IASB® meeting

Date	**March 2024**
Project	**Second Comprehensive Review of the *IFRS for SMEs®* Accounting Standard**
Topic	**Other issues raised by respondents to the Exposure Draft**
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Purpose of this paper

1. The purpose of this paper is to ask the International Accounting Standards Board (IASB) to:
   (a) consider other issues raised by respondents on the Exposure Draft *Third edition of the* IFRS for SMEs *Accounting Standard* (Exposure Draft); and
   (b) decide whether to make changes to the proposals in the Exposure Draft.

2. In this paper, the term SMEs refers to entities that are eligible to apply the *IFRS for SMEs* Accounting Standard (the Standard).

Staff recommendation

3. The staff recommend that the IASB:
   (a) finalise proposed paragraph 30.8A in the Exposure Draft, which clarifies the requirements for transactions that include payment or receipt of advance consideration in a foreign currency, and also clarify in this paragraph that:
      (i) the entity generally recognises a non-monetary asset or non-monetary liability; and

(ii) if there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

(b) align the requirements for offsetting income tax assets and liabilities in Section 29 *Income Tax* of the Standard with paragraphs 71 and 74 of IAS 12 *Income Taxes* but retain an undue cost or effort exemption to avoid the need for significant, detailed scheduling.

(c) clarify in paragraph 28.17 of the Standard that the depth of the market for high quality corporate bonds should be assessed at a currency level.

(d) clarify the requirement in proposed paragraph 26.14A of the Exposure Draft by explaining that the cumulative amount ultimately recognised for goods or services received as consideration for cash-settled share-based payments will be equal to the amount of cash paid.

Structure of this paper

4. This paper is structured as follows:

(a) introduction (paragraph 5);

(b) foreign currency transactions and advance consideration (paragraphs 6–16);

(i) staff recommendation and question for the IASB (paragraph 16);

(c) requirements for offsetting income tax assets and liabilities (paragraphs 17–25);

(i) staff recommendation and question for the IASB (paragraph 25);

(d) post-employment benefits: discount rate (paragraphs 26–31)

(i) staff recommendation and question for the IASB (paragraph 31);

(e) measurement of cash-settled share-based payment transactions (paragraphs 32–36);

(i) staff recommendation and question for the IASB (paragraph 36);

(f) other issues raised by respondents (paragraphs 37–38);

 (i) staff recommendation and question for the IASB (paragraph 38); and

(g) appendix: staff analysis of other issues raised by respondents for which staff do not recommend changes to the proposals in the Exposure Draft.

Introduction to the paper

5. Question 11 of the Invitation to Comment in the Exposure Draft asked a general question whether respondents have any comments on other proposed amendments in the Exposure Draft. The staff have prepared separate IASB papers for the most frequently raised issues on Question 11, including comments on the accounting requirements for borrowing costs and the proposed reconciliation for liabilities arising from financing activities.[1] This paper captures other issues raised by respondents on Question 11. In analysing other issues raised by respondents, the staff have considered:

 (a) the factors discussed by the IASB in September 2023 (see paragraphs 5–6 of Agenda Paper 30 *Cover paper* for this meeting) for determining when guidance should be in the Standard. In September 2023, the staff suggested guidance should only be in the Standard if the guidance is both:

  (i) necessary to operationalise principles in the Standard; and

  (ii) relevant to many SMEs.

 (b) that if the IASB makes fundamental changes to the proposals in an Exposure Draft, on which respondents have not had the opportunity to comment, this could result in re-exposure of the proposals. Therefore, a decision to make significant changes to the proposals in the Exposure Draft should be subjected to a high hurdle.

[1] A paper addressing the comments on issued financial guarantee contracts will be brought to a future IASB meeting.

Foreign currency transactions and advance consideration

Proposals in the Exposure Draft

6. IFRIC 22 *Foreign Currency Transactions and Advance Consideration* clarifies the requirements for transactions that include the payment or receipt of advance consideration in a foreign currency. In the Exposure Draft the IASB applied its alignment approach to IFRIC 22[2] and proposed to add paragraph 30.8A to the *IFRS for SMEs* Accounting Standard. Proposed paragraph 30.8A states:

> 30.8A When an entity pays or receives consideration in advance in a foreign currency, it recognises a non-monetary asset or non-monetary liability. The exchange rate to be used on the initial recognition of the related asset, expense or income (or part of it) is the exchange rate at the date on which the entity initially recognised the non-monetary asset or the non-monetary liability arising from the payment or receipt of advance consideration.

Feedback from respondents

7. A few respondents to the Exposure Draft noted that entities might recognise a monetary asset or liability from the advance consideration and asked for additional guidance on determining when an item is monetary or non-monetary.

8. One respondent suggested incorporating paragraph 9 of IFRIC 22 (IFRIC 22.9) to include guidance on how to account for multiple prepayments denominated in a foreign currency. This respondent asserted that it is common for SMEs to make multiple prepayments on capital expenditure.

[2] The IASB's alignment approach is described in paragraph 4 of Agenda Paper 30 *Cover paper*.

Staff analysis

Guidance on monetary versus non-monetary items[3]

9. Paragraph 2 of IFRIC 22 states that when an entity pays or receives consideration in advance in a foreign currency, it generally recognises a non-monetary asset or non-monetary liability. The staff think the word ‘generally’ should be added to the first sentence of proposed paragraph 30.8A in the Exposure Draft to align the language with paragraph 2 of IFRIC 22 and respond to the comments that entities might recognise a monetary asset or liability from the advance consideration.

10. IFRIC 22 does not provide application guidance on the definition of monetary and non-monetary items. Some respondents to Draft IFRIC Interpretation DI/2015/2 *Foreign Currency Transactions and Advance Consideration* requested guidance on determining whether the payment or receipt of advance consideration gives rise to a monetary or non-monetary asset or liability. These respondents said that, for some transactions, this assessment can be difficult.

11. In considering the request from respondents, the Interpretations Committee noted that IFRIC 22 was not adding a new requirement to determine whether an item is monetary or non-monetary—this requirement already existed in IAS 21 *The Effects of Changes in Foreign Exchange Rates*. IFRIC 22 simply clarified which exchange rate to use for particular transactions. The Interpretations Committee decided that it was outside the scope of IFRIC 22 to provide application guidance on the definition of monetary and non-monetary items. Nonetheless, the Interpretations Committee acknowledged that an entity may need to apply judgement in determining whether an item is monetary or non-monetary. The Committee also noted references in full IFRS Accounting Standards that may be helpful in determining whether an item is monetary or non-monetary, including paragraph 16 of IAS 21 (IAS 21.16).

[3] See also paragraphs BC15-BC17 of the Basis for Conclusions accompanying IFRIC 22.

12. Like IFRIC 22, proposed paragraph 30.8A does not introduce a new requirement to determine whether an item is monetary or non-monetary—this requirement already exists in Section 30 *Foreign Currency Translation* of the Standard. Proposed paragraph 30.8A simply clarifies which exchange rate to use for particular transactions. Section 30 does not include the guidance in IAS 21.16. Nevertheless, the term 'monetary items' is defined in the Glossary to the Standard as follows:

> Units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.

13. Further guidance and examples of monetary and non-monetary items are provided on pages 16–17 of Module 30 *Foreign Currency Translation* of the *IFRS for SMEs* educational material. The staff is not aware of application problems in applying the term monetary items in Section 30. Consequently, the staff does not recommend that the IASB includes additional guidance on determining when an item is monetary or non-monetary in the *IFRS for SMEs* Accounting Standard. However, the staff suggest Module 30 is updated to include examples of applying proposed paragraph 30.8A based on the four examples in the illustrative examples accompanying IFRIC 22.

Multiple prepayments denominated in a foreign currency

14. IFRIC 22.9 states that if there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

15. The staff think it could be helpful to include this additional sentence to clarify the requirements in proposed paragraph 30.8A. Such clarification would explain that multiple payments (or receipts) in advance should each be considered to create a new asset (or liability), rather than be considered to increase any existing asset (or liability). This clarification would avoid a situation where an entity incorrectly uses the date of recognition of the first prepayment asset as the date of the transaction for each prepayment until the asset balance is derecognised.

Staff recommendation and question for the IASB

16. The staff recommend the IASB finalise proposed paragraph 30.8A in the Exposure Draft but clarify that the entity 'generally' recognises a non-monetary asset or non-monetary liability. The staff also recommend the IASB add the following requirement to proposed paragraph 30.8A when finalising the Standard:

If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

Question for the IASB
Does the IASB agree with the staff recommendation in paragraph 16 of this paper?

Requirements for offsetting income tax assets and liabilities

Background

17. Applying IAS 12 *Income Taxes* there are separate requirements for offsetting deferred tax assets and liabilities. To avoid the need for detailed scheduling of the timing of the reversal of each temporary difference, paragraph 74 of IAS 12 (IAS 12.74) requires an entity to set off a deferred tax asset against a deferred tax liability of the same taxable entity if, and only if, they relate to income taxes levied by the same taxation authority and the entity has a legally enforceable right to set off current tax assets against current tax liabilities.[4]

18. During the first comprehensive review of the *IFRS for SMEs* Accounting Standard, the IASB aligned the main recognition and measurement requirements for deferred tax in Section 29 *Income Tax* of the Standard with IAS 12. However, the IASB decided to keep the simplified offsetting requirements in Section 29, but include an 'undue cost or effort' exemption to clarify that offsetting income tax assets and liabilities would

[4] See paragraph 75 of IAS 12.

not be required if significant, detailed scheduling is required. The exemption was intended to provide similar relief to IAS 12 without using the more complex wording used in IAS 12.

19. Applying Section 29 of the Standard the requirements for offsetting deferred tax assets and liabilities are the same as for offsetting current tax assets and liabilities. Paragraph 29.37 of the Standard states:

> 29.37 An entity shall offset current tax assets and current tax liabilities, or offset deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off the amounts and the entity can demonstrate without undue cost or effort that it plans either to settle on a net basis or to realise the asset and settle the liability simultaneously.

20. Since the first comprehensive review we have been made aware of the following concerns about the requirements in paragraph 29.37 of the Standard:

(a) the requirements appear more stringent than the requirements in IAS 12. In particular, IAS 12.74 does not require simultaneous settlement for deferred tax assets and liabilities except when different taxable entities are involved.

(b) a strict reading of the 'undue cost or effort' exemption in paragraph 29.37 of the Standard might prevent an entity from offsetting deferred tax if doing so would involve undue cost or effort.

Proposals in the Exposure Draft

21. The Exposure Draft proposed to clarify the requirements for offsetting income tax assets and liabilities by separating the requirements for current tax and deferred tax and bringing the wording closer to IAS 12. It also proposed to only retain the undue cost or effort exemption for the offsetting requirements for deferred tax assets and liabilities. The Exposure Draft proposed the following changes (in strike though and underline):

> 29.37 An entity shall offset current tax assets and current tax liabilities, ~~or offset deferred tax assets and deferred tax liabilities~~ if, and only if, it has a legally enforceable right to set off the amounts and the entity can demonstrate ~~without undue cost or effort~~ that it plans either to settle on a net basis or to realise the asset and settle the liability simultaneously.

29.37A <u>An entity shall offset deferred tax assets and deferred tax liabilities if, and only if:</u>

<u>(a) it has a legally enforceable right to set off current tax assets against current tax liabilities; and</u>

<u>(b) the entity can demonstrate that, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered, it plans either to settle current tax liabilities and assets on a net basis or to realise the current tax assets and settle the current tax liabilities simultaneously.</u>

<u>If (b) involves undue cost or effort, then an entity shall not offset deferred tax assets and deferred tax liabilities.</u>

Feedback from respondents

22. One respondent suggested that the IASB align the requirements in paragraphs 29.37 and 29.37A of the Exposure Draft with IAS 12.71 and IAS 12.74. This respondent said that the proposed wording 'demonstrate' could be interpreted as higher hurdle than IAS 12 wording 'having an intent'.

Staff analysis

23. Paragraph 29.37 of the Standard currently includes an 'undue cost or effort' exemption to provide relief from the requirement to <u>demonstrate</u> that the entity plans either to settle on a net basis or to realise the asset and settle the liability simultaneously. Paragraph 29.37 of the Exposure Draft proposed to remove this exemption for current tax assets and liabilities. Without this exemption, the staff acknowledge that the requirement to 'demonstrate' in paragraph 29.37 of the Exposure Draft could be interpreted as a higher hurdle than 'having an intent' in IAS 12.71. Therefore the staff suggest at a minimum changing 'the entity can demonstrate that it plans either to…..' to 'the entity plans either to…' in paragraph 29.37 of the Exposure Draft to better align the wording with IAS 12.71.

24. The staff note we have tried several approaches to simplify the requirements for offsetting income tax in IAS 12 (during the first comprehensive review and in the 2022 Exposure Draft), however application concerns continue to arise (see paragraphs

20 and 22 of the paper). Therefore, the staff suggest we should consider replacing the wording in proposed paragraph 29.37–29.37A with the wording in IAS 12.71 and IAS 12.74, but retain the undue cost or effort exemption for the offsetting requirements in proposed paragraph 29.37A(b) to keep the intended simplification for SMEs. We do not think the proposed requirements for offsetting deferred tax assets and liabilities in the Exposure Draft are significantly easier to understand than the IAS 12 requirements. Furthermore, retaining the undue cost or effort exemption for the requirements for offsetting deferred tax assets and liabilities to avoid the need for detailed scheduling would ensure the requirements are not too costly to apply. The staff does not share the concern about a strict reading of the exemption noted in paragraph 20(b) of this paper, because an entity would only use the exemption if it judged that the costs of offsetting substantially exceed the benefits of offsetting.

Staff recommendation and question for the IASB

25. The staff recommend the IASB make changes to the requirements for offsetting income tax assets and liabilities in Section 29 of the Standard to align the wording with IAS 12.71 and IAS 12.74 but retain an undue cost or effort exemption to avoid the need for significant, detailed scheduling, as follows:

> 29.37` An entity shall offset current tax assets and current tax liabilities, ~~or offset deferred tax assets and deferred tax liabilities~~ if, and only if, it has a legally enforceable right to set off the amounts and the entity ~~can demonstrate without undue cost or effort that it~~ plans either to settle on a net basis or to realise the asset and settle the liability simultaneously.
>
> <u>29.37A</u> <u>An entity shall offset deferred tax assets and deferred tax liabilities if, and only if:</u>
>
> <u>(a)</u> <u>it has a legally enforceable right to set off current tax assets against current tax liabilities; and</u>
>
> <u>(b)</u> <u>the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either</u>
>
> <u>(i)</u> <u>the same taxable entity; or</u>
>
> <u>(ii)</u> <u>different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.</u>

If applying (b)(ii) involves undue cost or effort, then an entity shall not offset deferred tax assets and deferred tax liabilities.

Question for the IASB
Does the IASB agree with the staff recommendation in paragraph 25 of this paper?

Post-employment benefits: discount rate

Proposals in the Exposure Draft

26. Paragraph 28.17 of the Exposure Draft proposed the following changes to the requirements for discounting a defined benefit obligation:

28.17 …The entity shall determine the rate used to discount the future payments by reference to market yields at the reporting date on high quality corporate bonds. In jurisdictions ~~countries~~ with no deep market in such bonds, the entity shall use the market yields (at the reporting date) on government bonds. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated period of the future payments.

Feedback from respondents

27. One respondent suggested that the IASB should not proceed with its proposal to replace 'countries' with 'jurisdictions' in paragraph 28.17 because the change could have unintended consequences. This respondent noted that countries within a jurisdiction can have different economic factors that impact determination of an appropriate discount rate. Another respondent suggested aligning paragraph 28.17 with IAS 19 *Employee Benefits*, which uses an approach based on the currency in which the obligation will be settled.

Staff analysis

28. *In Annual Improvements to IFRSs 2012–2014* the IASB amended paragraph 83 of IAS 19 to clarify that the depth of the market for high quality corporate bonds should be assessed at a currency level and not a country/regional market level.

29. The annual improvement responded to a request for the IASB to clarify the requirements of IAS 19 to determine the discount rate in a regional market sharing the same currency (for example, the Eurozone). The issue arose because some thought that the basket of high quality corporate bonds should be determined at a country level, and not at a currency level, because paragraph 83 of IAS 19 stated that in countries in which there is no deep market in such bonds, the market yields at the end of the reporting period on government bonds shall be used.[5]

30. Paragraph 28.17 states that the currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated period of the future payments. Given the comments in paragraph 27 of this paper, the staff think it would be helpful to clarify that the that the depth of the market for high quality corporate bonds should be assessed at a currency level and not a country/regional market level, as was done for IAS 19.

Staff recommendation and question for the IASB

31. The staff recommend the IASB clarify in paragraph 28.17 of the Standard that the depth of the market for high quality corporate bonds should be assessed at a currency level and not a country/regional market level, as follows:

> 28.17 …The entity shall determine the rate used to discount the future payments by reference to market yields at the reporting date on high quality corporate bonds. For currencies for which there is ~~In countries with~~ no deep market in such high quality corporate bonds, the entity shall use the market yields (at the reporting date) on government bonds denominated in that currency. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated period of the future payments.

[5] See paragraph BC150A of the Basis for Conclusions accompanying IAS 19 *Employee Benefits*.

Question for the IASB
Does the IASB agree with the staff recommendation in paragraph 31 of this paper?

Measurement of cash-settled share-based payment transactions

Proposals in the Exposure Draft

32. *Classification and Measurement of Share-based Payment Transactions* (Amendments to IFRS 2) clarifies the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment transactions. The IASB applied its alignment approach and proposed to add paragraph 26.14A to the *IFRS for SMEs* Accounting Standard. Paragraph 26.14A in the Exposure Draft describes how to measure cash-settled share-based payment transactions that include vesting and non-vesting conditions.

Feedback from respondents

33. One respondent suggested including paragraph 33D of IFRS 2 *Share-based Payment* (IFRS 2.33D) in the Standard. The paragraph explains that the cumulative amount ultimately recognised for goods or services received as consideration for the cash-settled share-based payment is equal to the amount of cash that is paid out. The respondent said the explanation would help SMEs understand the outcome of measuring cash-settled share-based payment transactions in accordance with the requirements proposed in the Exposure Draft.

Staff analysis

34. IFRS 2.33D explains the outcome of applying the requirements for measuring cash-settled share-based payment transactions. Because IFRS 2.33D does not include any requirements, it was not incorporated in the Exposure Draft.

35. IFRS 2.33D helps preparers understand that when a cash-settled share-based payment is settled, the liability arising from the payment is remeasured to equal the amount of cash paid out. This is an important outcome of the requirements proposed in the Exposure Draft for measuring cash-settled share-based payment transactions, which the staff do not think is sufficiently clear from the requirements themselves.

Staff recommendation and question for the IASB

36. The staff recommend the IASB clarifies the requirement in proposed paragraph 26.14A of the Exposure Draft by explaining that the cumulative amount ultimately recognised for goods or services received as consideration for cash-settled share-based payments is equal to the amount of cash that is paid.

Question for the IASB
Does the IASB agree with the staff recommendation in paragraph 36 of this paper?

Other issues raised by respondents

37. The staff have provided a list of other issues raised by respondents in the appendix to this paper, together with our reasoning for not recommending any changes to the proposals in the Exposure Draft for these issues.

Staff recommendation and question for the IASB

38. The staff recommend the IASB make no changes to the *IFRS for SMEs* Accounting Standard for the issues in the appendix to this paper.

Question for the IASB
Does the IASB agree with the staff recommendation in paragraph 38 of this paper?

Appendix: Other issues raised by respondents for which staff do not recommend changes to the proposals in the Exposure Draft

A1. The following comments, each of which was raised by one or two respondents, were identified for the IASB's consideration using the criteria in paragraph A2 of this paper.

Section number	Comment	Staff analysis
3, Financial Statement Presentation	Incorporate guidance on materiality based on guidance in IFRS Practice Statement 2 *Making Materiality Judgments*.	A practice statement is non-mandatory guidance. It is not an IFRS Accounting Standard. At the September 2023 IASB meeting, the staff recommended that all non-mandatory guidance should be included in separate educational material, and not in the *IFRS for SMEs* Accounting Standard. The staff recommend the guidance in IFRS Practice Statement 2 be considered when updating the *IFRS for SMEs* educational material.
4, Statement of Financial Position	Additional guidance to identify a discontinued operation, and the moment when it is considered as a discontinued operation (including defining assets 'held for sale'), will help preparers to determine the amount to disclose as a discontinued operation in the income statement. Such transactions are common for SMEs.	The Glossary to the Standard defines a discontinued operation as a component of an entity that either has been disposed of, or is held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. The Glossary defines a component of an entity as operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. The Standard does not have a separate 'held for sale' classification like IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The staff do not think further requirements are needed in the Standard to operationalise the definition of a discontinued operation. We think the notion 'held for sale' is understandable within the definition of a discontinued operation and we note that it is used in other places in the Standard, for example in the definition of inventories.
5, Statement of Comprehensive Income and	Paragraph 5.5(h) of the Standard requires entities to present share of other	Respondents did not provide a rationale for alignment with IAS 1.82A(b).

Income Statement	comprehensive income of associates and jointly controlled entities accounted for using the equity method. However, there is no requirement to separately present the share of items that will/will not be reclassified subsequently to profit or loss as is required in paragraph 82A(b) of IAS 1 *Presentation of Financial Statements* (IAS 1.82A(b)).	If the IASB included a similar requirement to IAS 1.82A(b)(i)and(ii) in Section 5, the staff think that the only item to be shown separately under 'share of items that will be reclassified subsequently to profit or loss' would be the share of some changes in fair values of hedging instruments (like under paragraph 5.5(g)(i) and (ii)). Feedback indicates that few SMEs use the hedging requirements in the Standard. Furthermore, the Standard permits SMEs to use the cost or fair value models for investments in associates and jointly controlled entities, in which case this presentation requirement would not apply. Therefore, incorporating the requirement in 1.82A would be unlikely to affect the vast majority of SMEs. For these reasons, the staff do not recommend introducing a similar requirement for SMEs.
5, Statement of Comprehensive Income and Income Statement	Concern that statement of comprehensive income might be too concise (eg SME might only present revenue, cost of sales and profit). Suggestion to include similar requirements to IAS 1 or require presentation of analysis (by-function or by-nature) on the face of the statement of comprehensive income instead of option to provide it in the notes.	Paragraph 5.11 of the Exposure Draft proposed the analysis of expenses may either be presented in the statement of comprehensive income or disclosed in the notes. In contrast: - IAS 1.100 encourages but does not require the analysis of expenses to be on the face of the statement of comprehensive income. The staff do not think including this requirement in Section 5 would change practice amongst SMEs. - IAS 1.104 requires an entity that classifies expenses by function to disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense. The staff note such amounts are required to be disclosed under other sections of the Standard. We will consider alignment with forthcoming IFRS 18 *Presentation and Disclosure in Financial Statements* at the next comprehensive review of the Standard.
5, Statement of Comprehensive Income and Income Statement	Consider adding to paragraph 5.5 of the Standard impairment losses (including reversals of impairment losses or impairment gains) for financial assets in line with paragraph 82(ba) of IAS 1	Paragraph 82(ba) of IAS 1 was added by IFRS 9 *Financial Instruments* (2014), which introduced the expected credit loss (ECL) impairment model. The staff suggest the possibility of adding a requirement like that in paragraph 82(ba) of IAS 1 is considered by the IASB when it discusses the implications of introducing the ECL model for SMEs that have significant exposure to credit risk.

14, Investments in Associates	The disclosure requirement in paragraph 14.14 of the Standard is unclear. We suggest deleting the paragraph because there is no requirement to disclose summary financial information of investments in associates.	Paragraph 14.14 and 15.20 have been part of the Standard since it was first issued in 2009. We have not previously heard concerns that these disclosure requirements are unclear. Therefore, the staff suggest retaining these requirements.
16, Investment Property	Include additional explanation regarding the criteria for the transfer of assets in paragraph 16.9 of the Exposure Draft.	Paragraph 16.9 of the Exposure Draft clarified that a property shall be transferred to or from investment property when there is evidence of a change in use to align with *Transfers of Investment Property* (Amendments to IAS 40). IAS 40 includes additional guidance on transfers to or from investment property, including examples of evidence of a change in use. The staff do not think further requirements are needed in Section 16, in addition to those proposed, to operationalise the requirements for transfers to or from investment property. The staff recommend examples of applying the proposed revised criteria in paragraph 16.9 are included in the *IFRS for SMEs* educational material.
17. Property, Plant and Equipment	Include guidance on the proceeds from selling items of property, plant and equipment in the course of an entity's ordinary activities similar to IAS 16.68A. This would provide useful guidance to SMEs	IAS 16.68A states '…an entity that, in the course of its ordinary activities, routinely sells items of property, plant and equipment that it has held for rental to others shall transfer such assets to inventories at their carrying amount when they cease to be rented and become held for sale. The proceeds from the sale of such assets shall be recognised as revenue in accordance with IFRS 15…' IAS 16.68A was added to IAS 16 in 2008, but a similar requirement was not added to the *IFRS for SMEs* Accounting Standard when it was issued in 2009. The staff do not think many SMEs will make significant transfers from property, plant and equipment to inventories and we have not heard concerns about the derecognition criteria in Section 17. Therefore, we do not suggest including this extra detail in the Standard. We suggest considering whether additional guidance on reclassifications between asset categories should be provided in the *IFRS for SMEs* educational material.

27, Impairment of Assets	Include practical guidance for determining the types of risks that adjust the discount rates to be used to determine the value in use of a cash generating unit.	The Exposure Draft did not propose changes to the requirements for determining the discount rate in Section 27. The *IFRS for SMEs* educational module (Module 27) provides guidance on determining the discount rate. The staff suggest we consider if further guidance is needed when updating the *IFRS for SMEs* educational material.
29, Income Taxes	In relation to alignment with IFRIC 23 *Uncertainty over Income Tax Treatments* - clarify the requirements when an uncertain tax treatment affects both current tax and deferred tax. Including IFRIC 23.12 may remove doubt for SMEs faced with this situation. - Align paragraph 29.34D with IFRIC 23.14 to capture changes in facts and circumstances in uncertain tax positions after the reporting period. - Consider adding an appendix to Section 29 with the illustrative examples in IFRIC 23.	The Exposure Draft proposed to add requirements on how to reflect the effects of uncertainty in accounting for income taxes (see paragraphs 29.34A–D) to align with IFRIC 23. IFRIC 23.12 clarifies that if an uncertain tax treatment affects current and deferred tax, an entity makes consistent judgements and estimates for both current tax and deferred tax. Paragraph 29.34D is aligned with IFRIC 23.14 except IFRIC 23.14 further clarifies that an entity applies IAS 10 *Events after the Reporting Period* to determine whether a change after the reporting period is an adjusting or non-adjusting event. The requirements in IFRIC 23.12 and 23.14 mentioned above are general requirements that would apply to accounting estimates. The staff suggest it would be better to include these kinds of reminder within the *IFRS for SMEs* educational material rather than repeating them within individual sections of the Standard where accounting estimates are required. As noted above, the staff recommend that all non-mandatory guidance, such as illustrative examples, should be included in separate educational material and not in an appendix to Section 29.
Several sections	Concern there is greater need for disclosures about areas involving estimates or significant judgements. Respondent listed several examples in the following areas—revenue, provisions, uncertain income tax treatments, impairment of assets, financial instruments and fair value measurement.	At its February 2024 meeting[6], the IASB tentatively decided to add to paragraph 8.6 of Section 8 *Notes to the Financial Statements* of the Standard examples of the types of judgements that management might have made in the process of applying the entity's accounting policies and that have the most significant effect on amounts in the financial statements. Consistent with this IASB's tentative decision, the staff suggest we consider the examples suggested by the respondent when updating this list, rather than prescribe additional

[6] See February 2024 Agenda Paper 30A Section 9 *Consolidated and Separate Financial Statements* requirements. The IASB's decisions at the February 2024 meeting are summarised in Agenda Paper 30 Cover paper for this meeting.

		disclosure requirements in individual sections of the Standard.

Process for identifying the topics for the IASB to consider

A2. The table above includes all issues raised by respondents that have not been considered in developing other IASB papers, except for comments on the following topics:

(a) topics already consulted on during the Request for Information or during development of the Standard/first comprehensive review unless these provide new reasoning not yet considered by the IASB. The staff suggest that the IASB does not redebate previous decisions on significant topics simply because one or two respondents raise the same issues again. We also note that making changes to significant topics at this stage would likely result in the need for re-exposure. For example, two respondents to the Exposure Draft suggested the IASB consider guidance that will assist SMEs account for cryptocurrencies. The Request for Information asked a specific question about the prevalence of material holdings of cryptocurrency, on which most respondents provided feedback. The IASB considered this comprehensive feedback during development of the Exposure Draft. Other examples of topics raised by respondents that have already been discussed by the IASB include introducing a cost model for investment property, including the business model assessment for classification of financial assets, and including a fallback to IFRS 9.

(b) suggestions that are contrary to the IASB’s alignment approach (for example requests to add guidance or disclosures that are not in full IFRS Accounting Standards and are not specific to SMEs).

(c) drafting suggestions, which will be considered during the balloting process.