

STAFF PAPER

May 2022

IASB® meeting

Project	Second Comprehensive Review of the <i>IFRS for SMEs</i> ® Accounting Standard	
Paper topic	Towards an exposure draft—effective date	
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS Accounting Standards or the *IFRS for SMEs*® Accounting Standard. The IASB's technical decisions are made in public and reported in the IASB® *Update*.

Introduction and purpose of the paper

1. The International Accounting Standards Board (IASB) has tentatively decided to propose amendments to the *IFRS for SMEs* Accounting Standard.
2. The purpose of this paper is to ask the IASB to consider the effective date for the Third edition of the *IFRS for SMEs* Accounting Standard.
3. In this paper, the term SMEs refers to small and medium-sized entities that are eligible to apply the *IFRS for SMEs* Accounting Standard.

Staff recommendation

4. The staff recommend the IASB propose an effective date of the the Third edition of the *IFRS for SMEs* Accounting Standard to be a minimum of two years from when the Third edition of the Standard is issued, with early application permitted.

Staff analysis

Timeline

5. The IASB had tentatively decided to propose a wide range of amendments to the *IFRS for SMEs* Accounting Standard as part of the Second Comprehensive Review. Consequently, there needs to be sufficient time to allow:
 - (a) SMEs to prepare internal systems for changes introduced in the Third edition of the *IFRS for SMEs* Accounting Standard; and
 - (b) for jurisdictions to translate the Third edition of the *IFRS for SMEs* Accounting Standard.
6. The Preface to the of *IFRS for SMEs* Accounting Standard states:

The IASB expects to propose amendments to the *IFRS for SMEs* by publishing an omnibus Exposure Draft periodically, but not more frequently than approximately once every three years.
7. The staff recommend the IASB propose in the Exposure Draft of the Third edition of the *IFRS for SMEs* Accounting Standard that the effective date to be a minimum of two years from issue of the Standard. A minimum of two years will provide sufficient time for SMEs to prepare internal systems for the changes and for translation of the Standard. It also restricts the implementation period from spillover to the next review of the *IFRS for SMEs* Accounting Standard.

Early application

8. Early application of full IFRS Accounting Standards is often permitted to enable entities introduce improvements to financial reporting as soon as they are able to do so.
9. The staff think that early application of the Third edition of the *IFRS for SMEs* Accounting Standard should be allowed. This position is consistent with the IASB's decision on the Second edition of the *IFRS for SMEs* Accounting Standard issued in 2015.

Question for the IASB

Does the IASB agree with the staff recommendation to propose an effective date of the Third edition of the *IFRS for SMEs* Accounting Standard to be a minimum of two years from issuing the Third edition of the Standard, with early application permitted?