Addendum to the Exposure Draft

Third edition of the IFRS for SMEs *Accounting Standard*

March 2024

Comment template

Invitation to comment

The International Accounting Standards Board (IASB) invites comments on the proposals in the Exposure Draft *Addendum to the Exposure Draft* Third edition of the *IFRS for SMEs* Accounting Standard, particularly on Questions 1–4. Comments are most helpful if they:

(a) respond to the questions as stated;

(b) specify the paragraph(s) to which they relate;

(c) contain a clear rationale;

(d) identify any wording in the proposals that is difficult to translate; and

(e) include any alternative approach the IASB should consider, if applicable.

Instructions for completion

This separate Microsoft Word® document has been compiled by the staff of the IFRS Foundation for respondents to use for submitting their comments, if they wish.

This document presents all of the questions in the Invitation to Comment on the Exposure Draft *Addendum to the Exposure Draft* Third edition of the *IFRS for SMEs* Accounting Standard in a table with spaces for responses.

Respondents are encouraged to complete this document electronically. Many respondents will find this the easiest way to submit their comments and making submissions in this form will also help ease the analysis of the answers. However, respondents are not required to use this document and responses will be accepted in all formats.

Respondents need not comment on all questions in the Invitation to Comment.

Comments to be received by **31 July 2024**

Name of Respondent:	**Eva Sundberg**
Organisation:	**Bokföringsnämnden / The Swedish Accounting Standards Board**
Jurisdiction:	**Sweden**
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Question	Response (*Please give clear reasoning to support your response*)
Question 1—Supplier finance arrangements—Scope and disclosure requirements (proposed new paragraphs 7.19B–7.19C) Proposed new paragraph 7.19B describes the characteristics of an arrangement about which an SME would be required to disclose the information described in this exposure draft. Paragraph 7.19B also sets out examples of the various forms of such arrangements that would be within the scope of the proposals. The IASB proposes an SME disclose in aggregate for its supplier finance arrangements: (a) the terms and conditions (but disclosing separately the terms and conditions of arrangements with dissimilar terms and conditions); (b) as at the beginning and end of the reporting period: (i) the carrying amounts, and associated line items presented in the SME's statement of financial position, of the financial liabilities that are part of a supplier finance arrangement; (ii) the carrying amounts, and associated line items, of the financial liabilities required to be disclosed (as described in the preceding subparagraph) for which suppliers have already received payment from the finance providers; and (iii) the range of payment due dates for both the financial liabilities that would be required to be disclosed (as described in (i)) and comparable trade payables that are not part of the supplier finance arrangement; and (c) the type and effect of non-cash changes in the carrying amounts of the financial liabilities that would be required to be disclosed (as described in (b)(i)). Paragraphs BC1–BC12 of the Basis for Conclusions explain the IASB's rationale for these proposals. **Do you have comments or suggestions on the proposed amendments to Section 7? Please explain the reasons for your suggestions.**	**For SMEs who has entered into this kind of agreements, the classifications and disclosures proposed are reasonable.** **Another aspect is whether information must be provided regarding all agreements or only those that are material. In the proposition it is stated that information must be provided in aggregate, but if it then covers all agreements, it may not be such a relief.**

Question	Response *(Please give clear reasoning to support your response)*
Question 2—Supplier finance arrangements—Costs of applying proposed new paragraph 7.19C(b)(ii) Some stakeholders informed the IASB that some information about supplier finance arrangements might not be readily available and might be costly to obtain. In particular, information about the carrying amounts, and associated line items, of the financial liabilities that are part of such arrangements and for which suppliers have already received payment from the finance providers (proposed new paragraph 7.19C(b)(ii)) might not be readily available. Paragraphs BC13–BC15 of the Basis for Conclusions provide information about the potential costs of complying with the proposed disclosure requirement and explain the IASB's rationale for this proposal. **Do you agree that the benefits for users of SMEs' financial statements would outweigh the potential costs for SMEs to provide the information required by proposed new paragraph 7.19C(b)(ii)? Please explain the reasons for your view.**	**The requirement to provide information about the part of the financial liabilities for which the entity's suppliers have already received payment from the finance providers can be questioned. It will be burdensome for the entity and we are not convinced that it will provide useful information about the entity´s supplier finance arrangements to the users of the financial reports.**
Question 3—Lack of exchangeability (proposed new paragraphs 30.5A, 30.28–30.29 and 30A.1–30A.18) Section 30 of the *IFRS for SMEs* Accounting Standard generally requires the use of a spot exchange rate when an SME reports foreign currency transactions or a foreign operation's results and financial position in its financial statements. However, it does not specify the exchange rate to use when there is a lack of exchangeability between two currencies. To address this deficiency, the IASB proposes to amend Section 30 of the Standard: (a) to specify when a currency is exchangeable into another currency; (b) to set out the factors an SME is required to consider in assessing exchangeability and to specify how those factors affect the assessment; (c) to specify how an SME determines the spot exchange rate when a currency is not exchangeable into another currency; and (d) to require an SME to disclose information that would enable users of its financial statements to understand how a lack of exchangeability between two currencies affects, or is expected to affect, its financial performance, financial position and cash flows.	**Making the assessment at each reporting occasion might become quite burdensome for SMEs. But on the other hand, if an entity has transactions in a currency that cannot be exchanged, they probably already know it. To avoid diverse views on how to make the assessment it may be necessary to set out which factors to consider.**

Question	Response (*Please give clear reasoning to support your response*)
Paragraphs 30A.1–30A.11 of [draft] Appendix A to Section 30 of the Standard set out the factors an SME would be required to consider in assessing exchangeability and specify how those factors would affect the assessment. Paragraphs 30A.12–30A.18 of [draft] Appendix A to Section 30 of the Standard provide application guidance that would help an SME estimate the spot exchange rate when a currency is not exchangeable into another currency. Paragraphs BC18–BC39 of the Basis for Conclusions explain the IASB's rationale for these proposals. **Do you have comments or suggestions on the proposed amendments to Section 30? Please explain the reasons for your suggestions.** **Do you agree that the proposals in paragraphs 30A.1–30A.18 of [draft] Appendix A to Section 30 would provide sufficient application guidance for SMEs? If you disagree with these proposals, please explain what you would suggest instead and why.**	**We agree with the proposal and think it will provide sufficient application guidance for SMEs.** **Especially to describe different methods on how to determine the spot exchange rate when a currency is not exchangeable can be expected to be useful and a good help in determining the spot exchange rate.**
Question 4—Effective date and transition (proposed new paragraph A37A) The IASB proposes: (a) that the amended Section 7 and Section 30 of the *IFRS for SMEs* Accounting Standard have the same effective date as that of the third edition of the Standard;[1] (b) no transition relief in relation to the amendments to Section 7 of the Standard; and (c) specific transition requirements in relation to the amendments to Section 30 of the Standard. Proposed new paragraph A37A of Appendix A to the Standard sets out transition requirements for the amendments to Section 30 of the Standard. Paragraphs BC16–BC17 and paragraphs BC40–BC44 of the Basis for Conclusions explain the IASB's rationale for these proposals. **Do you agree with these proposals? Why or why not? If you disagree with these proposals, please explain what you would suggest instead and why.**	

[1] In the Exposure Draft *Third edition of the* IFRS for SMEs *Accounting Standard* the IASB proposed that the effective date of the third edition of the Standard be a minimum of two years from the issue date, with early application permitted.