

STAFF PAPER

September 2021

SME Implementation Group meeting

Project	Second Comprehensive Review of the <i>IFRS for SMEs</i> [®] Standard	
Paper topic	Update on topics: Conceptual Framework and Financial Instruments	
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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.

Purpose of the paper

1. This paper provides an extract of the International Accounting Standards Board (Board) tentative decisions at the May 2021 Board meeting. The IASB Update May 2021 is available on the IFRS Foundation website [here](#).

Extract from IASB Update May 2021

2. The Board met on 26 May 2021 to:
 - (a) receive a summary of interviews with SME preparers (refer to Agenda Paper 2 for the September 2021 SMEIG meeting); and
 - (b) discuss whether and how to propose amendments to Sections 2 and 11 of the *IFRS for SMEs* Standard.

Towards an exposure draft—2018 Conceptual Framework (Agenda Paper 30B of the May 2021 Board meeting)

3. The Board tentatively decided to propose retaining Section 2 *Concepts and Pervasive Principles* as part of the *IFRS for SMEs* Standard. Ten of the 12 Board members present agreed with this decision. One member was absent.

4. The Board tentatively decided to propose:
 - (a) aligning Section 2 with the 2018 *Conceptual Framework* and to emphasise that the requirements in the other sections of the *IFRS for SMEs* Standard take precedence over what Section 2 would otherwise require;
 - (b) undertaking a review for potential inconsistencies between a revised Section 2 and other sections of the *IFRS for SMEs* Standard when the Board has completed its deliberations on proposed amendments to the *IFRS for SMEs* Standard; and
 - (c) retaining the concept of ‘undue cost or effort’.
5. All 12 Board members present agreed with these decisions. One member was absent.

Towards an exposure draft—IFRS 9 Financial Instruments (classification and measurement of financial assets) (Agenda Paper 30C of the May 2021 Board meeting)

6. The Board tentatively decided to propose an amendment to the *IFRS for SMEs* Standard, subject to the wording of the amendment, to supplement the examples in Section 11 *Basic Financial Instruments* with a principle for classifying financial assets based on their contractual cash flow characteristics.
7. All 12 Board members present agreed with this decision. One member was absent.