

## STAFF PAPER

May 2014

## IASB Meeting

Project	Comprehensive review of the <i>IFRS for SMEs</i>		
Paper topic	Cover Paper		
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<p>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 <i>Update</i></p>			

## Objective of this meeting

1. The purpose of this meeting is for the International Accounting Standards Board (IASB) to discuss the feedback received on ED/2013/9 *Proposed amendments to the IFRS for SMEs* (the ED) which was published for public comment in October 2013.
2. The IASB will not be asked to make any technical decisions at this meeting.

## Summary of Agenda Papers

3. The staff have prepared the following papers:
  - **IASB Agenda Paper 15 Cover Paper** (this paper). This paper provides an overview of the comprehensive review of the *IFRS for SMEs* so far, outlines the appointment and reappointment of members of the SME Implementation Group (SMEIG), provides details of ongoing user outreach and provides an estimated timetable for the rest of the comprehensive review process.
  - **IASB Agenda Paper 15A Feedback from comment letters on the ED**. Agenda Paper 15A summarises the main feedback received from comment letters in response to ED/2013/9.

## Overview of the comprehensive review

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* had been published by a broad range of entities.
5. In June 2012 the IASB issued a Request for Information (RfI) as the first step in that initial comprehensive review. 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.
6. The comment deadline of the RfI was 30 November 2012. The IASB received 89 comment letters on the RfI.
7. In February 2013 the SMEIG developed a set of recommendations for the IASB on possible amendments to the *IFRS for SMEs*. The recommendations were presented in IASB agenda papers and also provided in a separate report published on the IASB website in March 2013.
8. The IASB discussed the issues identified during the RfI process during its March—July 2013 meetings.
9. On 3 October 2013 the ED was issued with a comment deadline of 3 March 2014.

## Appointments and reappointments to the SMEIG

10. The SMEIG is an advisory body to the IASB. One of its responsibilities is to provide recommendations to the IASB throughout the comprehensive review of the *IFRS for SMEs*. The SMEIG was appointed in September 2010 by the Trustees of the IFRS Foundation following a public call for nominations.
11. On 30 June 2014 the second term of the existing 22 SMEIG members will come to an end. The Trustees have approved an expansion of the membership of the

SMEIG at that date from 22 to a maximum of 30. The Trustees previously agreed that 11 existing SMEIG members would be appointed for a third term to provide continuity. The remainder of the members will be new. Membership of the restructured group is expected to be announced during May 2014, with the terms of all members going forward commencing on 1 July 2014.

## Ongoing user outreach

12. The IASB did not receive any comment letters on the ED from investors, analysts, lenders of credit to SMEs or other users of SME financial statements. In addition, the IASB only received two comment letters from users (a rating agency and a user representation body) on the June 2012 RfI. A limited response from users of financial statements is common on IASB consultation documents and was particularly expected during the comprehensive review of the *IFRS for SMEs* because the range of users of the financial statements of non-publicly accountable entities is narrower than those of entities with public accountability. Consequently, the staff are currently performing additional user outreach to supplement the views it has received from other interested parties as part of the IASB consultation process.
13. During March and April 2014 the staff held six conference calls with organisations that provide credit to SMEs, considered by the staff to be the primary external user group of SME financial statements. This outreach has included users in several countries in both Europe and Asia, as well as in Australia and South Africa. The staff are currently considering ways to extend this outreach to cover other jurisdictions, in particular those where SMEs are applying the *IFRS for SMEs* or a similar Standard.
14. The aim of the user outreach has been to obtain feedback from these organisations on how they use the financial information provided by SMEs. The staff asked questions in the following areas:
  - (a) The process they use when evaluating SME clients.
  - (b) Whether/how they use SME financial statements.

- (c) The extent or otherwise placed on assurance (eg audit reports).
  - (d) Additional information requested that is not in the financial statements.
15. The staff will prepare a paper on their user outreach for a future IASB meeting, before the IASB commences its main redeliberations of the proposals in the ED. Meanwhile the staff would welcome suggestions from IASB members on ways to improve their user outreach and their assistance in identifying suitable users of SME financial statements to participate.

### Timetable

16. The staff anticipate the following timetable for the comprehensive review:

May 2014	Staff present comment letter analysis to the IASB.
June 2014	Retiring SMEIG members are asked to comment on responses to the ED.
1 July 2014	Commencement of the restructured SMEIG.
July 2014	The revised SMEIG reviews the responses to the ED and makes recommendations to the IASB.  A report containing the SMEIG recommendations will be made available to the IASB and posted on the IASB website.
Second half of 2014	The IASB considers responses to the ED and the SMEIG recommendations, and redeliberates on the proposals in the ED.
First half of 2015	The IASB issues final amendments to the <i>IFRS for SMEs</i> .