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## IASB<sup>®</sup> meeting

Date	<b>September 2023</b>
Project	<b>Second Comprehensive Review of the <i>IFRS for SMEs</i><sup>®</sup> Accounting Standard</b>
Topic	<b>Approach to providing educational material on the Standard</b>
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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<sup>®</sup> Accounting Standards or the *IFRS for SMEs*<sup>®</sup> Accounting Standard. The IASB's technical decisions are made in public and are reported in the IASB<sup>®</sup> *Update*.

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## Purpose of this paper

1. The purpose of this paper is to ask the International Accounting Standard Board (IASB) to:
  - (a) discuss the objective of providing educational material on the *IFRS for SMEs* Accounting Standard (the Standard); and
  - (b) with this objective in mind:
    - (i) decide on our approach to updating the *IFRS for SMEs* educational modules on our website, or providing alternative educational material, once the third edition of the Standard is issued; and
    - (ii) discuss how to strike an appropriate balance of providing guidance and examples in the Standard versus providing guidance and examples in separate educational material.
2. The staff think it is important for the IASB to discuss the objective and approach to providing educational material to support the Standard prior to redeliberating the proposals in the Exposure Draft *Third edition of the IFRS for SMEs Accounting Standard* (Exposure Draft) because respondents have commented on the level of guidance in the Standard and in educational material. This discussion will assist the

IASB when redeliberating the proposed amendments to sections of the Standard—in particular when considering when guidance and examples should be in the Standard versus in educational material.

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

### Staff recommendations

4. The staff recommend that the IASB commits to either updating the *IFRS for SMEs* educational modules or providing similar comprehensive educational material.
5. The staff recommend that the IASB uses the following factors when including guidance in the Standard or separate educational material:
  - (a) in general, guidance should be included in the Standard (and form part of the mandatory requirements) if it meets both of the following factors:
    - (i) it is relevant to many SMEs; and<sup>1</sup>
    - (ii) it is necessary to operationalise principles in Standard.
  - (b) in general, guidance should be included in separate educational material if it is:
    - (i) non-mandatory; or
    - (ii) about specific fact patterns; or
    - (iii) is not relevant to many SMEs.

### Structure of this paper

6. This paper is structured as follows:
  - (a) background to the *IFRS for SMEs* educational modules (paragraphs 7–17);

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<sup>1</sup> 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 Standard.

- (b) feedback on the Exposure Draft (paragraph 18);
- (c) feedback from the SME Implementation Group (SMEIG) (paragraphs 19–22);
- (d) staff analysis (paragraphs 23–51):
  - (i) objective of providing educational material on the Standard (paragraphs 24–28);
  - (ii) approach for updating the educational modules (paragraphs 29–42);
  - (iii) balance of guidance in the Standard versus educational material (paragraphs 43–51);
- (e) staff recommendations and questions for the IASB (paragraphs 52–53); and
- (f) appendix—suggestions for making the *IFRS for SMEs* educational modules more user-friendly and interactive.

## Background to the *IFRS for SMEs* educational modules

### ***Educational material in the Standard***

7. The Standard consists of two parts:
  - (a) Part A contains the mandatory requirements. It also contains non-mandatory guidance consisting of the Preface to the Standard and appendices accompanying Section 21 *Provisions and Contingencies*, Section 22 *Liabilities and Equity* and Section 23 *Revenue*.
  - (b) Part B contains the Basis for Conclusions and illustrative financial statements.
8. The Exposure Draft proposes to remove the appendix to Section 23 but add two additional non-mandatory appendices to Section 12 *Fair Value Measurement* (new section) and Section 19 *Business Combinations*.

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***Other educational material supporting the Standard***

9. The following educational material supporting the Standard is available on the IFRS Foundation website:
- (a) 35 comprehensive educational modules (see paragraphs 11–12);
  - (b) educational material that illustrates how the Standard requires SMEs to consider climate-related matters in their financial statements ([issued in May 2023](#));
  - (c) [guidance for micro entities \(based on the 2009 version of the Standard\)](#);
  - (d) [Q&As issued by the SMEIG](#) to address application issues on the Standard on a timely basis (All Q&As issued prior to the 2015 Amendments to the Standard have been withdrawn, and the guidance was either incorporated in the Standard and/or included in the educational modules);
  - (e) [IFRS for SMEs Accounting Standard Update newsletter](#), published quarterly, which provides a staff summary of news, events and other information about the Standard and related SME activities; and
  - (f) [webcasts, FAQs, articles and other supporting material](#) issued to educate stakeholders, for example, about the second comprehensive review.

The educational materials above are non-mandatory guidance and subject to the same due process requirements as educational material supporting full IFRS Accounting Standards.

10. This paper focuses on the *IFRS for SMEs* educational modules because any discussion about the other educational material in paragraphs 9(b)-(f) would be unlikely to influence the level of guidance provided in the Standard (see paragraph 2). However, the IASB should also consider the other educational material available to SMEs when discussing our objective for providing educational material on the Standard. The staff are assessing whether there is demand for us to update the guidance for micro entities following this comprehensive review and we plan to ask the IASB to consider our assessment in due course.

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***IFRS for SMEs educational modules******Content of the modules***

11. The IFRS Foundation issued 35 *IFRS for SMEs* educational modules—one for each of the 35 sections of the Standard.<sup>2</sup> These modules were first developed in 2010–2011 to support the Standard when it was issued in 2009.
12. The educational modules provide detailed guidance and each module is 50–150 pages long. Each of the 35 modules includes:
  - (b) requirements—the full text of the section of the Standard reproduced with added notes and examples. The detailed notes and examples are designed to explain and illustrate the requirements.
  - (c) significant estimates and other judgements—a discussion of the significant estimates and other judgements likely to be made in accounting for transactions and events when applying the section of the Standard.
  - (d) comparison with full IFRS Accounting Standards—a summary of the main differences between the section of the Standard and the corresponding full IFRS Accounting Standard.
  - (e) test your knowledge—multiple-choice questions, with answers, designed to test knowledge of the requirements of the Standard.
  - (f) apply your knowledge—detailed case studies, with solutions, designed to develop the skills needed to account for transactions and events in accordance with the Standard.

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<sup>2</sup> Link to the modules: [IFRS - IFRS for SMEs Accounting Standard modules](#).

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### *Updating the educational modules*

13. In May 2015, the IASB completed its first comprehensive review of the Standard, which resulted in limited amendments. The most significant amendments to the Standard were:
- (a) introducing an option for SMEs to use a revaluation model for property, plant and equipment; and
  - (b) aligning the main recognition and measurement requirements for deferred income tax with IAS 12 *Income Taxes*.

Most of the other amendments clarified existing requirements or added supporting guidance, rather than changing the underlying requirements in the Standard.

14. Following the first comprehensive review, the educational modules were updated in 2018–2019 to support the second edition of the Standard, which became effective in 2017. Although there were only limited amendments to the Standard, all modules were reviewed to ensure the guidance, examples and case studies reflected the changes in the Standard (for example, clarifying changes to requirements, changes to terminology, references to amended requirements, etc.), and refreshed to ensure they are fit for purpose and consistent with our latest brand guidelines.

### *Use of the modules*

15. Our data on downloads of the modules only goes back as far as August 2018. Between 5 August 2018 and 10 August 2023 there were 72,787 downloads, with a greater concentration in 2018–2019 when the modules were first issued. However, 7 of the 35 modules (which included some of the more popular modules) were published from April 2018 to July 2018, meaning this figure is understated. Therefore, the staff estimate that there have been nearly 100,000 downloads of the modules since they were issued in 2018–2019. Furthermore, 20,000 of the downloads took place between April 2021 and August 2023, showing that the modules are still used several years after being updated. In contrast, there were 1,335 downloads of the educational material for SMEs on reporting climate-related matters in the financial statements

between 16 May 2023 (date of issue) and 10 August 2023 (see paragraph 9(b) of this paper).

16. Since April 2021 we have collected data on the geographical distribution of the downloads of the educational modules. The downloads show a broad geographical spread and the three countries with the most downloads have been South Africa, Colombia and Malaysia.

### ***Third agenda consultation: IASB's priorities for 2022-2026***

17. In July 2022 the IASB published a [feedback statement](#) on the Request for Information *Third Agenda Consultation*, which summarised feedback on the IASB's activities and work plan for 2022 to 2026, and the IASB's response to that feedback. After considering the feedback, the IASB decided to leave unchanged its current level of focus on setting requirements and developing educational material for the *IFRS for SMEs* Accounting Standard (current level of focus is approximately 5%). The IASB noted that in addition to completing its Second Comprehensive Review of the Standard, it will continue supporting its consistent application and publish educational materials to help preparers understand and apply the Standard. The IASB noted it will also further explore whether partnering with national standard-setters could help the IASB to increase awareness of some of the supporting materials for the Standard, for example, by translation.

## **Feedback on the Exposure Draft**

18. The Invitation to Comment on the Exposure Draft did not ask any specific questions about the level of guidance in the Standard, nor ask about the educational modules. Nevertheless, some respondents commented on the level of guidance in the Exposure Draft and educational modules as follows:
  - (a) many respondents suggested the IASB provides additional guidance and/or illustrative examples to support application of some of the proposed new

requirements in the Exposure Draft, for example, in Section 9 *Consolidated and Separate Financial Statements*, Section 12 *Fair Value Measurement* and Section 23 *Revenue from Contracts with Customers*;

- (b) some respondents suggested that some of the proposed amendments in the Exposure Draft should be reduced, for example by removing guidance, for example in Section 2 *Concepts and Pervasive Principles* and Section 12;
- (c) a few respondents suggested moving the guidance in the appendices to the Standard into separate educational material to keep the Standard concise; and
- (d) a few respondents encouraged the IASB to issue updated educational modules as soon as possible after the third edition of the Standard is published.

## Feedback from the SMEIG

19. The SMEIG met on 13 July 2023 to discuss the feedback on the Exposure Draft. To help the IASB respond to the feedback on the level of guidance in paragraph 18 of this paper, the SMEIG were asked to provide advice on the following topics:
- (a) the factors the IASB should consider when deciding which guidance and examples belong in the Standard and which belong in educational material; and
  - (b) how to make the *IFRS for SMEs* educational modules more user-friendly and accessible.
20. SMEIG members suggested the following factors for the IASB to consider when deciding which guidance belongs in the Standard:
- (a) pervasiveness—it affects many or most SMEs and/or is requested by many or most stakeholders; and
  - (b) operability—it is needed to apply principles in the Standard. For example, high-level principles in the Standard might necessitate requirements that set boundaries and help an SME to apply judgement. However, guidance that relates to specific fact patterns should be in educational material.



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21. Some SMEIG members said that non-mandatory guidance should be included in separate educational material, rather than in appendices to the Standard.
  22. Some SMEIG members said awareness of the *IFRS for SMEs* educational modules should be improved. Additionally, SMEIG members made the following suggestions to help improve accessibility of the modules:
    - (a) developing an annotated version of the Standard that provides links to the educational modules;
    - (b) providing translations of the educational modules;
    - (c) working with partners to develop and promote the educational modules, including identifying champions in different regions, working with a range of partners and holding train the trainer sessions; and
    - (d) considering new ways to make the educational material more user-friendly and interactive, for example using an eLearning style or setting up a learning platform.

## Staff analysis

23. Considering the feedback received on the Exposure Draft and the advice of the SMEIG, the staff suggest that the IASB should discuss:
  - (a) whether the objective of providing educational material on the Standard is being met (see paragraphs 24–28);
  - (b) our approach for updating the *IFRS for SMEs* educational modules (see paragraphs 29–42); and
  - (c) how to strike the right balance between providing guidance and examples in the Standard/appendices to the Standard versus providing guidance and examples in separate educational material (see paragraphs 43–51).

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***Objective of providing educational material on the IFRS for SMEs Accounting Standard***

24. Prior to the issuance of the *IFRS for SMEs Accounting Standard* in 2009, many countries required or permitted full IFRS Accounting Standards for all limited-liability companies, even including micro-sized companies with fewer than ten employees. Preparers, auditors, and users of SME financial statements in those countries widely acknowledged significant shortcomings in the application of full IFRS Accounting Standards by such small companies. The poor quality of implementation of full IFRS Accounting Standards by SMEs tainted the global view of those Standards and lack of confidence in the financial information was a deterrent to capital providers.
25. In 2005, the Trustees of the IFRS Foundation amended the Foundation's Constitution to add an objective that, in developing IFRS Accounting Standards, the IASB should take account of the special needs of small and medium-sized entities and emerging economies. The *IFRS for SMEs* education and training programme was one way to implement that objective. Around the time the *IFRS for SMEs Accounting Standard* was being developed, the Director of Education at the IFRS Foundation identified *IFRS for SMEs* education as one of the Foundation's three most pressing education initiatives.
26. The IFRS Foundation website states that the *IFRS for SMEs* educational modules are designed to provide stakeholders with additional support in learning about, applying or reading financial statements prepared using the Standard. Given the background to the education programme, the staff think the objective of the modules was to provide baseline education with a particular focus on small entities and emerging economies. Helping these stakeholders to understand and apply the Standard in turn supports consistent application of the Standard.
27. The IFRS Foundation does not provide similar educational modules to support full IFRS Accounting Standards. The staff think the educational modules are important to support the Standard for the following reasons:

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- (a) SMEs have limited resources—SMEs and entities in emerging and developing economies typically have less expertise and resources than larger, publicly accountable entities and so would benefit from user-friendly educational material on how to apply the Standard;
  - (b) to fill a gap—there is limited educational material and training on the Standard available in the market in comparison to full IFRS Accounting Standards (eg, in accounting manuals or other educational material of accounting firms); and
  - (c) there is less guidance in the Standard than in full IFRS Accounting Standards—for example, full IFRS Accounting Standards include more illustrative examples and implementation guidance.

*Staff view on whether the objective is being met*

28. Website statistics indicate that the modules are popular amongst stakeholders. We have received feedback from some respondents to the Exposure Draft and some SMEIG members that the modules are helpful to SMEs and other stakeholders. We also regularly hear this feedback at outreach events. The staff think this feedback suggests the objective of the modules is being met. However, feedback from SMEIG members also indicates that many stakeholders are not aware of the educational modules or their purpose. Therefore, to maximise the potential of the modules the staff also think we should consider how to better promote them, for example through ‘train the trainer’ sessions, promoting them through national standard-setters and other local organisations, and enabling translations of the modules.

***Approach for updating the IFRS for SMEs educational modules***

29. The staff have identified four options for the IASB to consider for updating the *IFRS for SMEs* educational modules:
- (a) Option 1—do not update the educational modules, that is withdraw the modules and do not provide similar comprehensive educational material on the Standard;

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- (b) Option 2—update the *IFRS for SMEs* educational modules;
  - (c) Option 3—update and improve the *IFRS for SMEs* educational modules; and
  - (d) Option 4—replace the *IFRS for SMEs* educational modules with a new type of educational material, for example eLearning.
30. The staff have not suggested an option to update only those modules on sections of the Standard that will be significantly amended by the third edition of the Standard. This is because all of the modules include comprehensive guidance, examples and case studies covering many areas of accounting. Consequently, all modules will require a careful review and updating to reflect the changes introduced by the third edition of the Standard. For example, many of the modules contain examples that include accounting for revenue and so will require updating to reflect the proposed amendments to Section 23 *Revenue from Contracts with Customers*.
31. Furthermore, the staff have not considered an option to include the educational modules as part of the Standard. The staff acknowledge that including educational material in the Standard could make it more accessible to stakeholders and increase awareness. However, updating the modules will take time and including them in the Standard would delay publication of the third edition of the Standard. It would also delay publication of the modules as previously they have been published in batches rather than altogether. Furthermore, the staff think that separate educational material is easier to update and more flexible to cater for entities that have limited expertise. Keeping educational material separate would also ensure that the Standard is kept concise and user-friendly for all SMEs. Once all the educational modules have been updated, they could be packaged into a single document, without delaying the Standard or publication of the individual modules.
32. Regardless of the option chosen in paragraph 29, the IASB will also need to decide what other educational activities are needed to support the updated Standard. For example, when the IASB issued the first and second editions of the Standard, the IFRS Foundation staff provided ‘train the trainer’ workshops around the world, which were well received by stakeholders.

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*Option 1—Do not update the IFRS for SMEs educational modules*

33. If we do not update and hence withdraw the educational modules, the staff think stakeholders would expect us to provide similar comprehensive *IFRS for SMEs* educational material for the following reasons:
- (a) feedback from stakeholders and website statistics indicate that the modules are popular amongst stakeholders and widely used. The staff think this feedback suggests the objective of the modules is being met (see paragraph 28). There will also be an expectation among stakeholders that the modules will be updated because they were updated after the first comprehensive review.
  - (b) the second comprehensive review is expected to result in significant changes to the Standard requiring significant educational efforts by SMEs and other stakeholders. Therefore, updating the modules is more important than following the first comprehensive review.
  - (c) as noted in paragraph 17, the IASB has committed to retain its current level of focus on setting requirements and developing educational materials for the *IFRS for SMEs* Accounting Standard for 2022-2026.

*Option 2—Update the IFRS for SMEs educational modules*

34. During the first comprehensive review, the IASB only made limited amendments to the Standard. The second comprehensive review includes many IFRS Accounting Standards in its scope, including those IFRS Accounting Standards issued before the first comprehensive review that did not result in amendments to the Standard (see paragraph 9 of Agenda Paper 30A *Project Plan*). As a result, the third edition of the Standard is expected to introduce significant amendments to many sections of the Standard. Hence more resources will be required to update the *IFRS for SMEs* educational modules this time because of the need to develop new guidance, examples and case studies for many of the modules, and update the existing guidance, examples and case studies.
35. Updating the *IFRS for SMEs* educational modules will require:

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- (a) developing new guidance, examples, significant estimates/judgements, multiple choice questions and case studies for new or significantly modified sections;
  - (b) updating guidance, examples, significant estimates/judgements, multiple choice questions and case studies for all other sections;
  - (c) updating the comparison with full IFRS Accounting Standards for all modules to reflect the amendments to the Standard and any changes to full IFRS Accounting Standards since the modules were last updated;
  - (d) all documents to be edited and brought in line with our Style Guide's current recommendations;
  - (e) all modules to be refreshed by the design team and brought in line with our latest brand guidelines—changing fonts, colours, logos, etc;
  - (f) all documents to be typeset by production and called over; and
  - (g) promotional activities to increase awareness of the modules, for example, webcasts, presentations and working with professional partners to promote, and provide translations of, the modules.

*Option 3—Update and improve the IFRS for SMEs educational modules*

36. The staff have been working with our editorial team to consider how the modules could be more user-friendly and interactive for learners. Some examples include (see the appendix to this paper for further explanation):
- (a) repeating learning outcomes before each major topic;
  - (b) including short 'learning summaries' throughout the module; and
  - (c) including short quizzes throughout the module.
37. The staff also sought feedback on the educational modules from the SMEIG. Most of the suggestions made by the SMEIG relate to how the modules could be made more

accessible, rather than improved. However, one suggestion was to develop an annotated version of the Standard that links the educational material to the Standard.

38. Updating and improving the modules will require:
- (a) the same steps as for updating the modules (see paragraph 35);
  - (b) additional resources to develop new content and functionality. For example:
    - (i) to develop new learning outcomes, learning summaries and multiple choice questions for all 35 modules; and/or
    - (ii) to develop an annotated version of the Standard.

*Option 4—Replace the IFRS for SMEs educational modules with other educational material*

39. The *IFRS for SMEs* educational modules are written in a textbook style. An alternative to improving the existing modules (Option 3) would be to modernise the educational material, for example developing eLearning. The staff do not think we have the resources to develop eLearning in house. However, we could work with professional partners to help us identify the best type of educational material and develop that material.

*Staff view on Options 1–4*

40. The objective of the educational modules is to help stakeholders understand and apply the Standard with a particular focus on baseline education for small entities and entities in developing and emerging economies. Website statistics and feedback from stakeholders indicates that these educational modules are an important resource to SMEs and other stakeholders, and are meeting their objective. Therefore, at a minimum, the staff think we should update all the modules or provide similar comprehensive educational material.
41. The staff do not suggest making improvements to the modules (Option 3) or considering a new type of educational material (Option 4) at this time. Whilst such

improvements could make the modules more useful as a learning tool, many stakeholders appear to use the modules for reference for specific examples, rather than working through the entire modules. Stakeholders using the modules this way may not benefit from the improvements suggested under Options 3–4. Furthermore, we think a better use of our resources would be to promote the modules to respond to the feedback we have received that many stakeholders are not aware of the modules. Therefore, the staff recommend that the IASB updates the modules (Option 2).

42. Nevertheless, we are unlikely to start updating the educational modules until mid-next year at the earliest. Consequently, the IASB does not need to rule out Options 3–4 at this meeting. The main aim of this session is to get a commitment from the IASB that comprehensive educational material will be provided. This will enable us to better decide which guidance to include in the Standard.

***Balance of guidance in the Standard versus educational material***

43. As noted in paragraph 18, many respondents to the Exposure Draft suggested the IASB provides additional guidance and/or illustrative examples to support application of some of the proposed new requirements. However, some respondents suggested reducing the guidance in some sections or moving any non-mandatory guidance into separate educational material to keep the Standard concise.
44. The staff have considered:
- (a) the factors to use in deciding which guidance belongs in the Standard versus educational material (see paragraphs 45–47);
  - (b) how an entity would account for transactions that are not covered by specific guidance in the Standard (see paragraphs 48–49); and
  - (c) relocation of non-mandatory guidance from the Standard to separate educational material (see paragraphs 50–51).

This discussion assumes we have a commitment from the IASB that comprehensive educational material will be provided to support the Standard (Options 2–4 above).



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*Factors to decide what guidance belongs in the Standard versus educational material*

45. If the Standard includes guidance for all possible transactions that an SME might encounter, then the Standard would likely end up nearly the same size as full IFRS Accounting Standards. Consequently, considering the advice from the SMEIG (see paragraphs 19–22), the staff think guidance should only be in the Standard (that is, it would form part of the mandatory requirements) if it meets both of the following factors:
- (a) the guidance is necessary to operationalise principles in the Standard; and
  - (b) applying the IASB’s alignment approach, the guidance is relevant to many SMEs.<sup>3</sup>
46. The staff think the following should be in separate educational material:
- (a) all non-mandatory guidance;
  - (b) guidance on specific fact patterns; and
  - (c) guidance that is not relevant to many SMEs. Educational material could provide examples on more complex transactions encountered by a few SMEs, but it would not introduce new principles or requirements.
47. The staff think the factors in paragraphs 45–46 would help the IASB assess the requests to add or remove guidance by respondents to the Exposure Draft. Nevertheless, the staff observe in rare cases the IASB may need to make an exception to these factors. For example, when excluding requirements/guidance for a topic could have a significant effect on some SMEs or users of their financial statements, yet the requirements/guidance would not add complexity for most SMEs. An example of such a case is the forthcoming amendment to the Standard—*International Tax Reform—Pillar Two Model Rules*. Based on the feedback received in the outreach on

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<sup>3</sup> 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 Standard.

this amendment, only a limited subset of SMEs will be affected by the Pillar Two model rules. However, for these entities the effect of the proposed temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the global tax rules would provide significant relief. The proposed temporary exception would not affect other SMEs.

*Transactions not covered by specific guidance in the Standard*

48. The factors in paragraphs 45–46 would mean that the Standard would generally not provide guidance on complex transactions that only affect a few SMEs, thereby making the Standard more user-friendly for the types of SMEs it intended to cater for. SMEs encountering such complex transactions would apply the accounting policy hierarchy in paragraphs 10.4–10.6 of the Standard.
49. Applying paragraphs 10.4–10.5 of the Standard, if an SME encounters a transaction that is not specifically addressed by the Standard (for example, a complex transaction that is not encountered by most SMEs), management uses its judgement in developing an accounting policy that results in information that is relevant and reliable. In making this judgement, an entity applies the following hierarchy:
- (a) the requirements and guidance in the Standard dealing with similar and related issues; and
  - (b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses and the pervasive principles in Section 2 *Concepts and Pervasive Principles* (which are proposed to be aligned with the 2018 *Conceptual Framework for Financial Reporting* during this comprehensive review).

Guidance in full IFRS Accounting Standards may be considered in the absence of specific guidance in the Standard, provided it does not conflict with requirements in the hierarchy in (a)–(b).

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*Relocation of non-mandatory guidance from the Standard to educational material*

50. The Exposure Draft proposes a mixed approach where some sections are accompanied by appendices with non-mandatory guidance and some are not. Assuming we update the educational modules or provide similar comprehensive educational material, the staff suggest we consider the suggestions made by SMEIG members to:
- (a) move all non-mandatory guidance from the Standard into separate educational material for consistency and to keep the Standard concise; and
  - (b) seek ways to improve accessibility and awareness of the separate educational material to ensure that the educational material can play a similar role in supporting the Standard as the illustrative examples and implementation guidance on full IFRS Accounting Standards.
51. If the IASB decides to move non-mandatory guidance out of the Standard then the appendices to Section 12 *Fair Value Measurement*, Section 19 *Business Combinations*, Section 21 *Provisions and Contingencies* and Section 22 *Liabilities and Equity* in the Exposure Draft would be removed from the third edition of the Standard. As an exception, the staff would suggest retaining the Preface in the Standard as it introduces the Standard.

### **Staff recommendations and questions for the IASB**

52. The staff recommend that the IASB commits to either updating the *IFRS for SMEs* educational modules or providing similar comprehensive educational material.
53. The staff also recommend that the IASB uses the following factors when including guidance in the Standard or separate educational material:
- (a) in general, guidance should be included in the Standard (and form part of the mandatory requirements) if it meets both of the following factors:

- (i) it is relevant to many SMEs; and<sup>4</sup>
  - (ii) it is necessary to operationalise principles in Standard.
- (b) in general, guidance should be included in separate educational material if it is:
- (i) non-mandatory; or
  - (ii) about specific fact patterns; or
  - (iii) is not relevant to many SMEs.

**Question for the IASB**

Does the IASB agree with the staff recommendation in paragraph 52 of this paper?

Does the IASB agree with the factors in paragraph 53 of this paper for deciding when guidance belongs in the Standard or in separate educational material?

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<sup>4</sup> 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 Standard.

## Appendix—suggestions for making the *IFRS for SMEs* educational modules more user-friendly and interactive

A1. Some suggestions to make the modules more user-friendly and interactive for learners under Option 3 (see paragraph 29 of this paper) include (using Module 31

*Hyperinflation* as an example):

- (a) *repeating learning outcomes before each major topic.* Learning outcomes, which describe what readers should be able to do after completing the module, are only mentioned in the introduction to the module (for example, assess indicators of hyperinflation in order to determine whether a particular economy is hyperinflationary). Individual learning outcomes could be repeated at the start of each topic (for example, topics might be identified by level one headings in the Standard) to strengthen the link between specific content and their intended outcome for readers.
- (b) *including short learning summaries throughout the module* to reiterate the fundamental concepts readers should be familiar with for each topic or group of examples. This kind of regular ‘check-in’ would help to signpost the reader’s learning journey as they progress through the text. For example:

**Learning summary**  
**31.1 Scope of this section**

- Section 31 applies to entities whose functional currency is the currency of a hyperinflationary economy.
- An entity determines its functional currency applying Section 30 Foreign Currency Translation.
- Determining whether an economy is hyperinflationary requires judgement and does not depend solely on the level of cumulative inflation over a period of time.

- (c) *including short quizzes throughout the module.* At the moment, readers have up to 100 pages of reading before encountering the ‘test your knowledge’ multiple choice questions and case studies towards the end. Adding short, simple true-or-false quiz questions after each major topic—or moving the existing multiple-choice questions to the topics they relate to—would help to keep readers engaged as they work through the content.