

STAFF PAPER

November 2014

IASB Meeting

Project	Comprehensive review of the <i>IFRS for SMEs</i>		
Paper topic	Cover paper		
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Objective of this meeting

1. The purpose of this meeting is for the IASB to consider the remaining issues raised by respondents on specific requirements in ED/2013/9 *Proposed amendments to the IFRS for SMEs* (the ED).

Summary of agenda papers

2. The staff have prepared the following papers for this meeting:
 - **IASB Agenda Paper 5 Cover paper** (this paper). This paper provides an overview of the comprehensive review of the *IFRS for SMEs* so far and an estimated timetable for the rest of the comprehensive review process.
 - **IASB Agenda Paper 5A** Additional issues raised by respondents: Paper 1 (issues where changes are being proposed by staff).
 - **IASB Agenda Paper 5B** Additional issues raised by respondents: Paper 2 (issues where changes are not being proposed by staff).

Overview of the comprehensive review

3. Key steps taken so far:
- (a) June 2012: The IASB issued a Request for Information (RfI). Comment deadline was November 2012.
 - (b) October 2013: ED issued. Comment deadline was March 2014.
 - (c) May 2014: Comment letter analysis presented to the IASB.
 - (d) July–September 2014: The SME Implementation Group (SMEIG) considered the public responses received on the ED and developed a report of recommendations for the IASB.
 - (e) October 2014: The final SMEIG report was posted on the IASB website¹. For ease of reference, in the agenda papers for this meeting, the staff have included the related SMEIG recommendation for each issue next to the staff recommendation.
 - (f) October 2014: The IASB began its deliberations on possible amendments to the *IFRS for SMEs*.

Tentative decisions made at the last IASB meeting

4. At its October 2014 meeting the IASB discussed issues raised by respondents on the scope of the *IFRS for SMEs*, options to use selected full IFRS accounting policies, and changes to IFRSs since the *IFRS for SMEs* was published (see Agenda Paper 5A for the October IASB meeting). The staff also provided details of their outreach with users of financial statements. At that meeting the IASB made the following tentative decisions:
- (a) not to delete or replace paragraph 1.5 of the *IFRS for SMEs*, which prohibits publicly accountable entities from stating compliance with the *IFRS for SMEs*. The IASB also expressed continued support for the

¹ <http://www.ifrs.org/Alerts/SME/Pages/SMEIG-report-available-October-2014.aspx>

articulation of its primary aim when developing the *IFRS for SMEs* in paragraph BC29 of the ED.

- (b) to add an option for SMEs to use the revaluation model for property, plant and equipment.
- (c) not to include an option (or requirement) for development or borrowing costs to be capitalised on a similar basis to full IFRSs.
- (d) to incorporate in the *IFRS for SMEs* the following changes in new and revised IFRSs issued since the *IFRS for SMEs* was published:
 - (i) include a management entity providing key management personnel services in the definition of a related party based on similar changes in *Annual Improvements to IFRS 2010-2012 Cycle*.
 - (ii) permit an SME to account for investments in subsidiaries, associates and jointly controlled entities in its separate financial statements using the equity method based on similar changes in *Equity Method in Separate Financial Statements* (Amendments to IAS 27).

The IASB decided that, other than as proposed in the ED and as noted in paragraphs 4(d)(i) and (ii), during this initial comprehensive review it would not consider any other changes in new and revised IFRSs issued since the *IFRS for SMEs* was published.

Timetable

5. The staff anticipate the following timetable for the remainder of the comprehensive review:

November 2014 (this meeting)	The IASB considers the remaining issues raised by respondents to the ED.
December 2014	The IASB reviews the due process steps taken so far and decides whether the staff can begin the balloting process for the final amendments.
First quarter of 2015	The IASB issues final amendments to the <i>IFRS for SMEs</i> . Expected effective date 1 January 2017 with early application permitted.
First half of 2015	IASB discusses some general issues raised by respondents that go beyond the scope of the comprehensive review.

6. A few respondents and SMEIG members raised general issues about the *IFRS for SMEs* that go beyond the scope of the comprehensive review, eg regarding supporting the implementation of the *IFRS for SMEs* and improving future engagement with stakeholders going forward. These issues do not directly relate to requirements in the *IFRS for SMEs* and would not affect the proposals in the ED. Consequently the staff propose that these issues are discussed at a future meeting, rather than delaying issuance of the amendments to the *IFRS for SMEs* from this initial comprehensive review. This will also allow more time for discussion and enable the staff and the IASB to reflect on the lessons learnt during this initial comprehensive review.
7. For the same reasons, the staff propose that the issues raised in response to Question 7 in the ED about the procedures surrounding future reviews of the *IFRS for SMEs* are also discussed at a future meeting.