

STAFF PAPER

September 2021

SME Implementation Group meeting

Project	Second Comprehensive Review of the <i>IFRS for SMEs</i> [®] Standard	
Paper topic	Cover note	
CONTACT(S)	Roberta Ravelli	rravelli@ifrs.org
	Wenyi Zheng	wzheng@ifrs.org
	Helen Lloyd	hlloyd@ifrs.org

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.

Introduction

1. The SME Implementation Group (SMEIG) met in February 2021 to discuss the feedback on the Request for Information *Comprehensive Review of the IFRS for SMEs Standard* (Request for Information) and develop recommendations enabling the Board to decide the project's direction.
2. In the light of the feedback and the SMEIG recommendations, at its March 2021 the International Accounting Standards Board (Board) tentatively decided 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 towards publishing an exposure draft, proposing amendments to the *IFRS for SMEs* Standard for new requirements that are in the scope of the review.
 - (d) develop proposed amendments to the *IFRS for SMEs* Standard using the approach on which the Board consulted in the Request for Information.

This approach treats alignment with IFRS Standards as the starting point,

and applies the principles of relevance to SMEs, simplicity and faithful representation, including the assessment of costs and benefits, in determining whether and how that alignment should take place.¹

3. At its May 2021 meeting the Board started deliberating specific sections of the *IFRS for SMEs* Standard that could be aligned with new requirements in IFRS Standards in the scope of the review.
4. The staff are continuing to consult the SMEIG for recommendations on how to address specific matters on which the Board sought views in the Request for Information.

Objective of this meeting

5. The purpose of this meeting is to:
 - (a) update SMEIG members about the project developments since the February 2021 SMEIG meeting; and
 - (b) discuss the feedback on topics in the scope of the second comprehensive review that were not discussed at the February 2021 SMEIG meeting and ask SMEIG members to develop recommendations that will enable the Board to decide the direction for these topics.

Agenda Papers for this meeting

6. The papers for this meeting discuss the following topics:
 - (a) *SMEIG Agenda Paper 1 Cover note* (this paper) provides background information and sets out the objective of this meeting.
 - (b) *SMEIG Agenda Paper 2 SME preparer interview feedback summary* provides a summary of the feedback from preparers on some aspects of applying the *IFRS for SMEs* Standard (or a standard based on the *IFRS for SMEs* Standard) following the suggestion from some Board members and

¹ See [IASB Update March 2021](#).

some SMEIG members to obtain 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; and
 - (ii) the information they are regularly asked to provide to lenders and other users of their financial statements to better understand users' information needs.
- (c) *SMEIG Agenda Paper 3 Update on topics: Conceptual Framework and Financial Instruments* includes an extract of the Board's tentative decisions at its May 2021 meeting.
- (d) *SMEIG Agenda Paper 4A Summary of feedback on aligning the IFRS for SMEs Standard with IFRS 16 Leases* provides a summary of feedback on the Request for Information on the alignment of Section 20 *Leases* of the *IFRS for SMEs* Standard with IFRS 16 and asks SMEIG members for any views, comments or questions on the feedback that would help the staff formulate the plan on aligning or not aligning Section 20 with IFRS 16.
- (e) *SMEIG Agenda Paper 4B Aligning Section 20 Leases of the IFRS for SMEs Standard with IFRS 16 Leases* illustrates possible approaches to align Section 20 with IFRS 16 and asks for views of SMEIG members on these approaches.
- (f) *SMEIG Agenda Paper 5 Section 28 Employee Benefits* provides an overview of the feedback on aligning Section 28 *Employee Benefits* of the *IFRS for SMEs* Standard with IAS 19 *Employee Benefits* (2011) and asks SMEIG members' views on feedback. In addition, Agenda Paper 5 provides an overview of the feedback on the simplifications to measuring the defined benefit obligation and asks SMEIG members to share their experience on how paragraph 28.19 of the *IFRS for SMEs* Standard is applied and if there is diversity in practice.
- (g) *SMEIG Agenda Paper 6 Aligning multiple sections of the IFRS for SMEs Standard for amendments to IFRS Standards and IFRIC Interpretations*

discusses feedback from comment letters and the online survey on Question S10 in the Request for Information and asks views from the SMEIG on the staff preliminary thoughts included in the paper.

- (h) *SMEIG Agenda Paper 7 Alignment with IFRS 14 Regulatory Deferral Accounts* summarises the feedback from comment letters and the online survey on not aligning the *IFRS for SMEs Standard* with *IFRS 14 Regulatory Deferral Accounts* and asks views from the SMEIG on the staff preliminary thoughts included in the paper.
- (i) *SMEIG Agenda Paper 8 Other topics* discusses feedback from comment letters and the online survey on Questions N4 and N5 in the Request for Information and asks SMEIG members' views on whether a topic mentioned by respondents in the comment letters and in the online survey requires any further action by the Board.
- (j) *SMEIG Agenda Paper 9 Subsidiaries without Public Accountability: Disclosures* provides an overview of the Exposure Draft *Subsidiaries without Public Accountability: Disclosures* published by the Board in July 2021 and asks SMEIG members' views on the proposals in the Exposure Draft.

SMEIG recommendations

- 7. The staff seek the recommendations of the SMEIG on the aspects discussed in Agenda Papers 4A–8.
- 8. 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.
- 9. The staff plan to report the SMEIG recommendations to the Board when presenting the staff analysis for the topics discussed at the SMEIG meeting.

Next steps

10. The Board will continue to deliberate specific sections of the *IFRS for SMEs* Standard that could be aligned with new requirements in IFRS Standards in the scope of the review, considering the SMEIG recommendations.
11. The staff will continue to consult the SMEIG when needed.
12. The timeline for completion of the deliberation and publication of the exposure draft will depend on resources available. However, it is unlikely that any exposure draft will be published before the second half of 2022.