

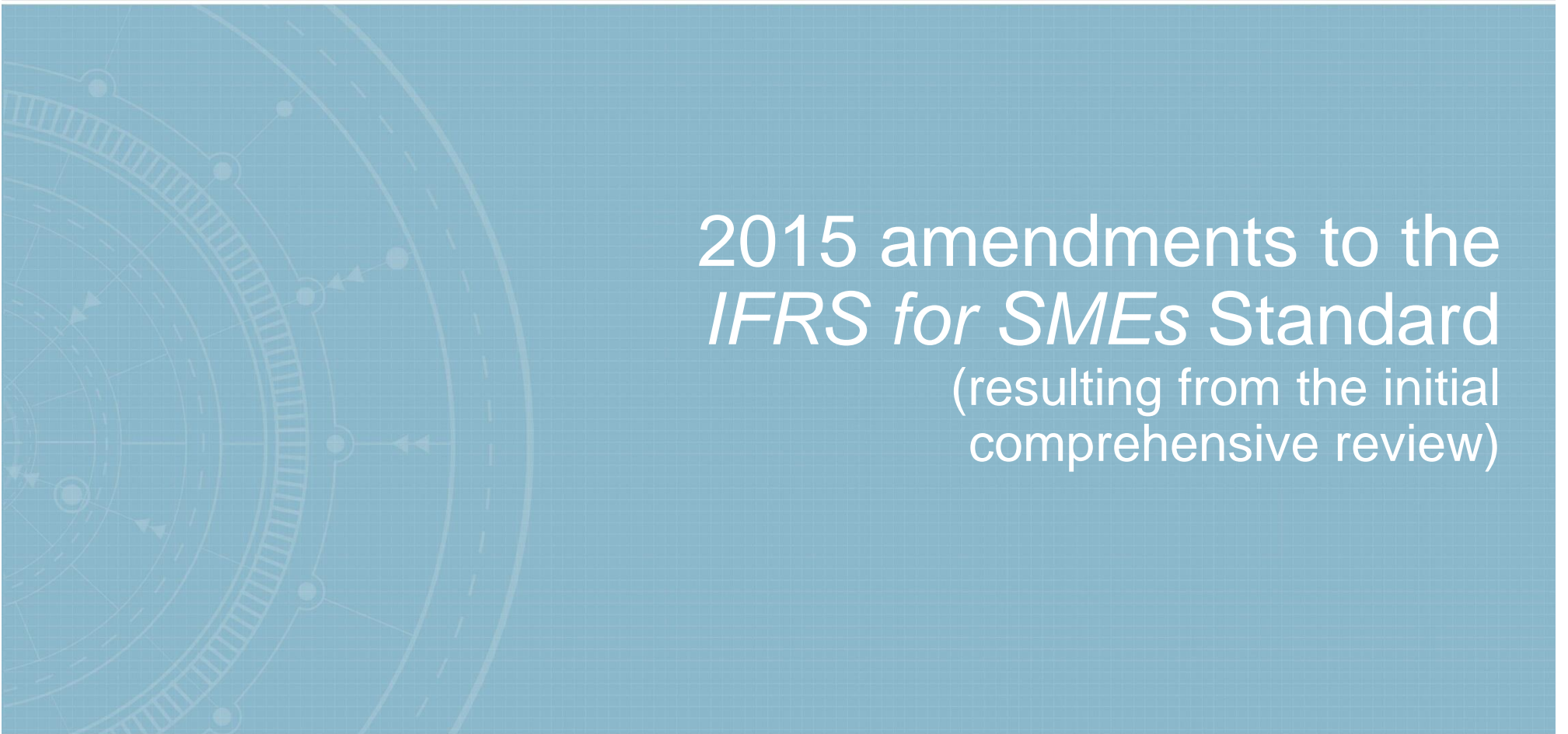
# Comprehensive review of the *IFRS for SMEs*® Standard

Emerging Economies Group, Agenda paper 4  
South Korea, October 2018

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Board Member  
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

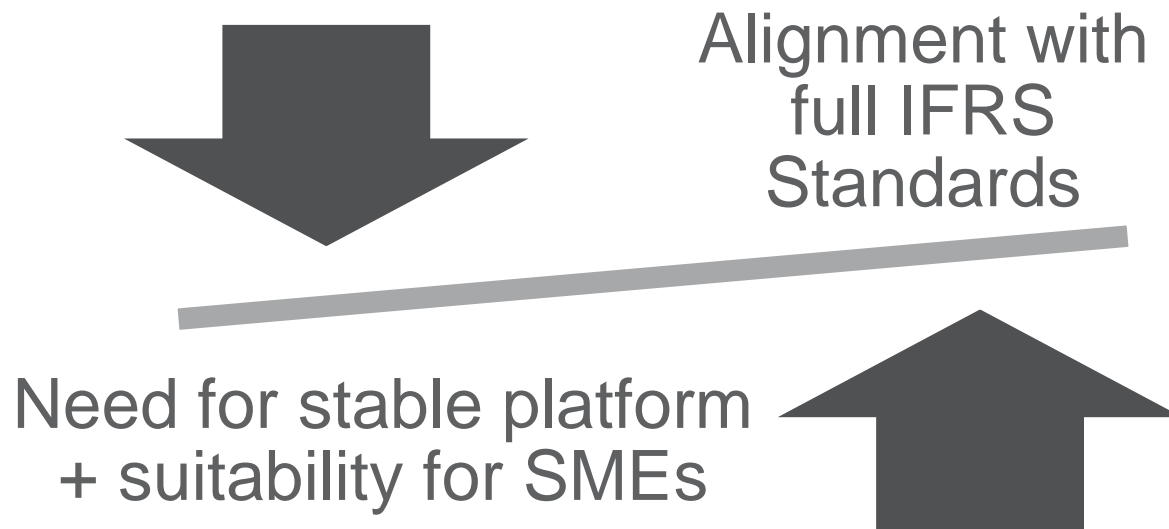
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## Main amendments:

- 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





# 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

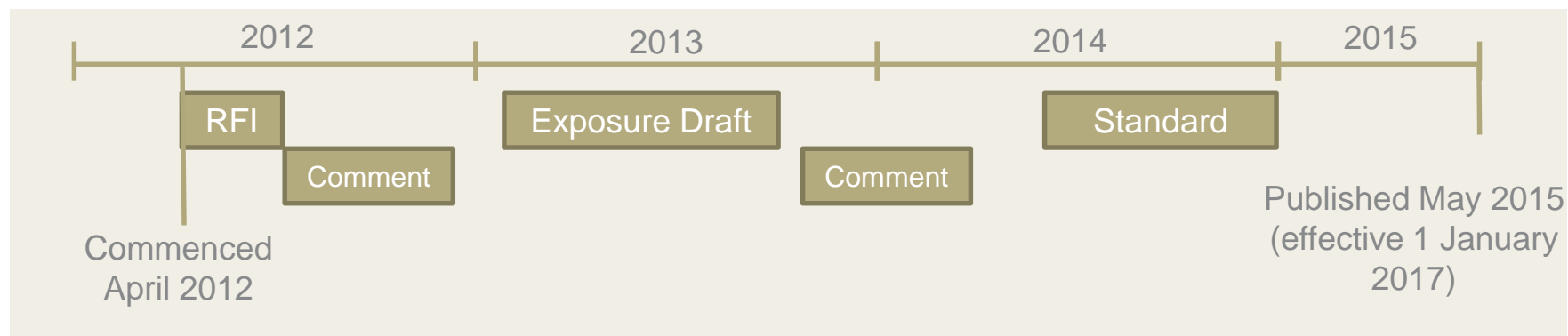
## Effect in current cycle

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

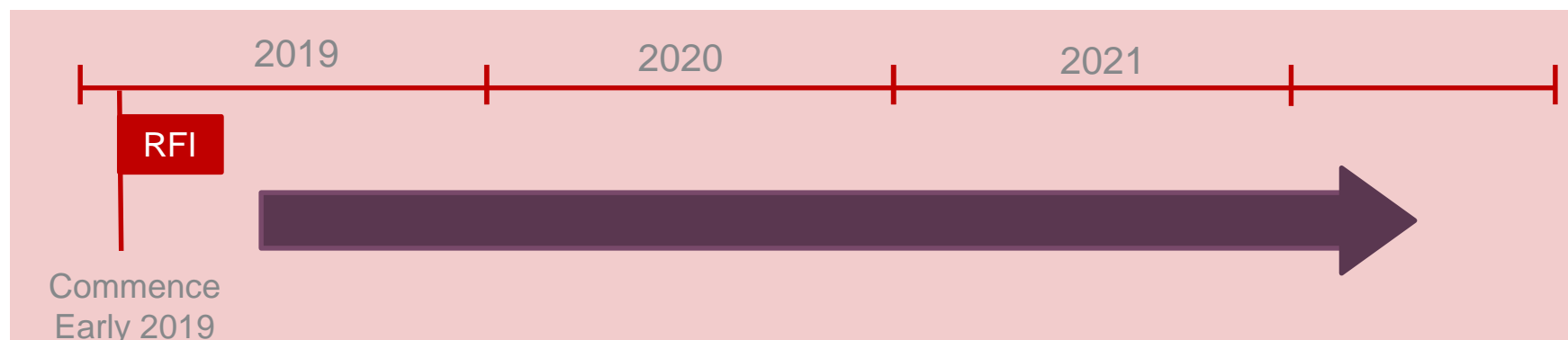
considers feedback from educational modules, Q&As, SMEIG, EEG, existing outreach

# 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?


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