IASB® meeting

Date	**October 2023**
Project	**Second Comprehensive Review of the *IFRS for SMEs*® Accounting Standard**
Topic	**Recent amendments to full IFRS Accounting Standards**
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Purpose of this paper

1. The purpose of this paper is to ask the International Accounting Standards Board (IASB) whether to align the *IFRS for SMEs* Accounting Standard with any recent amendments to full IFRS Accounting Standards during this comprehensive review.

2. In this paper, the term SMEs refers to entities that are eligible to apply the *IFRS for SMEs* Accounting Standard (the Standard).

Staff recommendations

3. The staff recommend that the IASB:

   (a) incorporates paragraphs 44G, 44H(a), 44H(b)(i) and (iii) and 44H(c) of *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7) in the third edition of the *IFRS for SMEs* Accounting Standard; and

   (b) does not align the *IFRS for SMEs* Accounting Standard with any other amendments to full IFRS Accounting Standards that have an effective date after 1 January 2020 that were not considered in developing the Exposure Draft *Third edition of the* IFRS for SMEs *Accounting Standard* (the Exposure Draft).

Structure of this paper

4. This paper is structured as follows:

   (a) background (paragraphs 5–8)

   (b) feedback on the Exposure Draft (paragraph 9)

   (c) feedback from the SME Implementation Group (SMEIG) (paragraphs 10–11)

   (d) approach to the staff analysis (paragraph 12)

   (e) staff analysis (paragraphs 13–29)

   (f) staff recommendation and question for the IASB (paragraph 30)

   (g) next steps (paragraph 31)

   (h) Appendix A: staff analysis of alignment with recent and forthcoming amendments to full IFRS Accounting Standards during this comprehensive review

   (i) Appendix B: staff analysis of paragraphs 44F–44H of IAS 7 in *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7)

Background

5. The Request for Information *Comprehensive Review of the* IFRS for SMEs *Standard* asked how soon after issuing a new or revised full IFRS Accounting Standard the IASB should consider making related changes to the *IFRS for SMEs* Accounting Standard. Feedback was mixed. Respondents via comment letters and the online survey preferred considering only full IFRS requirements that are effective and for which there is enough implementation experience. In contrast, participants to outreach events preferred considering full IFRS requirements issued up to the date of publication of the Request for Information. Stakeholders also suggested the IASB has some flexibility. For example, major amendments to full IFRS Accounting Standards could be considered only if they are effective, while minor amendments could be considered earlier.

6. At its September 2023 meeting, the IASB discussed the project plan for redeliberating the proposals in the Exposure Draft.[1] At that meeting the IASB confirmed that based on the feedback received during this comprehensive review, the scope of the review should be as set out in the Request for Information and Exposure Draft, which was to consider alignment for full IFRS requirements that are effective on or before 1 January 2020. Nevertheless, the staff undertook to:

   (a) bring a paper to a future IASB meeting detailing all amendments to full IFRS Accounting Standards with an effective date after 1 January 2020 that were not considered in developing the Exposure Draft; and

   (b) ask the IASB to assess whether any of these amendments should be added to the scope of this comprehensive review.

7. During reviews of the *IFRS for SMEs* Accounting Standard, the IASB generally only considers alignment with amendments to full IFRS Accounting Standards issued after the Exposure Draft of proposed amendments to the *IFRS for SMEs* Accounting Standard has been published if those amendments address an urgent need for SMEs or users of their financial statements. This is because if the IASB makes fundamental changes to the proposals in an Exposure Draft, on which respondents have not had the opportunity to comment, this could result in re-exposure of the proposals. By the end of the re-exposure period there would be another list of amendments to full IFRS Accounting Standards to consider (see paragraph BC206 of the Basis for Conclusions on the 2015 Standard). Therefore, a decision to add an amendment to full IFRS Accounting Standards to the scope of the review post publication of the Exposure Draft should be subjected to a high hurdle.

8. Furthermore, the IASB has decided that amendments to full IFRS Accounting Standards should not be considered until they have been issued. This is because, until an amendment to full IFRS Accounting Standard is issued, the IASB's views are

[1] See Agenda Paper 30A *Project plan* for the September IASB meeting.

always tentative and subject to change (see paragraph BC190 of the Basis for Conclusions on the 2015 Standard).

Feedback on the Exposure Draft

9. Considering the feedback on the Request for Information, the IASB did not ask a question in the Exposure Draft about amendments to full IFRS Accounting Standards outside the scope of the review (amendments to full IFRS Accounting Standards effective after 1 January 2020). However, a few respondents suggested the IASB consider amending the scope of the review to include the recent amendments made to IAS 1 *Presentation of Financial Statements* in *Classification of Liabilities as Current or Non-Current* (January 2020) and *Non-current Liabilities with Covenants* (October 2022) to provide clarification for SMEs.

Feedback from the SMEIG

10. Earlier this year, the staff sought the views of SMEIG members on whether the IASB should include any of the recent and forthcoming amendments to full IFRS Accounting Standards (in Tables 1 and 2 in Appendix A) in the scope of this comprehensive review.

11. SMEIG members suggested that the following amendments to full IFRS Accounting Standards are relevant to SMEs and may need to be included in the scope of this comprehensive review:

    (a) *Lack of Exchangeability* (Amendments to IAS 21) (11 SMEIG members);

    (b) *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7) (3 SMEIG members);

    (c) *Classification of Liabilities as Current or Non-current* and *Non-current Liabilities with Covenants* (Amendments to IAS 1) (2 SMEIG members);

    (d) *Annual improvements 2018-2020* (IFRS 9 only) (1 SMEIG member); and

(e) *Onerous Contracts—Cost of Fulfilling a Contract* (Amendments to IAS 37) (1 SMEIG member).

Approach to the staff analysis

12. Table 1 in Appendix A lists amendments to full IFRS Accounting Standards with an effective date after 1 January 2020. Table 2 in Appendix A lists forthcoming amendments to full IFRS Accounting Standards expected to be finalised before the third edition of the *IFRS for SMEs* Accounting Standard is balloted. The amendments in Tables 1 and 2 are not in the scope of the second comprehensive review. This means they were not consulted on in the Request for Information. For each amendment in Appendix A not considered in developing the Exposure Draft, the staff have assessed:

    (a) whether the problem addressed by the amendment to full IFRS Accounting Standards would make a difference in the decisions of users of financial statements prepared applying the *IFRS for SMEs* Accounting Standard (ie, whether the amendment to full IFRS Accounting Standards would meet the 'relevance to SMEs' principle[2]); and

    (b) for any amendment to full IFRS Accounting Standards that satisfies the relevance principle in (a), whether it meets the high hurdle for inclusion in the scope of the review (see paragraph 7), by considering if the amendment would:

        (i) address an urgent need for SMEs or users of their financial statements;

        (ii) benefit from implementation experience; and

        (iii) be likely to result in re-exposure of the proposals for SMEs.

    If an amendment meets paragraphs (a) and (b)(i) above and would <u>not</u> meet paragraphs (b)(ii)–(iii) the staff think the amendment would meet the high hurdle to be added to the scope of this comprehensive review.

[2] The IASB determines relevance to SMEs by assessing whether the problem addressed by a new requirement in full IFRS Accounting Standards (in the scope of the review) would make a difference in the decisions of users of financial statements prepared applying the *IFRS for SMEs* Accounting Standard. See paragraph 30 of the Basis for Conclusions on the Exposure Draft.

Staff analysis

13. Applying the approach in paragraph 12 of this paper, the staff have presented our views on whether the IASB should consider alignment with the amendments to full IFRS Accounting Standards during this comprehensive review in Appendix A to this paper. Based on our analysis and considering feedback from the SMEIG, the staff think there are two recent amendments to full IFRS Accounting Standards that the IASB should consider adding to the scope of this second comprehensive review. These are:

    (a) *Lack of Exchangeability* (Amendments to IAS 21) (see paragraphs 14–18); and

    (b) *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7) (see paragraphs 19–29).

Lack of Exchangeability (Amendments to IAS 21)

14. IAS 21 The *Effects of Changes in Foreign Exchange Rates* generally requires the use of a spot exchange rate when an entity reports foreign currency transactions or a foreign operation's results and financial position in its financial statements. A spot exchange rate is the exchange rate for immediate delivery. Prior to the amendments, IAS 21 specified the exchange rate to use in reporting foreign currency transactions when exchangeability between two currencies is temporarily lacking, but it did not specify what an entity is required to do when a lack of exchangeability is not temporary. *Lack of Exchangeability* (Amendments to IAS 21):

    (a) specifies when a currency is exchangeable into another currency and when it is not;

    (b) specifies how an entity determines the exchange rate to apply when a currency is not exchangeable into another currency; and

    (c) requires disclosure of additional information when a currency is not exchangeable.

15. Like IAS 21, Section 30 *Foreign Currency Translation* of the *IFRS for SMEs* Accounting Standard generally requires the use of a spot exchange rate when an entity reports foreign currency transactions or a foreign operation's results and financial position in its financial statements. However, Section 30 does not specify what to do when there is a lack of exchangeability between two currencies (temporary or otherwise). In the absence of specific requirements, an SME would apply paragraphs 10.4–10.6 of the *IFRS for SMEs* Accounting Standard.

16. Although circumstances in which a currency is not exchangeable might arise infrequently, when they do arise many entities in the related jurisdiction will be affected, including SMEs. Therefore, the staff think that the problem addressed by the amendments to IAS 21 (that is both how to determine when a currency is exchangeable into another currency and how to determines the exchange rate when it is not) is relevant to SMEs.

17. However, the staff question whether the amendments to IAS 21 meet the high hurdle to be added to the scope of this comprehensive review. The amendments could provide clarification for affected SMEs. However, the amendments are detailed and would require modification before incorporation in the *IFRS for SMEs* Accounting Standard. Therefore, the staff think they would benefit from being exposed for public comment. If the IASB does not align Section 30 with the amendment to IAS 21 during this comprehensive review, the staff observe:

    (a) in the absence of specific requirements, an SME would apply paragraphs 10.4–10.6 of the *IFRS for SMEs* Accounting Standard. Applying these paragraphs, an SME would be permitted but not required to look to the requirements in IAS 21 when there is a lack of exchangeability between two currencies.

    (b) the circumstances in which a currency is not exchangeable would arise infrequently. However, when they do arise SMEs might have diverse views on application of the *IFRS for SMEs* Accounting Standard.

18. Considering the outcome described in paragraph 17 of this paper, the staff does not think *Lack of Exchangeability* (Amendments to IAS 21) meets the high hurdle to amend the scope of this comprehensive review. We also note that the educational module supporting Section 30 of the *IFRS for SMEs* Accounting Standard could provide guidance for SMEs on how to apply paragraphs 10.4–10.6 of the *IFRS for SMEs* Accounting Standard in the limited circumstances in which a currency is not exchangeable.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

19. *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7) was issued in response to feedback that the information an entity is required to provide about this form of financing falls short of meeting user information needs. The amendments add a disclosure objective to IAS 7 *Statement of Cash Flows* that states:

> An entity shall disclose information about its supplier finance arrangements…that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk.

20. The amendments amend:

    (a) IAS 7, to require entities to disclose qualitative and quantitative information about supplier finance arrangements to meet this objective (see Appendix B to this paper).

    (b) IFRS 7 *Financial Instruments: Disclosures*, to list supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

21. The Agenda Decision *Supply Chain Financing Arrangements—Reverse Factoring* (published in December 2020 by the IFRS Interpretations Committee) sets out the requirements in full IFRS Accounting Standards applicable to supplier finance arrangements prior to *Supplier Finance Arrangements* (Amendments to IAS 7 and

IFRS 7). The Agenda Decision discusses paragraphs in IAS 1 *Presentation of Financial Statements* and IAS 7 that describe how an entity presents and discloses its liabilities and classifies its cash flows. Although those requirements go some way towards meeting the information needs of users of financial statements for these arrangements, feedback on the draft Agenda Decision suggested that this was insufficient. In particular, users of financial statements needed additional information to understand the effects of these arrangements on an entity's liabilities and cash flows, as well as on liquidity risk and risk management.

22. Like full IFRS Accounting Standards prior to the amendments, the *IFRS for SMEs* Accounting Standard does not include specific disclosure requirements for supplier finance arrangements. The staff observe that the main requirements in IAS 1 and IAS 7 identified in the Agenda Decision (see paragraph 21 above) are also requirements in the *IFRS for SMEs* Accounting Standard (or are proposed to be introduced by the reconciliation of changes in liabilities arising from financing activities in paragraph 7.19A of the Exposure Draft), Therefore, we think this Agenda Decision also explains the current application of the *IFRS for SMEs* Accounting Standard to supplier finance arrangements, with the exception of the disclosure requirements in IFRS 7 *Financial Instrument Disclosur*es that are not in the *IFRS for SMEs* Accounting Standard.

23. The staff think the requirements in IAS 1 and IAS 7 highlighted by the full IFRS Agenda Decision that are also paragraphs in the *IFRS for SMEs* Accounting Standard would result in SMEs providing some information about financial liabilities and cash flows related to supplier finance arrangements. However, as for users of entities applying full IFRS Accounting Standards prior to the amendments, the staff think users of SME financial statements may not be able to obtain some information they need to understand the effects of supplier finance arrangements on an entity's liabilities and cash flows.

Are the amendments relevant to SMEs?

24. Some SMEIG members said that SMEs have supplier finance arrangements. Furthermore, our outreach with users of SMEs' financial statements indicated that they are particularly interested in information about short-term cash flows, obligations, liquidity and solvency (see paragraph BC157 of the 2015 Standard). Supplier finance arrangements are a growing source of finance for entities, including SMEs, and as noted above, the staff think that users of SME financial statements may not be able to obtain some information they need to understand the effects of supplier finance arrangements on an entity's liabilities and cash flows. We think:
    (a) the information required by paragraphs 44F–44H of IAS 7 is relevant to SMEs (these paragraphs are considered further in Appendix B to this paper); but
    (b) the examples added to IFRS 7 relate to financial instrument risk disclosure requirements that are not in the *IFRS for SMEs* Accounting Standard and so are not relevant to SMEs.

Should the amendments be included in the scope of this review?

25. The staff question whether *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7) meets the high hurdle to be added to the scope of this comprehensive review (see paragraphs 7 and 12 of this paper). Nevertheless, given the importance of information about an entity's liabilities and cash flows to users of SME financial statements, we think the IASB should consider aligning the *IFRS for SMEs* Accounting Standard with paragraphs 44F–44H of IAS 7 during this comprehensive review provided this does not result in the need to re-expose the proposals for SMEs.

Should the amendments be simplified?

26. Applying the principle of simplicity involves looking at new requirements in full IFRS Accounting Standards that have satisfied the relevance principle and then assessing what simplifications are appropriate. The staff think the IASB should consider whether to simplify or omit any of the disclosure requirements in paragraphs 44F–44H

of IAS 7 using the principles for reducing disclosures (see paragraph BC157 of the Basis for Conclusions on the Standard), the cost-benefits balance for SMEs and with a view to avoid re-exposure.

Principles for reducing disclosures

27. The staff have assessed paragraphs 44F–44H of IAS 7 against the principles for reducing disclosures in Appendix B to this paper. Based on our analysis, we think paragraphs 44G–44H of IAS 7 meet the principles for reducing disclosures.

Cost-benefits balance

28. In responding to the full IFRS Exposure Draft ED/2021/10 *Supplier Finance Arrangements*:

    (a) stakeholders informed the IASB that the information an entity is required to disclose in applying paragraphs 44H(a), 44H(b)(i) and 44H(b)(iii) of IAS 7 is generally available to entities. Therefore, the staff suggest these disclosure requirements could be included in the third edition of the *IFRS for SMEs* Accounting Standard.

    (b) some stakeholders informed the IASB that the information an entity is required to disclose in applying paragraph 44H(b)(ii) of IAS 7 might not be readily available and some entities might have to incur costs to produce this disclosure. The staff think paragraph 44H(b)(ii) of IAS 7 may require further analysis to assess the cost-benefit balance for SMEs, in particular the importance of this information to users of financial statements of non-publicly accountable entities. SMEs usually prepare less timely financial statements, meaning SMEs will capture events after the reporting period over a longer period. For many SMEs, by the time their financial statements are issued, most of the financial liabilities that are part of a supplier finance arrangement will have been settled. To avoid possible re-exposure of the proposals, we suggest the IASB could consider whether the disclosure requirement in 44H(b)(ii) can be omitted from the *IFRS for SMEs* Accounting Standard.

Would the amendments require re-exposure of the proposals for SMEs?

29. The information required by paragraphs 44F, 44H(a), 44H(b)(i) and (iii) and 44H(c) of IAS 7 would be expected to be available to entities and improve the information provided to users. Furthermore, in developing *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7), the IASB received feedback from a range of users, including some users of financial statements of non-publicly accountable entities. Therefore, we do not think making these changes would require re-exposure of the proposals for SMEs.

Staff recommendation and question for the IASB

30. The staff recommend that the IASB:

    (a) includes paragraphs 44G, 44H(a), 44H(b)(i) and (iii) and 44H(c) of *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7) in the third edition of the *IFRS for SMEs* Accounting Standard (specific text is highlighted in grey in Appendix B to this paper).

    (b) does not align the *IFRS for SMEs* Accounting Standard with any other amendments to full IFRS Accounting Standards with an effective date after 1 January 2020 that were not considered in developing the Exposure Draft.

Questions for the IASB
Does the IASB agree with the staff recommendation in paragraph 30 of this paper?

Next steps

31. If the IASB tentatively decides to align the *IFRS for SMEs* Accounting Standard with other amendments to full IFRS Accounting Standards, the staff will bring our recommendations for how to align with those amendments to a future IASB meeting.

Appendix A: Staff analysis of alignment with recent and forthcoming amendments to full IFRS Accounting Standards during this comprehensive review

Table 1—Recent amendments to full IFRS Accounting Standards

A1. The following amendments to full IFRS Accounting Standards have an effective date after 1 January 2020:

Title[3]	Issue date	Effective date	Staff views	
			Is this amendment relevant to SMEs?	Should the IASB consider alignment during this review?
Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	Aug 2020	1 Jan 2021	The IASB considered the advice of SMEIG members and decided no action should be taken for the amendments relating to the interest rate benchmark reform (see paragraph BC104 of the Basis for Conclusions on the Exposure Draft).	
IFRS 17 Insurance Contracts (Amended Standard)	Jul 2020	1 Jan 2023	No, insurance companies often have public accountability. The *IFRS for SMEs* Accounting Standard is intended for entities that do not have public accountability.	N/A
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	Jun 2020	25 Jun 2020	No, this amendment relates to an exemption for insurance companies in full IFRS Accounting Standards.	N/A
Covid-19-Related Rent Concessions (Amendment to IFRS 16)	May 2020	1 Jun 2020	No, this amendment only applied to rent concessions that reduced payments due on or before 30 June 2021.	N/A
Annual Improvements to IFRS® Standards 2018–2020	May 2020	1 Jan 2022	No, the amendments relate to requirements that are not in the *IFRS for SMEs* Accounting Standard.	N/A

[3] The links in the table are to the amendments to full IFRS Accounting Standards available to premium subscribers on the IFRS Foundation website. For those without a premium subscription, information on the amendments can be found on the completed projects webpage.

Title[3]	Issue date	Effective date	Staff views: Is this amendment relevant to SMEs?	Staff views: Should the IASB consider alignment during this review?
Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)	May 2020	1 Jan 2022	Yes, amendments would clarify the costs to consider when assessing whether a contract is onerous in Example 2 of the illustrative examples accompanying Section 21.	No. This amendment would be a minor clarifying change to non-mandatory illustrative examples that may assist application for SMEs. However, the staff do not think the amendment meets the high hurdle for inclusion in the scope of the review and guidance could be provided in the educational modules.
Reference to the Conceptual Framework (Amendments to IFRS 3)	May 2020	1 Jan 2022	The IASB has already considered this amendment when updating Section 19 *Business Combinations* of the Exposure Draft (see paragraphs BC133 and BC151 of the Basis for Conclusions on the Exposure Draft).	
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	May 2020	1 Jan 2022	Maybe, the amendments would clarify 'testing of functionality' in paragraph 17.10(b) of the *IFRS for SMEs* Accounting Standard. However, the *IFRS for SMEs* Accounting Standard does not include specific requirements for items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. Most SMEs are unlikely to need this level of detail.	No, although this would be a minor clarifying change, the staff do not think the amendment meets the high hurdle for inclusion in the scope of the review. SMEs are unlikely to need this level of detail and guidance could be provided in the educational modules.
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	Jan 2020	1 Jan 2023	Yes, amendments would clarify the 'current liability criteria' in paragraph 4.7(d) of the *IFRS for SMEs* Accounting Standard.	No, this amendment has been controversial, has resulted in a follow up amendment (see below) and includes significant guidance to support application of the current liability criteria. The staff think that the amendment would benefit from implementation experience and likely result in re-exposure of the Exposure Draft. The

Title[3]	Issue date	Effective date	Staff views	
			Is this amendment relevant to SMEs?	Should the IASB consider alignment during this review?
				staff do not think the amendment meets the high hurdle for inclusion in the scope of the review
Initial Application of IFRS 17 and IFRS 9—Comparative Information	Dec 2021	1 Jan 2023	No, relates to application of full IFRS Accounting Standards.	N/A
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	May 2021	1 Jan 2023	No, unlikely to be a significant issue because the IASB is not proposing to align the *IFRS for SMEs* Accounting Standard with IFRS 16 *Leases* during this review.	N/A
Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	Mar 2021	1 Apr 2021	No, this amendment only applied to rent concessions that reduced lease payments due after 30 June 2021 but not beyond 30 June 2022.	N/A
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	Feb 2021	1 Jan 2023	The Exposure Draft already proposes to incorporate this amendment in Section 8 *Notes to the Financial Statements* because the IASB decided it was interrelated with other amendments the IASB is proposing and that SMEs could benefit from the improvements brought by the amendment without delay. The amendment would assist SMEs in determining which accounting policies to disclose and should improve accounting policy disclosures for users of financial statements.	
Definition of Accounting Estimates (Amendments to IAS 8)	Feb 2021	1 Jan 2023	The Exposure Draft already proposes incorporate to this amendment in Section 10 *Accounting Policies, Estimates and Errors* because the IASB decided it was interrelated with other amendments the IASB is proposing and that SMEs could benefit from the improvements brought by the amendment without delay. It also responded to feedback on the Request for Information about the importance of aligning key definitions with full IFRS Accounting Standards.	

Non-current Liabilities with Covenants (Amendments to IAS 1)	Oct 2022	1 Jan 2024	Yes, amendments would clarify the 'current liability criteria' in paragraph 4.7(d) of the *IFRS for SMEs* Accounting Standard.	No, this amendment is linked to *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1). See above.
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	Sep 2022	1 Jan 2024	No, the IASB is not proposing to align the *IFRS for SMEs* Accounting Standard with IFRS 16 during this review.	N/A
Lack of Exchangeability (Amendments to IAS 21)	Aug 2023	1 Jan 2025	Yes, although circumstances in which a currency is not exchangeable might arise infrequently, when they do arise economic conditions can deteriorate rapidly for affected SMEs. The *IFRS for SMEs* Accounting Standard has no specific requirements for when there is a lack of exchangeability between two currencies and so SMEs could have diverse views on application of the *IFRS for SMEs* Accounting Standard.	Maybe. See paragraphs 14-18 of this paper.
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	May 2023	1 Jan 2024	Yes, some SMEs have supplier finance arrangements. The amendment would require specific disclosures to be provided about these arrangements to users of the financial statements	Maybe. See paragraphs 19-29 of this paper.
International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)	May 2023	1 Jan 2023	In September 2023 the IASB published an urgent amendment to the *IFRS for SMEs* Accounting Standard *International Tax Reform—Pillar Two Model Rules*. Therefore, the third edition of the Standard will automatically incorporate this amendment.	

Table 2—Forthcoming amendments to full IFRS Accounting Standards

A2. The following full IFRS exposure drafts may result in amendments to full IFRS Accounting Standards before the IASB starts its balloting process for the third edition of the *IFRS for SMEs* Accounting Standard (expected to start mid-2024):

Title of Exposure Draft	Issue date	Staff views	
		Is this forthcoming amendment relevant to SMEs?	Should the IASB consider alignment during this review?
General Presentation and Disclosures	Dec 2019	Yes	No, the staff think the requirements would benefit from implementation experience and result in re-exposure of the Exposure Draft.
Regulatory Assets and Regulatory Liabilities	Jan 2021	The IASB has tentatively decided not to align the *IFRS for SMEs* Standard with IFRS 14 *Regulatory Deferral Accounts* and to consider including requirements for regulatory assets and regulatory liabilities in a future review of the *IFRS for SMEs* Standard awaiting the outcome of this project.	
Subsidiaries without Public Accountability: Disclosures	Jul 2021	The disclosures in ED2021-7 *Subsidiaries without Public Accountability: Disclosures* were considered in developing the Exposure Draft *Third edition of the* IFRS for SMEs *Accounting Standard* where the recognition and measurement requirements are proposed to be aligned with full IFRS Accounting Standards.	

Appendix B: Staff analysis of paragraphs 44F–44H of IAS 7 in *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7)

B1. The IASB developed the disclosure requirements in the *IFRS for SMEs* Accounting Standard using the disclosure requirements in full IFRS Accounting Standards as a starting point, and then assessing users' needs and applying the principles for reducing disclosures set out in paragraph BC157 of the Basis for Conclusions on the 2015 Standard (listed in paragraph B2 of this paper).

B2. The IASB was guided the following principles when deciding whether to make amendments to disclosure requirements when aligning with full IFRS Accounting Standards (principles for reducing disclosures):

(a) users of the financial statements of SMEs are particularly interested in information about short-term cash flows and about obligations, commitments or contingencies (BC157(a));

(b) users of the financial statements of SMEs are particularly interested in information about liquidity and solvency (BC157(b));

(c) information on measurement uncertainties is important for SMEs (BC157(c));

(d) information about an entity's accounting policy choices is important for SMEs (BC157(d));

(e) disaggregations of amounts presented in SMEs' financial statements are important for an understanding of those statements (BC157(e)); and

(f) some disclosures in full IFRS Accounting Standards are more relevant to investment decisions in public capital markets than to the transactions and other events and conditions encountered by typical SMEs (BC157(f)).

B3. The staff have highlighted in grey the text we recommend incorporating in the third edition of the *IFRS for SMEs* Accounting Standard based on considering these principles and cost-benefit considerations (see paragraph 28 of this paper).

Paragraph in IAS 7	Requirement in IAS 7	Application of the principles for reducing disclosures for SMEs in paragraph B2 of this paper
44F	An entity shall disclose information about its supplier finance arrangements (as described in paragraph 44G) that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk.	The *IFRS for SMEs* Accounting Standard generally does not include the disclosure objectives in full IFRS Accounting Standards because it reduces the specific disclosure requirements needed to satisfy those disclosure objectives using the principles in paragraph BC157 of the Basis for Conclusions of the Standard. Therefore, the staff think it would be sufficient to only consider the disclosure requirements in paragraphs 44G–44H of IAS 7 for SMEs.
44G	Supplier finance arrangements are characterised by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. These arrangements provide the entity with extended payment terms, or the entity's suppliers with early payment terms, compared to the related invoice payment due date. Supplier finance arrangements are often referred to as supply chain finance, payables finance or reverse factoring arrangements. Arrangements that are solely credit enhancements for the entity (for example, financial guarantees including letters of credit used as guarantees) or instruments used by the entity to settle directly with a supplier the amounts owed (for example, credit cards) are not supplier finance arrangements.	The paragraph describes the arrangements in the scope of the disclosure requirements. The staff think this description is important for SMEs.
44H	~~To meet the objectives in paragraph 44F~~, an entity shall disclose in aggregate for its supplier finance arrangements:	
44H(a)	the terms and conditions of the arrangements (for example, extended payment terms and security or guarantees provided). However, an entity shall disclose separately the terms and conditions of arrangements that have dissimilar terms and conditions.	This disclosure is intended to inform financial statement users that such arrangements are in place and to explain their nature. Such information gives context to the quantitative information in paragraph 44H(b) of IAS 7. The staff suggest the IASB could consider simplifying the requirement in 44H(a) using similar wording to Section 20 *Leases.* Therefore, the requirement in 44H(a) would be replaced with 'A general description of the entity's supplier finance arrangements''

44H(b)	as at the beginning and end of the reporting period:	
44H(b)(i)	(i) the carrying amounts, and associated line items presented in the entity's statement of financial position, of the financial liabilities that are part of a supplier finance arrangement.	This disclosure is intended to show the size of the entity's supplier finance arrangements and the line items in which the financial liabilities that are part of those arrangements are presented. Paragraph 44H(b)(i) provides information on cash flows and obligations (BC157(a)) and disaggregation (BC157(e)).
44H(b)(ii)	(ii) the carrying amounts, and associated line items, of the financial liabilities disclosed under (i) for which suppliers have already received payment from the finance providers.	This disclosure is intended to enable users of financial statements: (i) to analyse the entity's liabilities and their effects on operating and financing cash flows; and (ii) to understand the effect of supplier finance arrangements on the entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it. Paragraph 44H(b)(ii) provides information on cash flows and obligations (BC157(a))
44H(b)(iii)	(iii) the range of payment due dates (for example, 30–40 days after the invoice date) for both the financial liabilities disclosed under (i) and comparable trade payables that are not part of a supplier finance arrangement. Comparable trade payables are, for example, trade payables of the entity within the same line of business or jurisdiction as the financial liabilities disclosed under (i). If ranges of payment due dates are wide, an entity shall disclose explanatory information about those ranges or disclose additional ranges (for example, stratified ranges).	This disclosure is intended to enable users of financial statements to assess how these arrangements affect the entity's cash flows. Paragraph 44H(b)(iii) provides information on cash flows and obligations (BC157(a)).
44H(c)	the type and effect of non-cash changes in the carrying amounts of the financial liabilities disclosed under (b)(i). Examples of non-cash changes include the effect of business combinations, exchange differences or other transactions that do not require the use of cash or cash equivalents.	This disclosure is intended to enable users of financial statements to assess changes during the period in the financial liabilities that are part of a supplier finance arrangement and to understand how these changes affect the entity's cash flows. Paragraph 44H(c) provides information on cash flows and obligations (BC157(a)).