

STAFF PAPER

February 2021

SME Implementation Group meeting

Project	Second Comprehensive Review of the <i>IFRS for SMEs</i> ® Standard		
Paper topic	Cover paper		
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This paper has been prepared for discussion at a public meeting of the SME Implementation Group. The views expressed in this paper do not represent the views of the International Accounting Standards Board (Board) or any individual member of the Board. Comments on the application of IFRS® Standards or the *IFRS for SMEs*® Standard do not purport to set out acceptable or unacceptable application of IFRS Standards or the *IFRS for SMEs*® Standard. Technical decisions are made in public and reported in IASB® *Update*.

Objective of this meeting

1. The International Accounting Standards Board (Board) has completed the first phase of the second comprehensive review of the *IFRS for SMEs* Standard.
2. The purpose of this meeting is for the SME Implementation Group (SMEIG) to:
 - (a) discuss the feedback on the Request for Information *Comprehensive Review of the IFRS for SMEs Standard* (Request for Information); and
 - (b) develop recommendations that will enable the Board to decide the project's direction (refer to paragraphs 10–13 of this paper).
3. The recommendations of the SMEIG will be reported to the Board in March 2021.

Background

Overview of the Second Comprehensive Review of the IFRS for SMEs Standard

4. In concluding the first comprehensive review the Board considered its plans for future reviews of the *IFRS for SMEs* Standard. The Board agreed to a comprehensive review of the *IFRS for SMEs* Standard starting around two years after the effective date of the amendments to the Standard resulting from a previous comprehensive review. Accordingly, the Board commenced its second comprehensive review of the *IFRS for SMEs* Standard in January 2019.
5. The Board published the Request for Information in January 2020. The Board has discussed in detail all the questions in the Request for Information. The way the questions were expressed indicated the Board's reasoning on important issues, for instance, on whether to align the *IFRS for SMEs* Standard with IFRS Standards. The Board has not reached a preliminary view on any of these issues.

Objective of the Request for Information¹

6. The objective of the Request for Information was to seek views on whether and how the *IFRS for SMEs* Standard should be amended.
7. In particular, the Request for Information sought views on:
 - (a) the framework the Board developed for approaching the second comprehensive review.
 - (b) specific sections of the *IFRS for SMEs* Standard that could be aligned with IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations in the scope of the review.
 - (c) topics not addressed in the *IFRS for SMEs* Standard and on whether the Standard could be aligned with IFRS Standards on these topics. The

¹ The reasons for publishing a Request for Information as part of the first phase of the second comprehensive review are set out in Appendix A to [December 2019 Agenda Paper 30A](#).

Request for Information also asked about topics on which the Board has received feedback.

Methods for obtaining feedback

8. The Board acknowledged the resource constraints for SMEs that may want to respond to the Request for Information. As a result, the Board provided several ways for respondents to give feedback, including:
- (a) outreach events;
 - (b) comment letters;
 - (c) an online survey; and
 - (d) a user survey and user interviews.

Meeting Agenda Papers

9. This meeting will discuss:
- (a) *SMEIG Agenda Paper 1 Cover paper* (this paper)—the background of the comprehensive review and how the report containing the SMEIG’s recommendations will be prepared;
 - (b) *SMEIG Agenda Paper 2 Comment letter summary*—a summary of comment letters on the Request for Information;
 - (c) *SMEIG Agenda Paper 3 Online survey feedback summary*—a summary of responses to the online survey on the Request for Information;
 - (d) *SMEIG Agenda Paper 4 Outreach feedback summary*—a summary of feedback from outreach events on the Request for Information; and
 - (e) *SMEIG Agenda Paper 5 User survey and user interview feedback summary*—a summary of responses to the user survey and user interviews.

SMEIG recommendations

10. Based on the staff analysis in Agenda Papers 2–5 and particularly the staff preliminary thoughts discussed in Agenda Paper 2, at this meeting SMEIG members are asked to develop recommendations to enable the Board to decide the project’s direction on the following aspects:
- (a) whether, how and when the Board should align the *IFRS for SMEs* Standard with full IFRS Standards.
 - (b) whether the Board should develop amendments to the *IFRS for SMEs* Standard for the following topics discussed in Part B of the Request for Information:
 - (i) alignment with 2018 *Conceptual Framework* (Question S1 in the Request for Information);
 - (ii) alignment with IFRS 13 *Fair Value* (Question S9 in the Request for Information);
 - (iii) alignment with IFRS 3 *Business Combinations* (2008) (Question S5 in the Request for Information);
 - (iv) alignment with IFRS 10 *Consolidated Financial Statements* (Question S2 in the Request for Information);
 - (v) alignment with IFRS 11 *Joint Arrangements* (Question S4 in the Request for Information);
 - (vi) alignment with IFRS 9 *Financial Instruments* (Question S3 in the Request for Information);
 - (vii) alignment with IFRS 16 *Leases* (Question S6 in the Request for Information); and
 - (viii) alignment with IFRS 15 *Revenue from Contracts with Customers* in (Question S7 in the Request for Information).
11. The staff plan to seek the recommendations of the SMEIG on the other aspects discussed in the Request for Information at a future SMEIG meeting.

12. In March 2021, the staff plan to report to the Board on how to approach the second phase of the comprehensive review. The SMEIG recommendations will be based on the responses to the Request for Information.
13. The staff will:
 - (a) prepare a first draft of the SMEIG report based on discussions at the SMEIG meeting and circulate the draft report to SMEIG members; and
 - (b) indicate in the report general consensus among SMEIG members, and the members' reasons for agreement as well as divergent views and arguments put forward on matters that lack consensus.

Next steps

14. At its March 2021 meeting, the Board aims to decide the project direction for the second phase of the comprehensive review, based on the feedback to the Request for Information and the SMEIG's recommendations.
15. Once the Board has agreed the project direction for the second phase of the comprehensive review, the Board will begin deliberation of specific topics included in the Request for Information and decide whether to amend the *IFRS for SMEs* Standard.
16. Staff will continue to consult the SMEIG during the second phase of the comprehensive review, for recommendations on how to address specific matters on which the Board sought views in the Request for Information.
17. If the Board decides to amend the *IFRS for SMEs* Standard, it will publish an Exposure Draft.