

# Comprehensive review of the *IFRS for SMEs*® Standard

Emerging Economies Group, Agenda paper 4  
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International Accounting Standards Board

- Good financial reporting made simple:
  - less than 250 pages
  - **simplified IFRS Standard** built on a foundation of full IFRS Standards
  - completely **stand-alone**
  - designed **specifically for SMEs**
  - internationally recognised
- Final Standard issued July 2009, first amendments published May 2015

- Any entity that **does not have public accountability**...
  - securities not publicly traded
  - not a financial institution
- ... and is **required or chooses** to produce General Purpose Financial Statements (GPFS)



# 2015 amendments to the *IFRS for SMEs* Standard (resulting from the initial comprehensive review)

## We made limited amendments because:

- **few** significant issues were identified
- the *IFRS for SMEs* Standard was still a **new Standard**

## Our main principles during the review:

- keep it **simple**
- **alignment** with full IFRS Standards useful, but not essential
- **focus on SMEs** (users, preparers and regulators)

# Overview of 2015 amendments

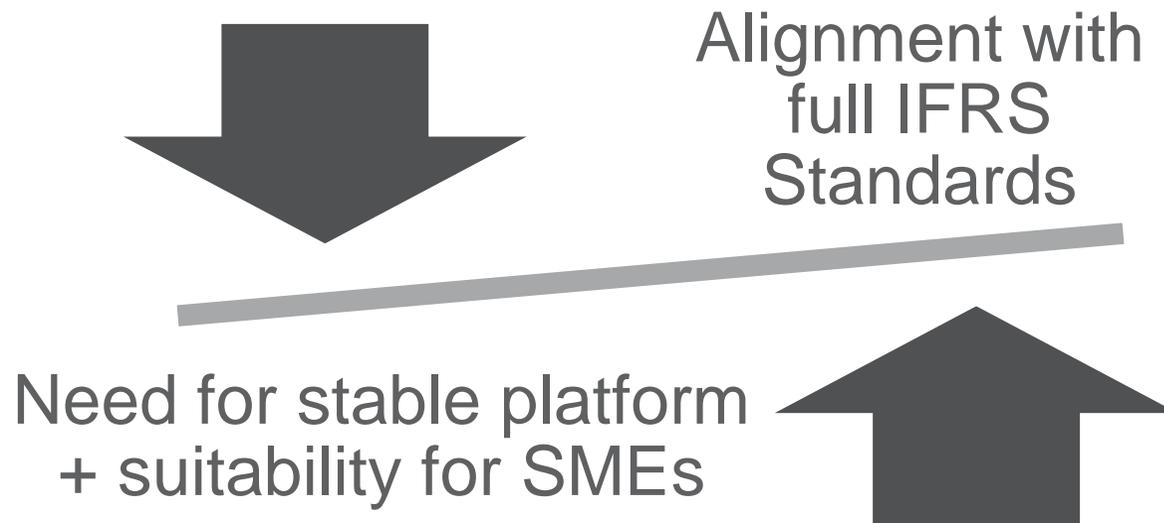
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## Main amendments:

- permitted **revaluation model** for property, plant and equipment
- aligned recognition and measurement requirements for **income tax** with full IFRS Standards
- included further targeted **undue cost or effort exemptions**, plus
  - guidance on **application** of the exemption
  - required **disclosure** of reasoning
- most other amendments
  - **clarified** or added guidance
  - applied to **'non-typical'** SME transactions

# Principles for new and revised full IFRS Standards

- Each one **considered individually**
- Considered only once published
- Assessed whether implementation experience important
- Possible modifications based on **users' needs and cost-benefit** considerations



# Principles for new and revised full IFRS Standards

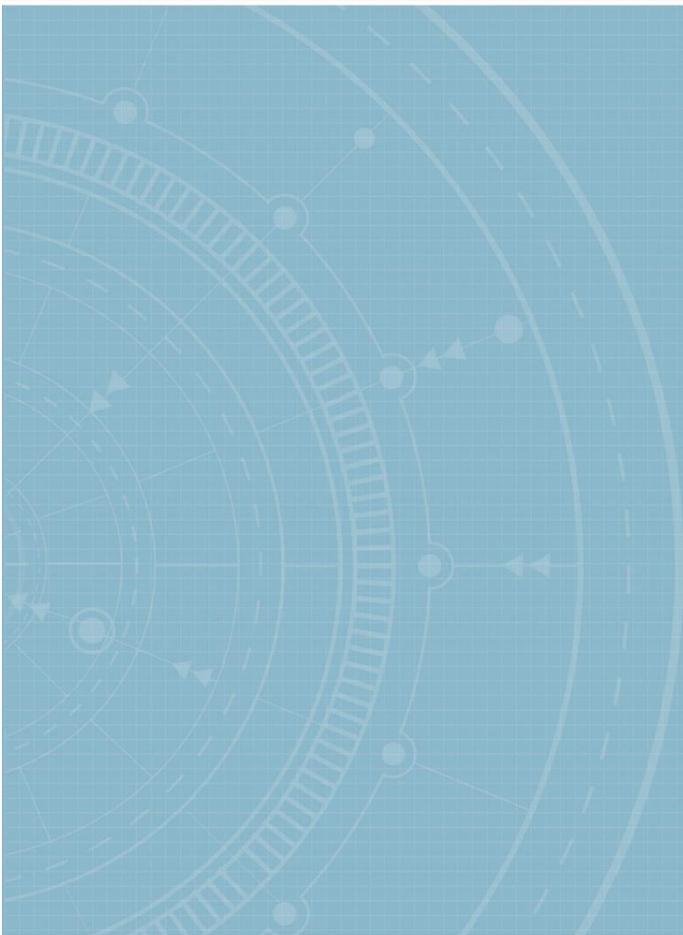
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## Generally incorporated those that:

- made **minor amendments** to full IFRS Standards
- **provided additional clarity** or simplification
- fixed **problems** or **diversity in practice**

## Not incorporated:

- changes under IAS 19 (2011), IFRS 3 (2008), IFRS 9–15
- changes to *Conceptual Framework for Financial Reporting*
- **future changes** in the Board's projects

A technical drawing or blueprint background on the left side of the slide, featuring concentric circles, dashed lines, and various geometric shapes, suggesting a mechanical or engineering context.

# Plan for next comprehensive review

## Agreed

- **start two years after effective date of amendments** made during the most recent comprehensive review
- **include** request for information and exposure draft

## Effect in current cycle

- **review would start in 2019 and focus on:**
  - **consequences** of 2015 amendments (effective in 2017)
  - **new** application issues
  - **new full IFRS Standards**

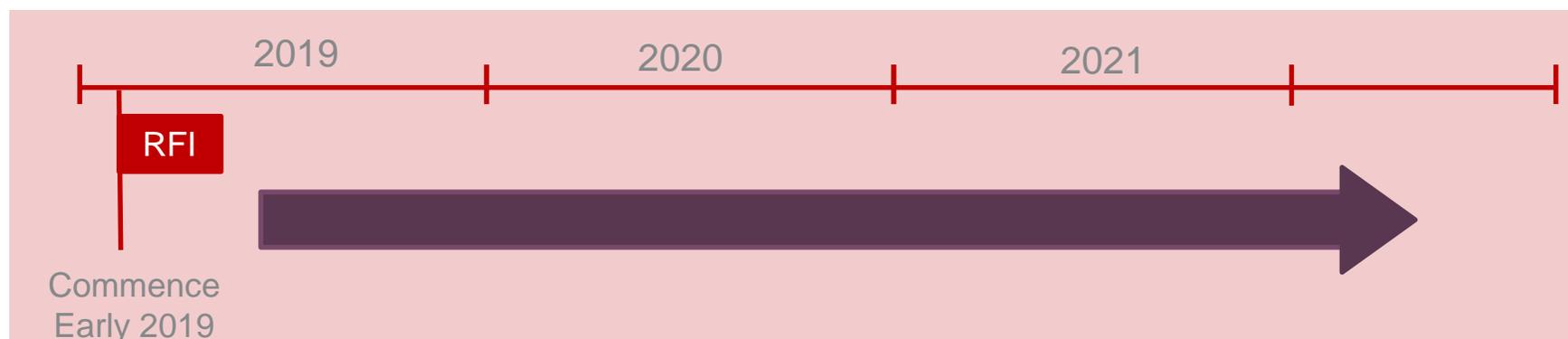
considers feedback from educational modules, Q&As, SMEIG, EEG, existing outreach

# Standard review and update

- Initial comprehensive review:



- Next comprehensive review:



# What do we need to consider?

## Key new and revised full IFRS Standards considered but not included in previous review:

- IFRS 3 *Business Combinations*
- IFRS 10–12—the Consolidation suite of Standards (including changes to IAS 27 and IAS 28)
- IFRS 13 *Fair Value Measurement*
- IAS 19 (2011) *Employee Benefits*

# What do we need to consider?

**Key new and revised full IFRS Standards that were not effective or had not been issued at the previous review:**

- IFRS 9 *Financial Instruments*
- IFRS 14 *Regulatory Deferral Accounts*
- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 16 *Leases*
- the revised *Conceptual Framework*

(IFRS 17 *Insurance Contracts* mainly affects insurance companies, which are outside scope of the *IFRS for SMEs* Standard)

# What do we need to consider?

**Issues considered but rejected at last review** (some stakeholders had strong views for and against):

- use by small listed companies or small financial institutions
- capitalisation of borrowing costs
- capitalisation of development costs
- removal of optional fallback to full IFRS Standards for financial instruments

# What do we need to consider?

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## Other known issues:

- cost model for investment property
- cost model for bearer plants
- application of undue cost or effort exemptions
- greater simplifications in some areas, eg income tax, impairment and financial guarantee contracts

**1. Do you have any other issues to bring to Board's attention about requirements in the *IFRS for SMEs* Standard or other SME issues?**

**2. What should the RFI ask for feedback on?**

- whether to incorporate new and revised IFRS Standards on slides 12–13
- whether to reconsider issues listed on slide 14
- whether to address other issues—listed on slide 15
- other issues, eg arising on implementation of 2015 amendments, other application issues?

# Questions or comments?

A word cloud featuring various terms related to the main title. The words are arranged in a grid-like pattern, with some appearing in larger, bolder fonts than others. The colors used are red, grey, and black. The words include: 'individual', 'view', 'expressions', 'feedback a', 'question', 'individual comments', 'questions', 'expressions of individual views', 'comment', 'feedback', 'questions', 'feedback', 'questions or', 'individual', 'comments', 'questions or comments', 'expressions of individual views', 'comments', 'questions or individual comments', 'questions', 'expressions of individual views', 'expressions and viewpoints', and 'feedback and comments'.

# Contact us

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