IASB  
30 Cannon Street  
London  
EC4M 6XH

Paris, March 5, 2014

RE: Comments on ED/2013/9 IFRS for SMEs Proposed amendments to the International Financial Reporting Standard for Small and Medium-sized Entities

Dear Sir / Madam,

Mazars welcomes the opportunity to comment on the Exposure Draft on the proposed amendments to the International Financial Reporting Standard for Small and Medium-sized Entities.

In general we agree with the Board’s proposals. In particular, we welcome the proposed changes to section 29 to bring the accounting for deferred tax in line with the provisions of International Financial Reporting Standards.

Our answers to the specific questions raised in this Exposure Draft are presented in the attached appendix.

We would be pleased to discuss our comments with you and are at your disposal should you require further clarification or additional information.

Yours sincerely

Michel Barbet-Massin

Head of Financial Reporting Technical Support

Head of Financial Reporting Technical Support

91 RUE HENRI RÉCAMILL - 75008 PARIS
Tel.: +33 (0)1 49 97 60 00 - Fax: +33 (0)1 49 97 60 00 - www.mazaris.fr

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CAPITAL DE 8 320 000 EUROS - RCS NANTERRE 784 824 153 - SIRET 784 824 153 00232 - APE 6920Z
Siège social : 61 RUE HENRI RÉCAMILL - 92400 CASSIOPEE - TVA INTRACOMMUNAUTAIRE : FR 07 784 824 153
APPENDIX – Answers to the specific questions raised by the Exposure Draft

Question 1—Definition of ‘fiduciary capacity’

The IASB has received feedback that the meaning of ‘fiduciary capacity’ in the definition of ‘public accountability’ (see paragraph 1.3(b) of the IFRS for SMEs) is unclear as it is a term with different implications across jurisdictions. However, respondents generally did not suggest alternative ways of describing public accountability or indicate what guidance would help to clarify the meaning of ‘fiduciary capacity’. Based on the outreach activities to date, the IASB has determined that the use of this term does not appear to create significant uncertainty or diversity in practice.

(a) Are you aware of circumstances where the use of the term ‘fiduciary capacity’ has created uncertainty or diversity in practice? If so, please provide details.

We are not aware of any circumstances where the use of the term “fiduciary capacity” has created uncertainty or diversity in practice.

(b) Does the term ‘fiduciary capacity’ need to be clarified or replaced? Why or why not? If you think it needs to be clarified or replaced, what changes do you propose and why?

We do not think that the term “fiduciary capacity” needs to be clarified or replaced, as we are not aware of any circumstances where its use has created uncertainty or diversity in practice.

Question 2—Accounting for income tax

The proposal to align the main principles of Section 29 Income Tax with IAS 12 Income Taxes for the recognition and measurement of deferred tax (see amendment number 44 in the list of proposed amendments at the beginning of this Exposure Draft) is the most significant change being proposed to the IFRS for SMEs.

When the IFRS for SMEs was issued in 2009, Section 29 was based on the IASB’s Exposure Draft Income Tax (the ‘2009 ED’), which was issued in March 2009. However, the 2009 ED was never finalised by the IASB. Consequently, the IASB has concluded that it is better to base Section 29 on IAS 12. The IASB proposes to align the recognition and measurement principles in Section 29 with IAS 12 (see paragraphs BC55–BC60) whilst retaining some of the presentation and disclosure simplifications from the original version of Section 29.
The IASB continues to support its reasoning for not permitting the ‘taxes payable’ approach as set out in paragraph BC145 of the IFRS for SMEs that was issued in 2009. However, while the IASB believes that the principle of recognising deferred tax assets and liabilities is appropriate for SMEs, it would like feedback on whether Section 29 (revised) can currently be applied (operationalised) by SMEs, or whether further simplifications or guidance should be considered.

A ‘clean’ version of Section 29 (revised) with the proposed changes to Section 29 already incorporated is set out in the appendix at the end of this Exposure Draft.

Are the proposed changes to Section 29 appropriate for SMEs and users of their financial statements? If not, what modifications, for example further simplifications or additional guidance, do you propose and why?

We believe that the proposed changes to Section 29 are appropriate for SMEs and users of their financial statements. This is especially so in South Africa, where IFRS is widely applied and most users understand the principles used in IAS 12.

Nevertheless, we question the usefulness of the proposed amendments relating to deferred tax liabilities arising from investments in subsidiaries, joint ventures and associates. We consider this amendment would introduce complexity that may not be relevant for SMEs.

Please also refer our comments under Question 3 relating to item 45.

**Question 3—Other proposed amendments to the IFRS for SMEs**

The IASB proposes to make a number of other amendments to the IFRS for SMEs. The proposed amendments are listed and numbered 1–43 and 45–57 in the list of proposed amendments. Most of those amendments are minor and/or clarify existing requirements.

(a) Are there any amendments that you do not agree with or have comments on?

(b) Do any of the amendments require additional guidance or disclosure requirements to be added to the IFRS for SMEs? If so, which ones and what are your suggestions?

If you disagree with an amendment please state any alternatives you propose and give your reasoning.

Having read the proposed amendments listed and numbered 1-43 and 45-57 we have comments on the following proposals:

**Item 4 (Section 4 Information to be presented either in the statement of financial position or in the notes)**

We do not think that this proposed amendment really provides relief, since this information is immediately available.
**Item 17 (Section 12 Other Financial Instruments Issues)**

We recommend that the “undue cost or effort” exemption from the measurement of investments in equity instruments at fair value is extended to derivatives relating to such instruments (such as put and call options).

**Item 20 (Section 17 Property, Plant and Equipment)**

Item 20 clarifies the classification of spare parts, stand-by equipment and servicing equipment as property, plant and equipment or inventory (an amendment incorporated from full IFRS).

We do not think that it is practical to incorporate this amendment into the IFRS for SMEs as it is cumbersome and costly to apply in practice. We feel that the cost and effort that will be required to put systems in place to monitor and track spare parts, stand-by equipment and servicing equipment in order to comply with this requirement will not justify the benefits that users will obtain from it. Furthermore, we do not expect that it will apply to the majority of SMEs.

**Item 27 (Section 20 Leases)**

We believe that the drafting of the entire paragraph 20.1 is unclear. Indeed, this paragraph is supposed to deal with scope exclusions from Section 20, and finally deals with scope inclusions through the use of double negative sentences. We believe that a more straight-forward drafting would add clarity to the scope of Section 20.

**Item 45 (Section 29 Income Tax)**

Item 45 adds an “undue cost or effort” exemption to the requirement to offset income tax assets and liabilities and the amendment reads as follows:

> “An entity shall offset current tax assets and current tax liabilities, or offset deferred tax assets and deferred tax liabilities, only when it has a legally enforceable right to set off the amounts and it is evident without undue cost or effort that it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.” [Emphasis added]

This amendment principally aims to provide relief for the offset of deferred tax assets and liabilities, as explained in the draft *Basis for conclusions* (BC 58):

> “The IASB noted that IAS 12 has separate requirements for offsetting deferred tax assets and liabilities to avoid the need for detailed scheduling, whereas under Section 29 the requirements for offsetting deferred tax assets and liabilities are the same as for offsetting current tax assets and liabilities. The IASB therefore decided to add an ‘undue cost or effort’ exemption to clarify that offsetting income tax assets and liabilities would not be required if significant, detailed scheduling is required. The exemption is intended to provide similar relief to IAS 12 without including the more complex wording used in IAS 12.”
We believe that the draft amendment is unclear:

- the drafting seems to deal with both current and deferred tax assets and liabilities offsetting, although only deferred tax is concerned according to the Basis for conclusions;
- the meaning of “it is evident without undue cost or effort that it intends (…)” is not obvious, unless read together with the Basis for conclusions.

**Question 4—Additional issues**

In June 2012 the IASB issued a Request for Information (Rfi) seeking public comment on whether there is a need to make any amendments to the IFRS for SMEs (see paragraphs BC2–BC15). The Rfi noted a number of specific issues that had been previously identified and asked respondents whether the issues warranted changes to the IFRS for SMEs. Additionally, the Rfi asked respondents to identify any additional issues that needed to be addressed during the review process. Any issues so identified were discussed by the IASB during its deliberations.

Do respondents have any further issues that are not addressed by the 57 amendments in the list of proposed amendments that they think the IASB should consider during this comprehensive review of the IFRS for SMEs? Please state these issues, if any, and give your reasoning.

**Investment property**

The IFRS for SMEs requires investment property whose fair value cannot be measured reliably be classified and accounted for as property, plant and equipment.

We agree with the measurement provisions above. However, we do not agree that the measurement method should trigger the classification of investment property on the face of the statement of financial position. We recommend that classification should be based on the nature of the asset and that investment property carried at amortised cost should therefore be presented within the investment property line item on the face of the statement of financial position.

**Biological assets**

We believe the requirement to disclosure and explanation of why the fair value of biological assets carried at cost could not be determined should be removed. This would be consistent with other sections of the IFRS for SMEs. For example, Section 16 Investment Property does not require disclosure of the reasons why the fair values of properties that are carried at the cost model could not be determined.
**Joint ventures**

We recommend that section 15 be renamed “Joint Arrangements” to be consistent with the new terminology contained in IFRS 11 Joint Arrangements so as to minimise any confusion that may arise in practice.

**Fair value measurement**

The guidance on fair value measurement should be removed from section 11, and included in a separate section of the IFRS for SMEs, as it applies to various assets and liabilities, and not only financial instruments.

**Question 5—Transition provisions**

The IASB does not expect retrospective application of any of the proposed amendments to be significantly burdensome for SMEs and has therefore proposed that the amendments to the IFRS for SMEs in Sections 2–34 are applied retrospectively.

Do you agree with the proposed transition provisions for the amendments to the IFRS for SMEs? Why or why not? If not, what alternative do you propose?

We agree with the proposed transition provisions for the amendments to the IFRS for SMEs.

**Question 6—Effective date**

The IASB does not think that any of the proposed amendments to the IFRS for SMEs will result in significant changes in practice for SMEs or have a significant impact on their financial statements. It has therefore proposed that the effective date of the amendments to the IFRS for SMEs should be one year after the final amendments are issued. The IASB also proposes that early adoption of the amendments should be permitted.

Do you agree with the proposed effective date and the proposal to permit early adoption? Why or why not? If not, what alternative do you propose?

We agree with the proposal that the effective date of the proposed amendments be one year after the final amendments are issued.
Question 7—Future reviews of the *IFRS for SMEs*

When the *IFRS for SMEs* was issued in 2009 the IASB stated that after the initial comprehensive review, the IASB expects to propose amendments to the *IFRS for SMEs* by publishing an omnibus Exposure Draft approximately once every three years. The IASB further stated that it intended this three-year cycle to be a tentative plan, not a firm commitment. It also noted that, on occasion, it may identify a matter for which an amendment to the *IFRS for SMEs* may need to be considered earlier than in the normal three-year cycle; for example to address an urgent issue.

During the comprehensive review, the IASB has received feedback that amendments to the *IFRS for SMEs* once every three years (three-year cycle) may be too frequent and that a five-year cycle, with the ability for an urgent issue to be addressed earlier, may be more appropriate.

*Do you agree with the current tentative three-year cycle for maintaining the *IFRS for SMEs*, with the possibility for urgent issues to be addressed more frequently? Why or why not? If not, how should this process be modified?*

While we agree with the current tentative three-year cycle for maintaining the *IFRS for SMEs*, we support the method in which the three-year cycle has been applied to date. In other words:

1. The review is commenced after three years, at which point a “Request for Information” is circulated;
2. Subsequent to this process, an Exposure Draft of changes is drafted and circulated; and
3. Thereafter, a final Standard of changes is issued, with a 1 year lead time between the date of issue and the effective date.

The actual cycle for maintaining the standard is therefore closer to 5 years.

We also believe that the work undertaken by the SMEIG, with publication of Q&As, is relevant to address urgent issues.

Question 8—Any other comments

*Do you have any other comments on the proposals?*

We have no further comments.