

## STAFF PAPER

April 2013

## IASB Meeting

Project	Comprehensive review of the <i>IFRS for SMEs</i>		
Paper topic	Cover paper		
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This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IASB and does not represent the views of the IASB or any individual member of the IASB. Comments on the application of IFRSs do not purport to set out acceptable or unacceptable application of IFRSs. Technical decisions are made in public and reported in IASB *Update*.

**Objective of this meeting**

1. The purpose of this meeting is for the IASB to continue to discuss the issues in the IASB's 2012 Request for Information (RFI): *Comprehensive Review of the IFRS for SMEs* and decide whether to propose amendments to the *IFRS for SMEs* to address those issues.
2. This meeting will cover the following:
  - (a) An education session explaining how the *IFRS for SMEs* was developed, including the key simplifications from full IFRSs.
  - (b) Continuation of discussions on Issues 1 and 2 from the March 2013 meeting on whether the scope requirements of the *IFRS for SMEs* are currently too restrictive for publicly accountable entities (Issue 3 was finalised at the March 2013 meeting).
  - (c) Continuation of discussions on Issue 4 from the March 2013 meeting on how to deal with new and revised IFRSs during this comprehensive review.
  - (d) Discussion of the other issues in the RFI.

### Summary of agenda papers

3. The following agenda papers have been prepared for the April 2013 IASB meeting:
- (a) Agenda Paper 8 (this agenda paper): Covers the objective of this April 2013 meeting, a summary of discussions to date, a timetable for the comprehensive review and a preview of issues to be discussed at future meetings.
  - (b) Agenda Paper 8A: Covers the development of the *IFRS for SMEs* and simplifications from full IFRSs (education session).
  - (c) Agenda Paper 8B: Covers use of the *IFRS for SMEs* by publicly accountable entities (Issues 1 and 2).
  - (d) Agenda Paper 8C: Covers new and revised IFRSs (Issue 4).
  - (e) Agenda Paper 8D: Covers issues relating to accounting policy options (Issues 5 and 6).
  - (f) Agenda Paper 8E: Covers the optional fallback to IAS 39 *Financial Instruments: Recognition and Measurement* (Issue 7).
  - (g) Agenda Paper 8F: Covers accounting for income tax (Issue 8).
  - (h) Agenda Paper 8G: Covers the other issues addressed by individual questions in the RFI (Issues 9-12).

### Summary of progress and discussions to date

4. When the IASB issued the *IFRS for SMEs* in July 2009, it stated that it planned to undertake an initial comprehensive review of SMEs' experience in applying the *IFRS for SMEs* when two years of financial statements using the *IFRS for SMEs* have been published by a broad range of entities.
5. In June 2012 the IASB issued the RFI seeking public views on whether there is a need to make any amendments to the *IFRS for SMEs*. The comment deadline of the RFI was 30 November 2012.

6. In February 2013 the SME Implementation Group (SMEIG) met to discuss the public comments received on the RFI and develop a set of recommendations for the IASB on possible amendments to the *IFRS for SMEs*. At the March 2013 IASB meeting, the staff explained that the final draft of the SMEIG report was still pending final approval by the SMEIG. The report has now been approved. The agenda papers for the SMEIG meeting and the SMEIG report of recommendations for the IASB are available on the IASB website: <http://www.ifrs.org/Meetings/Pages/SMEIG-Feb-13.aspx> (The report is available under February 2013 meeting summary). The staff will continue to provide extracts from the SMEIG report for each issue discussed during IASB meetings.
7. The IASB started discussing the issues in the RFI at its March 2013 meeting. At that meeting the IASB discussed the issues relating to the scope of the *IFRS for SMEs* as well as a framework for considering new and revised IFRSs that have been issued since the *IFRS for SMEs* was published.
8. The IASB did not make any decisions on use of the *IFRS for SMEs* by publicly accountable entities and about amending the *IFRS for SMEs* for new or revised IFRSs during this comprehensive review. Consequently, these will be discussed further at this April meeting.

## Remaining issues

9. Agenda Papers 8B-8G for this meeting cover all the issues addressed by specific questions in the RFI.
10. The RFI also asked two open questions to encourage respondents to raise their own issues on requirements in the *IFRS for SMEs* (Question S20 in the RFI) and on any other general issues relating to the *IFRS for SMEs* (Question G5 in the RFI). Appendix A to this agenda paper provides a list of the main issues raised by respondents. These issues will be presented to the IASB at future meetings.

**Timetable**

11. The staff anticipate the following timetable for the comprehensive review. The timetable will vary depending on the extent of proposed amendments to the *IFRS for SMEs*.

June 2012	RFI issued (posted on IASB website). The public are invited to make recommendations on possible amendments to the <i>IFRS for SMEs</i> .
30 November 2012	Comment deadline on the RFI.
February 2013	The SMEIG reviews the responses to the RFI in a public meeting and makes recommendations to the IASB on possible amendments.  A report containing the SMEIG recommendations was posted on the IASB website in March 2013.
March - June 2013	The IASB reviews the responses to the RFI and deliberates possible amendments to the <i>IFRS for SMEs</i> .
Third quarter of 2013	The IASB develops and approves an exposure draft (ED) of proposals.
Fourth quarter of 2013	The SMEIG reviews responses to the ED and makes recommendations to the IASB.
First half of 2014	The IASB deliberates on the amendments to proposals in the ED and agrees on final revisions to the <i>IFRS for SMEs</i> .
First half of 2014	The IASB publishes final revisions to the <i>IFRS for SMEs</i> .
Target date in 2015	Effective date of revisions.

**Appendix A: Additional issues raised by respondents (for discussion at future meetings)**

A1. This appendix provides a list of the main issues raised by respondents to the RFI. The staff have included this list so that the IASB can see in advance the key remaining issues to be discussed during this comprehensive review. The issues in this list will not be discussed during this April 2013 meeting:

- (a) Should the *IFRS for SMEs* be revised as a result of the changes under Chapter 1 and 3 of the Conceptual Framework?
- (b) Should the *IFRS for SMEs* be revised to require all items of income and expense to be recognised in profit or loss?
- (c) Should paragraph 9.16 on use of uniform reporting dates in preparation of consolidated financial statements be revised either to allow further simplification or to provide additional guidance?
- (d) Does paragraph 11.9 need to be revised so that loans payable in a foreign currency and loans with standard loan covenants are basic financial instruments?
- (e) Should any changes be made to Section 12's hedge accounting requirements to permit additional hedging strategies?
- (f) Should the *IFRS for SMEs* be revised, eg to permit a choice of using the cost model or the fair value model for investment property like IAS 40?
- (g) Should any exemptions from fair value measurement in the allocation of the cost of a business combination be included in paragraph 19.14?
- (h) Should additional relief be provided from recognising intangible assets of the acquiree in a business combination?
- (i) Should an exemption from fair value measurement on initial recognition be added to paragraph 22.8 for equity instruments issued as part of a business combination under common control?

- (j) Should an exemption from fair value measurement be added to paragraph 22.18 for a distribution of non-cash assets controlled by the same parties before and after the distribution?
- (k) Should the related party definition be revised to be consistent with full IFRSs?
- (l) Are the current requirements appropriate for entities engaged in agricultural activity?
- (m) Are the current requirements appropriate for entities engaged in extractive activities?
- (n) Should any further disclosure reductions be considered?
- (o) Should additional explanation be added to help SMEs interpret and apply the 'undue cost or effort' exemption?
- (p) Should the IASB consider a potential project, outside the *IFRS for SMEs*, to develop a reduced disclosure framework for subsidiaries of a listed group?
- (q) Should the IASB consider adding size-dependent reliefs from some of the requirements in the *IFRS for SMEs*?
- (r) Should the IASB reconsider the name of the Standard?