2 (based on the 1989 Framework)?

Ans: Yes, I agree that section 18 and section 21 should continue to use the definition of an asset and liability from the previous version of section 2.

3. Question 3: Do you agree with the IASB's proposal to retain the rebuttable presumption as a simplification of the definition of control? If not, please explain why you do not agree with this simplification.

Ans: I agree but I would like to add that in point 9.5 that instead of writing majority of voting rights, we should mention this is in percentage of voting rights.

Comments On Exposure Draft

IFRS for SMEs Accounting Standard

(Third edition of the IFRS for SMEs)

Question 1—Definition of Public Accountability?

The description of ‘Public Accountability’ in the Exposure Draft Subsidiaries without Public Accountability: Disclosures comprises the definition and supporting guidance in paragraphs 1.3–1.4 of the IFRS for SMEs Accounting Standard (Standard).

Opinion - Yes, I agree that the amendments will add more clarity without changing the intended scope of the Standard as it has widen the scope of Public Accounting by adding Broad Group of users of the entity’s financial statements (existing and potential investors, lenders and other creditors) who have a direct financial interest in or substantial claim against the entity.

Question 2 —The IASB in its Request for Information asked for views on possible approaches to aligning Section 23 Revenue with IFRS 15 Revenue from Contracts with Customers.

Opinion on point {8(i)} – No, I don't agree as the objective of the model is for an entity to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This will lead to complication of Revenue recognition in case of -

- Non-contractual agreement
- Non-regular customers

Note - Reporting requirement will increase due to variation in various applicable tax laws such as (Income tax – ICDS, Goods and Service Tax, State Tax Law) which will lead to extra cost.

Suggestion – Separate Section/ detailed provisions / clarification / Inclusion / Exclusion need to provided if Section 23 Revenue is aligned with IFRS -15 Revenue from Contracts with Customer

Question 3 - The IASB, in paragraphs A2–A39 of this Exposure Draft, sets out limited relief from retrospective application for those proposed amendments for

which the IASB thought the costs of retrospective application would exceed the benefits.

Opinion – Yes, I agree with IASB that the costs of retrospective application would exceed the benefits.

Question 4 - Updating the paragraph numbers of the IFRS for SMEs Accounting Standard?

Opinion – My approach regarding updating the paragraph numbers of the IFRS for SMEs Accounting Standard is to retain paragraph numbers in each section of this Exposure Draft as it brings more clarity in difference of older version vs new version of Standard and helps to understand the basic intention of ammendment.

Yes, I agree the addition or deletion of paragraphs within a section may complicate the readability of the Standard but this depends upon the attitude of reader as he can copy paste the relevant data in MS Word or notepad or any other tool and get only new version of the Standard.