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Our ref **MT/288**
Contact **Mary Tokar**

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Dear Sirs

Development of Q&As on the IFRS for SMEs

We appreciate the opportunity to respond to the draft Questions & Answers (Q&As) relating to the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs). We have consulted within the KPMG network in respect of this letter, which represents the views of the KPMG network.

As expressed in our previous comment letters dated 14 September 2011 and 29 November 2011, we have concerns about the appropriateness of supplementing the IFRS for SMEs by a series of non-binding Q&As and the potential dilution of the power of a single stand-alone standard for SMEs.

We believe that these concerns are particularly relevant for the two draft Q&As on Sections 11 and 30 (covering the fallback to IFRS 9, *Financial Instruments* and the recycling of cumulative exchange differences on disposal of a subsidiary, respectively). We agree that the conclusions in the draft Q&As are appropriate applications of the IFRS for SMEs. However, even if we believed that it was appropriate for the International Accounting Standards Board to provide implementation guidance in the form of Q&As, we would not agree that there is a genuine need for clarification of these issues as, in our view, the answers to the questions are clear in the IFRS for SMEs and hence issuing Q&As on these topics would not be necessary.

Notwithstanding the above, we continue to support the existence of the SME Implementation Group (SMEIG). However, as was also set out in our previous letters, we believe that the SMEIG should focus on identifying and assessing questions that are being raised by developing educational material as needed and helping plan the updates of the IFRS for SMEs.



Please contact Mary Tokar or Jim Tang on +44 (0)20 7694 8871 if you wish to discuss any of the issues raised above.

Yours faithfully

KPMG IFRG Limited

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cc. Hans Hoogervorst, Chairman of the IASB
cc. Ian Mackintosh, Vice Chairman of the IASB
cc. Paul Pacter, Chairman of the SMEIG
cc. Haydeé de Chau, member of the SMEIG