



31 January 2012

Our ref: ICAEW Rep 10/12

Paul Pacter  
SME Implementation Group  
30 Cannon Street  
London EC4M 6XH

Dear Paul

**IFRS for SMEs draft Q&As: *Fallback to IFRS 9 Financial Instruments*; and *Recycling of Cumulative Exchange Differences on Disposal of a Subsidiary***

ICAEW welcomes the opportunity to comment on the IFRS for SMEs draft Q&As: *Fallback to IFRS 9 Financial Instruments*; and *Recycling of Cumulative Exchange Differences on Disposal of a Subsidiary* published by the SME Implementation Group in November 2011.

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In our recent response to the Implementation Group (ICAEW REP 113/11), we opposed in principle the issue of Q&As as a general response to issues identified with the IFRS for SMEs. In general terms we are concerned by the risks posed to the principles based regime by the threatened accretion of incremental interpretations (in the case of full IFRS) and Q&As (for the IFRS for SMEs). Additional literature of this kind risks cladding IFRS principles with prescriptive rules, restricting the scope for the exercise of appropriate judgement. We therefore oppose the publication of these two additional Q&As.

Nevertheless, in both cases underlying issues have validly been identified by the Group and we agree that these could usefully be given further consideration. While we would not support publication of the Group's conclusions in Q&A form, we do feel that these could be a useful input for deliberation in the next revision of the IFRS for SMEs and we therefore urge the Group to make its recommendations to the IASB. We would have no objection to the Group then publicising recommendations made to the Board so long as such releases did not carry any indication of authoritative interpretative status.

Please contact me should you wish to discuss any of the points raised in this response.

Yours sincerely

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