

## STAFF PAPER

March 2013

## IASB Meeting

Project	Comprehensive review of the <i>IFRS for SMEs</i>		
Paper topic	Cover Paper		
CONTACT(S)	Darrel Scott (Board Advisor)	<a href="mailto:dscott@ifrs.org">dscott@ifrs.org</a>	+44 (0) 20 7246 6489
	Michelle Fisher	<a href="mailto:mfisher@ifrs.org">mfisher@ifrs.org</a>	+44 (0) 20 7246 6918

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 begin 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. At this meeting the IASB will be asked to consider those issues relating to the scope of the *IFRS for SMEs* as well as a framework for considering new and revised IFRSs issued since the *IFRS for SMEs* was published.

**Summary of Agenda Papers**

3. The following papers have been prepared for the March 2013 IASB meeting:
  - (a) Agenda Paper 6 (this paper): Cover paper setting out the proposed timetable, and background information on the comprehensive review, the comment letter analysis and the report of the SME Implementation Group (SMEIG).

- (b) Agenda Paper 6A: Covers the issues on the scope of the *IFRS for SMEs*. This paper includes a detailed summary of the comment letter analysis, SMEIG and IASB staff recommendations, and questions for the IASB.
- (c) Agenda Paper 6B: Covers the issue of whether the *IFRS for SMEs* should be amended for any new and revised IFRSs issued since the *IFRS for SMEs* was published. This paper includes a detailed summary of the comment letter analysis, SMEIG and IASB staff recommendations, and the question for the IASB.

## Background

### **Overview of the comprehensive review of the *IFRS for SMEs***

- 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. The following steps have been taken under this initial comprehensive review:
  - (a) In June 2012 the IASB issued the RFI. The RFI was developed by IASB staff and the SMEIG. 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. It also encouraged respondents to raise their own issues. The RFI did not contain any preliminary views of the IASB or the SMEIG.
  - (b) The comment deadline of the RFI was 30 November 2012. After this date the staff performed comment letter analysis and presented a detailed summary of this analysis in the agenda papers for the SMEIG meeting.

- (c) On 4 and 5 February 2013 the SMEIG met at the IASB's office in London for the first time in person. The SMEIG has previously conducted all of its work by email. The objective of the meeting was for the SMEIG 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*. These recommendations will be presented to the IASB in a report.

### ***Report containing the SMEIG recommendations***

5. After the SMEIG meeting the IASB staff prepared a first draft of the SMEIG report based on discussions at the meeting. This draft was reviewed and commented on by SMEIG members. The IASB staff then prepared a second draft of the report incorporating the suggestions made by the SMEIG.
6. The second draft of the report is still pending final approval by the SMEIG. Once the report has been approved by the SMEIG it will be made available to the IASB and posted on the IASB website.
7. Changes proposed to the first draft by SMEIG members were relatively minor. Based on this, the IASB staff do not envisage any further changes to the SMEIG recommendations will be made apart from minor drafting. Staff are therefore satisfied that the IASB can proceed with their discussions on the issues in Agenda Paper 6A and 6B supported by the SMEIG recommendations as set out in the second draft of the report (near-final draft).

### ***Comment letters received***

8. The IASB received 89 comment letters on the RFI. These have been posted on the IASB's website.

9. The comment letters came from respondents in the following regions:

Region	Number of comment letters received
Africa	10
Asia	13
Europe	38
Global	11
Latin America	8
North America	5
Oceania	4
	<b>89</b>

### ***Comment letters analysis in Agenda Papers 6A and 6B***

10. In Agenda Papers 6A and 6B the staff have provided a detailed summary of their comment letter analysis for each issue. This analysis was also presented in the agenda papers for the SMEIG meeting. The paragraphs below explain how this summary has been prepared by the staff.
11. Each question in the RFI provided respondents with several options (eg (a),(b),(c) etc) for answering the question. Respondents were asked to choose the one option for each question that most closely matched their view and give their reasoning. For each of the issues in Agenda Paper 6A and 6B, the staff have provided a summary of the most common comments received for each of the options (as explained in paragraph 12).
12. Due to the number of comments received staff is unable to include them all in their detailed summary. Therefore, staff have provided a summary of points that cover the most common comments raised. However, in some cases, staff also felt it was important to highlight a comment raised by only one or two comment letters because of the nature of the comment. Staff will consider comments that highlight minor wording or guidance concerns separately during drafting the proposed amendments to the *IFRS for SMEs*.

13. Staff have provided information about the number of comment letters choosing a particular option. However, in developing the staff recommendation staff have focussed more on the comments raised than on the popularity of the options for two reasons:
- (a) Firstly jurisdictions and types of organisations are not evenly represented by the comment letters received. For example, some countries have issued more than ten comment letters. Other countries are only represented in a combined letter issued by an organisation covering several jurisdictions.
  - (b) Secondly the approach by different respondents to selecting options is inconsistent. Comment letters frequently elect different options, but explain it with a similar narrative. This is because responses often do not closely match any of the options provided in the question. For analysis purposes, staff have changed the options chosen by some letters to try to adopt a consistency process between letters. However, this has not been possible in all cases due to the wide spectrum of comments received.

### ***Timetable***

14. 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	<p>The SMEIG reviews the responses to the RFI in a public meeting and makes recommendations to the IASB on possible amendments.</p> <p>This report containing the SMEIG recommendations is pending final approval by the SMEIG. Once the report has been approved by the SMEIG it will be made available to the IASB and posted on the IASB website.</p>
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.