Mr. Hans Hoogervorst  
Chairman  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
UNITED KINGDOM

Dear Mr. Hoogervorst,

Invitation to Comment: IASB ED/2013/9 IFRS for SME

The Indonesian Financial Accounting Standards Board (DSAK IAI) as part of the Indonesian Institute of Accountants is the national accounting standard-setter in Indonesia. DSAK IAI is a proud member of the Asian-Oceanian Standards-Setters Group (AOSSG), and an active contributor in among others the EEG, WSS, and IFASS forum.

DSAK IAI welcomes and appreciates the opportunity to contribute to the discussion on the IASB ED/2013/9 IFRS for SME to improve the quality of financial reporting for SMEs.

In general, DSAK IAI supports IASB’s efforts in aligning IFRS for SMEs with the full IFRS. However, DSAK IAI does not agree if the examples and explanatory paragraphs in IAS 12 which will provide clear guidance to users of IFRS for SMEs, are not included in the proposed amendment. Our detailed comments to the questions are set out in the Appendix.
Thank you for your kind attention and consideration, and please do not hesitate to contact us should you have any queries.

With best regards,

Rosita Uli Sinaga
Chairperson – The Indonesian Financial Accounting Standards Board
APPENDIX – COMMENTS TO THE IASB ED/2013/9IFRS for SME

General Comments Summary

1. DSAK IAI does not support the proposed amendment in paragraph 1.3 for clarification of ‘fiduciary capacity’. In our opinion, fiduciary capacity is not determined by size, shares, and user requirements to financial reporting. In addition, the application of entities with fiduciary capability should be determined further by local jurisdiction, instead through the accounting standard, in this case, by IASB.

2. In general, DSAK IAI supports the incorporation of IAS 12 into IFRS for SMEs section 29. However, we do not agree if the examples and explanatory paragraphs in IAS 12 are not included in the proposed amendment. IASB should provide basis for conclusion why not all examples and explanatory paragraphs in IAS 12 incorporated in Section 29 IFRS for SMEs.

3. IASB should develop the objective principle in aligning the IFRS for SMEs with the full IFRS. The objective of the alignment should be to improve the quality of financial reporting by promoting flexibility option of the accounting standard while maintaining simplicity and practicability of the standard for SMEs. Therefore, IFRS for SMEs should be more flexible in providing accounting policy options than the full IFRS.
1. FIDUCIARY CAPACITY

**Question 1 – Definition of ‘fiduciary capacity’**

(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.

(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?

**DSAK RESPONSE**

1. DSAK IAI does not agree with the proposed amendment in paragraph 1.3 for clarification of ‘fiduciary capacity’. We believe that fiduciary capacity has the obligation to report public accountability of the society fund it collects, no matter the size, shares being traded, and the requirement of the users of the financial reporting.

2. The judgment of the application of ‘fiduciary capacity’ shall be clarified further by local jurisdiction instead of IASB. This is because each jurisdiction has its own authority to determine which entities have fiduciary capacity and able to use IFRS for SME.

2. ACCOUNTING FOR INCOME TAX

**Question 2 – Accounting for income tax**

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?

**DSAK RESPONSE**

1. In general, DSAK IAI supports the incorporation of IAS 12 into IFRS for SMEs section 29. However, we do not agree if all examples, guidance, and explanatory paragraphs in IAS 12 are not fully included in the proposed amendment. IASB
should provide strong arguments for any paragraph (except disclosure) in IAS 12 not incorporated into IFRS for SMEs.

2. Considering the size of the SMEs, the complexity of deferred tax calculation, and the limited resources in SMEs, IASB should provide ‘undue cost or effort’ exemption or ‘impracticability’ in applying deferred tax recognition, and measurement, incorporated from IAS 12. IASB should also provide illustrative examples and guidance for deferred tax calculation.

3. OTHER PROPOSED AMENDMENTS

Question 3 – Other proposed amendments to the IFRS for SME

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.

**DSAK RESPONSE**

1. Undue Cost or Effort

DSAK IAI appreciates IASB effort to provide guidance on undue cost or effort exemption. However, IASB should provide explanation of the difference between ‘Undue Cost or Effort’ and ‘Impracticable’. The concept of impracticable itself has been introduced in the full IFRS. If the concept of ‘Undue Cost or Effort’ is same with ‘Impracticable’, DSAK IAI recommends IASB to provide further explanation of impracticable concept instead of developing the Undue Cost or Effort’ principle.
2. Useful lives of goodwill and other intangible

DSAK IAI agrees with the proposal as it would provide flexibility to users of IFRS for SMEs.

3. ‘Binding Sale Agreement’

DSAK IAI appreciates IASB effort to introduce ‘binding sale agreement’ as the best evidence for fair value in section 11 Basic Financial Instruments. However, we believe that it would be very beneficial if IASB provide the definition and explanatory paragraph for term ‘binding sale agreement’ in the section 11.

4. Alignment of the IFRS for SME with full IFRS

DSAK IAI agrees with the proposed amendment in alignment of the IFRS for SME with the full IFRS to enhance clarity and understandability of the standard.

4. ADDITIONAL ISSUES

**Question 4 – Additional Issues**

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.

**DSAK RESPONSE**

1. Use of the IFRS for SMEs by not-for-profit entities

DSAK IAI does not agree if IFRS for SMEs is suitable for all not-for-profit entities. This is because some not-for-profit entities have public accountability that must be accounted to society, and hence must use full IFRS. To determine whether IFRS for SMEs is appropriate to be used by not-for-profit entities, entities must assess whether it has public accountability.
2. Accounting policy option

In our opinion, IASB should develop the objective principle in aligning the IFRS for SMEs with the full IFRS. The rule of thumb will be used as a basis in determining whether to allow new accounting policy options from full IFRS to be adopted in IFRS for SMEs. The objective of the alignment should be to improve the quality of financial reporting by promoting flexibility option of the accounting standard while maintaining simplicity and practicability of the standard for SMEs.

3. DSAK IAI believes that IFRS for SMEs should be more flexible in providing accounting policy options than the full IFRS. Therefore, we strongly believe that IASB should incorporate all accounting policy options in full IFRS to IFRS for SMEs, with more simple disclosure for SME. IASB should provide strong argument for any paragraphs that are not aligned with the full IFRS (except for disclosurea). To maintain simplicity and practicability, IASB may consider to add ‘undue cost or effort’ exemption or impracticability in promoting new accounting policy option from full IFRS. Furthermore, IFRS for SMEs should not develop new standard which is not yet developed in the full IFRS.

4. Other comments to additional issues

Below are our comments to additional issues raised in BC of this ED:

(a) DSAK IAI does not agree if the ‘Conceptual Framework’ of IFRS for SMEs is fully aligned with ‘Conceptual Framework’ of the full IFRS, considering the size and complexity of full IFRS.

(b) DSAK IAI agrees that IFRS for SMEs should promote flexibility in accounting option as follow:

   a. instances in which items are presented in other comprehensive income (OCI) in the IFRS for SMEs are limited and OCI should be removed altogether from the IFRS for SMEs.
b. SMEs should be permitted to designate other types of instruments as hedging instruments under Section 12, for example, options, cash instruments and swaps.

c. SMEs should be able to choose to account for their investment property either under a fair value model or cost model like IAS 40 Investment Property.

d. allow the option capitalisation of borrowing costs that meet specified criteria (such as on the basis of the criteria in IAS 23 Borrowing Costs)

(c) DSAK IAI also has recommended IASB to allow cost model and guidance for biological assets.

(d) DSAK IAI would also like to comment on issues raised by respondents RfI to reduce the disclosure requirements in the IFRS for SMEs. IASB should address which specific disclosure should be reduced and provide strong argument to reduce such disclosures for SMEs.

(e) DSAK IAI also would like to comment that the guidance for barter has already been clearly established in IFRS for SMEs paragraph 17.14 – Exchange of assets. Hence, no additional guidance is necessary.

(f) In our opinion, size-dependent rules may not be suitable to be established in IFRS for SMEs because IFRS is a global standard, and entity size is relative, hence size category in a country might not be the same with other country.

(g) DSAK IAI agrees that the title of the IFRS for SMEs should be changed to focus on entities within its scope, which is Standard for Non-Public Accountability Entities.

5. TRANSITION PROVISIONS

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?

**DSAK RESPONSE**

DSAK IAI agrees to apply the amendments retrospectively in accordance with Section 10 Accounting Policies, Estimates and Errors because it will promote comparability of the financial statement.

**6. EFFECTIVE DATE**

**Question 6 — Effective date**

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?

**DSAK RESPONSE**

DSAK IAI agrees with the proposed effective date and the proposal to permit early adoption.

**7. FUTURE REVIEW**

**Question 7 — Future reviews of the IFRS for SMEs**

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?

**DSAK RESPONSE**

Based on our experience in maintaining local accounting standard for non-public accountability, it will be beneficial if the future review of the IFRS for SMEs is maintained on five-year basis, to promote stability of the standard. This is because IFRS for SMEs is developed for small to medium size companies who expects the standard to be less dynamic than full IFRS.
8. OTHER COMMENTS

Question 8 — Other Comments
Do you have any other comments on the proposals?

**DSAK RESPONSE**
We do not have any other comments on the proposals.

***** END OF APPENDIX *****