

STAFF PAPER

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IASB[®] meeting

Project	Second Comprehensive Review of the <i>IFRS for SMEs</i> [®] Standard		
Paper topic	Project plan for the second phase of the review		
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (Board) and does not represent the views of the 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*.

Purpose of the paper

1. This paper:
 - (a) discusses the project plan for the second phase of the second comprehensive review of the *IFRS for SMEs* Standard, following the completion of the first phase with the publication of the Request for Information *Comprehensive Review of the IFRS for SMEs Standard* in January 2020 (Request for Information); and
 - (b) asks the International Accounting Standards Board (Board) to decide the next step of its second comprehensive review of the *IFRS for SMEs* Standard.

Summary of staff recommendations

2. The staff recommend the Board:
 - (a) move the project from its research programme to the standard-setting work plan;
 - (b) confirm that the scope of the review is as set out in the Request for Information;

- (c) work in the direction of publishing an Exposure Draft, proposing amendments to the *IFRS for SMEs* Standard for new requirements that are in the scope of the review; and
- (d) develop proposed amendments to the *IFRS for SMEs* Standard using the approach which the Board consulted on in the Request for Information—treating alignment with IFRS Standards as the starting point, applying the principles of relevance to SMEs, simplicity and faithful representation in determining whether and how that alignment should take place.

Structure of the paper

- 3. This paper is structured as follows:
 - (a) background (see paragraphs 5–11 of this paper);
 - (b) feedback on the strategic and general questions in the Request for Information and SME Implementation Group (SMEIG) recommendations (see paragraphs 12–23 of this paper);
 - (c) moving the project to the standard-setting work plan (see paragraphs 24–27 of this paper);
 - (d) timeline (see paragraphs 28–31 of this paper); and
 - (e) staff recommendations and questions for the Board (see paragraphs 32–34 of this paper).
- 4. Appendix A to this paper summarises preliminary staff thoughts and SMEIG recommendations (where sought) for:
 - (a) specific sections of the *IFRS for SMEs* Standard that could be aligned with IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations (Part B of the Request for Information); and
 - (b) topics that are not addressed in the *IFRS for SMEs* Standard for which the Standard could be aligned with IFRS Standards and topics on which the Board has received feedback (Part C of the Request for Information).

Background

5. The Board:
 - (a) issued the *IFRS for SMEs* Standard in 2009, with immediate effect;
 - (b) completed its first comprehensive review of the Standard in 2015 by issuing an amended Standard, which became effective in 2017; and
 - (c) commenced its second comprehensive review of the Standard in 2019— paragraph BC264 of the Basis for Conclusions on the *IFRS for SMEs* Standard explains that a comprehensive review of the *IFRS for SMEs* Standard should commence approximately two years after the effective date of the amendments to the *IFRS for SMEs* Standard resulting from a previous comprehensive review.
6. The second comprehensive review of the *IFRS for SMEs* Standard includes many IFRS Standards in its scope, in part, because it re-examines some IFRS Standards from the scope of the first comprehensive review. As discussed in paragraph 17 of the Request for Information, when the Board performed its first comprehensive review of the *IFRS for SMEs* Standard, it considered some IFRS Standards and amendments to IFRS Standards but decided not to amend the *IFRS for SMEs* Standard because:
 - (a) the Board wanted to minimise changes to what was then a newly issued Standard; and
 - (b) many entities that had adopted the *IFRS for SMEs* Standard had done so very recently.
7. As first step in the second comprehensive review of the *IFRS for SMEs* Standard, in January 2020 the Board published the Request for Information. The objective of the Request for Information was to seek views on whether and how the Board should amend the *IFRS for SMEs* Standard. In particular, the Request for Information sought views on:
 - (a) the framework the Board developed for approaching the second comprehensive review (Part A of the Request for Information);

- (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 (Part B of the Request for Information); and
 - (c) topics not addressed in the *IFRS for SMEs* Standard and on whether the Standard could be aligned with IFRS Standards on these topics and topics on which the Board has received feedback (Part C of the Request for Information).
8. The Request for Information was open for comments for 270 days until the end of October 2020. During the 270-day comment period, Board members and staff conducted various activities to gather feedback from stakeholders across various jurisdictions:
- (a) Board members and staff met remotely with over 2,000 stakeholders in approximately 15 individual and group meetings in over 90 jurisdictions in Africa, Americas, Asia-Oceania and Europe;
 - (b) the Board obtained additional feedback via:
 - (i) 66 comment letters;
 - (ii) 30 completed online surveys—the online survey replicated the questions included in the Request for Information;
 - (iii) 54 completed user surveys—the user survey included 13 questions focused on the needs of users of SMEs financial statements; and
 - (iv) 12 interviews with users of SMEs financial statements.
9. At its December 2020 meeting, the Board:
- (a) discussed key messages from its outreach events, online surveys and a preliminary analysis of the comment letters; and
 - (b) asked the SMEIG to:
 - (i) discuss the feedback on the Request for Information; and
 - (ii) develop recommendations that will enable the Board to decide the project’s direction.

10. The SMEIG met on 4–5 February 2021. The following meeting papers were distributed to SMEIG members and to Board members:
- (a) [*SMEIG Agenda Paper 1 Cover paper*](#)—the background of the comprehensive review and the process for preparing the report containing SMEIG recommendations;
 - (b) [*SMEIG Agenda Paper 2 Comment letter summary*](#)—a summary of comment letters on the Request for Information, including staff preliminary thoughts for each topic discussed in the Request for Information in the light of the feedback from comment letters;
 - (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.
11. At its February 2021 meeting the Board received an update on the SMEIG meeting that took place on 4–5 February 2021. A report providing a summary of the SMEIG meeting will be available on the IFRS Foundation website.

Feedback on the strategic and general questions in the Request for Information and SMEIG recommendations

Alignment approach and principles

12. As discussed in paragraph 7 of this paper, the Request for Information set out the framework the Board developed for approaching the second comprehensive review and asked for comments on the Board’s approach. The Board’s approach has been to treat alignment with IFRS Standards as the starting point for developing the Request

for Information, with judgement applied in determining whether and how that alignment should take place.¹

13. The staff think that the comments provided by stakeholders (including those of the SMEIG) on the alignment approach support the Board continuing with the approach in the second phase of its second comprehensive review of the *IFRS for SMEs* Standard. Paragraphs 14–16 of this paper explain why the staff think the Board has sufficient evidence to continue with the alignment approach.

14. Overall, stakeholders who provided feedback on the alignment approach and principles in Request for Information expressed support for the *IFRS for SMEs* Standard continuing to be based on IFRS Standards to reflect improvements introduced by new requirements in IFRS Standards. Whilst comment letters, responses to the online survey and comments made by participants in outreach events supported the alignment approach respondents to the user survey, both users and non-users, expressed mixed views. Stakeholders who did not support the alignment approach were concerned about the limited resources available to SMEs and the complexity of some requirements in IFRS Standards, particularly IFRS 9 *Financial Instruments* and IFRS 16 *Leases*.

15. Stakeholders who engaged in the consultation also provided support for:
 - (a) the use of the principles of relevance to SMEs, simplicity and faithful representation to determine whether and how the *IFRS for SMEs* Standard should be aligned with IFRS Standards. However, many stakeholders recommended to consider costs and benefits of any possible amendment to the *IFRS for SMEs* Standard as part of those principles; and
 - (b) aligning principles and important definitions, but not the precise wording of requirements as this might be inconsistent with the objective of simplifying the language in the *IFRS for SMEs* Standard compared to IFRS Standards.

¹ Paragraph 30 of the Request for Information.

16. SMEIG members generally agreed with the staff preliminary thoughts that the feedback on the Request for Information provides evidence for the Board to:
- (a) continue to develop the *IFRS for SMEs* Standard based on the principles and requirements of IFRS Standards, without changing the original objective of the *IFRS for SMEs* Standard. The *IFRS for SMEs* Standard:
 - (i) focuses on the needs of lenders, creditors and other users of SMEs financial statements who are primarily interested in information about cash flows, liquidity and solvency; and
 - (ii) takes into consideration the costs to SMEs and the capabilities of SMEs to provide financial information.
 - (b) develop any proposed amendments to the *IFRS for SMEs* Standard to reflect principles and important definitions in a new IFRS Standard, amendment to an IFRS Standard and IFRIC Interpretation.
 - (c) confirm the use of the principles of relevance to SMEs, simplicity and faithful representation in determining whether and how the *IFRS for SMEs* Standard should be aligned with full IFRS Standards.
 - (d) consider cost-benefit balance as part of those principles—in particular, consider costs and benefits of aligning the *IFRS for SMEs* Standard with a new requirement *separately* for each new IFRS Standard, amendment to an IFRS Standard and IFRIC Interpretation.
 - (e) specify how the principles are met for proposing an amendment to the *IFRS for SMEs* Standard.
17. The alignment approach starts with a new IFRS Standard in the scope of the review and applies the principles of relevance to SMEs, simplicity and faithful representation. If the Board supports commencing the second phase of the review using the alignment approach the staff will consider the feedback on the Request for Information regarding each of these principles.
18. For example, the feedback on aligning the *IFRS for SMEs* Standard with IFRS 16 does not raise questions regarding the relevance of the topic to SMEs. However, there is some discussion on whether the simplifications discussed in the Request for

Information would lead to faithful representation. In addition, there is some concern about the cost of aligning *the IFRS for SMEs* Standard with IFRS 16. In applying the alignment approach the staff plan to:

- (a) firstly, discuss the feedback on possible simplifications with preparers that have already implemented IFRS 16.
- (b) subsequently, bring a paper to the Board’s attention analysing the feedback on the Request for Information, the views of SMEIG members and any additional work the staff have performed to follow up matters raised in response to the Request for Information. The paper will consider these matters in relation to the principle and recommend whether the Board should propose amending Section 20 *Leases* of the *IFRS for SMEs* Standard.

When to consider alignment

- 19. The Request for Information also asked on how soon after issuing a new requirement the Board should consider making related changes to the *IFRS for SMEs* Standard.
- 20. The feedback on this question was mixed. Respondents via comment letters and the online survey preferred considering only requirements that are effective and for which there is enough implementation experience. In contrast, participants to outreach events preferred considering requirements issued up to the date of publication of the Request for Information. Stakeholders also suggested the Board has some flexibility. For example, major amendments could be considered only if they are effective, while minor amendments could be considered earlier if they issued.
- 21. The staff note that:
 - (a) the feedback on the Request for Information provides evidence for the Board to consider alignment for requirements that are effective at the publication date of the Request for Information (ie effective on or before 1 January 2020), in line with the scope of the review set out in the Request for Information. This excludes, for example, amendments resulting from the Interest Rate Benchmark (IBOR) Reform—Phase 2 (effective in 2021), the

Annual Improvements to IFRS Standards 2018–2020 (effective in 2022) and *IFRS 17 Insurance Contracts* (effective in 2023).

- (b) a deferral to the next comprehensive review of the decision about the alignment of any IFRS Standards and amendments to IFRS Standards that are effective on or before 1 January 2020 would risk resulting in too many new requirements in the scope of the third comprehensive review. As discussed in paragraph 6 of this paper, the second comprehensive review of the *IFRS for SMEs* Standard already includes many IFRS Standards in its scope.
22. SMEIG members generally agreed that a policy determining when to consider a new requirement for alignment would provide certainty and stability. However, some SMEIG members suggested that the Board:
- (a) adopt a flexible approach. For example, if the time-sensitivity of a new requirement justifies swift consideration for alignment with the *IFRS for SMEs* Standard, the Board should be able to propose timely amendments to the *IFRS for SMEs* Standard.
 - (b) state that future reviews of the *IFRS for SMEs* Standard will not reconsider an IFRS Standard, amendment to an IFRS Standard or an IFRIC Interpretation that was considered as part the second comprehensive review unless a specific matter is brought to its attention.
23. Accordingly, the staff think the Board:
- (a) should not change the scope of the review, for example to consider new requirements issued after the publication date of the Request for Information or to defer to the next comprehensive review the decision about the alignment of some of the new requirements that are effective on or before 1 January 2020; and
 - (b) therefore, confirm that the scope of the review is as set out in the Request for Information.

Moving the project to the standard-setting work plan²

24. To manage resources effectively and to prioritise standard-setting work, the Due Process Handbook states that:
- (a) in considering whether to add a standard-setting project to the work plan, the Board requires the development of a specific project proposal and an assessment against the project criteria outlined in paragraph 5.4 of the Due Process Handbook;³
 - (b) the Board considers adding a standard-setting project to the work plan after considering any research it has undertaken on the topic;⁴ and
 - (c) the Board adds a project to the work plan only if it concludes that the benefits of the improvements to financial reporting will outweigh the costs.⁵
25. The staff note that the *IFRS for SMEs* Standard is maintained through periodic review. Paragraph P16 of the preface to the *IFRS for SMEs* Standard states that:

The IASB [Board] expects to propose amendments to the *IFRS for SMEs* [Standard] by publishing an omnibus Exposure Draft *periodically*,⁶ but not more frequently than approximately once every three years. In developing those Exposure Drafts, it expects to consider new and amended full IFRS Standards as well as specific issues that have been brought to its attention regarding application of the *IFRS for SMEs* [Standard]. On occasion, the IASB [Board] may identify an urgent matter for which amendment of the *IFRS for SMEs* [Standard] may need

² Paragraph 1.2 of the Due Process Handbook states that when the Due Process Handbook refers to the development of an IFRS Standard or an amendment to an IFRS Standard, the same process also applies to the development of an *IFRS for SMEs* Standard or an amendment to the *IFRS for SMEs* Standard.

³ Paragraph 5.4 of the Due Process Handbook states that the Board evaluates the merits of adding a potential project to the work plan primarily on the basis of the needs of users of financial reports, while also taking into account the costs of preparing the information in financial reports. When deciding whether a proposed agenda item will address users' needs, the Board considers (a) whether there is a deficiency in the way particular types of transactions or activities are reported in financial reports; (b) the importance of the matter to those who use financial reports; (c) the types of entities likely to be affected by any proposals, including whether the matter is more prevalent in some jurisdictions than others; and (d) how pervasive or acute a particular financial reporting issue is likely to be for entities.

⁴ Paragraph 5.5 of the Due Process Handbook.

⁵ Paragraph 5.7 of the Due Process Handbook.

⁶ Emphasis added.

to be considered outside the periodic review process. However, such occasions are expected to be rare.

26. The Board would normally propose to make major amendments to a Standard only after it has published a Discussion Paper and considered the comments it receives from that consultation. However, publishing a Discussion Paper is not necessary when the Board is satisfied that it has sufficient information and understands the problem and the potential solutions well enough. As discussed in paragraph 43 of the Request for Information, in reviewing each IFRS Standard, amendment to an IFRS Standard or IFRIC Interpretation in the scope of the review, the Board decided to:
- (a) seek views on aligning the *IFRS for SMEs* Standard with the IFRS Standard, amendment to an IFRS Standard or IFRIC Interpretation;
 - (b) seek views on leaving the *IFRS for SMEs* Standard unchanged (that is, on not aligning it with IFRS Standards); or
 - (c) request further information to help it reach a decision.
27. The staff think that:
- (a) the Board has sufficient information via feedback from the Request for Information to proceed directly to an Exposure Draft (see paragraphs 7–11 of this paper);
 - (b) the Board has sufficient feedback on the overall approach to amending the *IFRS for SMEs* Standard, which has received overall support from the stakeholders who engaged in the consultation;
 - (c) the publication of a Discussion Paper exploring a range of possible approaches to amending the *IFRS for SMEs* Standard would risk overburdening the limited resources available to SMEs to engage in the consultation; and
 - (d) an Exposure Draft would enable stakeholders to provide feedback on the proposed amendments themselves.

Timeline

28. If the Board agrees with the staff recommendation to proceed to an Exposure Draft (see paragraph 32 of this paper), in the coming months the staff plan to bring to the Board's attention papers for:
- (a) each of the specific sections of the *IFRS for SMEs* Standard that could be aligned with IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations (Part B of the Request for Information); and
 - (b) topics that are not addressed in the *IFRS for SMEs* Standard for which the Standard could be aligned with IFRS Standards and topics on which the Board has received feedback (Part C of the Request for Information).
29. To develop those papers, the staff will further analyse the feedback provided by stakeholders, including feedback obtained through interviews with users of SMEs financial statements, meetings with national standard-setters and comment letters from accounting professionals working closely with preparers.⁷ In addition, as suggested by some Board members and by SMEIG members, the staff plan to obtain:
- (a) additional feedback directly from preparers applying the *IFRS for SMEs* Standard (or a standard based on the *IFRS for SMEs* Standard) about:
 - (i) their experience of applying the *IFRS for SMEs* Standard based on IFRS Standards; and
 - (ii) the information they are regularly asked to provide to lenders and other users of their financial statements to better understand users' information need.
 - (b) the experience of entities that apply:
 - (i) the simplified expected credit loss approach in IFRS 9; and
 - (ii) IFRS 16.

⁷ The Board has received 66 comment letters on the Request for Information, of which 26 from accounting bodies (39%).

30. The staff plan also to seek the recommendations of the SMEIG on the topics not discussed at the SMEIG meeting on 4–5 February 2021 (see Appendix A to this paper).
31. The timeline will depend on the number of resources available and the time needed to complete the work discussed in paragraphs 29–30 of this paper. However, the staff anticipate that it is unlikely that any Exposure Draft will be published before the first half of 2022.

Staff recommendations and questions for the Board

32. The staff recommend the Board:
 - (a) move the project from its research programme to its standard-setting work plan;
 - (b) confirm that the scope of the review is as set out in the Request for Information;
 - (c) work in the direction of publishing an Exposure Draft, proposing amendments to the *IFRS for SMEs* Standard for new requirements that are in the scope of the review; and
 - (d) develop proposed amendments to the *IFRS for SMEs* Standard using the approach which the Board consulted on in the Request for Information—treating alignment with IFRS Standards as the starting point, applying the principles of relevance to SMEs, simplicity and faithful representation in determining whether and how that alignment should take place.
33. If the Board agrees with the staff recommendation in paragraph 32 of this paper, the staff envisage that the content of the Exposure Draft will become clear as the Board deliberates the 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, and other topics.
34. The staff recommendation in paragraph 32 of this paper does necessarily mean that, at this stage, the staff think that the Board should propose amendments for each topic

discussed in the Request for Information. Appendix A to this paper summarises preliminary staff thoughts and SMEIG recommendations so far on the topics discussed in Part B and in Part C of the Request for Information.

Questions for the Board

Does the Board agree to:

- (a) move the project from its research programme to its standard-setting work plan;
- (b) confirm that the scope of the review is as set out in the Request for Information;
- (c) work in the direction of publishing an Exposure Draft, proposing amendments to the *IFRS for SMEs* Standard for new requirements that are in the scope of the review; and
- (d) develop proposed amendments to the *IFRS for SMEs* Standard using the approach which the Board consulted on in the Request for Information—treating alignment with IFRS Standards as the starting point, applying the principles of relevance to SMEs, simplicity and faithful representation in determining whether and how that alignment should take place?

Appendix A—Staff thoughts and SMEIG recommendations so far on the topics discussed in Part B and in Part C of the Request for Information

A1. The following table summarises staff thoughts and SMEIG recommendations so far for each specific section of the *IFRS for SMEs* Standard that could be aligned with IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations (Part B of the Request for Information).

Question in the Request for Information		Preliminary staff thoughts	SMEIG recommendation
S1	Aligning Section 2 <i>Concepts and Pervasive Principles</i> of the <i>IFRS for SMEs</i> Standard with the 2018 <i>Conceptual Framework for Financial Reporting</i>	<p>The staff think that the feedback provides evidence for the Board to:</p> <p>(a) propose aligning Section 2 with the 2018 <i>Conceptual Framework</i>. The staff plan to identify if any appropriate amendments are needed to other sections of the Standard if Section 2 is aligned with the 2018 <i>Conceptual Framework</i>.</p> <p>(b) retain the undue cost or effort concept due to the additional relief that it provides to those applying the Standard.</p>	Overall agreement with preliminary staff thoughts

Question in the Request for Information		Preliminary staff thoughts	SMEIG recommendation
S2	Aligning Section 9 <i>Consolidated and Separate Financial Statements</i> of the <i>IFRS for SMEs Standard</i> with IFRS 10 <i>Consolidated Financial Statements</i>	<p>The staff think that:</p> <p>(a) the feedback provides evidence for the Board to consider aligning the definition of control in Section 9 with that of IFRS 10 and retaining and updating paragraph 9.5 of the <i>IFRS for SMEs Standard</i>; and</p> <p>(b) the Board should further investigate the relevance of the requirement that investment entities measure investments in subsidiaries at fair value through profit or loss, in the light of the mixed feedback.</p>	<p>Overall agreement with preliminary staff thoughts.</p> <p>SMEIG members said some private equity entities apply the <i>IFRS for SMEs Standard</i>. These entities would prefer the Board to introduce the requirement that investment entities measure investments in subsidiaries at fair value through profit or loss.</p>
S3A	Aligning Section 11 <i>Basic Financial Instruments</i> and Section 12 <i>Other Financial Instrument Issues</i> of the <i>IFRS for SMEs Standard</i> with IFRS 9 <i>Financial Instruments</i>	<p>The staff think that the feedback provides evidence for the Board to develop any proposed amendments to supplement the list of examples in Section 11 with a principle for classifying financial assets based on their contractual cash flow characteristics.</p>	<p>Overall agreement with preliminary staff thoughts.</p>
	Principle for classifying financial assets		

Question in the Request for Information		Preliminary staff thoughts	SMEIG recommendation
S3B	Aligning Section 11 <i>Basic Financial Instruments</i> and Section 12 <i>Other Financial Instrument Issues</i> of the <i>IFRS for SMEs Standard with IFRS 9 Financial Instruments</i> Impairment of financial assets	The staff think the Board should undertake additional work to understand the experience of entities that apply the simplified expected credit loss approach in IFRS 9 to decide on whether to propose amendments to the <i>IFRS for SMEs Standard</i> to align with the simplified approach. The staff are organising meetings with preparers with practical experience of applying IFRS 9.	Overall agreement with preliminary staff thoughts.
S3C	Aligning Section 11 <i>Basic Financial Instruments</i> and Section 12 <i>Other Financial Instrument Issues</i> of the <i>IFRS for SMEs Standard with IFRS 9 Financial Instruments</i> Hedge accounting	The staff think that the feedback provides evidence for the Board to retain the hedge accounting requirements in Section 12. Should the Board propose to change to IFRS 9 the 'fallback' to IAS 39 in Section 11, an SME could choose to apply either Sections 11 and 12 or the hedge accounting requirements in IFRS 9, applying paragraph 11.2 of the <i>IFRS for SMEs Standard</i> .	SMEIG members expressed no particular preference for any of the alternatives (that is, removing, retaining or aligning with IFRS 9 the accounting requirements on hedge accounting in Section 12).
S3D	Aligning Section 11 <i>Basic Financial Instruments</i> and Section 12 <i>Other Financial Instrument Issues</i> of the <i>IFRS for SMEs Standard with IFRS 9 Financial Instruments</i> 'Fallback' to IAS 39	The staff think that that the feedback provides evidence for the Board to propose to change to IFRS 9 the 'fallback' to IAS 39 in Section 11 for the recognition and measurement of financial instruments. The staff plan to analyse the disclosures in Sections 11 and 12 to enable the Board to assess whether they are adequate for entities that choose to apply IFRS 9.	Overall agreement with preliminary staff thoughts.

Question in the Request for Information		Preliminary staff thoughts	SMEIG recommendation
S3E	Aligning Section 11 <i>Basic Financial Instruments</i> and Section 12 <i>Other Financial Instrument Issues</i> of the <i>IFRS for SMEs Standard with IFRS 9 Financial Instruments</i> Financial guarantee contracts	The staff think that the feedback: (a) provides evidence for the Board to propose introducing the definition of a financial guarantee contract from IFRS 9 to the <i>IFRS for SMEs Standard</i> ; and (b) indicates the Board should research the problems that SMEs encounter when accounting for issued financial guarantee contracts and explore accounting for issued financial guarantee contracts applying Section 21 of the <i>IFRS for SMEs Standard</i> as an alternative to aligning the requirements in the <i>IFRS for SMEs Standard</i> for issued financial guarantee contracts with IFRS 9.	Overall agreement with preliminary staff thoughts.
S4	Aligning Section 15 <i>Investments in Joint Ventures</i> of the <i>IFRS for SMEs Standard with IFRS 11 Joint Arrangements</i>	The staff think that the feedback provides evidence for the Board to: (a) propose to align the definition of joint control with IFRS 11; (b) retain the categories and accounting requirements of joint arrangements; and (c) retain the accounting requirements of joint arrangements.	Overall agreement with preliminary staff thoughts.

Question in the Request for Information		Preliminary staff thoughts	SMEIG recommendation
S5	Aligning Section 19 <i>Business Combinations and Goodwill</i> of the <i>IFRS for SMEs</i> Standard with IFRS 3 (2008) <i>Business Combinations</i>	The staff think that the feedback provides support for the Board to develop proposed amendments to the <i>IFRS for SMEs</i> Standard to align Section 19 with IFRS 3 (2008) as set out in the Request for Information.	SMEIG members provided mixed views on including in the <i>IFRS for SMEs</i> Standard the requirements for accounting for step acquisitions, depending on whether they are relevant for SMEs.
S6	Aligning Section 20 <i>Leases</i> of the <i>IFRS for SMEs</i> Standard with IFRS 16 <i>Leases</i>	The staff think the Board should undertake additional work to understand the experience of entities that apply IFRS 16 before deciding whether to propose aligning the <i>IFRS for SMEs</i> Standard with IFRS 16, even with simplifications. The staff are organising meetings with preparers with practical experience of applying IFRS 16.	Overall agreement with preliminary staff thoughts.
S7	Aligning Section 23 <i>Revenue</i> of the <i>IFRS for SMEs</i> Standard with IFRS 15 <i>Revenue from Contracts with Customers</i>	Although the feedback on possible approaches to align Section 23 with IFRS 15 was mixed, on balance the staff think that the Board should work in the direction of fully rewriting Section 23 to introduce in the <i>IFRS for SMEs</i> Standard a comprehensive and robust framework for the recognition, measurement and disclosure of revenue.	SMEIG members generally supported fully rewriting Section 23 to align with IFRS 15 as this approach will introduce in the <i>IFRS for SMEs</i> Standard the improvements brought by IFRS 15.

Question in the Request for Information		Preliminary staff thoughts	SMEIG recommendation
S8	Aligning Section 28 <i>Employee Benefits</i> of the <i>IFRS for SMEs</i> Standard with IAS 19 (2011) <i>Employee Benefits</i>	The staff plan to further investigate the relevance of the recognition requirements for termination benefits for SMEs and seek the recommendations of the SMEIG at a future meeting.	Not yet discussed with SMEIG members.
S9	Aligning the <i>IFRS for SMEs</i> Standard with IFRS 13 <i>Fair Value Measurement</i>	The staff think that the feedback provides evidence for the Board to: <ul style="list-style-type: none"> (a) align the definition of fair value with IFRS 13; (b) include the guidance on fair value measurement from IFRS 13; (c) include examples on how to apply the fair value hierarchy; and (d) move the guidance and related disclosure requirements to Section 2 of the <i>IFRS for SMEs</i> Standard. 	Overall agreement with preliminary staff thoughts described in paragraphs (a)–(c) of the column in the left. Some SMEIG members did not support moving the guidance and the disclosure requirement to Section 2 and suggested moving these to a sub-section of Section 2 or another section of the Standard.
S10	Aligning multiple sections of the <i>IFRS for SMEs</i> Standard for amendments to IFRS Standards and IFRIC Interpretations	The staff think that the feedback provides support for the Board to develop proposed amendments for some amendments to IFRS Standards and IFRIC Interpretations. The staff plan to seek the recommendations of the SMEIG at a future SMEIG meeting.	Not yet discussed with SMEIG members.

A2. The following table summarises staff thoughts and SMEIG recommendations so far for topics that are not addressed in the *IFRS for SMEs* Standard for which the Standard could be aligned with IFRS Standards and topics on which the Board has received feedback (Part C of the Request for Information).

Question in the Request for Information		Preliminary staff thoughts	SMEIG recommendation
N1	Aligning the <i>IFRS for SMEs</i> Standard with IFRS 14 <i>Regulatory Deferral Accounts</i>	The staff think that the feedback provides evidence for the Board not to align the <i>IFRS for SMEs</i> Standard with IFRS 14. The staff plan to seek the recommendations of the SMEIG at a future SMEIG meeting.	Not yet discussed with SMEIG members.
N2	Cryptocurrency	The staff think that the Board should not consider introducing requirements for cryptocurrency given that feedback has indicated that the holding of cryptocurrency fails the principle of relevance.	Not discussed with SMEIG members.
N3	Defined benefit plans—simplifications allowed in measuring the defined benefit obligation	The staff think the feedback confirms that there is a problem with how to apply the simplifications. The staff therefore plan to analyse and assess the effect of the simplifications for SMEs with the objective of seeking the recommendations of the SMEIG on how the Board can clarify the simplifications.	Not yet discussed with SMEIG members.
N4	Other topics not addressed by the <i>IFRS for SMEs</i> Standard	The staff plan to seek the recommendations of the SMEIG regarding other topics mentioned by stakeholders at a future SMEIG meeting.	Not yet discussed with SMEIG members.
N5	Any additional issues relating to the <i>IFRS for SMEs</i> Standard	The staff plan to seek the recommendations of the SMEIG regarding the additional issues mentioned by stakeholders at a future SMEIG meeting.	Not yet discussed with SMEIG members.