STAFF PAPER

July 2013

IASB Meeting

Project	**Comprehensive review of the *IFRS for SMEs***
Paper topic	Due process steps and permission for balloting

CONTACT(S) Michelle Fisher mfisher@ifrs.org +44 (0)20 7246 6918

Objective of this meeting

1. The purpose of this meeting is for the International Accounting Standards Board (IASB) to review the due process steps taken in the comprehensive review of the *IFRS for SMEs* and decide whether the staff can begin the balloting process for an Exposure Draft of proposed amendments to the *IFRS for SMEs*

Structure of this agenda paper

2. Agenda Paper 8 (this agenda paper) is set out as follows:
   - (a) Reasons for undertaking the comprehensive review of the *IFRS for SMEs*
   - (b) Work performed so far
   - (c) Effect analysis
   - (d) Questions for the IASB:
     - (i) Permission to begin the balloting process
     - (ii) Transition rules and effective date
     - (iii) Comment period

(e) Appendices:

(i) Appendix A: Summary of the IASB's decisions under the project with expected impact assessment

(ii) Appendix B: Action taken to meet the due process requirements

(iii) Appendix C: Draft project plan

Reasons for undertaking the comprehensive review of the *IFRS for SMEs*

3. 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 and consider whether there is a need for any amendments. Companies have been using the *IFRS for SMEs* in 2010 and 2011. Therefore, the initial comprehensive review commenced in 2012.

Work performed so far

4. In June 2012 the IASB issued a Request for Information (RFI) as the first step in that initial comprehensive review. The RFI was developed by IASB staff and the SME Implementation Group (SMEIG), an advisory body to the IASB. It was reviewed and approved by the IASB. The objective of the RFI was to seek public views on whether there is a need to make any amendments to the *IFRS for SMEs*. The RFI asked questions about the *IFRS for SMEs* based on issues frequently raised with the IASB by interested parties and relating to new and revised IFRSs issued since the IFRS for SMEs was published in 2009. It also encouraged respondents to raise their own issues, eg regarding implementation problems. The RFI did not contain any preliminary views of the IASB or the SMEIG.

5. The comment deadline of the RFI was 30 November 2012. The IASB received 89 comment letters on the RFI. These were posted on the IASB's website.

6. In February 2013 the 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*. The staff performed a comment letter analysis and presented a detailed summary of this analysis in the agenda papers for the SMEIG meeting.

7. The recommendations developed by the SMEIG were presented in IASB agenda papers alongside the issues being discussed and were also provided in a separate report that was published on the IASB website in March 2013.

8. The IASB discussed the issues identified during the RFI process and a few additional issues during its March - June 2013 meetings. The decisions made during these meetings were included in IASB Updates for those meetings (and are provided in Appendix A of this agenda paper).

9. In June 2013 the IFRS Advisory Council discussed three of the most central issues to the comprehensive review. These issues were use of the *IFRS for SMEs* by publicly accountable entities, addressing changes to full IFRSs during reviews of the *IFRS for SMEs* and the frequency of future reviews of the *IFRS for SMEs.* A majority of Advisory Council members favoured:

   (a) keeping the requirement in paragraph 1.5 of the *IFRS for SMEs* that prevents publicly accountable entities from stating compliance with the *IFRS for SMEs*;

   (b) prioritising the need to provide SMEs with a stable, independent and standalone Standard over maintaining close alignment with full IFRSs; and

   (c) increasing the time between future reviews of the *IFRS for SMEs* from three to five years.

   The views of the majority of Advisory Council members in (a) and (b) were similar to those of the IASB. The IASB has not yet discussed the frequency of future reviews of the *IFRS for SMEs.*

10. The IASB's progress on the project was reported to the Trustees and the Trustees' Due Process Oversight Committee (DPOC) at their July 2012, January 2013, April 2013 and July 2013 meetings as part of the update on the IASB's technical activities.

Effect analysis

11. Apart from as described in paragraph 12, the IASB's proposals to amend the *IFRS for SMEs* (listed in Appendix A) are either one or both of the following types:

    (a) Proposals align requirements in the *IFRS for SMEs* with full IFRSs, either to incorporate some of the changes in new or revised IFRSs and/or to provide clarifying guidance from full IFRSs.

    The effect analysis for these amendments was performed under full IFRSs at the time full IFRSs was amended.

    (b) Proposals clarify existing requirements or remove unintended consequences of the existing wording in the *IFRS for SMEs* and are not expected to have a material impact for the vast majority of SMEs.

    The effect of these amendments will be better understanding and application of requirements in the *IFRS for SMEs*.

12. Four of the IASB's proposals are not covered by paragraphs 11(a) and (b). The IASB thinks these proposals are supported by cost-benefit reasons. These proposals are:

    (a) Amend paragraph 18.20 to specify that if an entity is unable to make a reliable estimate of the useful life of an intangible asset, including goodwill, the useful life should be based on management's best estimate and not exceed 10 years. This replaces the requirement to use a fixed 10 year life in the absence of a reliable estimate. Using the best estimate is expected to provide better information for users than requiring a fixed 10 year life at no additional cost to preparers (see paragraph A12(e)).

    (b) The addition of an 'undue cost or effort' exemption for the following three requirements:

        (i) measurement of investments in equity instruments at fair value in Section 11 and Section 12 (see paragraph A12(d))

        (ii) recognising intangible assets separately in a business combination (see paragraph A12(f));

(iii) measurement of the entity's own equity instruments at fair value when they are issued to a creditor to extinguish a liability (results from incorporating the conclusions of IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*— see paragraph A5(d)).

The IASB believe that in the circumstances in paragraphs 12(b)(i)-(iii) the benefits to users of SME financial statements of having the information (which is often very subjective in the absence of market data) does not justify the SME preparer spending undue cost or effort. The additional of the three exemptions is expected to reduce compliance costs for preparers without a significant loss of information for users of financial statements.

Permission to begin the balloting process

13. The IASB finalised its technical discussions at its June 2013 meeting. The staff believe that sufficient due process has been carried out (see Appendix B). If the IASB is satisfied that it has been provided with sufficient analysis, and undertaken appropriate consultation, to support the publication of an Exposure Draft of proposed amendments to the *IFRS for SMEs*, the staff requests permission to start the balloting process for the Exposure Draft.

Questions for the IASB
1) Are there any further due process steps that the IASB think are necessary before beginning the balloting process?
2) Does the IASB grant the staff permission to begin the balloting process?
3) Do any IASB members intend to dissent from the proposals?

Transition rules and effective date

14. The staff have provided an initial assessment of the impact of the individual proposed amendments to the *IFRS for SMEs* in Appendix A. The staff do not expect retrospective application of any of the proposed amendments to be

significantly burdensome for SMEs. Therefore, the staff recommend that the amendments to the *IFRS for SMEs* are applied retrospectively. However, to support the staff's assessment, the staff also recommend that a question is asked in the Invitation to Comment to obtain feedback from constituents on whether there are any circumstances where relief from retrospective restatement should be considered by the IASB.

15. P18 of the Preface to the *IFRS for SMEs* states:

> P18 The IASB expects that there will be a period of at least one year between when amendments to the *IFRS for SMEs* are issued and the effective date of those amendments

16. In line with paragraph P18 the staff proposes that the effective date is set at least one year after the publication date. None of the proposed amendments to the *IFRS for SMEs* are expected to result in significant changes for SMEs. Therefore the staff recommend that the effective date should be set as the first suitable date one year from the date the amendments are issued.

17. The staff further believe that early adoption should be permitted to assist entities and jurisdictions which are currently in the process of adopting, or planning to adopt, the *IFRS for SMEs*. Early adoption would also permit SMEs to use the revised *IFRS for SMEs* for financial statements prepared for earlier years, eg some SMEs may not be required to file financial statements or may have a significant length of time in order to file them and so they may prepare financial statements well after the year end.

Questions for the IASB
4) Does the IASB agree that the proposals should be applied retrospectively but that a question should be asked in the Exposure Draft to identify any areas where this may cause difficulties?
5) Does the IASB agree that the effective date of the amendments to the *IFRS for SMEs* should be one year after the final amendments are issued and that early adoption should be permitted?

Comment period

18. The IASB normally allows a minimum period of 120 days for comment on an Exposure Draft. However, the staff recommend an extended comment period of 150 days. Although the ED is not proposing significant changes to the *IFRS for SMEs*, the staff believe that organisations may need additional time in order to solicit and consolidate the views of smaller businesses in their jurisdiction. The staff also note a 5 month comment period was allowed for the Request for Information.

Question for the IASB
6) Does the IASB agree that the comment period should be 150 days?

Appendix A: Summary of the IASB's decisions under the project with expected impact assessment

A1. This appendix lists the IASB's tentative decisions under the project and therefore the proposals for the Exposure Draft of proposed amendments to the *IFRS for SMEs*. It also provides an expected impact assessment for individual proposals.

A2. This appendix is set out as follows:

- (I) Scope of the *IFRS for SMEs*
- (II) New and revised IFRSs
  - (i) Overall principles
  - (ii) Individual new and revised IFRSs
  - (iii) Annual improvements
- (III) Accounting policy options
- (IV) Income Tax
- (V) Specific requirements in the *IFRS for SMEs*
  - (i) Decisions that would change current requirements
  - (ii) Decisions that would not change current requirements
- (VI) SMEIG Q&A programme

(I) Scope of the *IFRS for SMEs*

A3. No change to the scope of the *IFRS for SMEs*. Key decisions:

(a) Retain paragraph 1.5 of the *IFRS for SMEs* which prohibits publicly accountable entities from stating compliance with the *IFRS for SMEs*.

(b) Soliciting and accepting contributions does not automatically make a not-for-profit entity publicly accountable. Paragraph 1.4 of the *IFRS for SMEs* provides sufficient guidance on this matter.

Expected impact on SMEs: N/A. The decisions in paragraph A3 will not result in amendments to the *IFRS for SMEs*.

(II) New and revised IFRSs

(i) Overall principles

A4. The IASB developed the following principles for dealing with new and revised IFRSs during this comprehensive review and future reviews:

(a) New and revised IFRSs should be considered individually on a case-by-case basis.

(b) They should be considered after publication rather than waiting until after the Post-implementation Review has been completed.

(c) Changes to the *IFRS for SMEs* could be considered at the time that the new and revised IFRSs are published. However the *IFRS for SMEs* would only be updated for those changes at the next three-yearly review.

Expected impact on SMEs: N/A. The decisions in paragraph A4 relate to procedure and so will not directly result in amendments to the *IFRS for SMEs*.

(ii) Individual new and revised IFRSs

A5. Incorporate the main changes in the following new and revised IFRSs in the *IFRS for SMEs*:

New or revised IFRSs	**Expected impact on SMEs** **(note, all proposals also result in alignment with full IFRSs)**
(a) Two amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (2010) - Government Loans (2012)	Minor. Proposals will only affect entities adopting the *IFRS for SMEs* in the future (new adopters) or entities that stop using the *IFRS for SMEs* and then adopt it again (expected to be rare).

(b) IAS 1 *Presentation of Items of Other Comprehensive Income* (2011 amendment) A requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). (The IASB decided only main amendment above would be made and not the terminology changes)	Minor. Most SMEs will not have items of OCI. For those who do, there will be a minimal impact on presentation which will provide improved information for users at no additional cost to preparers.
(c) IAS 32 *Classification of Rights Issues* (2009 amendment) Requires rights, options and warrants entitling the holder to receive a fixed number of the entity's own equity instruments for a fixed amount of any currency to be accounted for as equity instruments provided the offer is made pro-rata to all existing owners.	Minor. Such transactions are not encountered by the vast majority of SMEs.
(d) IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments.* Provides guidance on debt for equity swaps where financial liability is renegotiated and the debtor extinguishes the liability fully or partially by issuing equity instruments to the creditor. (The IASB also decided an 'undue cost or effort' exemption should be included for the fair value measurement of the equity instruments)	Minor. Such transactions are not encountered by most SMEs. For those who do the additional 'undue cost or effort' exemption provides relief if fair value measurement would result in excessive cost or effort (included in effect analysis in paragraph 12).

A6. Other individual new and revised IFRSs would not be incorporated during this review, this includes IFRS 3 *Business Combinations* (2008), IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits* (2011).

(iii) Annual improvements

A7. Incorporate the following annual improvements in the *IFRS for SMEs*:

Annual improvement	**Expected impact on SMEs** **(note, all proposals also result in alignment with full IFRSs)**
(a) Improvements to IFRS 1: - Revaluation basis as deemed cost (event-driven) - Use of deemed cost for operations subject to rate regulation - Repeated application of IFRS 1	Minor. Proposals will only affect entities adopting the *IFRS for SMEs* in the future (new adopters) or entities that stop using the *IFRS for SMEs* and then adopt it again (expected to be rare).
(b) Clarification of statement of changes in equity (IAS 1) Clarifies an entity may present the analysis of OCI by item either in the statement of changes in equity or in the notes	Minor. Proposals clarify existing presentation requirements and are not expected to have a material impact.
(c) Classification of servicing equipment (IAS 16) Clarifies that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment (PPE) when they meet the definition of PPE in IAS 16 and otherwise as inventory.	Minor. Proposals clarify existing requirements and are not expected to have a material impact.
(d) Tax effect of distributions to holders of equity instruments (IAS 32) Clarifies that income tax relating to distributions to equity holders and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12.	Minor. Proposals clarify existing requirements and are not expected to have a material impact.

(III) Accounting policy options

A8. No change to incorporate additional accounting policies based on requirements required or permitted in full IFRSs. Key decisions:

(a) not to include an option for the revaluation model to be used for PPE;

(b) not to include an option (or requirement) for development costs to be capitalised on a similar basis to IAS 38 *Intangible Assets*; and

(c) not to include an option (or requirement) for borrowing costs to be capitalised on a similar basis to IAS 23 *Borrowing Costs*.

A9. Retain the option for entities to use the recognition and measurement principles in IAS 39 *Financial Instruments: Recognition and Measurement*.

Expected impact on SMEs: N/A. The decisions in paragraphs A8 and A9 will not result in amendments to the *IFRS for SMEs*.

(IV) Income tax

A10. The requirements in Section 29 *Income Tax* should be aligned with IAS 12 *Income Taxes* (currently they are based on the IASB's March 2009 Exposure Draft *Income Tax*), taking into account appropriate modifications in the light of users' needs and cost-benefit considerations.

A11. The December 2010 amendment to IAS 12 to add a rebuttable presumption that the carrying amount of investment property measured at fair value will be recovered through sale should be incorporated in Section 29.

Expected impact on SMEs: Moderate. The decisions in paragraphs A10 and A11 to align the requirements in Section 29 with IAS 12 will not affect the overall approach, ie a temporary difference approach will still be required. However, there will be changes to the treatment of deferred tax on certain transaction and this may affect amounts reported by SMEs for deferred tax. The main differences were listed in paragraph 11 of Agenda Paper 8F for the April 2013 IASB meeting.

All SMEs and users of their financial statements will need to understand the new definitions and changes to the requirements for recognising, measuring and disclosing deferred tax and so this will require extra work initially. However, going forward alignment with IAS 12 would be expected to result in deferred tax arising on fewer assets and liabilities, and hence require fewer deferred tax calculations, because of the additional exemptions included in IAS 12 compared to Section 29. This also means that applying the amendments retrospectively is unlikely to pose a significant burden on SMEs. The changes could result in either an increase or a reduction in amounts recognised for deferred tax expense, income, assets and liabilities and this will depend on the SME's specific transactions. Based on experience of full IFRS users, the inclusion of the rebuttable presumption for investment property will result in a simplification and reduce the subjectivity involved in the measurement of deferred tax on investment property.

(V) Specific requirements in the *IFRS for SMEs*

(i) Decisions that would change current requirements

A12. Key decisions on issues arising from the RFI:

IASB Decision	Expected impact on SMEs
(a) 'Undue cost or effort' exemption—to incorporate guidance to help SMEs apply the 'undue cost or effort' exemption (used in several sections of the *IFRS for SMEs*) based on Q&A 2012/01 *Application of 'undue cost or effort'* issued by the SME Implementation Group in 2012 and also to require SMEs to disclose that they have evoked the exemption when this is not evident (but they would not be required to explain why).	Minor. Proposed guidance clarifies existing requirements and is based on non-mandatory guidance previously provided publicly by the SMEIG. Therefore, the additional guidance is not expected to have a material impact on recognition, measurement and presentation requirements. Entities will be required to disclose that the exemption has been used (if not otherwise clear). This is expected to provide improved information for users at no additional cost to preparers.

(b) Reporting dates of group entities—to add additional guidance in paragraph 9.16 on the preparation of consolidated financial statements if group entities have different reporting dates, but continue to require uniform reporting dates to be used unless it is impracticable to do so.	Minor. Proposals clarify existing requirements and are not expected to have a material impact.
(c) Basic financial instruments —to amend the criteria in paragraph 11.9 to clarify that loans payable in a foreign currency and loans with standard loan covenants will usually be basic financial instruments accounted for at amortised cost in accordance with Section 11 *Basic Financial Instruments.*	Minor. Proposals clarify existing requirements and are not expected to have a material impact.
(d) Measurement of investments in equity instruments —to include an 'undue cost or effort' exemption from fair value measurement in Section 11 and Section 12 *Other Financial Instruments Issues*.	Minor/moderate. The 'undue cost or effort' exemption will provide relief in cases where measuring the fair value would be very costly/difficult and subjective (included in effect analysis in paragraph 12).
(e) Amortisation of goodwill/other intangible assets—modify paragraph 18.20 to specify that if an entity is unable to make a reliable estimate of the useful life of an intangible asset, including goodwill, the useful life should be based on management's best estimate and not exceed 10 years.	Minor/moderate. In some circumstances where an entity was previously required to use a 10 year life (in the absence of a reliable estimate) it will be required to amortise goodwill/another intangible asset over a shorter period. In such circumstance, this will reduce net assets and profit or loss but the amount is not expected to be significant for the majority of SMEs. Using the best estimate is expected to provide better information for users than requiring a fixed 10 year life at no additional cost to preparers (included in effect analysis in paragraph 12).

(f) Intangible assets in a business combination—to add an 'undue cost or effort' exemption to the requirement to recognise them separately.	Minor/moderate. Most SMEs do not enter into business combinations involving significant intangible assets. For those who do, the 'undue cost or effort' exemption will provide relief when recognising and measuring intangible assets separately would be very costly, difficult and subjective (included in effect analysis in paragraph 12). Where the exemption is taken this will result in an increase in goodwill. However, total intangible assets and amortisation are expected to remain approximately the same because in the majority of cases where an entity has intangible assets that are difficult to measure it will be required to amortise goodwill (and those intangible assets if it does not meet the exemption) over ten years or less (see IASB decision in paragraph A12(e)). The risk of overstatement of goodwill is low.
(g) Allocating the cost of a business combination —to add specific guidance in paragraph 19.14 for the measurement of employee benefit arrangements and deferred taxes.	Minor. Proposals clarify existing accounting requirements and are not expected to have a material impact.
(h) Initial recognition of own equity—to add a measurement exemption in paragraph 22.8 for equity instruments issued as part of a business combination of entities or businesses under common control.	Minor. Proposals align existing accounting requirements with full IFRSs and are not expected to have a material impact.
(i) Distribution of non-cash assets—to add an exemption in paragraph 22.17 for distributions of a non-cash asset ultimately controlled by the same parties before and after distribution.	Minor. Proposals align existing accounting requirements with full IFRSs and are not expected to have a material impact for most SMEs.

(j) Related party definition—to revise the definition to be consistent with IAS 24 *Related Party Disclosures* (2009) and also add the definition 'close members of the family of a person'.	Minor. Proposals will only result in minor changes to the existing definition and result in alignment with full IFRSs. For the vast majority of SMEs the revised definition will not change the SME's identified related parties.
(k) Extractive activities—to add guidance to clarify the accounting requirements and amend any unclear wording.	Minor. Proposals clarify existing accounting requirements and are not expected to have a material impact.

A13. Key decisions on issues identified outside the RFI process:

IASB Decision	**Expected impact on SMEs**
(a) Offset requirements for tax assets and liabilities—add an undue cost or effort exemption from the requirement to offset deferred tax assets and liabilities if significant detailed scheduling would be required.	Minor. Proposals will address a rare scenario and so clarification will not affect the vast majority of SMEs.
(b) Subsidiaries acquired with the intention of sale—clarify that all subsidiaries acquired with the intention of sale or disposal within one year should be excluded from consolidation.	Minor. Proposals clarify existing accounting requirements and are not expected to have a material impact.
(c) Leases with an interest rate variation clause linked to market interest rates—include such leases within the scope of Section 20 *Leases*, rather than Section 12 *Other Financial Instruments Issues.*	Minor. Proposals cover a specific type of lease and result in alignment with the full IFRSs accounting for such leases. The modification is not expected to affect the vast majority of SMEs.
(d) Liability component of a compound financial instrument—account for it consistently with standalone financial liabilities. Therefore amortised cost would only be appropriate if the liability component meets the conditions in paragraph 11.9 of the *IFRS for SMEs.*	Minor. Proposals would only affect complex compound financial instruments and so the modification is not expected to affect the vast majority of SMEs.

(e) Group share-based payment transactions—amend the scope and definitions of Section 26 to clarify that equity instruments of other group entities are within its scope and make the following clarifications to paragraph 26.17 of the *IFRS for SMEs* for group plans: - clarify that the share-based payment could be granted by a fellow subsidiary as well as a parent entity; and - delete 'and recognise' to clarify that the relief is for the measurement of the share-based payment expense and not its recognition.	Minor. Proposals clarify existing accounting requirements, align requirements with full IFRSs and are not expected to have a material impact.
(f) SBP transactions in which the identifiable consideration appears less than the fair value of the equity instruments granted or liability incurred—clarify that Section 26 applies to all such transactions and not just those established under law.	Minor. Proposals cover a rare scenario and so clarification will not affect the vast majority of SMEs. They also align requirements with full IFRSs.
(g) Prior year balance reconciliations—do not require disclosure of reconciliations of balances for prior periods.	Minor. This is already permitted for most reconciliations of balances and the change will result in consistency throughout the *IFRS for SMEs*.

(ii) Decisions that would not change current requirements

A14. Key decisions on specific requirements in the *IFRS for SMEs*:

(a) not to incorporate Chapters 1 and 3 of the Conceptual Framework during this comprehensive review.

(b) not to change the current requirements for items recognised in other comprehensive income.

(c) not to permit other types of hedging instruments to be used.

(d) not to change the current requirements for accounting for investment property.

(e) not to permit or require share subscription receivables to be presented as an asset.

(f) not to add further guidance for accounting for barter transactions.

(g) not to permit SMEs relief from the requirement to use option pricing models to determine the fair value of share options issued in share-based payment transactions.

(h) not to change to the current requirements for accounting for biological assets.

A15. Key decisions on general issues relating to the *IFRS for SMEs*:

(a) not to consider reducing the current level of disclosure in the *IFRS for SMEs*.

(b) not to consider a reduced disclosure framework for subsidiaries as part of the SME project.

(c) not consider size-dependent reliefs from requirements in the *IFRS for SMEs*.

(d) not to reconsider the name of the *IFRS for SMEs*.

Expected impact on SMEs: N/A. The decisions in paragraphs A14 and A15 will not result in amendments to the *IFRS for SMEs*.

(VI) SMEIG Q&A programme

A16. The SME Implementation Group Q&A programme should continue as a two tier system:

(a) Tier 1: issues would be those requiring authoritative guidance and would require full due process. These issues are expected to be rare.

(b) Tier 2: issues would be dealt with by non-mandatory education material subject to the normal due process for educational material.

A17. A procedure should be established to allow constituents to submit issues on the *IFRS for SMEs* via the IASB website. Only issues meeting the criteria in paragraph 15 of the SMEIG terms of reference would be dealt with by the SMEIG. Other issues would be considered when updating the IFRS Foundation education material on the *IFRS for SMEs*.

A18. Existing Q&As should be incorporated into the *IFRS for SMEs* and/or the IFRS Foundation education material as appropriate and the original Q&A will then be deleted.

A19. The staff proposed the Q&As should be incorporated in the *IFRS for SMEs* as follows at the May 2013 IASB meeting (IASB members were generally happy with the staff suggestions, but a formal vote was not taken—it was decided this could be addressed during drafting):

Q&A number and title	**Staff's suggested treatment**
2012/04 Recycling of cumulative exchange differences on disposal of a subsidiary	Incorporate in the *IFRS for SMEs* by modifying the wording in paragraph 9.18.
2012/03 Fallback to IFRS 9 *Financial Instruments*	Do not incorporate. The fact that use of IFRS 9 is not an option will be made clear in the Basis for Conclusions because of the IASB decision in paragraph A9.
2012/02 Jurisdiction requires fallback to full IFRSs	Do not incorporate in the *IFRS for SMEs*. Detail suitable for training material only
2012/01 Application of 'undue cost or effort'	IASB decision made to incorporate in Section 2 of the *IFRS for SMEs* (see paragraph A12(a)).
2011/03 Interpretation of 'traded in a public market'	Do not incorporate in the *IFRS for SMEs*. Detail suitable for training material only
2011/02 Entities that typically have public accountability	Clarify in paragraph 1.3(b) of the *IFRS for SMEs* that the entities listed are not automatically publicly accountable to respond to confusion in practice. Most of the detail is suitable for the training material only.

2011/01 Use of *IFRS for SMEs* in a parent's separate financial statements	Incorporate in the *IFRS for SMEs* by modifying paragraph 1.6.

Expected impact on SMEs: Minor. The decisions in paragraph A16 and A17 relate to procedure and so will not directly result in amendments to the *IFRS for SMEs*.

Most of the Q&As in paragraph A19 will only be incorporated in the education material and so will not directly result in amendments to the *IFRS for SMEs*. Those proposed for incorporation in the *IFRS for SMEs* clarify existing requirements and are not expected to have a material impact.

Appendix B: Action taken to meet the due process requirements

B1. This appendix shows how the IASB has complied with the due process requirements for development of an Exposure Draft as set out in the *Due Process Handbook* published in February 2013.

Step	*Required/ Optional*	*Metrics or evidence*	*Evidence provided to DPOC*	*Actions*
Board meetings held in public, with papers available for observers. All decisions are made in public session.	Required	Meetings held. Project website contains a full description with up-to-date information Meeting papers posted in a timely fashion.	Members of the IASB have discussed with the DPOC the progress of the due process that is being conducted on major projects. The DPOC has reviewed, when appropriate, the comments that have been received from interested parties on the due process that the IASB followed.	The IASB approved publication of the Request for Information at its June 2012 meeting and discussed the main issues during its March, April, May and June 2013 meetings. The project website contains a full description of the project with up-to-date information on progress, including meeting papers, decision summaries and IASB meeting webcasts (all posted on a timely basis). It

Step	*Required/ Optional*	*Metrics or evidence*	*Evidence provided to DPOC*	*Actions*
				also includes a wealth of other information on the *IFRS for SMEs*.
Consultation with the Trustees and the Advisory Council.	Required	Discussions with the Advisory Council.	The DPOC has met with the Advisory Council to understand stakeholders' perspectives. The Advisory Council Chair is invited to Trustees' meetings and meetings of the DPOC.	The main issues under the project were discussed at the June 2013 meeting of the IFRS Advisory Council (see paragraph 9) The IASB's progress on the comprehensive review was reported to the Trustees and the DPOC at their July 2012, January 2013, April 2013 and July 2013 meetings.
Consultative groups used, if formed.	Optional	Extent of consultative group meetings, and evidence of substantive involvement in issues. Consultative group review of the draft ED.	The DPOC has received from the IASB a report of the activity of the consultative group.	The SME Implementation Group met in February 2013 for the first time to discuss the comment letters on the RFI and develop a set of recommendations for the IASB on possible amendments to the *IFRS for SMEs*. Their report was posted on the IASB website in March 2013.
Fieldwork is undertaken to analyse proposals.	Optional	The IASB has described publicly the approach taken on fieldwork. The IASB has explained to the DPOC why it does not believe fieldwork is warranted, if that is	If the IASB has deemed fieldwork to not be a requirement, the DPOC will have the opportunity to discuss and review the IASB's explanation for its decision. The DPOC has received a report of fieldwork activities	Not considered necessary as proposals are not introducing brand new accounting requirements for SMEs. Instead, the proposals mainly cover limited alignment of requirements with

Step	*Required/ Optional*	*Metrics or evidence*	*Evidence provided to DPOC*	*Actions*
		the preferred path. Extent of field tests taken.	and how findings have been taken into consideration by IASB.	recent changes to full IFRSs and address implementation problems identified via the Request for Information (eg clarifying existing requirements).
Outreach meetings with a broad range of stakeholders, with special effort to consult investors.	Optional	Extent of meetings held. Evidence of specific targeted efforts to consult investors.	The DPOC has received a report of outreach activities. The DPOC and the IASB have reviewed the outreach plan for the ED and its approach to the optional steps to ensure extensive outreach and public consultation.	As explained directly above, the proposals are not introducing brand new accounting requirements for SMEs. Therefore such additional outreach was not considered necessary.
Webcasts and podcasts to provide interested parties with high-level updates or other useful information about specific projects.	Optional	Extent of, and participation in, webcasts.	The DPOC has received a report of outreach activities.	Not considered necessary as changes proposed are relatively straight-forward
Public discussions with representative groups.	Optional	Extent of discussions held.	The DPOC has received a report of outreach activities.	As explained directly above, the proposals are not introducing brand new accounting requirements for SMEs. Therefore it was not considered necessary to hold public discussions with representative groups
Online survey to generate evidence in support of or	Optional	Extent and results of surveys.	The DPOC has received a report of outreach activities.	Not considered necessary because proposals are not introducing brand

Step	*Required/ Optional*	*Metrics or evidence*	*Evidence provided to DPOC*	*Actions*
against a particular approach.				new accounting requirements for SMEs.
The IASB hosts regional discussion forums, where possible, with national standard-setters.	Optional	Schedule of meetings held in these forums.	The DPOC has received a report of outreach activities.	Not considered necessary because proposals are not introducing brand new accounting requirements for SMEs
Round-table meetings between external participants and members of the IASB.	Optional	Extent of meetings held.	The DPOC has received a report of outreach activities.	Not considered necessary because proposals are not introducing brand new accounting requirements for SMEs
Analysis of the likely effects of the forthcoming Standard or major amendment, for example, initial costs or ongoing associated costs.	Required	Publication of the Effect Analysis as part of the Basis for Conclusions.	The IASB has reviewed, with the DPOC, the results of the Effect Analysis and how it has considered such findings in the proposed Standard. The IASB has provided a copy of the Effect Analysis to the DPOC at the point of the Standard's publication.	A limited effect analysis is provided in paragraphs 11-12 of this agenda paper. Likely effects are limited as the proposals generally only make limited amendments to align certain requirements with full IFRSs and address implementation problems.
Finalisation				
Due process steps reviewed by the IASB.	Required	Summary of all due process steps discussed by the IASB before a Standard is issued.	The DPOC has received a summary report of the due process steps that have been followed before the Exposure Draft is issued.	This agenda paper provides a summary of all due process steps for the IASB's review. The staff will provide the DPOC with a copy of this agenda paper.
The ED has an	Required	The period has been set by the	The DPOC has received notice of any	We plan to ask the IASB for permission

Step	***Required/ Optional***	***Metrics or evidence***	***Evidence provided to DPOC***	***Actions***
appropriate comment period.		IASB. If outside the normal comment period, an explanation from the IASB to the DPOC has been provided, and the decision has been approved.	change in the comment period length and has provided approval if required.	to ballot and to set the appropriate comment period at this meeting.
Drafting				
Drafting quality assurance steps are adequate.	Required	The Translations team has been included in the review process.	The DPOC has received a summary report of the due process steps that have been followed before the ED is issued.	To be done in due course.
Drafting quality assurance steps are adequate.	Required	The XBRL team has been included in the review process.	The DPOC has received a summary report of the due process steps that have been followed before the ED is issued.	To be done in due course.
Drafting quality assurance steps are adequate.	Optional	The Editorial team has been included in the review process. In addition, external reviewers are used to review drafts for editorial review and the comments collected are considered by the IASB.	The DPOC has received a summary report of the due process steps that have been followed before the ED is issued, including the extent to which external reviewers have been used in the drafting process.	The SMEIG will be involved as external reviewers.
Drafting quality assurance steps are adequate.	Optional	Drafts for editorial review have been made available to members of the International Forum of Accounting Standard-Setters (IFASS) and the comments have been collected and considered by the	The DPOC has received a summary report of the due process steps that have been followed before the Exposure Draft is issued.	Not considered necessary because it will be reviewed by 22 SMEIG members.

Step	*Required/ Optional*	*Metrics or evidence*	*Evidence provided to DPOC*	*Actions*
		IASB.		
Drafting quality assurance steps are adequate.	Optional	Review draft has been posted on the project website.	The DPOC has received a summary report of the due process steps that have been followed before the Exposure Draft is issued.	Not considered necessary because it will be reviewed by 22 SMEIG members.
Publication				
ED published.	Required	ED has been posted on the IASB website.	The DPOC has been informed of the release of the ED.	To be done in due course.
Press release to announce publication of ED.	Required	Press Release has been published. Media coverage of the release.	The DPOC has been informed of the release of the ED.	To be done in due course.
Snapshot document to explain the rationale and basic concepts included in the ED.	Optional	Snapshot has been posted on the IASB website.	The DPOC has received a report of outreach activities. The Snapshot has been sent to DPOC members.	To be done in due course.

Appendix C: Draft project plan

C1. This appendix provides the estimated timetable for the project. The timetable may vary, eg because of the timing of other IASB publications.

Timing	**Activity**
June 2012	Request for Information (RFI) issued (posted on IASB website). The public are invited to make recommendations on possible amendments to the *IFRS for SMEs*.
30 November 2012	Comment deadline on the RFI.
February 2013	The SMEIG reviewed the responses to the RFI in a public meeting and developed recommendations for 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 reviewed the responses to the RFI and deliberated possible amendments to the *IFRS for SMEs*.
Third quarter of 2013	The IASB develops and approves an exposure draft (ED) of proposals.
First quarter of 2014	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 *IFRS for SMEs*.
Second quarter of 2014	The IASB publishes final revisions to the *IFRS for SMEs*.
Target date in 2015	Effective date of revisions.