

Emerging Economies Group  
May 2020  
Agenda paper 5

# Comprehensive review of the *IFRS for SMEs* Standard

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The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or the IFRS Foundation.

# Objective of this session

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## The objective of the session:

- discuss members' views on the Request for Information published in January 2020
- provide an update on how stakeholders can respond to the Request for Information

# Objective of the Board's outreach

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## To seek views:

- **on** whether and how to align the *IFRS for SMEs* Standard with IFRS Standards
- **from** stakeholders who apply the *IFRS for SMEs* Standard and preparers or users of SME financial statements



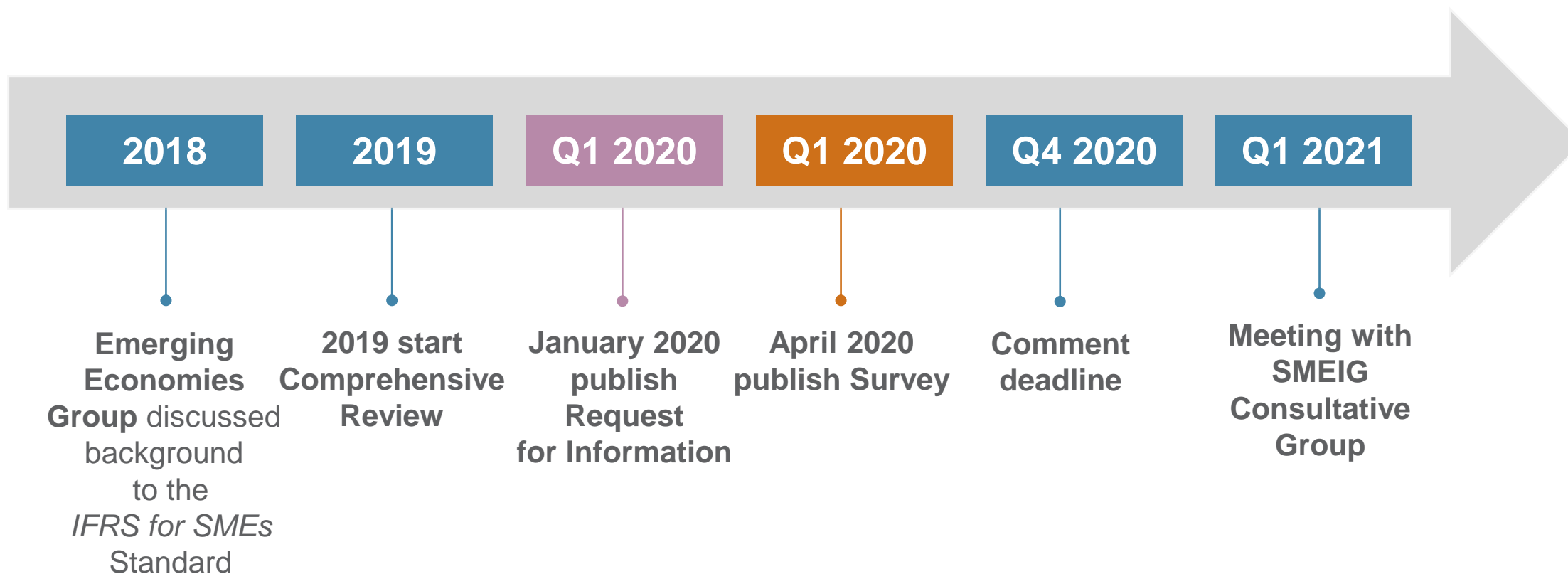
Resources available  
to SMEs, preparers  
and auditors



Identifying and  
engaging with  
investors in SMEs

# Overview of the second comprehensive review

# IFRS for SMEs 2019 Review—timeline



# Overview of the second comprehensive review

## Phase I – Request for Information

Request for Information seeks feedback on whether and how to align the *IFRS for SMEs* Standard with IFRS Standards

## Phase II – Feedback analysis

Decide whether to propose amendments to the *IFRS for SMEs* Standard



# Structure of the Request for Information

## Part A

Questions on strategy and the general framework for the review

## Part B

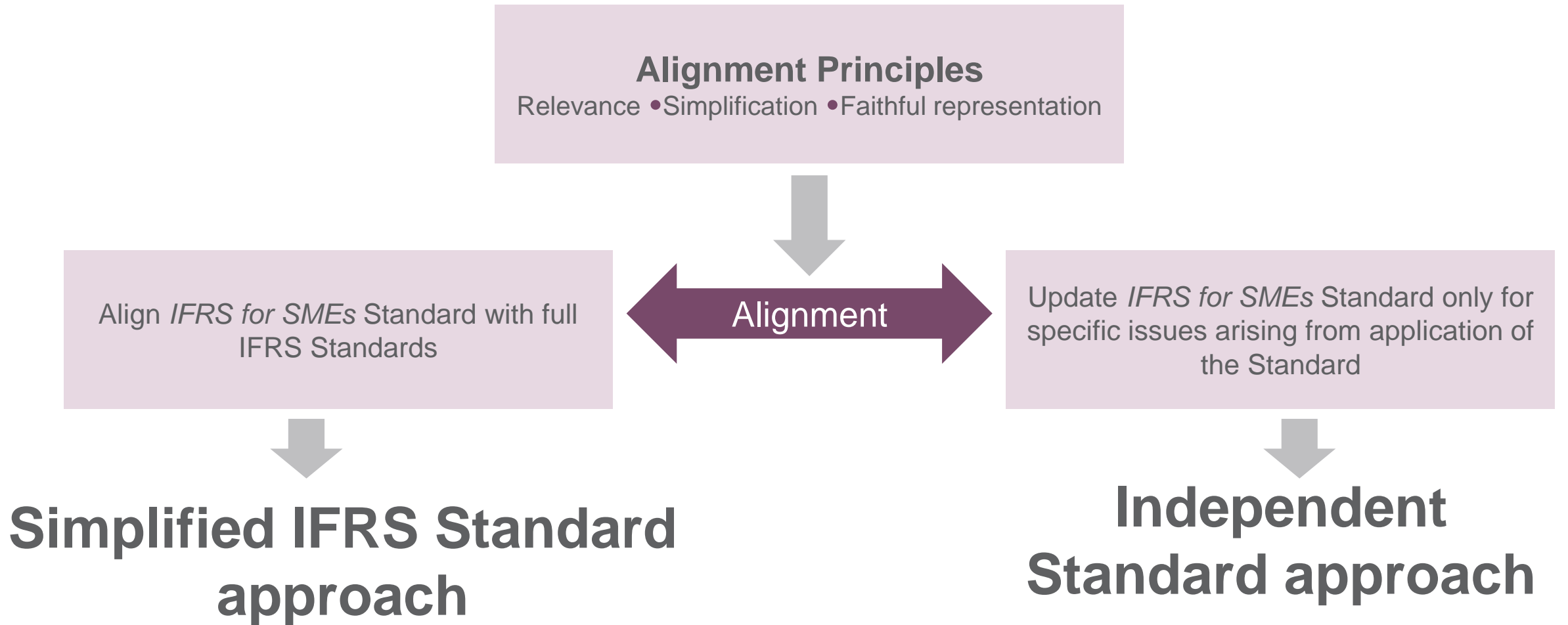
Questions on sections of the *IFRS for SMEs* Standard that could be aligned with IFRS Standards

## Part C

Questions on new topics and other matters related to the *IFRS for SMEs* Standard

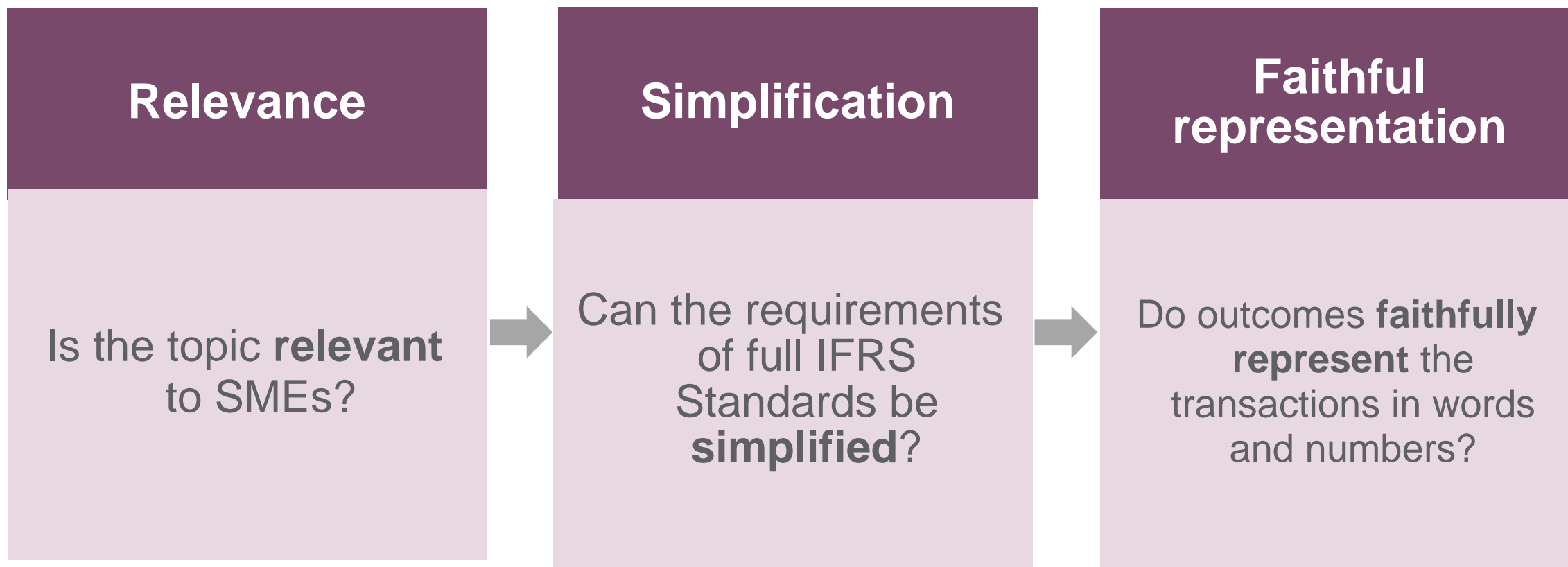
# Approach to aligning the *IFRS for SMEs* Standard with full IFRS Standards

# Two possible approaches to the review



# Alignment principles

The alignment principles help the Board determine whether and how to align the *IFRS for SMEs* Standard with IFRS Standards



## Part A

Questions on strategy and the general framework for the review

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Should the *IFRS for SMEs* Standard be aligned with IFRS Standards?

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What are your views on the alignment principles?

# Scope of the review

Seeking views on alignment

Leaving unchanged

2018 *Conceptual Framework for Financial Reporting*

IFRS 14

IFRS 13

IFRS 3

IFRIC Interpretations

IFRS 10

IFRS 9

Amendments to IFRS Standards

IFRS 15

IFRS 16

IFRS 11



Fundamental concepts from *the Conceptual Framework* provide the foundation of the *IFRS for SMEs Standard* and the *IFRS Standards*

- **align** Section 2 with the 2018 *Conceptual Framework for Financial Reporting*
- consequential amendments to other Sections
- **retain** the concept of ‘undue cost and effort’



## IFRS 13 *Fair Value Measurement*

- **align** definition of **fair value**
- **align** fair value hierarchy to provide clearer guidance
- include examples illustrating application of hierarchy
- move guidance and related disclosure requirements to Section 2

# Alignment—Business Combinations and Consolidation

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## IFRS 3 *Business Combinations*

- **request information** on introducing requirements for step acquisitions?
- **align** recognition of **acquisition costs**
- **align** measurement of **contingent consideration—fair value**, subject to undue cost or effort exemption
- **align** the **definition of a business**
- **retain** current requirements for **recognition of intangibles**

## IFRS 10 *Consolidated Financial Statements*

- **align** definition of **control**
- **retain presumption** that control exists if investor has direct power over an investee solely from voting rights
- **do not** introduce requirement that investment entities account for investments at fair value through profit and loss

## **IFRS 11** **Joint** **Arrangements**

**align** definition of **joint control**

**retain:**

- the three categories of joint arrangements
- accounting requirements for each category of joint arrangement
- policy election for jointly controlled entities

## **IFRS 15** **Revenue from** **Contracts** **with** **Customers**

**views sought** on alternative approaches:

- Approach 1—update Section 23 to align outcomes with IFRS 15
- Approach 2—rewrite Section 23 to align with IFRS 15
- Approach 3—wait until the next review

## IFRS 9 *Financial Instruments*

- add a **classification principle** for financial assets based on contractual cash flow characteristics
- **align simplified approach** to impairment of financial assets
- **align** definition and requirements of **issued financial guarantee contracts**
- **request information** on:
  - need for requirements on **hedge accounting**—if so, retain current requirements
  - need for a **fall-back**—if so, update to IFRS 9

## IFRS 16 *Leases*

- **align to a single model** for the accounting for leases
- exempt entities from requirement to **separate lease components** from non-lease components
- **simplify recognition and measurement** requirements for variable lease payments and optional payments relating to extension options
- **additional simplifications for:** threshold for low-value assets, discount rate, determining and reassessing term of lease, subsequent (reassessment) of lease liability
- **retain** finance lease disclosures

## Part B

Questions on sections of the *IFRS for SMEs* Standard that could be aligned with IFRS Standards



In Part B the Board asks for views on:

- **aligning the** *IFRS for SMEs* Standard be with IFRS Standards;
- **leaving (retaining)** *IFRS for SMEs* Standard unchanged; or
- **requests** further information



What are your views on the **aligning** or **leaving** the *IFRS for SMEs* Standard unchanged as set out in slides 16 to 21?

Do you have comments on the topics the Board is requesting further information on?

# Questions on new topics and other matters related to the *IFRS for SMEs* Standard

## IFRS 14 *Regulatory Deferral Accounts*

Not aligning with IFRS 14 because it may be replaced by an active standard-setting project

## Other topics not addressed by the *IFRS for SMEs* Standard

Topics which constituents think should be the subject of specific requirements

## Simplifications when measuring a defined benefit obligation

Section 28 of the *IFRS for SMEs* Standard simplifies measurement of a defined benefit obligation if an entity is unable, without undue cost or effort, to use the projected unit credit method.

The Board is seeking information on how often the simplifications are applied and whether constituents experience difficulties in applying them.

## Cryptocurrency

Are holdings of cryptocurrency and issues of cryptoassets prevalent among entities eligible to apply the *IFRS for SMEs* Standard?

## Additional matters

Other questions relating to the *IFRS for SMEs* Standard

## Part C

Questions on new topics and other matters related to the *IFRS for SMEs* Standard

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Do you have comments on the topics addressed in Part C?



# How to respond

## Stakeholders can respond ...

... by comment letter

Comment letters are submitted using the usual procedure

... using the optional response document

Comment letters are submitted using the optional response document

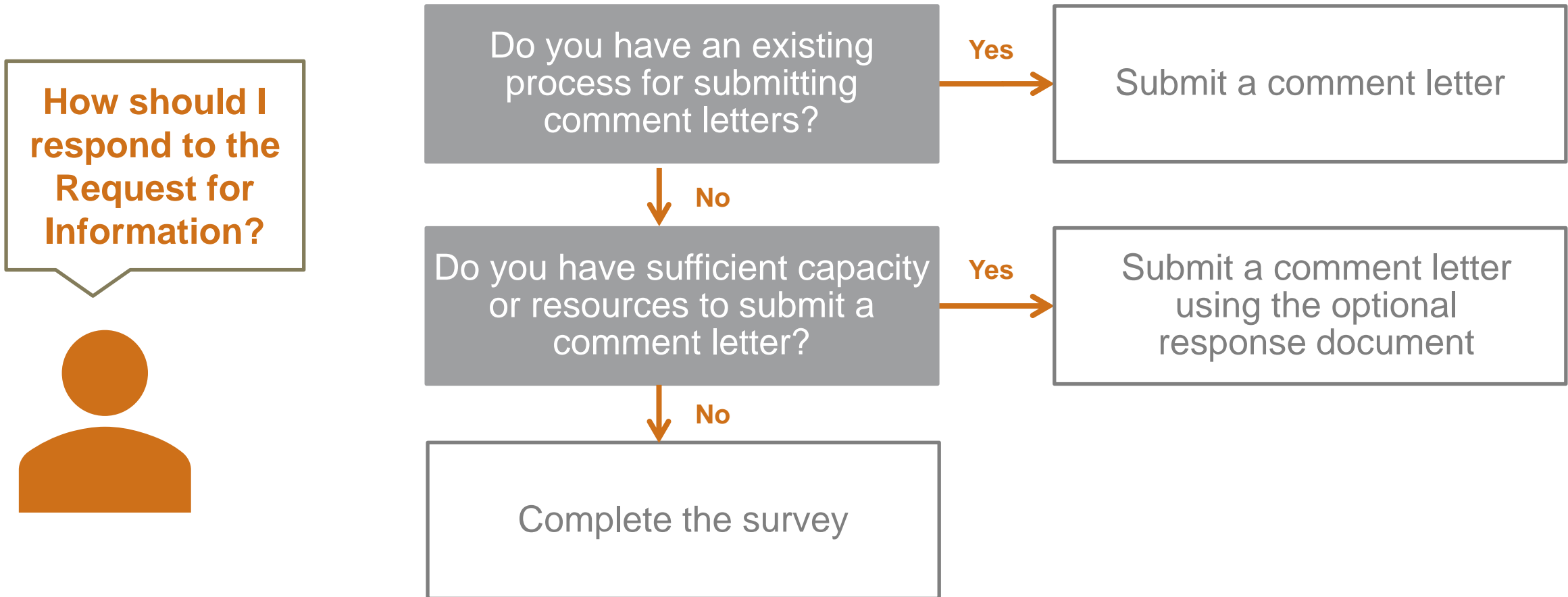
... by responding to the survey

Comments are made via survey. The survey is an alternative form of outreach\* that:

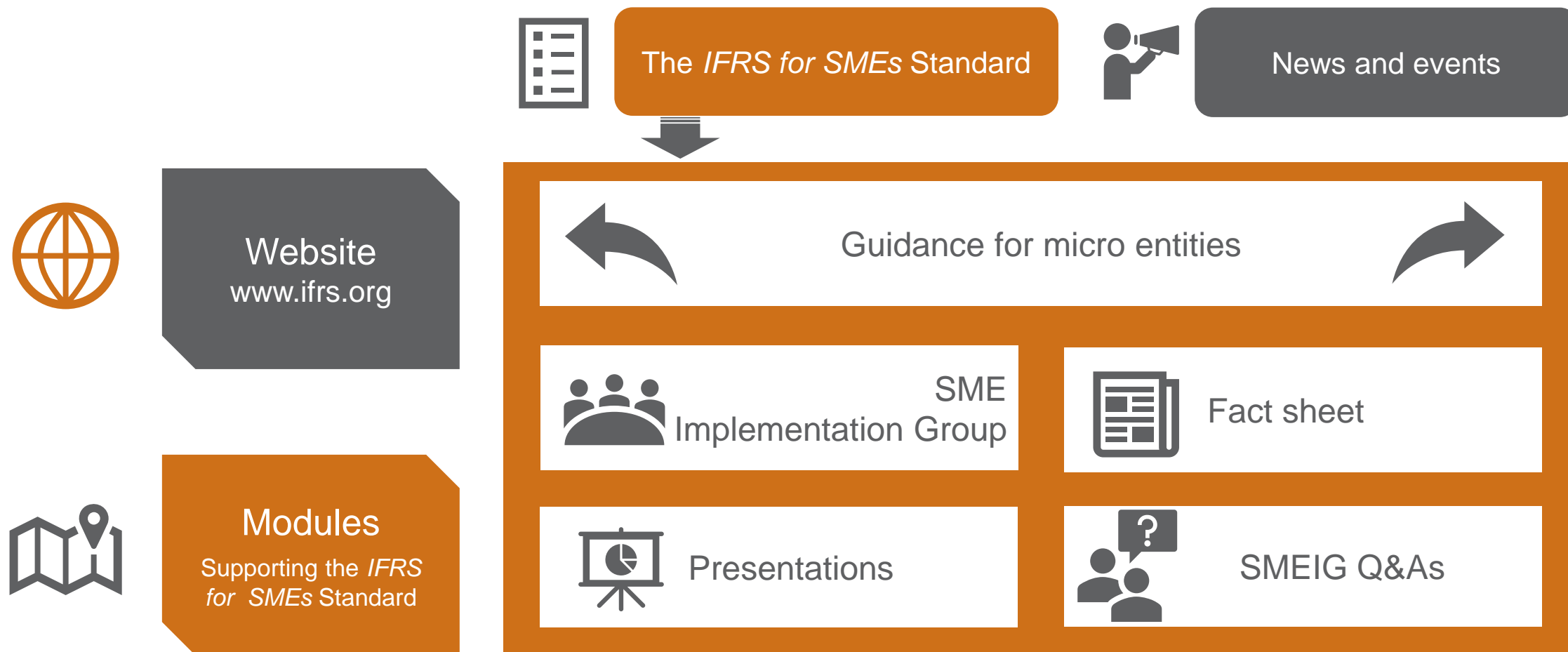
- contains text from the Invitation to Comment
- reproduces the questions from the Invitation to Comment
- specifies a deadline of 27 July 2020 (to be discussed at April Board meeting)
- will be the subject of separate analysis for the Board

\*Paragraph 6.60(c) of the *Due Process Handbook*.

# Deciding how to respond to the Request for Information



# Resources available on our website



# Get involved

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