

# Comprehensive review of the *IFRS for SMEs* Standard

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The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or the IFRS Foundation.

Background to the *IFRS for SMEs* Standard

Overview of the second comprehensive review

Part A: Strategy and the general framework for the review

Part B: Aligning with IFRS Standards

Part C: New topics and other related matters

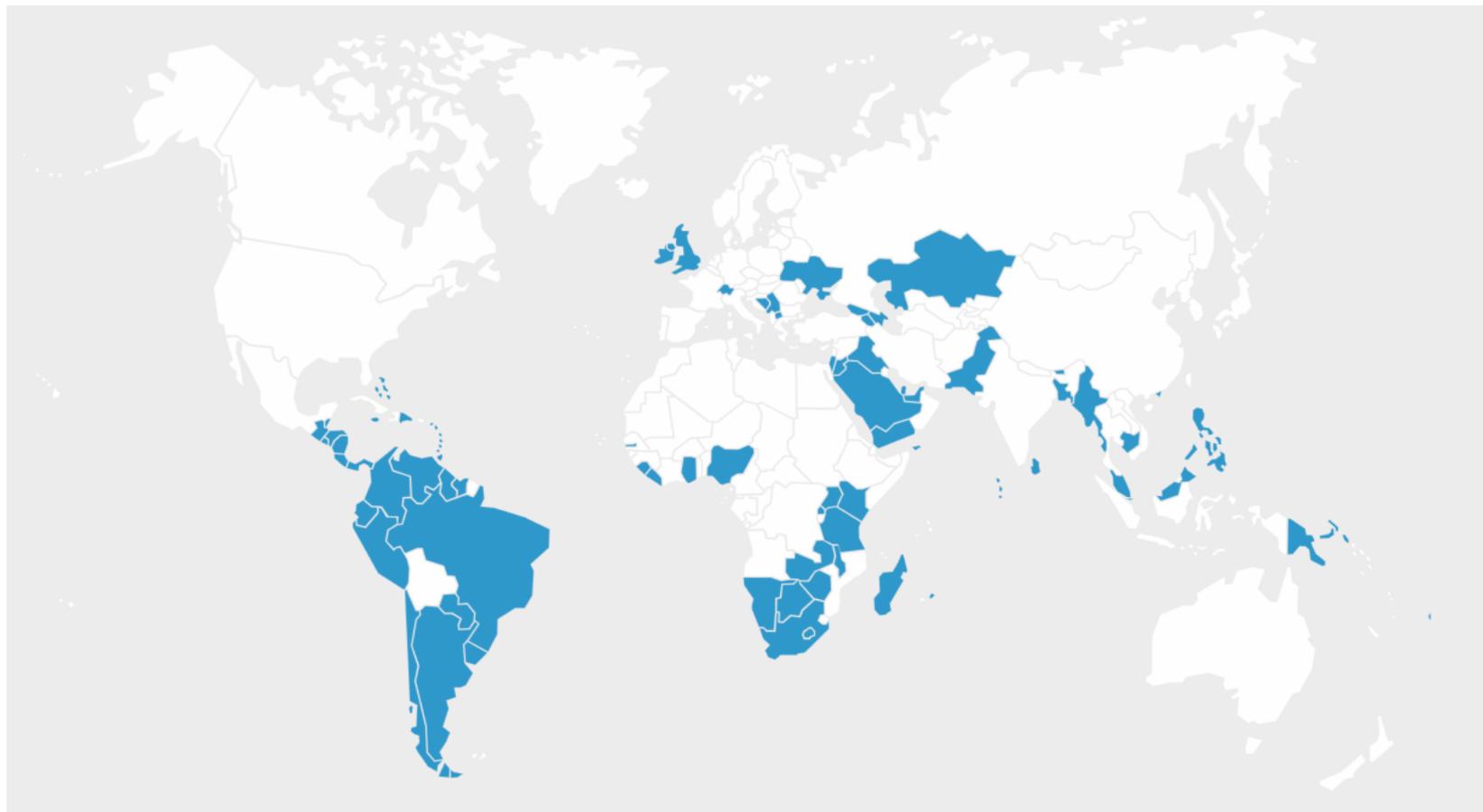
Responding to the Request for Information

Resources supporting the second comprehensive review

Appendix

Background to the  
*IFRS for SMEs* Standard

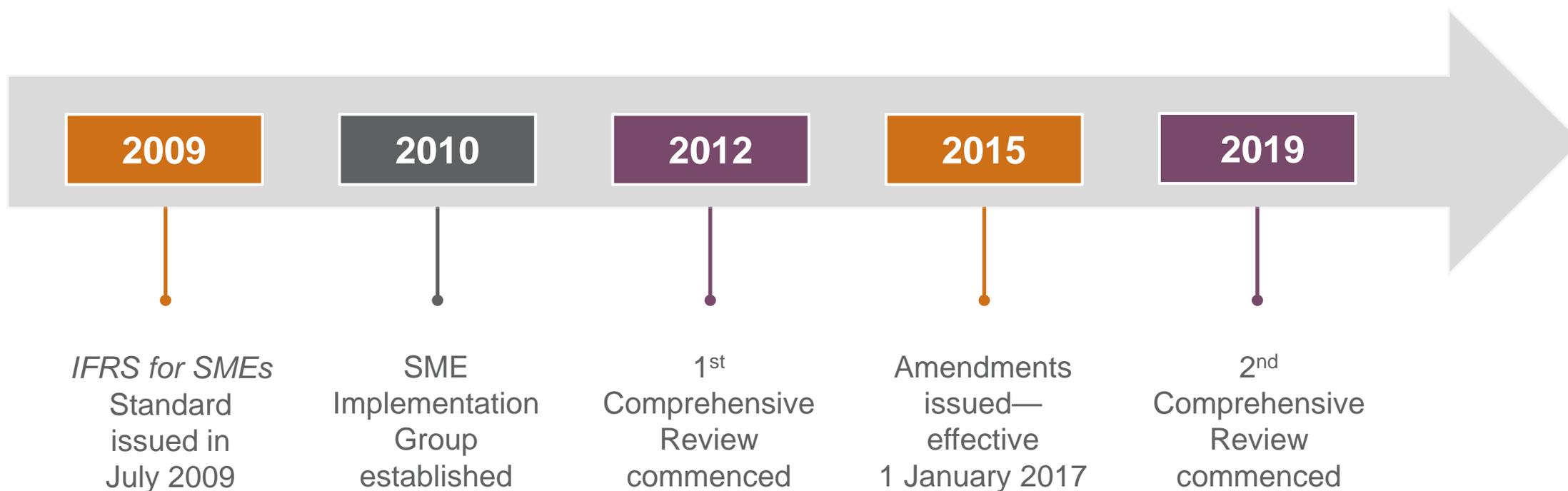
# Adoption of the *IFRS for SMEs* Standard



86 of 166  
jurisdictions  
require or  
permit use of  
the *IFRS for  
SMEs* Standard

■ = *IFRS for SMEs* Standard is required or permitted

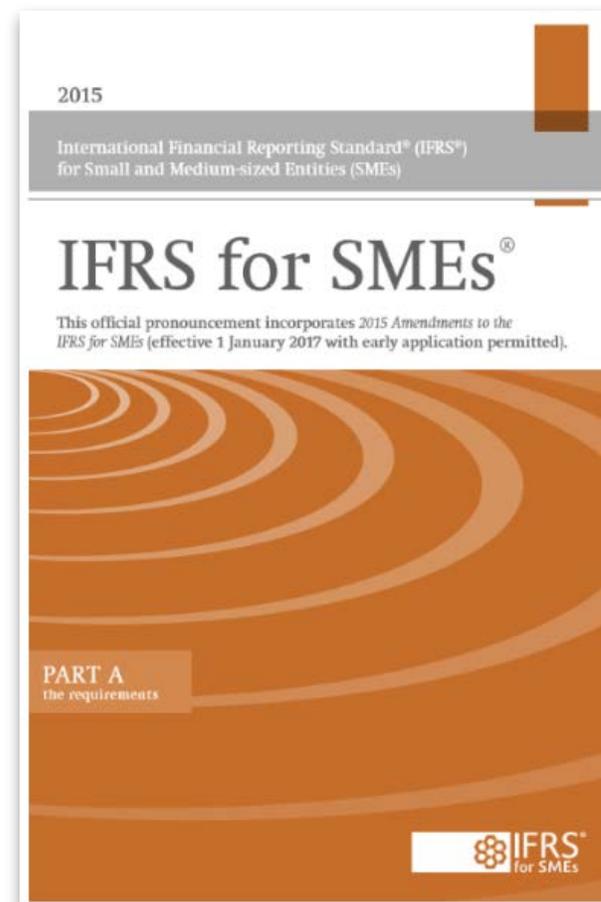
# IFRS for SMEs Standard—timeline



# Overview of the *IFRS for SMEs* Standard

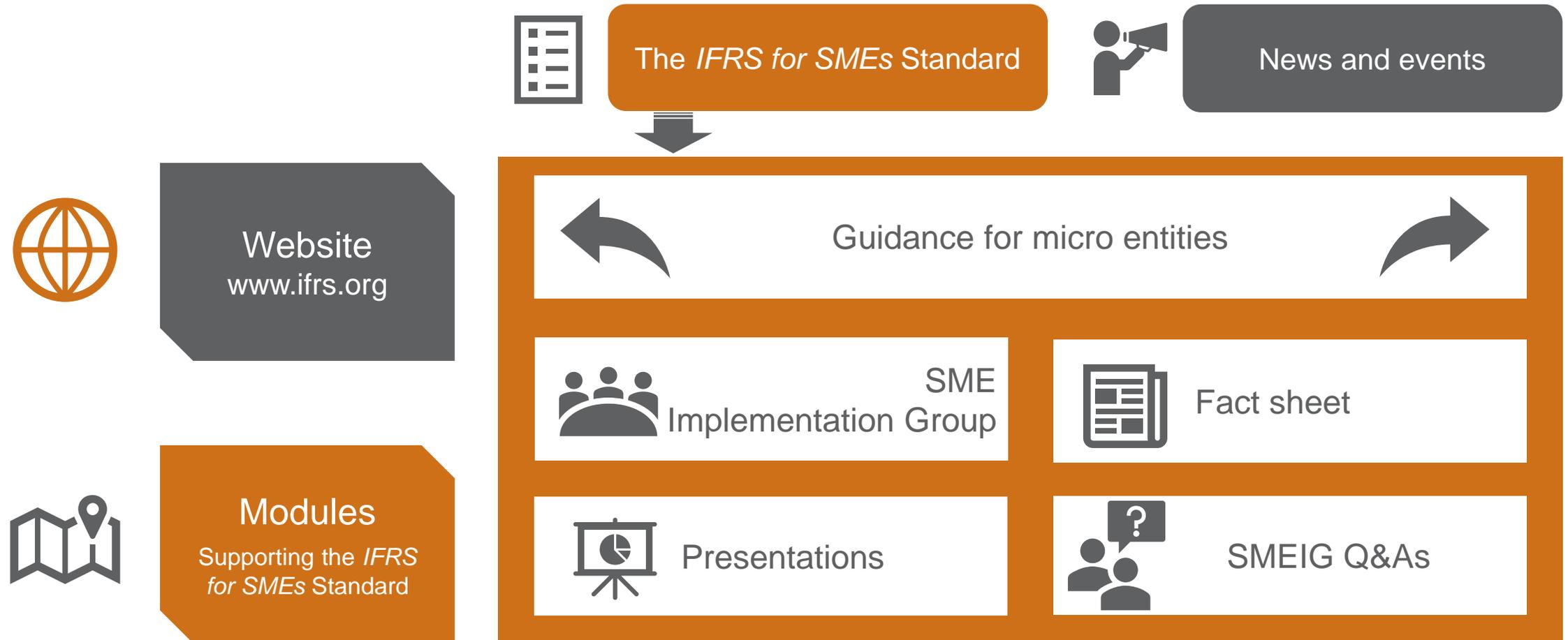
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- 250 pages
- Tailored for **small and medium-sized** entities (SMEs) that are not publicly accountable
- Based on **principles from full IFRS** Standards
- Focuses on **information needs of lenders and other users** of SMEs' financial statements



# IFRS for SMEs Standard

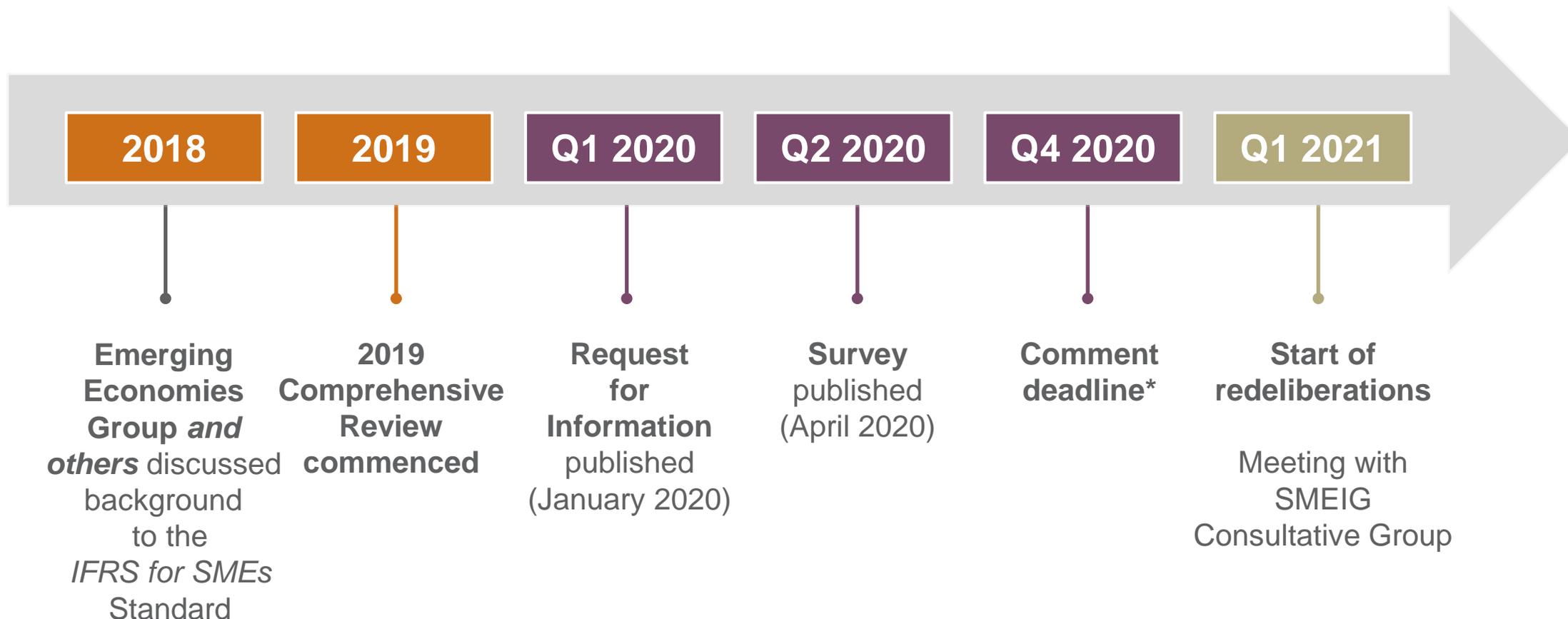
Resources available on our website



<https://www.ifrs.org/issued-standards/ifrs-for-smes/>

# Overview of the second comprehensive review

# Second comprehensive review—timeline



\*Extended from 27 July due to covid-19 pandemic.

## Phase I – Request for Information

Request for Information seeks feedback on whether and how to align the *IFRS for SMEs* Standard with IFRS Standards

## Phase II – Feedback analysis

Decide whether to propose amendments to the *IFRS for SMEs* Standard



Questions on ...

## Part A

... strategy and the general framework for the review

## Part B

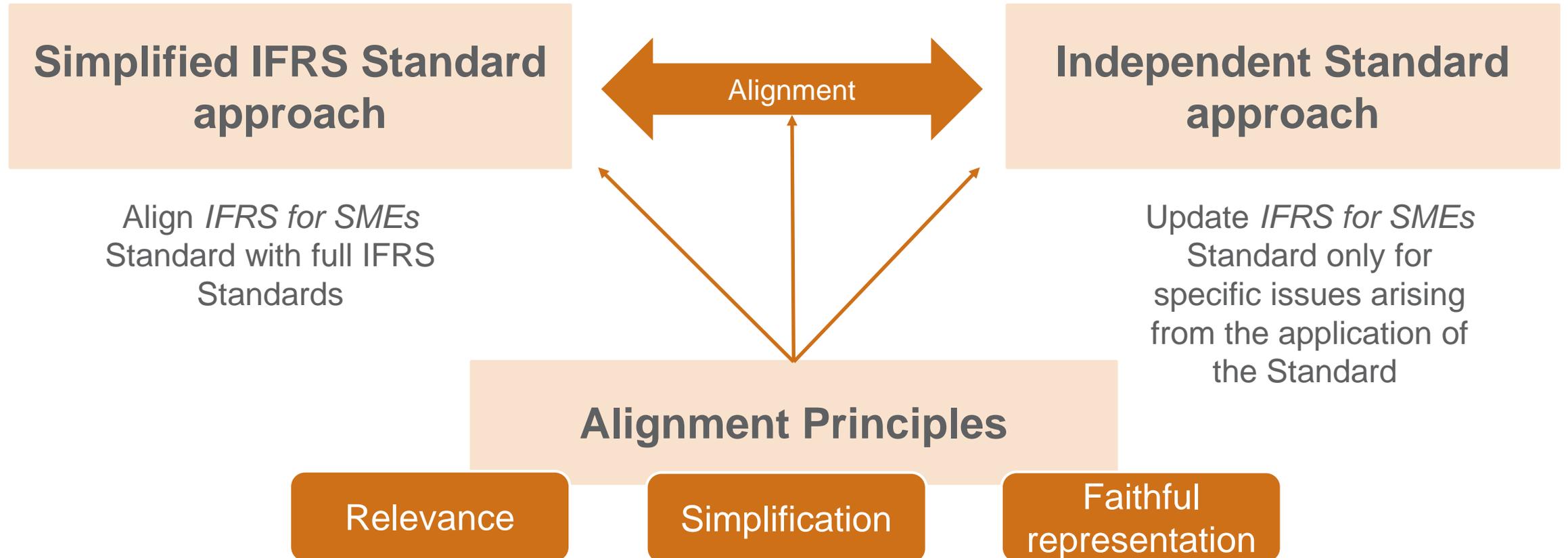
... sections of the *IFRS for SMEs* Standard that could be aligned with IFRS Standards

## Part C

... new topics and other matters related to the *IFRS for SMEs* Standard

Part A:  
*Strategy and the general  
framework for the review*

# Two possible approaches to the second comprehensive review



# Alignment principles

## When

14

The options are to incorporate changes:

1

Issued before the publication date of Request for Information

2

Effective before the publication date of Request for Information

3

Effective and Post-implementation Review completed before publication date of Request for Information

4

Based on some other date

# Part B: Aligning with IFRS Standards

# IFRS Standards in scope of the review



# IFRS Standards in scope of the review

Seeking views on alignment

Leaving unchanged

2018 *Conceptual Framework for Financial Reporting*

IFRS 14

IFRS 13

IFRS 3

IFRIC Interpretations

IFRS 10

IFRS 9

Amendments to IFRS Standards

IFRS 15

IFRS 16

IFRS 11



Fundamental concepts from the *Conceptual Framework* provide the foundation of the *IFRS for SMEs Standard* and the *IFRS Standards*

- **Align** Section 2 with the 2018 *Conceptual Framework for Financial Reporting*
- Consequential amendments to other Sections
- **Retain** the concept of ‘undue cost and effort’

**IFRS 13**  
*Fair Value  
Measurement*

- **Align** definition of **fair value**
- **Align** fair value hierarchy to provide clearer guidance
- Include examples illustrating application of hierarchy
- Move guidance and related disclosure requirements to Section 2

# Alignment—Business Combinations and Consolidation

## IFRS 3 *Business Combinations*

- **Request information** on introducing requirements for step acquisitions?
- **Align**: recognition of **acquisition costs**; measurement of **contingent consideration—fair value**, subject to undue cost or effort exemption; **definition of a business**
- **Retain** requirements for **recognition of intangibles**

## IFRS 10 *Consolidated Financial Statements*

- **Align** definition of **control**
- **Retain presumption** that control exists if investor has direct power over an investee solely from voting rights
- **Do not** introduce requirement that investment entities account for investments at fair value through profit or loss

## *IFRS 11 Joint Arrangements*

- **Align** definition of **joint control**
- **Retain:**
  - the three categories of joint arrangements
  - the accounting requirements for each category of joint arrangement
  - policy election for jointly controlled entities

## *IFRS 15 Revenue from Contracts with Customers*

- **Views sought** on alternative approaches:
  - Approach 1—update Section 23 to align outcomes with IFRS 15
  - Approach 2—rewrite Section 23 to align with IFRS 15
  - Approach 3—wait until the next review

## IFRS 9 *Financial Instruments*

- Add a **classification principle** for financial assets based on contractual cash flow characteristics
- **Align simplified approach** to impairment of financial assets
- **Align** definition and requirements of **issued financial guarantee contracts**
- **Request information** on:
  - need for requirements on **hedge accounting**—if so, retain current requirements
  - need for a **fall-back**—if so, update to IFRS 9

## IFRS 16 *Leases*

- **Align to a single model** for the accounting for leases
- Exempt entities from requirement to **separate lease components** from non-lease components
- **Simplify recognition and measurement** requirements for variable lease payments and optional payments relating to extension options
- **Additional simplifications for:** threshold for low-value assets, discount rate, determining and reassessing term of lease, subsequent (reassessment) of lease liability
- **Retain** finance lease disclosures

# Part C: New topics and other related matters

# New topics and other related matters

## IFRS 14

### *Regulatory Deferral Accounts*

Not aligning with IFRS 14 because it may be replaced by an active standard-setting project

### Other topics not addressed by the *IFRS for SMEs* Standard

Topics which stakeholder think should be the subject of specific requirements

### Simplifications when measuring a defined benefit obligation

Section 28 of the *IFRS for SMEs* Standard simplifies measurement of a defined benefit obligation if an entity is unable, without undue cost or effort, to use the projected unit credit method.

The Board is seeking information on how often the simplifications are applied and whether stakeholders experience difficulties in applying them.

## Cryptocurrency

Are holdings of cryptocurrency and issues of cryptoassets prevalent among entities eligible to apply the *IFRS for SMEs* Standard?

## Additional matters

Other questions relating to the *IFRS for SMEs* Standard

# Responding to the Request for Information



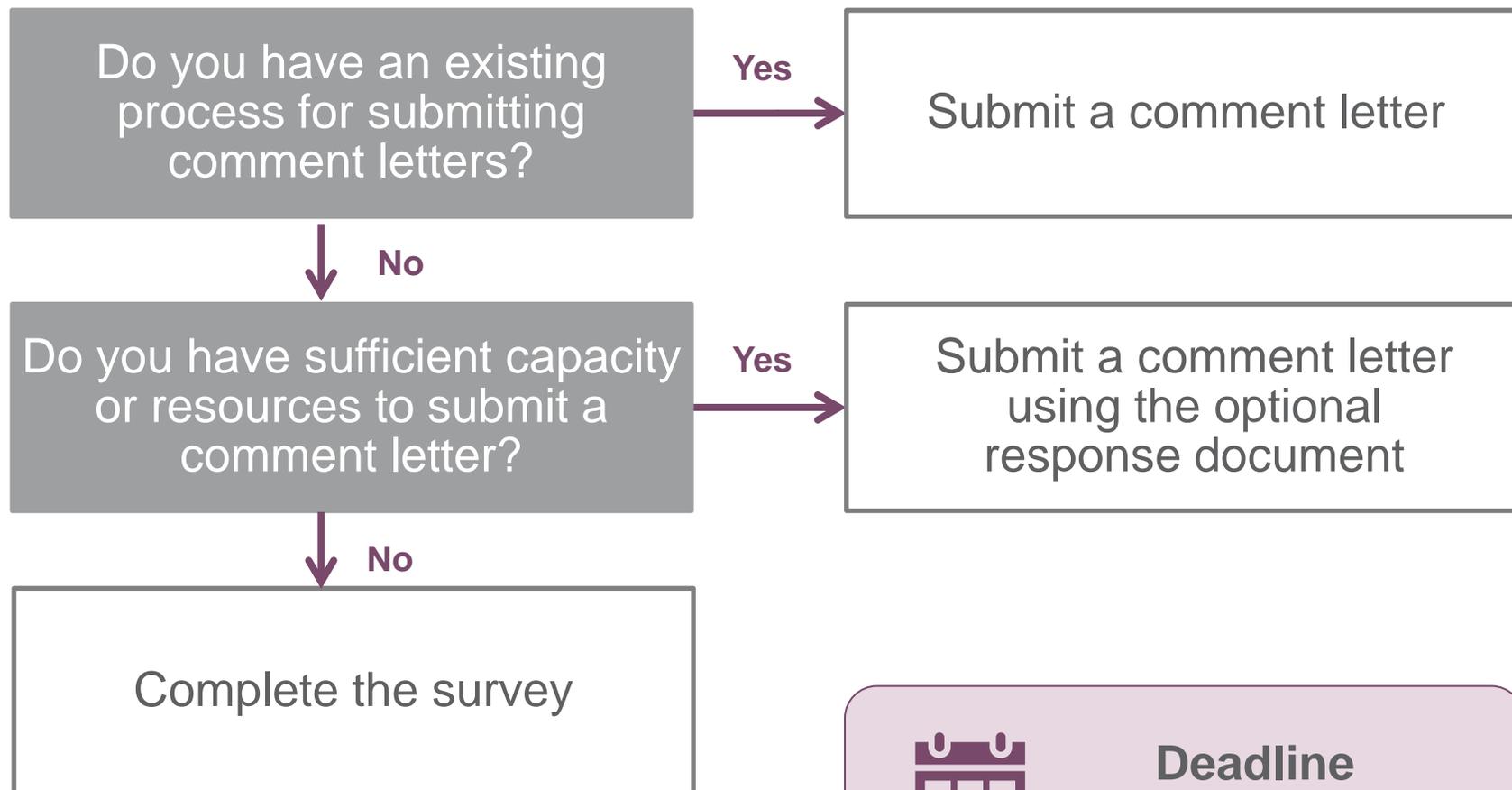
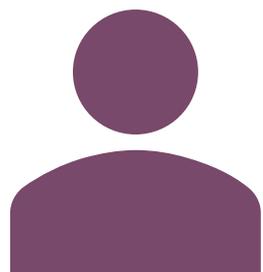
Resources available  
to SMEs, preparers  
and auditors



Identifying and  
engaging with  
investors in SMEs

# Responding to the Request for Information

How should I respond to the Request for Information?



 **Deadline**  
27 October 2020

## Investor survey

To provide insight into the information needs of users of SMEs financial statements

## Disclosure requirements of the *IFRS for SMEs* Standard

Broad principles set out in paragraph BC157 of the *IFRS for SMEs* Standard

The user outreach seek feedback on these broad principles

Survey available on request



**Deadline for consultation**  
**27 October 2020**

# Resources supporting the second comprehensive review

# Second comprehensive review—resources

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Website: [www.ifrs.org](http://www.ifrs.org)



## How to comment



**Electronically:** 'Open for comment documents' @:  
<http://go.ifrs.org/open-for-comment>



**Post:** IFRS Foundation,  
Columbus Building,  
7 Westferry Circus,  
Canary Wharf, London E14 4HD  
United Kingdom



**Email:** [commentletters@ifrs.org](mailto:commentletters@ifrs.org)

<https://www.ifrs.org/issued-standards/ifrs-for-smes/>

An abstract graphic on the left side of the slide. It features a central red circle surrounded by two concentric rings, one blue and one orange. These are set against a background of various white lines: solid, dashed, and dotted, along with several thin grey lines that intersect to form a grid-like pattern.

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# Appendix

## Board is seeking views on aligning the *IFRS for SMEs* Standard with ...

*Definition of Material* (Amendments to IAS 1 and IAS 8)

*Disclosure Initiative* (Amendments to IAS 7)

*Transfers of Investment Property* (Amendments to IAS 40)

*Clarification of Acceptable Methods of Depreciation and Amortisation* (Amendments to IAS 16 and IAS 38)

*Annual Improvements to IFRSs 2010–2012 Cycle* (IFRS 2)

*Classification and Measurement of Share-based Payment Transactions* (Amendments to IFRS 2)

*Agriculture: Bearer Plants* (Amendments to IAS 16 and IAS 41)

# Amendments to IFRS Standards (2 of 3)

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**Board is seeking views on leaving the *IFRS for SMEs* Standard unchanged with regard to ...**

*Disclosure Initiative* (Amendments to IAS 1)

*Recoverable Amount Disclosures for Non-Financial Assets* (Amendments to IAS 36)

*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*

*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* (Amendments to IFRS 10, IFRS 11 and IFRS 12)

*Annual Improvements to IFRS Standards 2012–2014 Cycle* (IFRS 7)

*Annual Improvements to IFRS Standards 2014–2016 Cycle* (IFRS 12)

*Annual Improvements to IFRS Standards 2015–2017 Cycle* (IAS 12)

*Novation of Derivatives and Continuation of Hedge Accounting* (Amendments to IAS 39)

*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*  
(Amendments to IFRS 10 and IAS 28)

## Board is seeking views on leaving the *IFRS for SMEs* Standard unchanged with regard to ...

*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* (Amendments to IFRS 10, IFRS 11 and IFRS 12)

*Annual Improvements to IFRSs 2010–2012 Cycle* (IAS 38)

*Effective Date of IFRS 15*

*Defined Benefit Plans: Employee Contributions* (Amendments to IAS 19)

*Plan Amendment, Curtailment or Settlement* (Amendment to IAS 19)

*Annual Improvements to IFRSs 2011–2013 Cycle* (IFRS 1)

*Annual Improvements to IFRS Standards 2014–2016 Cycle* (IFRS 1)

**Board is requesting further information on whether to align the *IFRS for SMEs* Standard with ...**

*Annual Improvements to IFRSs 2011–2013 Cycle (IAS 40)*

*IFRIC 21 Levies*

*IFRIC 22 Foreign Currency Transactions and Advance Consideration*

*IFRIC 23 Uncertainty over Income Tax Treatments*

*Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)*