



1906/35183

February 26, 2014

International Accounting Standards Board
30 Cannon Street
London EC4M6XH
United Kingdom

Dear Sir/Madam,

Re: **ED/2013/9 – Proposed amendments to the IFRS for SMEs**

We appreciate the opportunity to respond to the Exposure Draft (ED) "Proposed amendments to the IFRS for SMEs" issued by the International Accounting Standards Board (IASB). This response represents the views of the Institute of Certified Public Accountants in Israel.

Question 2

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?

Response

We agree that the proposed changes in Section 29 are appropriate for SMEs and the users of their financial statements.

Please refer to our answer to question 4 below for additional considerations in this matter with regard to Micro-entities.

Question 3

(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?

Response

The ED proposes to add guidance with respect to the term "undue cost or effort". The proposed paragraph 2.14B states that "Undue cost or effort depends on the entity's specific circumstances and on management's judgement when assessing the costs and benefits. Whether the cost or effort is excessive (undue) requires consideration of how the economic decisions of the expected users of financial statements could be affected by the availability of information".

In our view, while the first sentence in the above mentioned paragraph is well balanced and gives proper weight to both costs and benefits, the second sentence highly accentuates only the benefits to users of financial statements. Although we do not disagree with its content, we are concerned that the second sentence can be perceived as overshadowing the first sentence and thereby might result in missing the objective of the relief.

Therefore, we believe that the second sentence (stating that "Whether the cost or effort is excessive (undue) requires consideration of how the economic decisions of the expected users of financial statements could be affected by the availability of information") should be deleted.

Question 4

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.

Response

- a. Our response to the 2012's Request for Information indicated several further issues that, in our opinion, required improvements to the IFRS for SMEs. Among those, we believe that the IFRS for SMEs should also be applicable to Micro-

entities and such entities should be exempted or relieved from some of the requirement in this standard (e.g., applying the taxes payable method instead of recognizing deferred taxes).

- b. We also believe that additional guidance should be included for interim reporting and for discontinued operations.
- c. With respect to capitalization of borrowing costs and development costs, we believe that the basic accounting treatment should require capitalization of such costs. In some jurisdictions, the immediate expensing of those costs would make it difficult for SMEs to access funding sources in various situations. If the IASB still believes that capitalization of those costs will cast an unacceptable burden on SMEs, this accounting treatment should at least be provided as an option.
- d. The current accounting treatment for investment property by SMEs imposes on SMEs to measure one class of such properties only at fair value and the other class only at cost. Consequently, the current standard prevents SMEs that hold both classes of properties from measuring those properties according to one uniform measurement basis. To say the least, this treatment undermines the understandability of the financial statements of those SMEs and creates confusion among their users. Therefore, we believe that SMEs should be required to measure all their investment properties either at cost or at fair value, while under cost measurement they should be exempted from disclosing the fair value in the notes for those properties whose fair value cannot be measured reliably without undue cost or effort.

We ask the IASB to reconsider these points.

Sincerely yours



Adir Inbar
Chair of the Professional Council



Arnon Ratzkovsky
Chair of the Financial Reporting Standards
Committee