

IFRS for SMEs® Standard

Section 35 *Transition to the IFRS for SMEs, Issue 1—Application of the undue cost or effort exemption for investment property on transition to the IFRS for SMEs Standard*

Draft questions and answers (Q&As) are developed by the SME Implementation Group (SMEIG), which assists the International Accounting Standards Board (Board) in supporting the application of the *IFRS for SMEs* Standard.

The Q&As provide non-mandatory and timely guidance on specific accounting questions about applying the *IFRS for SMEs* Standard. During the 2019 Comprehensive Review of the *IFRS for SMEs* Standard, the Board will consider the Q&As developed since the issue of the 2015 amendments to the *IFRS for SMEs* Standard and determine whether to incorporate the responses in the *IFRS for SMEs* Standard.

Comments

The SMEIG invites comments on whether this draft Q&A provides useful and sufficient guidance.

Comment deadline: **7 October 2019**.

Comments must be submitted electronically via the IFRS Foundation's website: www.ifrs.org/projects/work-plan/smeig-qa-guidance/comment-letters-projects/draft-smeig-qa-aug-2019/.

Your comments will be on the public record and posted on our website unless you request confidentiality and we grant your request. We do not normally grant such requests unless they are supported by good reason, for example, commercial confidence. Please see our website for details on this and on how we use your personal data.

More information about the SMEIG can be found on the IFRS Foundation's website: <http://www.ifrs.org/groups/sme-implementation-group/>.

Issue

- 1 When preparing its first financial statements applying the *IFRS for SMEs* Standard, should an entity base its assessment of whether, at the date of transition, an investment property can be measured reliably at fair value without undue cost or effort on information about the costs and benefits at the entity's date of transition to the *IFRS for SMEs* Standard or the costs and benefits at the date of preparing the first financial statements applying the *IFRS for SMEs* Standard?

Response

- 2 When preparing its first financial statements applying the *IFRS for SMEs* Standard, an entity bases its assessment of whether, at the date of transition, an investment property can be measured reliably at fair value without undue cost or effort on information about the costs and benefits at the entity's date of transition to the *IFRS for SMEs* Standard. Additional cost or effort due to the elapse of time between the date of transition and the date of preparing the first *IFRS for SMEs* financial statements shall not be considered.

Basis for Conclusions

- BC1 The SMEIG was asked if an entity bases its assessment of whether, at the date of transition, an investment property can be measured reliably at fair value without undue cost or effort on information about the costs and benefits at the date of transition to the *IFRS for SMEs* Standard or the costs and benefits at the date when preparing the first *IFRS for SMEs* financial statements.
- BC2 Paragraph 35.7(d) requires an entity, at the date of transition to the *IFRS for SMEs* Standard, to apply the Standard in measuring all recognised assets and liabilities; thereby an entity applies Section 16 to measure investment properties. Paragraphs 35.9–35.10 provide exceptions and exemptions in specified circumstances.
- BC3 Paragraph 16.7 requires investment property whose fair value can be measured reliably without undue cost or effort to be measured at fair value at each reporting date with changes in fair value recognised in profit or loss. The exceptions and exemptions in paragraphs 35.9–35.10 do not apply to measuring investment properties at fair value at the date of transition.
- BC4 Paragraph 2.14C requires an entity to assess undue cost or effort on initial recognition in the financial statements based on information about the costs and benefits at the time of initial recognition. At any subsequent measurement of an item, paragraph 2.14C requires a new assessment of undue cost or effort to be made at that subsequent date, based on information available at that date.
- BC5 The *IFRS for SMEs* Standard does not amend the requirements of paragraph 2.14C for the date of transition. Consequently, the requirements of paragraph 2.14C apply to the assessment of whether an investment property can be measured reliably at fair value without undue cost or effort at the date of transition.
- BC6 Applying paragraph 2.14C the assessment of whether an investment property can be measured reliably at fair value without undue cost or effort is made at the date of transition based on information available at that date. A new assessment of undue cost or effort is made at the date of the first *IFRS for SMEs* financial statements. The assessment of undue cost or effort is based on information available at each date; therefore, any additional cost or effort due to the elapse of time between the date of transition and the date of the first financial statements applying the *IFRS for SMEs* Standard is not considered when measuring the investment property at the date of transition.

This Draft Q&A has been developed by the SME Implementation Group (SMEIG) and does not represent the views of the International Accounting Standards Board (Board) or any individual member of the Board. Comments on the application of IFRS® Standards or the *IFRS for SMEs*® Standard do not purport to set out acceptable or unacceptable application of IFRS Standards or the *IFRS for SMEs* Standard. Technical Board decisions are made in public and reported in IASB® *Update*. The Board, the IFRS Foundation, the SMEIG, the authors and the publishers do not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise. This draft is published for public comment.

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