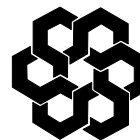


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International
Accounting Standards
Board

This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.

Note: These notes are based on the staff paper prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB paper. However, because these notes are less detailed, some paragraph numbers may not be used.

INFORMATION FOR OBSERVERS

Board Meeting: February 2006, London

Project: Accounting Standards for Small and Medium-sized Entities
(Agenda Paper 6)

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1. At the February Board meeting, the Board will continue its discussion of a preliminary draft of an Exposure Draft of an International Financial Reporting Standard for Small and Medium-sized Entities (SMEs).
 2. At the January 2006 meeting, the Board discussed the following points with regard to the draft ED, though no decisions were made:
 - a. the organisation and structure of the draft ED;
 - b. the staff's approach to developing the draft ED, including which portions of IFRSs are included, which are not included, and what has been added;
 - c. sections remaining to be drafted; and
 - d. issues to consider in preparing for the Board's discussion of content at its next meeting.
 3. Board Members' comments at the January meeting addressed:

- a. how the Framework should be incorporated into the SME standards. The draft ED currently includes extracts from the Framework covering objectives, qualitative characteristics, and elements definitions. An alternative would be to include the full Framework or to cross-refer back to the Framework but not include it.
 - b. whether to retain or modify the 'pervasive principles' the staff included near the beginning of the ED. The staff intended them as a source of guidance for an SME in the absence of a specific standard. The Board was concerned that the principles in the draft were inconsistent with standards elsewhere in the ED or are inconsistent with provisions in full IFRSs. If the pervasive principles are retained they should be modified.
 - c. the need for 'plain English' even if that means changing text that has been taken from IFRSs.
 - d. benefits of moving all of the disclosures from the individual sections and putting them in a single Disclosures section, forming a type of disclosure checklist. Possibly this could be integrated with the Notes to the Financial Statements section.
 - e. the need for a glossary, which would allow definitions to be removed from the standards sections.
 - f. the need for a 'derivation table' that identifies the source in IFRSs for the paragraphs in the draft.
4. The IASB's Working Group (WG) on Accounting Standards for Small and Medium-sized Entities (SME) met in London on 30-31 January 2006 to discuss the general approach, organisation and content of the draft ED. While the discussion of the content proceeded section by section, the WG did not have time to discuss several of the sections.
 5. The IASB staff has prepared a preliminary draft summary of the views expressed by Working Group members at the 30-31 January 2006 meeting. That draft summary is an attachment to this Board Agenda Paper for the February 2006 Board meeting. The draft summary is being sent to the WG members at the same time as it is being sent to the Board, and undoubtedly some changes to the summary will be made before it is finalised. Nonetheless, staff believes that the summary accurately reflects the views and recommendations of Working Group members.

6. The draft summary of the WG meeting contains many recommendations, expressed as the general view of WG members. That means that a substantial majority of WG members supported this view. If a significant minority expressed a different view, that is also noted.
7. For the purpose of discussion of the draft ED at the February 2006 meeting, staff plans to ask whether the Board agrees or disagrees with each of the Working Group recommendations as set out in the Preliminary Draft Summary of Views Expressed. Staff proposes that the Board first discuss WG recommendations on each specific section of the draft ED and then discuss the more general WG recommendations. Board discussion would therefore proceed as follows:
 - a. First, the WG recommendations set out in paragraphs 17 to 104 of the WG draft report. This would involve a section-by-section review of the Draft Exposure Draft.
 - b. Then, the WG views and overall recommendations set out in paragraphs 7 to 16 of the WG draft report.

Note to Observers at the February Board meeting:

Because the preliminary draft of an Exposure Draft of an International Financial Reporting Standard for Small and Medium-sized Entities is a staff draft that has not yet been reviewed by the Board, it is not publicly available.

Also, because the preliminary draft Summary of the Views Expressed by Working Group Members at the 30-31 January 2006 meeting has not yet been reviewed by members of the Working Group, it is not publicly available.