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## IFRS Foundation Trustees meeting – Due Process Oversight Committee

Date	<b>October 2024</b>
Project	<b>Second Comprehensive Review of the <i>IFRS for SMEs</i><sup>®</sup> Accounting Standard</b>
Topic	<b>Due Process Lifecycle Review</b>
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This document is prepared for discussion of a public meeting of the IFRS Foundation Trustees' Due Process Oversight Committee (DPOC). The Trustees are responsible for governance of the IFRS Foundation, oversight of the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB), and for delivery of the IFRS Foundation's objectives as set out in the IFRS Foundation *Constitution*.

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### Request to the Due Process Oversight Committee

1. This Due Process 'lifecycle' Review forms part of the Due Process Oversight Committee's (DPOC) oversight of the development of an IFRS Standard as outlined in paragraph 2.12 of the [Due Process Handbook](#).
2. The DPOC is asked to confirm it is satisfied all necessary due process steps have been followed and that its review of due process on the Second Comprehensive Review of the *IFRS for SMEs* Accounting Standard project (the project) is now complete, subject to any due process matters arising during [the balloting process](#).

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## Structure of this paper

3. This paper is structured as follows:
- (a) background to the *IFRS for SMEs* Accounting Standard ([paragraphs 4–7](#));
  - (b) second comprehensive review of the Standard ([paragraphs 8–34](#));
  - (c) due process summary ([paragraphs 35–47](#));
  - (d) consideration of whether to re-expose the proposals ([paragraphs 48–50](#));
  - (e) latest developments and next steps ([paragraphs 51–54](#)); and
  - (f) appendices:
    - (i) [Appendix A](#)—Reporting to the Trustees and the DPOC;
    - (ii) [Appendix B](#)—Summary of IASB tentative decisions in developing the third edition of the *IFRS for SMEs* Accounting Standard;
    - (iii) [Appendix C](#)—Meetings of the IASB and its consultative bodies;
    - (iv) [Appendix D](#)—Extracts from Agenda Paper 30F *Due Process* of the July 2024 IASB meeting;
    - (v) [Appendix E](#)—Due process steps following the *Exposure Draft Third Edition of the IFRS for SMEs Accounting Standard*; and
    - (vi) [Appendix F](#)—Extracts from the *Due Process Handbook*.

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## Background to the *IFRS for SMEs Accounting Standard*

4. The *IFRS for SMEs Accounting Standard* (the Standard) is intended for entities without public accountability (SMEs) that publish general purpose financial statements for external users<sup>1</sup>. Unlike full IFRS Accounting Standards, the Standard is maintained through periodic reviews<sup>2</sup>, unless there is an urgent need for an amendment to the Standard.
5. The International Accounting Standards Board (IASB) issued the first edition of the Standard in 2009. In 2015, the IASB completed its first comprehensive review of the Standard and issued *2015 Amendments to the IFRS for SMEs*. The second edition of the Standard became effective from 1 January 2017.
6. The IASB started its second comprehensive review of the Standard in 2019. At its July 2024 meeting the IASB decided that all mandatory due process steps have been completed in redeliberating the proposals in the Exposure Draft *Third Edition of the IFRS for SMEs Accounting Standard* (the Exposure Draft), and that subject to finalising its proposals and completing the due process steps for the Exposure Draft *Addendum to the Exposure Draft Third edition of the IFRS for SMEs Accounting Standard* (the Addendum Exposure Draft), it has completed sufficient consultation and analysis to proceed to balloting the third edition of the Standard.
7. The IASB is supported by the SME Implementation Group (SMEIG). The SMEIG advises the IASB on implementing and applying the Standard. Members of the SMEIG are selected for their knowledge of and experience in financial reporting by SMEs and, preferably, their knowledge of and direct experience with the Standard<sup>3</sup>.

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<sup>1</sup> An entity has public accountability if:

- (a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or
- (b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (most banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks would meet this second criterion).

<sup>2</sup> Not more frequently than approximately once every three years (paragraph P16 of the Preface to the Standard)

<sup>3</sup> [SMEIG Terms of Reference and Operating Procedures](#)

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## Second comprehensive review of the Standard

### *Approach and structure of the second comprehensive review*

8. The IASB undertook the project in three phases:
  - (a) development of the Request for Information (research phase);
  - (b) development of the Exposure Draft and the development of the Addendum Exposure Draft (exposure draft phase); and
  - (c) development of the of the third edition of the *IFRS for SMEs* Accounting Standard.
9. The Trustees and the DPOC were updated on progress of the project throughout its life cycle. [Appendix A](#) lists the reports to the Trustees and the DPOC.

### *Research phase*

#### *Approach to the second comprehensive review*

10. The Standard is based on full IFRS Accounting Standards with modifications to reflect the needs of users of SMEs' financial statements and cost-benefit considerations. Therefore the starting point in the second comprehensive review was to consider whether and, if so, how to update the Standard for changes made in full IFRS Accounting Standards. The IASB developed an approach to help them decide whether and, if so, how the Standard should be updated for new and amended IFRS Accounting Standards, and decided to apply three principles (the alignment principles):
  - (a) *relevance to SMEs*—whether updating the Standard would affect the decisions of users of SME financial statements;
  - (b) *simplicity*—whether, if the relevance principle is met, there are simplifications that are appropriate to SMEs; and

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- (c) *faithful representation*—whether the changes would represent the substance of economic phenomena in words and numbers.

*Scope of the second comprehensive review*

11. In the first comprehensive review the IASB prioritised stability of the Standard and, therefore, made limited changes to the Standard. As a consequence, the scope of the second comprehensive review included:
- (a) requirements in full IFRS Accounting Standards issued:
    - (i) since the first review; and
    - (ii) before the first review that did not result in amendments to the Standard in 2015; and
  - (b) other topics brought to the IASB’s attention, such as the application of the measurement simplifications for defined benefit obligations and recognition and measurement of development costs.
12. The IASB included in the scope of the second comprehensive review new and amended IFRS Accounting Standards and IFRIC Interpretations with an effective date on or before 1 January 2019. However, in the research phase the IASB decided to extend the scope of the second comprehensive review for two amendments it considered would ease application of the Standard for SMEs:<sup>4</sup>
- (a) *Definition of Material* (Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*) (issued on 31 October 2018 and effective from 1 January 2020); and
  - (b) *Definition of a Business* (Amendments to IFRS 3 *Business Combinations*) (issued on 22 October 2018 and effective from 1 January 2020).

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<sup>4</sup> In October 2023 the IASB decided to also include in the scope of the review and published an addendum to the Exposure Draft amendments to full IFRS Accounting Standard introduced by *Supplier Finance Arrangements* and *Lack of Exchangeability* was consulted through an addendum to the Exposure Draft (see paragraphs 30–33 of this paper).

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13. The IASB discussed the project at eight public meetings between February 2019 and December 2019. The papers and recordings of these public meetings are available on the IFRS Foundation's website.
  14. In January 2020, the IASB published Request for Information *Comprehensive Review of the IFRS for SMEs Standard* (Request for Information). The Request for Information was open for comment for nine months (extended due to Covid-19) and sought views on three areas:
    - (a) approach to the second comprehensive review;
    - (b) sections of the Standard that could be updated for full IFRS Accounting Standards in the scope of the review; and
    - (c) topics not addressed in the Standard and specific topics on which the IASB had received feedback.

#### *Outreach and fieldwork on the Request for Information*

15. Feedback from stakeholders was gathered from 66 comment letters and 15 outreach events, attended by almost 2,000 participants. Additional feedback was gathered from:
  - (a) online survey—30 online surveys were submitted, 21 from individuals and 9 from organisations from 24 jurisdictions.
  - (b) online user survey—54 online surveys were submitted, 14 from users and 40 non-users.
  - (c) user interviews—13 interviews with users from 7 jurisdictions.
  - (d) preparer interviews—18 interviews with preparers (including SME accountants) from 8 jurisdictions.
16. In addition to the outreach events the IASB published a series of webcasts (including webcasts in Spanish and Portuguese). Webcast views exceeded 2,500.

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*Feedback on the Request for Information*

17. Overall, stakeholders agreed with continuing to base the Standard on full IFRS Accounting Standards and therefore supported the IASB's proposed approach to the review. Some respondents queried whether the alignment principles appropriately took into account the costs and benefits of any possible amendment to the Standard, considering the limited resources and capabilities of SMEs. In response, the IASB noted that, in applying the principle of relevance for SMEs, it would only propose amendments to the Standard if it assessed that the requirement in full IFRS Accounting Standards would make a difference in the decisions of users of SMEs' financial statements. This assessment would be part of the cost–benefit considerations.

***Exposure draft phase***

18. Given the support for its approach to the second comprehensive review on the Request for Information, the IASB developed proposals for a third edition of the Standard. The IASB discussed the project at 12 public meetings between December 2020 and June 2022. The papers and recordings of these public meetings are available on the IFRS Foundation's website.
19. In September 2022, the IASB published the Exposure Draft (the Exposure Draft) with a comment period of 180 days. This was more than the minimum 120-days required in the *Due Process Handbook* given the broad range of the proposed amendments to the Standard. The comment period ended on 7 March 2023.
20. Given the feedback from the research phase, the IASB decided to request more targeted feedback on the Exposure Draft. Therefore, the Exposure Draft asked specific questions about the issues where it had received mixed feedback on the Request for Information or that had been more contentious in developing the Exposure Draft.

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### *Outreach and fieldwork on the Exposure Draft*

21. Feedback from stakeholders was gathered from 70 comment letters and 31 outreach events. Additional feedback was gathered from fieldwork (see paragraphs 22 and 27–28 of this paper).
22. Fieldwork was undertaken on the proposed revision to Section 23 *Revenue* (renamed *Revenue from Contracts with Customers*). Approximately 100 accounting practitioners expressed interest in participating in the fieldwork and were invited to complete a questionnaire. Thirty-one responses on the questionnaire were received and 24 meetings were held with fieldwork participants. The objectives of the fieldwork were:
  - (a) to obtain feedback on whether the requirements in the proposed revised Section 23 were clear and understandable; and
  - (b) to understand if preparers of SMEs' financial statements can make the judgements that would be necessary to apply the requirements in the proposed revised Section 23.
23. The feedback and evidence gathered from the comment letters and fieldwork were considered by the IASB in making its decisions during redeliberation.

### *Feedback on the Exposure Draft*

24. Overall, there was a general support for the proposed third edition of the Standard. Specifically:
  - (a) almost all respondents supported the proposal to align Section 2 *Concepts and Pervasive Principles* with the 2018 *Conceptual Framework for Financial Reporting*.
  - (b) most respondents supported the retention of the simplification to the definition of control, that control is presumed to exist when a parent owns more than half of the voting power of an entity.



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- (c) almost all respondents supported the new Section 12 *Fair Value Measurement* on fair value measurement.
  - (d) almost all respondents supported the proposed requirements on step acquisitions in Section 19 *Business Combinations and Goodwill*.
  - (e) most respondents supported aligning Section 23 with IFRS 15 *Revenue from Contracts with Customers*. Most stakeholders suggested changes to the proposed requirements to make them easier for SMEs to understand and apply.
  - (f) most stakeholders supported not aligning Section 20 *Leases* with IFRS 16 *Leases* at this time.
25. Some respondents raised concerns on the following aspects of the proposals:
- (a) there was mixed feedback on the proposal to clarify the definition of public accountability and many respondents (large minority) expressed concern that the proposed amendments were subjective.
  - (b) many respondents (a small majority) disagreed with the proposal to delete paragraph 28.19 of the Standard, which provides measurement simplifications for defined benefit pension obligations.
  - (c) most respondents disagreed with the proposals to require an expected credit loss (ECL) model based on the simplified approach in IFRS 9 *Financial Instruments* for some financial assets measured at amortised cost. Most of these respondents supported retaining the incurred loss model for all financial assets measured at amortised cost in Section 11 *Financial Instruments*.

#### *Redeliberation of the proposals in the Exposure Draft*

26. The IASB redeliberated the proposals and discussed the feedback in the Exposure Draft (including feedback obtained from fieldwork) in 11 meetings between June 2023 and July 2024. In response to feedback, the IASB confirmed the proposals in the Exposure Draft but made the following main changes to its proposals by:

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- (a) withdrawing the proposal to describe the characteristics of an entity that has public accountability, making only very limited amendments.
  - (b) clarifying how the measurement simplifications for defined benefit pension obligations should be applied.
  - (c) retaining the incurred loss model for all financial assets measured at amortised cost in Section 11 *Financial Instruments*.
27. The IASB explored an alternative approach to that proposed in the Exposure Draft that would have required SMEs that provide financing to customers to apply the simplified ECL model. The IASB undertook additional fieldwork on the alternative approach to identify:
- (a) whether SMEs could determine if they provide financing to customers as one of their primary businesses and the cost of making this determination; and
  - (b) the costs and benefits of applying an ECL model based on the simplified approach in IFRS 9 *Financial Instruments* for this sub-group of SMEs.
28. The IASB developed a questionnaire to research the alternative approach explained in paragraph 27 of this paper. Approximately 93 individuals expressed interest in participating in the fieldwork and were invited to complete a questionnaire. Of these, 29 responses on the questionnaire were received and 20 meetings were held with fieldwork participants. Based on all the evidence gathered during the project (including the additional fieldwork) about the nature of financial assets held by most SMEs, the IASB decided to retain an incurred loss model. However, the IASB added a requirement for an SME to disclose an ageing analysis by past due date for financial assets measured at amortised cost.
29. The IASB responded to the feedback on revised Section 23 *Revenue from Contracts with Customers* of the Exposure Draft, changing other proposed requirements in the revised Section 23 by either simplifying the requirements further (for example, the requirements for accounting for warranties and costs to obtain a contract) or removing the simplification, so the requirements in the revised Section 23 and IFRS 15 *Revenue*

*from Contracts with Customers* are more aligned (for example, contract modifications and principal versus agent considerations).

#### *Addendum to the Exposure Draft*

30. In October 2023 the IASB decided to extend the scope of the review and published an addendum to the Exposure Draft to consider the following amendments made to full IFRS Accounting Standards:
- (a) *Supplier finance arrangements* (Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*) (issued on 25 May 2023 and effective from 1 January 2024); and
  - (b) *Lack of exchangeability* (Amendments to IAS 21 *The Effect of Changes in Foreign Exchange Rates*) (issued on 15 August 2023 and effective from 1 January 2025).
31. In March 2024, the IASB published the Addendum to the Exposure Draft *Third Edition of the IFRS for SMEs Accounting Standard* (Addendum Exposure Draft). The Addendum Exposure Draft had a comment period of 120 days.
32. Feedback from stakeholders was gathered from 35 comment letters and three consultation group meetings.
33. At its September 2024 meeting, the IASB redeliberated the proposals and discussed the feedback on the Addendum Exposure Draft. The IASB confirmed the proposals in the Addendum Exposure Draft with some minor revisions to clarify the disclosure requirements for supplier finance arrangements.

#### *IASB's tentative decisions and consultative group meetings*

34. A summary of the IASB's tentative decisions on the Exposure Draft and the Addendum Exposure Draft is set out in [Appendix B](#) of this paper. [Appendix C](#) list the meetings of the IASB and its consultative bodies.

## Due process summary

35. As set out in paragraph 6 of this paper, at its July 2024 meeting, the IASB confirmed that it is satisfied that all the mandatory due process steps specified in the *Due Process Handbook* have been completed in redeliberating the proposals in the Exposure Draft, and that subject to finalising its proposals and completing the due process steps for the Addendum Exposure Draft (see paragraph 52 of this paper), it has completed sufficient consultation and analysis to proceed to balloting the third edition of the Standard.
36. At its September 2024 meeting the IASB considered the feedback on the Addendum Exposure Draft (see paragraphs 31–33 of this paper). Further to its decision in July 2024, the IASB confirmed it had completed sufficient consultation and analysis to include the proposed amendments in the third edition of the Standard and therefore to continue the balloting process.
37. To support its discussion the IASB considered an analysis of the due process steps that have been followed during the life of the project, see [Appendix D](#) paragraphs 42–49 (which reproduces parts of [Agenda Paper 30F Due Process](#) of the July 2024 IASB meeting) and [Appendix E](#) (which was attached to that Agenda Paper).<sup>5</sup>
38. The following tables summarise the mandatory and optional due process steps:

**Table 1—Mandatory due process steps (paragraph 3.44 of the *Due Process Handbook*)**

Mandatory due process steps (minimum safeguards)	Remarks
(a) Debating any proposals in public meetings	All the debates on the proposals including its redeliberations were held in public meetings. See paragraphs 13, 18, 26, 32 and 33.
(b) Exposing for public comment a draft of any proposed new IFRS Accounting Standard with minimum comment periods	The Exposure Draft was exposed for 180 days (see paragraph 19) and the Addendum Exposure Draft was exposed for 120 days (see paragraph 31).

<sup>5</sup> In September 2024, the IASB confirmed that the due process steps for the Exposure Draft *Addendum to the Exposure Draft Third edition of the IFRS for SMEs Accounting Standard* is complete.

(c) Considering in a timely manner comment letters received on the proposals	The feedback from the exposure drafts were considered by the IASB in redeliberating the proposals (see paragraphs 26–29 and 32–33).
(d) Considering whether the proposals should be exposed again	The re-exposure criteria were considered, See paragraphs 48–50.
(e) Consulting the ASAF and the IFRS Advisory Council	The SMEIG were consulted throughout the project and the IASB considered its advice at all stages of the project. (see paragraphs 42–47 and Appendix C of this paper). ASAF and the IFRS Advisory Council were regularly updated about the project.

**Table 2—Optional due process steps (paragraph 3.45 of the *Due Process Handbook*)**

Optional due process steps ('comply or explain' steps)	Remarks
(a) Publishing a discussion document for major projects (for example, a discussion paper) before an exposure draft is developed	Complied. A Request for Information was published before the Exposure Draft was developed (see paragraphs 10–17).
(b) Establishing consultative groups or other types of specialist advisory groups for major projects	Complied. The SMEIG is a standing consultative group that, advises the IASB on implementing and applying the Standard (see paragraph 7 and paragraphs 42–47).
(c) Holding public hearings	No public hearings were held. Nevertheless, during the consultation period of the Request for Information (see paragraphs 15–16), the Exposure Draft (see paragraphs 21–22 and 27–28) and the Addendum Exposure Draft (see paragraph 32), the IASB participated in outreach events, seeking feedback on the IASB's direction and proposals in developing the third edition of the Standard.
(d) Undertaking fieldwork	Complied. Fieldwork was undertaken on the IASB's proposals to revise Section 23 <i>Revenue from Contracts with Customers</i> (see paragraph 22) and whether to introduce an expected credit loss model (see paragraphs 27–28).

39. [Appendix E](#) of this paper provides more details on the due process steps taken during the finalisation of the third edition of the Standard. [Appendix F](#) provides extracts from the *Due Process Handbook*.

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***Consulting with IFRS Advisory Council and other IASB's consultative bodies***

40. The IASB is required to update the IFRS Advisory Council on its technical programme and major projects as part of its due process (paragraph 3.54 of the *Due Process Handbook*). The IFRS Advisory Council has been informed on the progress of the project throughout its lifecycle (in March 2019, September 2019, May 2020, November 2020, February 2021, April 2021, September 2021, November 2021, April 2022, October 2022, April 2023, November 2023 and April 2024).
41. In July 2022, the ASAF was updated about the project and the proposals in the Exposure Draft.

***SMEIG meetings***

42. The SMEIG has provided recommendations to the IASB throughout this comprehensive review of the Standard. The SMEIG's recommendations were summarised in reports published on the IFRS Foundation website and were considered by the IASB in making its decisions.
43. In February 2021, the SMEIG received a summary of the feedback on the Request for Information and advice was requested on the staff's preliminary thoughts on how to address the feedback. During the development of the Exposure Draft, the IASB members and staff consulted with the SMEIG in two meetings (September 2021 and January 2022) seeking advice on how to address the feedback on the Request for Information to develop the proposals in the Exposure Draft.
44. In October 2022, the SMEIG received an overview of the proposals in the Exposure Draft and the questions included in the Invitation to Comment on the Exposure Draft.
45. During the period of redeliberations of the proposals in the Exposure Draft, advice was sought from SMEIG in two meetings (July 2023 and December 2023).

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46. A further meeting was held with the SMEIG in September 2024. The SMEIG advice was sought on the feedback to the Addendum Exposure Draft and the staff's preliminary recommendations to the IASB on how to proceed.
  47. The staff has regularly consulted with the SMEIG via email when developing staff papers for the IASB's redeliberations. [Appendix C](#) of the paper provides more details of the topics discussed.

### **Consideration of whether to re-expose the proposals**

48. In July 2024, the IASB considered whether it should re-expose the proposals applying the re-exposure criteria in paragraphs 6.25–6.28 of the *Due Process Handbook* (see paragraphs 50–54 of [Agenda Paper 30F Due process](#) of the July 2024 IASB meeting reproduced in [Appendix D](#)). To support that discussion, the IASB considered the changes the IASB had made to the proposals in the Exposure Draft, see paragraphs 26–29 and 33 of this paper.
49. In finalising the amendments in the Standard, the IASB made some changes to its proposals. In making these revisions the IASB took into consideration feedback on the proposals, feedback from further field-testing and sought the advice of the SMEIG. The IASB decided it was unlikely that re-exposure would reveal any new concerns.
50. As a result of considering the criteria for re-exposure, the IASB concluded that the changes made to the proposals in the Exposure Draft are in response to the feedback, and the revised proposals do not include any fundamental changes on which respondents have not had the opportunity to comment. Subject to finalising its proposals and completing the due process steps for the Addendum Exposure Draft (see paragraph 52 of this paper), the IASB agreed that it could proceed with finalising the Standard without re-exposing it for a further round of public comment.

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## Latest developments and next steps

51. At its July 2024 meeting, the IASB also agreed on the following:
- (a) **effective date:** the third edition of the Standard will be effective 1 January 2027, and early application is permitted; and
  - (b) **dissent:** one IASB member indicated an intent to dissent from the publication of the third edition of the Standard because of the IASB's decision to retain the incurred loss model for impairment losses on financial assets for entities applying the Standard. The IASB member believes that for some entities in the scope of the Standard an expected credit loss model based on the simplified approach in IFRS 9 *Financial Instruments* is essential to provide a more faithful representation than the incurred loss model.
52. At its September 2024 meeting, the IASB confirmed it is satisfied that it has complied with the due process requirements and that it can combine the prospective amendments to Section 7 *Statement of Cash Flows* and Section 30 *Foreign Currency Translation* of the Standard (as consulted in the Addendum Exposure Draft) with the balloting process for the third edition of the Standard.
53. Accordingly, the staff has begun the balloting process and sent the pre-ballot drafts of the following documents for review by IASB members and selected internal and external reviewers:
- (a) the Standard;
  - (b) the basis for conclusions; and
  - (c) project summary, feedback statement and effects analysis.
54. Review of the pre-ballot draft documents will be completed in October 2024. The ballot draft will then be prepared. The IASB expects to complete all steps in the balloting process in January 2025 and publish the third edition of the Standard (subject to the DPOC's confirmation at this meeting) in February 2025.



## Appendix A—Reporting to the Trustees and the Due Process Oversight Committee

A1. This table demonstrates how the Trustees and the DPOC have been informed on the progress of the project. The progress of the project has been regularly included in the IASB Technical Activities: Key Issues and Update report to the Trustees.

Date	Paper
<b>2019</b>	
June	<a href="#"><u>Technical activities: Key issues and update (AP 1B)</u></a> : The agenda paper notes the commencement of the second comprehensive review of the <i>IFRS for SMEs</i> Accounting Standard (the Standard). The agenda paper also notes that in the first phase of the review, the IASB developed a Request for Information to obtain views on whether and, if so, how the Standard should be aligned with IFRS Accounting Standards and amendments not currently incorporated into the Standard.
October	<a href="#"><u>Technical activities—Update report on behalf of the International Accounting Standards Board (AP 1B)</u></a> : The agenda paper includes a brief reference to the progress of the project.
<b>2020</b>	
February	<a href="#"><u>Technical activities—Key issues and update (AP 1B)</u></a> : The agenda paper notes that at its December 2019 meeting, the IASB confirmed that it had completed all necessary due process steps to publish a Request for Information. The agenda paper also notes that the Request for Information <i>Comprehensive Review of the IFRS for SMEs Standard</i> (Request for Information) was published in January 2020 with a comment period of 180 days ending July 2020. The agenda paper also includes an overview of the topics addressed in the Request for Information.
June	<a href="#"><u>Technical Activities—update report on behalf of the International Accounting Standards Board (AP 1B)</u></a> : The agenda paper notes that, because of the covid-

Date	Paper
	19 pandemic, the IASB extended the consultation period of the Request for Information to end in October 2020.
October	<a href="#"><u>Technical Activities: Key Issues and Update (AP 1B)</u></a> : The agenda paper includes a brief reference to the progress of the project and the timeline for considering feedback from the Request for Information.
<b>2021</b>	
March	<a href="#"><u>Key issues and update (AP 1B)</u></a> : The agenda paper notes that the summary of feedback from the Request for Information was reported to the IASB at its December 2020 meeting. The agenda paper also notes the timelines for consultative group discussions and that advice from the SME Implementation Group (SMEIG) was sought at its February 2021 meeting to assist the IASB in determining project direction.
June	<a href="#"><u>Key issues and update (AP 1B)</u></a> : The agenda paper notes the IASB's decision in March 2021 to move the project from its research programme to its standard-setting programme and work towards publishing an exposure draft proposing amendments to the Standard for new requirements in full IFRS Accounting Standards that are in the scope of the review. The agenda paper notes that in reaching these decisions, the IASB concluded it has sufficient information to proceed directly to an exposure draft and considered the requirements of paragraphs 5.4–5.7 of the <i>Due Process Handbook</i> .  The agenda paper also notes that at its May 2021 meeting, the IASB started deliberating specific sections of the Standard that could be aligned with new requirements in IFRS Accounting Standards in the scope of the review.  The agenda paper notes that timeline for publishing of the exposure draft was uncertain due to availability of resources.
October	<a href="#"><u>Key issues and update (AP 1B)</u></a> : The agenda paper includes a brief reference to the progress of the project
<b>2022</b>	

Date	Paper
March	<a href="#"><u>IASB technical activities: key issues and update AP 1B</u></a> : The agenda paper includes a brief reference to the progress of the project.
June	<a href="#"><u>IASB technical activities: key issues and update AP 1B</u></a> : The agenda paper includes a brief reference to the progress of the project. The agenda paper also notes that at its March, April and May 2022 meetings, the IASB continued to develop proposals for an exposure draft.
October	<a href="#"><u>IASB technical activities: key issues and update AP 1B</u></a> : The agenda paper notes that at its June 2022 meeting, the IASB confirmed that all necessary due process steps had been taken to start the balloting process for the Exposure Draft <i>Third edition of the IFRS for SMEs Accounting Standard</i> (the Exposure Draft). The agenda paper also notes that the IASB set a comment period for the Exposure Draft of 180 days, which is longer than the 120-day minimum specified by the <i>Due Process Handbook</i> . This longer comment period is because that the IASB is proposing significant amendments to major sections (including Revenue, Financial Instruments and Business Combinations). Lastly, the agenda paper notes that the Exposure Draft was published in September 2022 and the IASB is undertaking outreach with stakeholders.
<b>2023</b>	
March	<a href="#"><u>IASB Technical Activities AP 1B</u></a> : The agenda paper includes a brief reference to the progress of the project.
June	<a href="#"><u>IASB Technical Activities AP 1B</u></a> : The agenda paper notes that the comment period for the Exposure Draft has closed on 7 March 2023 and that the staff are currently analysing feedback from outreach and comment letters.
October	<a href="#"><u>IASB Technical Activities AP 1B</u></a> : The agenda paper notes that the IASB discussed feedback on the Exposure Draft in June 2023 and continues its deliberations.
<b>2024</b>	

Date	Paper
February	<p><a href="#"><i>IASB technical activities: key issues and update AP 1B</i></a>: The agenda paper notes that at its October 2023 meeting, the IASB tentatively decided to extend the scope of the Second Comprehensive Review of the Standard to include two recent amendments to full IFRS Accounting Standards for supplier finance arrangements and lack of exchangeability. The proposed amendments will be exposed in an addendum to the Exposure Draft (Addendum Exposure Draft).</p> <p>The agenda paper also notes that at the December 2023 meeting, the IASB decided to set a comment period of 120 days for the Addendum Exposure Draft. At this meeting, the IASB also confirmed it was satisfied that it had complied with the applicable due process requirements and had undertaken sufficient consultation and analysis to begin the process for balloting the Addendum Exposure Draft.</p> <p>Lastly, the agenda paper notes that any resulting amendments from the Addendum Exposure Draft will be included in the third edition of the Standard.</p>
June	<p><a href="#"><i>IASB technical activities: key issues and update AP 1B</i></a>: The agenda paper notes a deferral of the publication of the third edition of the Standard to H1 2025. The deferral is to accommodate additional fieldwork (on whether to introduce an expected credit loss model for SMEs that provide financing to customers as one of their primary businesses) and incorporate any resulting amendments from the Addendum Exposure Draft.</p> <p>The agenda paper also notes that the Addendum Exposure Draft was published in March 2024 and comments were due by 31 July 2024.</p>

## Appendix B—Summary of IASB tentative decisions in developing the third edition of the *IFRS for SMEs Accounting Standard*

Month	Decision
June 2023	<p><i>Definition of public accountability</i></p> <p>The IASB tentatively decided:</p> <ul style="list-style-type: none"> <li>(a) to confirm the proposed amendment to paragraph 1.3(b) of the <i>IFRS for SMEs Accounting Standard</i> (the Standard) to list banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks as examples of entities that often meet the second criterion of public accountability.</li> <li>(b) to withdraw paragraph 1.3A of the Exposure Draft from the Standard, and not include it in the educational modules for the Standard and Basis for Conclusions on the Standard.</li> <li>(c) to explain in the Basis for Conclusions on the Standard its reasoning for deciding against further clarifying the role of local legislative and regulatory authorities in jurisdictions in the Preface to the Standard.</li> <li>(d) to consider whether other suggestions for guidance on the definition of public accountability should be covered in the educational modules supporting the Standard.</li> </ul>
September 2023	<p><i>Project plan</i></p> <p>The IASB discussed the project plan for the third phase of the second comprehensive review in the light of feedback on the Exposure Draft. The IASB tentatively decided:</p> <ul style="list-style-type: none"> <li>(a) to confirm the scope of the review and alignment approach as set out in the Exposure Draft. This approach treats alignment with IFRS Accounting 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.</li> <li>(b) to continue to develop amendments to the <i>IFRS for SMEs Accounting Standard</i> by applying the alignment approach to IFRS Accounting Standards.</li> </ul> <p><i>Approach to providing educational material on the Standard</i></p>

Month	Decision
	<p>The IASB decided to either update the <i>IFRS for SMEs</i> educational modules that support the second edition of the Standard, or provide similar comprehensive educational material on the third edition.</p> <p><i>Impairment of financial assets</i></p> <p>The IASB tentatively decided that the problem it addressed in introducing the expected credit loss model in IFRS 9 <i>Financial Instruments</i> does not meet its principle of relevance to SMEs because the population of entities eligible to apply the <i>IFRS for SMEs Accounting</i> Standard that have significant exposure to credit risk is expected to be small.</p> <p>IASB members acknowledged that a small sub-group of SMEs, such as non-bank lenders, might have significant exposure to credit risk. The IASB asked the staff to research alternatives that would seek to recognise expected credit losses for this sub-group of entities.</p>
October 2023	<p><i>Revenue from Contracts with Customers</i></p> <p>The IASB tentatively decided to revise Section 23 <i>Revenue from Contracts with Customers</i> of the Standard to reflect the principles in IFRS 15 <i>Revenue from Contracts with Customers</i>.</p> <p><i>Simplification of the control model in Section 9 Consolidated and Separate Financial Statements</i></p> <p>The IASB tentatively decided to clarify how an entity applies the rebuttable presumption in paragraph 9.5 of the Standard.</p> <p><i>Recognition of development costs</i></p> <p>The IASB tentatively decided to retain the requirements in the Standard for recognising development costs.</p> <p><i>Recognition of borrowing costs</i></p> <p>The IASB tentatively decided to retain the requirements in the Standard for recognising borrowing costs.</p> <p><i>Recent amendments to full IFRS Accounting Standards</i></p>

Month	Decision
	<p>The IASB tentatively decided to expose for public comment a proposal to align the Standard with:</p> <ul style="list-style-type: none"> <li>(c) Supplier Finance Arrangements, which amended IAS 7 <i>Statement of Cash Flows</i> and IFRS 7 <i>Financial Instruments: Disclosures</i>; and</li> <li>(d) Lack of Exchangeability, which amended IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i>.</li> </ul>
November 2023	<p><i>Investments in Joint Arrangements</i></p> <p>The IASB tentatively decided:</p> <ul style="list-style-type: none"> <li>(a) to align the definition of ‘joint control’ in Section 15 <i>Investments in Joint Ventures</i> of the Standard with the definition in IFRS 11 <i>Joint Arrangements</i>.</li> <li>(b) to retain the classification and measurement requirements for jointly controlled assets, jointly controlled operations and jointly controlled entities in Section 15.</li> <li>(c) to align Section 15 with the requirements of paragraph 23 of IFRS 11, so that a party to a jointly controlled operation or a jointly controlled asset that does not have joint control of those arrangements would account for its interest according to the classification of that jointly controlled operation or jointly controlled asset.</li> </ul> <p><i>Simplification in paragraph 28.19</i></p> <p>The IASB tentatively decided:</p> <ul style="list-style-type: none"> <li>(a) to retain paragraph 28.19 of the Standard.</li> <li>(b) to clarify that an entity applying paragraph 28.19 measures its obligation from the defined benefit plan at the current termination amount, assuming all the entity’s employees terminate their employment at the reporting date.</li> <li>(c) to specify that an entity applying paragraph 28.19 measures the current termination amount of its obligation from the defined benefit plan on an undiscounted basis.</li> <li>(d) to require that an entity applying paragraph 28.19 discloses its basis for determining the current termination amount of its obligation from the defined benefit plan.</li> </ul>

Month	Decision
December 2023	<p><i>Fair value measurement</i></p> <p>The IASB tentatively decided:</p> <ul style="list-style-type: none"> <li>(a) to finalise the proposals in the Exposure Draft to introduce a new Section 12 <i>Fair Value Measurement</i> without significant changes to the overall content proposed for that section;</li> <li>(b) to consider respondents' drafting suggestions and whether plainer language can be used to express requirements in Section 12;</li> <li>(c) to omit the proposed appendix to Section 12, and instead to include its examples in separate educational material; and</li> <li>(d) to consider respondents' suggestions for additional guidance and illustrative examples when updating the separate educational material.</li> </ul> <p><i>Investment entities</i></p> <p>The IASB tentatively decided not to add requirements for investment entities to Section 9 <i>Consolidated and Separate Financial Statements</i> of the Standard.</p> <p><i>Requirement to offset equity instruments</i></p> <p>Paragraph 22.7(a) of the Standard requires that if equity instruments are issued before an entity receives the cash or other resources, the entity shall present the amount receivable as an offset to equity in its statement of financial position, not as an asset. The IASB tentatively decided to retain this paragraph in the Standard but to provide relief from applying this requirement if it conflicts with legislation in an entity's jurisdiction.</p>
January 2024	<p><i>Reconciliation for liabilities arising from financing activities</i></p> <p>The IASB tentatively decided to finalise the proposal in the Exposure Draft to require SMEs to disclose a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.</p> <p><i>Agriculture Bearer Plants</i></p> <p>The IASB tentatively decided to finalise the proposals for bearer plants in the Exposure Draft. However, the IASB tentatively decided to clarify that Section 34 <i>Specialised Activities</i> of the <i>IFRS for SMEs Accounting Standard</i> does not apply to bearer plants that can be measured separately, on initial recognition and on an ongoing basis, from the produce on them without undue cost or effort.</p>



Month	Decision
	<p><i>Impairment of financial assets</i></p> <p>The IASB tentatively decided that, for a small population of SMEs with significant exposure to credit risk:</p> <ul style="list-style-type: none"> <li>(a) the relevance principle of the IASB’s alignment approach is satisfied.</li> <li>(b) the population be defined as SMEs that provide financing to customers as one of their primary businesses.</li> <li>(c) the population be required to apply an expected credit loss model.</li> </ul> <p>Given these three tentative decisions, the IASB also tentatively decided:</p> <ul style="list-style-type: none"> <li>(a) to require SMEs that do not provide financing to customers as one of their primary businesses to continue to use the incurred loss model to measure the impairment of their financial assets.</li> <li>(b) to require SMEs that provide financing to customers as one of their primary businesses to apply an expected credit loss model, aligned with the simplified approach in IFRS 9 <i>Financial Instruments</i>, to measure the impairment of their financial assets.</li> </ul> <p><i>Leases</i></p> <p>The IASB tentatively decided to consider aligning the <i>IFRS for SMEs Accounting Standard</i> with IFRS 16 <i>Leases</i> at the next comprehensive review of the <i>IFRS for SMEs Accounting Standard</i>.</p>
February 2024	<p><i>Consolidated and Separate Financial Statements</i></p> <p>The IASB tentatively decided:</p> <ul style="list-style-type: none"> <li>(a) to delete paragraph 9.23(b) of the Standard, which requires an SME to disclose the basis for concluding that control exists when the parent does not own more than half of the voting power in the other entity; and</li> <li>(b) to add to paragraph 8.6 of the Standard examples of the types of judgements that management might make in the process of applying the SME’s accounting policies and that have the most significant effect on the amounts recognised in the financial statements.</li> </ul>

*Business Combinations and Goodwill*

The IASB tentatively decided to proceed with the amendments to Section 19 *Business Combinations and Goodwill* of the Standard proposed in the Exposure Draft, including:

- (a) introducing requirements for an acquisition achieved in stages (step acquisition) as set out in IFRS 3 *Business Combinations*;
- (b) not introducing the fair value option for measuring non-controlling interests in the acquiree; and
- (c) not including the application guidance in paragraphs B36 and B53 of IFRS 3 on reacquired rights arising from pre-existing relationships.

The IASB also tentatively decided:

- (a) to relocate the Illustrative Examples in Appendix B of Section 19 proposed in the Exposure Draft to separate educational modules; and
- (b) to consider suggestions for additional guidance and illustrative examples when updating the separate educational modules.

*Revenue from Contracts with Customers—Redeliberation topics*

The IASB tentatively decided:

- (a) to withdraw the proposed option for an SME to account for a contract modification as a separate contract if:
  - (i) the modification increases the scope of the existing contract because of additional goods or services promised that are distinct from those in the existing contract; and
  - (ii) the modification increases the price of the existing contract by an amount of consideration that reflects the entity's stand-alone selling price of the additional goods or services and any appropriate adjustments to that price to reflect the circumstances of that contract;
- (b) to withdraw the proposal to require an SME to account for an option as a separate promise if it provides a material right to the customer and the effect of doing so is significant to the individual contract; and
- (c) to withdraw the proposal to require an SME to recognise as an asset the incremental costs of obtaining a contract with a customer if the SME expects to recover those costs.

Month	Decision
	<p>Instead, the IASB tentatively decided to require an SME:</p> <ul style="list-style-type: none"> <li>(a) to account for a contract modification as a separate contract if:           <ul style="list-style-type: none"> <li>(i) the modification increases the scope of the existing contract because of additional goods or services promised that are distinct from those in the existing contract; and</li> <li>(ii) the modification increases the price of the existing contract by an amount of consideration that reflects the entity's stand-alone selling price of the additional goods or services and any appropriate adjustments to that price to reflect the circumstances of that contract;</li> </ul> </li> <li>(b) to account for an option that provides a material right to the customer as a separate performance obligation if the SME can do so without undue cost or effort; and</li> <li>(c) to recognise the costs of obtaining a contract with a customer as an expense when incurred.</li> </ul> <p>The IASB tentatively decided to confirm its proposals to require an SME:</p> <ul style="list-style-type: none"> <li>(a) to identify each promise to transfer a distinct good or service, or bundle of goods or services; and</li> <li>(b) to include an amount of variable consideration in the transaction price only to the extent that it is highly probable that this amount will become due when the uncertainty associated with the variable consideration is resolved.</li> </ul> <p>The IASB tentatively decided:</p> <ul style="list-style-type: none"> <li>(a) to include the term 'barter' in the description of non-cash consideration in the Standard;</li> <li>(b) to include separately in the Standard:           <ul style="list-style-type: none"> <li>(i) the requirement for an SME to measure the fair value of non-cash consideration; and</li> <li>(ii) the exemption from the requirement to measure the fair value of non-cash consideration;</li> </ul> </li> <li>(c) not to include guidance on methods for estimating stand-alone selling prices in the Standard, but to include this guidance in educational material on the Standard; and</li> </ul>

Month	Decision
	<p>(d) to combine the requirement for an SME to allocate variable consideration with the requirement for an SME to allocate discounts in the Standard.</p>
<p>March 2024</p>	<p><i>Revenue from Contracts with Customers—Redeliberation topics</i></p> <p>The IASB tentatively decided:</p> <p>(a) to withdraw the proposal that if any of the circumstances in paragraph 23.38(a)–(c) of the Exposure Draft apply, the SME is a principal; and</p> <p>(b) to withdraw the proposal to require an SME to account for a warranty as a separate promise if:</p> <p style="margin-left: 20px;">(i) the customer has the option to purchase the warranty separately; or</p> <p style="margin-left: 20px;">(ii) the warranty, or part of the warranty, provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications.</p> <p>Instead, the IASB tentatively decided to require an SME:</p> <p>(a) to apply the requirements based on the principle and indicators of control in IFRS 15 <i>Revenue from Contracts with Customers</i> to determine whether the SME is a principal or agent; and</p> <p>(b) to account for a warranty as a separate promise only if the customer has the option to purchase the warranty separately.</p> <p>The IASB tentatively decided:</p> <p>(a) to require an SME that is evaluating whether a customer obtains control of an asset to consider any agreement to repurchase the asset;</p> <p>(b) to specify in the <i>IFRS for SMEs Accounting Standard</i> that a customer does not obtain control of an asset if an SME has an obligation or a right to repurchase the asset;</p> <p>(c) to include no requirements specifying how an SME accounts for repurchase agreements that arise from contracts with customers in the <i>IFRS for SMEs Accounting Standard</i>;</p> <p>(d) to withdraw the proposed requirements for accounting for unexercised rights in paragraphs 23.119–23.120 of the Exposure Draft;</p> <p>(e) to confirm its proposal to require an SME to present contract assets and receivables separately; and</p>

Month	Decision
	<p>(f) to confirm its proposal to require an SME to apply the criteria in paragraph 23.78(a), (c) and (d) of the Exposure Draft to determine whether the SME satisfies a promise over time or at a point in time.</p> <p><i>Revenue from Contracts with Customers—Additional and alternative simplifications</i></p> <p>The IASB tentatively decided to use the term ‘collectability’, instead of ‘customer’s credit risk’, to describe the requirement for an SME to estimate the recoverable amount of assets recognised from the costs incurred to fulfil a contract with a customer.</p> <p><i>Other issues raised by respondents to the Exposure Draft (Question 11 of the Exposure Draft)</i></p> <p>The IASB tentatively decided:</p> <p>(a) to finalise paragraph 30.8A in the Exposure Draft, which clarifies the requirements for transactions that include payment or receipt of advance consideration in a foreign currency, and to clarify in this paragraph that:</p> <ul style="list-style-type: none"> <li>(i) an SME generally recognises a non-monetary asset or non-monetary liability; and</li> <li>(ii) an SME that makes multiple payments or receipts in advance is required to determine a date of the transaction for each payment or receipt.</li> </ul> <p>(b) to align the requirements for offsetting income tax assets and liabilities in Section 29 <i>Income Tax</i> of the <i>IFRS for SMEs Accounting Standard</i> with those in paragraphs 71 and 74 of IAS 12 <i>Income Taxes</i>.</p> <p>(c) to clarify in paragraph 28.17 of the <i>IFRS for SMEs Accounting Standard</i> that an SME is required to assess the depth of the market for high-quality corporate bonds at a currency level.</p> <p>(d) to clarify the requirement in proposed paragraph 26.14A of the Exposure Draft by explaining that the cumulative amount ultimately recognised for goods or services received as consideration for cash-settled share-based payments equals the amount of cash paid.</p> <p><i>Concepts and Pervasive Principles</i></p>

Month	Decision
	<p>The IASB tentatively decided to proceed with the proposals in Section 2 <i>Concepts and Pervasive Principles</i> of the Exposure Draft and to make changes to these proposals only to improve drafting.</p> <p><i>Updating the paragraph numbers of the IFRS for SMEs Accounting Standard</i></p> <p>The IASB tentatively decided to renumber paragraphs for sections that will be revised and to retain the original paragraph numbers for sections with few amendments.</p>
April 2024	<p><i>Revenue from Contracts with Customers—Disclosure requirements</i></p> <p>The IASB tentatively decided to withdraw its proposal to require an SME to disclose revenue disaggregated into categories, showing separately, as a minimum, revenue arising from:</p> <ul style="list-style-type: none"> <li>(a) the sale of goods;</li> <li>(b) the rendering of services;</li> <li>(c) royalties;</li> <li>(d) commissions; and</li> <li>(e) any other significant types of revenue from contracts with customers.</li> </ul> <p>Instead, the IASB tentatively decided to include in the proposed revised Section 23 <i>Revenue from Contracts with Customers</i> of the <i>IFRS for SMEs Accounting Standard</i>:</p> <ul style="list-style-type: none"> <li>(a) a requirement that an SME disclose revenue disaggregated into categories that depict its financial performance; and</li> <li>(b) examples of disaggregation categories that might be appropriate for SMEs to use.</li> </ul> <p>The IASB tentatively decided to confirm its proposals to require an SME to disclose:</p> <ul style="list-style-type: none"> <li>(a) the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers;</li> <li>(b) revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period; and</li> <li>(c) the closing balances of assets recognised from the costs incurred to fulfil a contract with a customer, by main category of asset.</li> </ul> <p>The IASB tentatively decided to withdraw its proposals to require an SME:</p>

Month	Decision
	<p>(a) to disclose revenue recognised in the reporting period from promises satisfied or partially satisfied in previous periods;</p> <p>(b) to disclose the amount of amortisation and any impairment losses recognised in the reporting period from assets recognised from the costs incurred to fulfil a contract with a customer; and</p> <p>(c) to provide a quantitative or qualitative explanation of the significance of unsatisfied promises and when they are expected to be satisfied.</p> <p>The IASB tentatively decided to require an SME:</p> <p>(a) to disclose a description of the nature of the goods or services that the SME has promised to transfer to customers, highlighting any promises to arrange for another party to transfer goods or services to the customer; and</p> <p>(b) to explain the judgements that had a significant effect on the amounts the SME recognised in its financial statements that it made when:</p> <p>(i) determining the transaction price; and</p> <p>(ii) allocating the transaction price to the promises identified in the contract.</p> <p>The IASB tentatively decided to amend paragraph 4.11(b) of the Standard to remove the requirement for an SME to subclassify trade and other receivables to show separately receivables arising from accrued income not yet billed.</p> <p><i>Fair Value Measurement—Use of plainer language</i></p> <p>The IASB tentatively decided:</p> <p>(a) to consider whether plainer language can be used in the new and revised sections of the third edition of the Standard; and</p> <p>(b) to include in the proposed new Section 12 <i>Fair Value Measurement</i> of the Standard the definition of ‘highest and best use’ used in IFRS 13 <i>Fair Value Measurement</i>.</p> <p><i>Intragroup issued financial guarantee contracts</i></p> <p>The IASB tentatively decided it would explore measuring intragroup financial guarantee contracts issued for nil consideration by applying Section 21 <i>Provisions and Contingencies</i>.</p>

Month	Decision
May 2024	<p data-bbox="379 416 1305 488"><i>Proposed revised Section 23 Revenue from Contracts with Customers—Other matters raised in feedback</i></p> <p data-bbox="379 517 730 544">The IASB tentatively decided:</p> <ul style="list-style-type: none"> <li data-bbox="379 555 1362 674">(a) to change the requirement proposed in paragraph 23.14(a)(ii) of the Exposure Draft to match paragraph 21(a)(ii) of IFRS 15 <i>Revenue from Contracts with Customers</i>;</li> <li data-bbox="379 689 1362 808">(b) not to add the first sentence of paragraph 19 of IFRS 15 to the revised Section 23 <i>Revenue from Contracts with Customers</i> proposed in the Exposure Draft;</li> <li data-bbox="379 824 1362 943">(c) to specify in the revised Section 23 that an SME accounts for a contract with renewal options based on the contract's expected term for only the purpose of allocating the transaction price;</li> <li data-bbox="379 958 1362 1032">(d) to change the requirements proposed in paragraph 23.11 of the Exposure Draft to match the last sentence of paragraph 11 of IFRS 15;</li> <li data-bbox="379 1048 1362 1122">(e) to change the requirements proposed in paragraph 23.42 of the Exposure Draft to match paragraph 49 of IFRS 15; and</li> <li data-bbox="379 1137 1362 1211">(f) to change the requirement proposed in paragraph 23.110 of the Exposure Draft to match the first sentence of paragraph 99 of IFRS 15.</li> </ul> <p data-bbox="379 1249 1362 1413">The IASB also tentatively decided to change the requirements for accounting for refund liabilities proposed in the Exposure Draft to use the same level of confidence (highly probable) used in the requirements for accounting for variable consideration and sale with a right of return.</p> <p data-bbox="379 1464 1002 1491"><i>Proposed revised Section 23—Length and language</i></p> <p data-bbox="379 1529 1390 1693">The IASB tentatively decided to add to the revised Section 23 <i>Revenue from Contracts with Customers</i> the notion of a transformative relationship, as explained in paragraph BC116K of the Basis for Conclusions on IFRS 15 <i>Revenue from Contracts with Customers</i>.</p> <p data-bbox="379 1744 895 1771"><i>Section 9—Other matter raised in feedback</i></p> <p data-bbox="379 1809 1362 1973">The IASB tentatively decided to confirm its proposed amendment in the Exposure Draft that would require an SME to disclose the portion of the gain or loss resulting from the measurement of any investment retained in a former subsidiary at its fair value at the date when control is lost.</p>



Month	Decision
	<p><i>Disclosure requirements—IFRS for SMEs Accounting Standard and IFRS 19 Subsidiaries without Public Accountability: Disclosures</i></p> <p>The IASB tentatively decided:</p> <ul style="list-style-type: none"> <li>(a) to add a requirement to Section 11 <i>Financial Instruments</i> for an SME to disclose a maturity analysis for financial liabilities (based on paragraph 39 of IFRS 7 <i>Financial Instruments: Disclosures</i>);</li> <li>(b) to withdraw paragraph 6.3A of the Exposure Draft, which proposed to require an SME to disclose dividends paid (in aggregate or per share) separately for ordinary shares and other shares;</li> <li>(c) to add a requirement for an SME to disclose (based on paragraph 137 of IAS 1 <i>Presentation of Financial Statements</i>):             <ul style="list-style-type: none"> <li>(i) the amount of dividends proposed or declared before the financial statements were authorised for issue, but not recognised as a distribution to owners during the period, and the related amount per share; and</li> <li>(ii) the amount of any cumulative preference dividends not recognised; and</li> </ul> </li> <li>(d) to add a requirement to Section 28 <i>Employee Benefits</i> for an SME to disclose expected contributions to a defined benefit plan for the next annual reporting period (based on paragraph 147(b) of IAS 19 <i>Employee Benefits</i>).</li> </ul> <p><i>Transition to the Third edition of the IFRS for SMEs Accounting Standard</i></p> <p>The IASB tentatively decided:</p> <ul style="list-style-type: none"> <li>(a) to proceed with the transition requirements proposed in the Exposure Draft.</li> <li>(b) to add a relief from retrospective application for SMEs applying the amended paragraph 28.19 in Section 28 <i>Employee Benefits</i>. An SME applying the relief would not be required to adjust the carrying amount of assets covered by other sections of the Standard for changes in employee benefit costs that were included in the carrying amount before the date of initial application.</li> </ul>
July 2024	<p>In July 2024, the IASB also made the following tentative decisions.</p> <p><i>Impairment of financial assets</i></p> <p>The IASB tentatively decided:</p>

Month	Decision
	<p>(a) to withdraw its proposal to introduce an expected credit loss model for the impairment of some financial assets; and</p> <p>(b) to add a requirement for an SME to disclose its analysis of financial assets by due date (ageing analysis).</p> <p><i>Issued financial guarantee contracts</i></p> <p>The IASB tentatively decided:</p> <p>(a) to include intragroup financial guarantee contracts issued at nil consideration in the scope of Section 21 <i>Provisions and Contingencies</i>;</p> <p>(b) to keep other issued financial guarantee contracts in the scope of Part II of Section 11 <i>Financial Instruments</i> of the third edition of the Standard and to require an SME to measure such contracts at fair value through profit or loss; and</p> <p>(c) to add to Section 21 requirements for an SME to disclose:</p> <ul style="list-style-type: none"> <li>i. the nature and business purpose of an issued intragroup financial guarantee contract;</li> <li>ii. the maximum amount the SME would have to pay if that contract is called on; and</li> <li>iii. an indication of the uncertainties relating to the amount or timing of any outflow of resources under the contract.</li> </ul> <p><i>Sweep and other issues</i></p> <p>The IASB tentatively decided:</p> <p>(a) to require that, on initial recognition, an SME measure basic financial instruments that are trade receivables at an amount determined by applying the proposed revised Section 23 <i>Revenue from Contracts with Customers</i> if:</p> <ul style="list-style-type: none"> <li>i. the contract does not constitute a financing transaction; or</li> <li>ii. the SME applies the exemption proposed in paragraph 23.59 of the Exposure Draft;</li> </ul> <p>(b) to add a definition of ‘transaction price’ (for a contract with a customer) that matches the description of the term proposed in paragraph 23.41 of the Exposure Draft;</p> <p>(c) to require that an SME use its expectation of the products that will be returned to account for sales with a right of return; and</p> <p>(d) not to include guidance from the Q&amp;As developed by the SME Implementation Group in the <i>IFRS for SMEs Accounting Standard</i>.</p> <p><i>Due process</i></p>

Month	Decision
	<p>The IASB tentatively decided to set an effective date of 1 January 2027 for the third edition of the Standard.</p> <p>Subject to finalising its proposals and completing the due process steps for the Exposure Draft <i>Addendum to the Exposure Draft Third edition of the IFRS for SMEs Accounting Standard</i>, the IASB decided to begin the balloting process for the prospective amendments to the <i>IFRS for SMEs Accounting Standard</i> without re-exposing the IASB's tentative revisions to these prospective amendments.</p> <p>One IASB member indicated an intent to dissent from issuing the Standard.</p>
September 2024	<p><i>Addendum to the Exposure Draft Third edition of the IFRS for SMEs Accounting Standard</i></p> <p>The IASB tentatively decided:</p> <p>(a) to finalise the proposed amendments to Section 7 <i>Statement of Cash Flows</i> of the <i>IFRS for SMEs Accounting Standard</i> as set out in the Addendum Exposure Draft, but with some minor revisions to clarify that an SME would be required to disclose in aggregate for its supplier finance arrangements:</p> <ol style="list-style-type: none"> <li>i. their key terms and conditions.</li> <li>ii. the carrying amounts and associated line items of the financial liabilities that are part of those arrangements and for which the suppliers have already received payment from the finance providers, unless it would be impracticable to do so. If it would be impracticable to make this disclosure, the SME would be required instead to disclose that fact.</li> </ol> <p>(b) to finalise the proposed amendments to Section 30 <i>Foreign Currency Translation</i> of the Standard as set out in the Addendum Exposure Draft with no changes.</p> <p>The IASB also confirmed they were satisfied the IASB has undertaken sufficient consultation and analysis to include the proposed amendments to Section 7 and Section 30 in the process for balloting the third edition of the Standard.</p>

## Appendix C—Meetings of the IASB and its consultative bodies

**Table C1—IASB meetings during the research phase of the project**

Time	Topic discussed
February 2019	<ul style="list-style-type: none"> <li>• Background to the Standard</li> <li>• Project plan for the second comprehensive review</li> </ul>
March 2019	<ul style="list-style-type: none"> <li>• Relationship between the Standard and full IFRS Accounting Standards</li> </ul>
May 2019	<ul style="list-style-type: none"> <li>• Approach to the second comprehensive review</li> <li>• Illustrating how the alignment principles could be applied to new IFRS Accounting Standards</li> <li>• Way forward and next steps for the second comprehensive review</li> </ul>
June 2019	<ul style="list-style-type: none"> <li>• Approach to new and amended IFRS Accounting Standards</li> <li>• Aligning the Standard with IFRS 9 <i>Financial Instruments</i></li> <li>• Aligning the Standard with IFRS 13 <i>Fair Value Measurement</i></li> <li>• Aligning the Standard with IFRS 14 <i>Regulatory Deferral Accounts</i></li> <li>• Aligning the Standard with IFRS 16 <i>Leases</i></li> </ul>
July 2019	<ul style="list-style-type: none"> <li>• Aligning the Standard with IFRS 3 <i>Business Combinations</i></li> <li>• Aligning the Standard with IFRS 10 <i>Consolidated Financial Statements</i></li> <li>• Aligning the Standard with IFRS 11 <i>Joint Arrangements</i></li> <li>• Aligning the Standard with IFRS 15 <i>Revenue from Contracts with Customers</i></li> <li>• Approach to amendments to IFRS Accounting Standards and IFRIC Interpretations</li> </ul>
September 2019	<ul style="list-style-type: none"> <li>• Scope of the Standard</li> <li>• Aligning the Standard with IAS 19 <i>Employee Benefits</i></li> <li>• Revisiting previous IASB decisions on IFRS 11 <i>Joint Arrangements</i></li> <li>• Revisiting previous IASB decisions on IAS 23 <i>Borrowing Costs</i></li> <li>• Incorporating SMEIG Q&amp;As into the Standard</li> <li>• Cryptocurrency</li> <li>• Summary of IASB tentative decisions</li> </ul>
October 2019	<ul style="list-style-type: none"> <li>• Revisiting previous IASB decisions on IFRS 11 <i>Joint Arrangements</i></li> </ul>
December 2019	<ul style="list-style-type: none"> <li>• Due process—Request for Information</li> <li>• Cross referencing of the IASB's tentative decisions to the draft Request for Information</li> </ul>

April 2020	<ul style="list-style-type: none"> <li>• Developing the Request for Information survey</li> <li>• Impact of covid-19</li> </ul>
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**Table C2—IASB meetings during the exposure draft phase of the project**

Time	Topic discussed
December 2020	<ul style="list-style-type: none"> <li>• Request for Information feedback summary</li> </ul>
February 2021	<ul style="list-style-type: none"> <li>• Update on the February 2021 SMEIG meeting</li> </ul>
March 2021	<ul style="list-style-type: none"> <li>• Project plan for the next phase of the second comprehensive review</li> </ul>
May 2021	<ul style="list-style-type: none"> <li>• SME preparer interview feedback summary</li> <li>• Aligning with the 2018 <i>Conceptual Framework for Financial Reporting</i> (2018 <i>Conceptual Framework</i>)</li> <li>• Aligning with IFRS 9 <i>Financial Instruments</i> (classification and measurement)</li> </ul>
October 2021	<ul style="list-style-type: none"> <li>• Fallback to full IFRS Accounting Standards (the 'IAS 39 <i>Financial Instruments: Recognition and Measurement</i> fallback')</li> <li>• Aligning the Standard with IFRS 9 <i>Financial Instruments</i></li> <li>• Aligning the Standard with IFRS 13 <i>Fair Value Measurement</i></li> <li>• Aligning the Standard with IFRS 14 <i>Regulatory Deferral Accounts</i></li> <li>• Aligning the Standard with IFRS 15 <i>Revenue from Contracts with Customers</i></li> </ul>
November 2021	<ul style="list-style-type: none"> <li>• Aligning the Standard with IFRS 16 <i>Leases</i></li> <li>• Aligning the Standard with IAS 19 <i>Employee Benefits</i></li> <li>• Simplifications on measuring defined benefit plan permitted in the Standard</li> <li>• Other topics with no recommended amendments in the Standard</li> </ul>
December 2021	<ul style="list-style-type: none"> <li>• Aligning the Standard with IFRS 3 <i>Business Combinations</i></li> <li>• Aligning the Standard with IFRS 9 <i>Financial instruments</i>—impairment of financial assets and issued financial guarantee contracts</li> <li>• Aligning the Standard with IFRS 10 <i>Consolidated Financial Statements</i></li> <li>• Aligning the Standard with IFRS 11 <i>Joint Arrangements</i></li> <li>• Approach to amendments to IFRS Accounting Standards and IFRIC Interpretations</li> <li>• Aligning the Standard with package of amendments to IAS 1 <i>Presentation of Financial Statements</i></li> <li>• Aligning the Standard with the amendments related to Agriculture: Bearer Plants</li> </ul>

	<ul style="list-style-type: none"> <li>• Amendments to IFRS Accounting Standards and IFRIC Interpretations with recommended amendments to the Standard</li> <li>• Amendments to IFRS Accounting Standards and IFRIC Interpretations with no recommended amendments to the Standard</li> <li>• Other topics with recommended amendments in the Standard</li> </ul>
February 2022	<ul style="list-style-type: none"> <li>• Aligning the Standard with IFRS 3 <i>Business Combinations</i>—definition of a business and reacquired rights</li> <li>• Aligning the Standard with IFRS 9 <i>Financial instruments</i>—impairment of financial assets</li> <li>• Simplifications to IFRS 15 <i>Revenue from Contracts with Customers</i></li> <li>• Cryptocurrency</li> <li>• Recognition and measurement of development costs</li> <li>• Other issues (due to alignment of the Standard with IFRS 3, IFRS 10 <i>Consolidated Financial Statements</i> and IFRS 11 <i>Joint Arrangements</i>)</li> </ul>
March 2022	<ul style="list-style-type: none"> <li>• Aligning the Standard with IFRS 9 <i>Financial instruments</i>—issued financial guarantee contracts</li> <li>• Approach to aligning the Standard with the disclosure requirements in full IFRS Accounting Standards</li> </ul>
April 2022	<ul style="list-style-type: none"> <li>• Aligning the Standard with the disclosure requirements in full IFRS Accounting Standards</li> </ul>
May 2022	<ul style="list-style-type: none"> <li>• Scope and name of the Standard</li> <li>• Definition of public accountability</li> <li>• Review for inconsistencies between revised Section 2 <i>Concepts and Pervasive Principles</i> and other Sections of the Standard</li> <li>• Sweep issues</li> <li>• Transition requirements</li> <li>• Effective date</li> </ul>
June 2022	<ul style="list-style-type: none"> <li>• Guidance on public accountability</li> <li>• Additional simplifications to IFRS 15 <i>Revenue from Contracts with Customers</i></li> <li>• Transition requirements</li> <li>• Due process</li> </ul>

**Table C3—IASB meetings during the finalisation of the proposals in the exposure drafts**

Time	Topic discussed
June 2023	<ul style="list-style-type: none"> <li>• Feedback on the Exposure Draft</li> <li>• Proposed clarification to the definition of public accountability</li> </ul>
September 2023	<ul style="list-style-type: none"> <li>• Project plan and project direction</li> <li>• Characteristics of the entities that apply the Standard</li> <li>• Approach to providing education material on the Standard</li> <li>• Findings from the fieldwork on the proposed revised revenue requirements</li> <li>• Proposals for impairment of financial assets—direction on alternative approaches to address feedback</li> </ul>
October 2023	<ul style="list-style-type: none"> <li>• Proposed revised requirements for revenue</li> <li>• Simplification of the control model</li> <li>• Recognition of development costs</li> <li>• Recognition of borrowing costs</li> <li>• Recent amendments to full IFRS Accounting Standards</li> </ul>
November 2023	<ul style="list-style-type: none"> <li>• Proposal to align Section 15 (proposed to be renamed <i>Joint Arrangements</i>) with IFRS 11 <i>Joint Arrangements</i></li> <li>• Proposal to remove the simplification for measuring the obligation and the related cost of defined benefit plans in paragraph 28.19 of the Standard</li> </ul>
December 2023	<ul style="list-style-type: none"> <li>• Proposal to introduce a new Section 12 <i>Fair Value Measurement</i></li> <li>• Comments on the requirements for investment entities</li> <li>• Proposal to remove paragraph 22.7(a) of the Standard which requires offsetting on unpaid issued equity instruments</li> </ul>
January 2024	<ul style="list-style-type: none"> <li>• Proposal to disclose a reconciliation for liabilities arising from financing activities</li> <li>• Proposal to align the Standard with <i>Agriculture: Bearer Plants</i> (Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 41 <i>Agriculture</i>)</li> <li>• Proposals for impairment of financial assets</li> <li>• Comments on amending the Standard to align it with IFRS 16 <i>Leases</i></li> </ul>
February 2024	<ul style="list-style-type: none"> <li>• Proposal on guidance on application of the control model</li> <li>• Proposal on disclosure requirements for the rebuttable presumption that control exists when the investor owns directly or indirectly through subsidiaries a majority of the voting rights of an investee.</li> <li>• Proposal to align Section 19 <i>Business Combinations and Goodwill</i> with the acquisition method of accounting in IFRS 3 <i>Business Combinations</i></li> </ul>

	<ul style="list-style-type: none"> <li>Proposed revised Section 23 <i>Revenue from Contracts with Customers</i>—Redeliberation topics</li> </ul>
March 2024	<ul style="list-style-type: none"> <li>Proposed revised Section 23 <i>Revenue from Contracts with Customers</i> —Redeliberation topics</li> <li>Proposed revised Section 23 —Additional and alternative simplifications</li> <li>Other issues raised</li> <li>Proposals to reflect the principles of the <i>Conceptual Framework for Financial Reporting</i> in Section 2 <i>Concepts and Pervasive Principles</i></li> <li>Updating the paragraph numbers of the third edition of the Standard</li> </ul>
April 2024	<ul style="list-style-type: none"> <li>Proposed revised Section 23 <i>Revenue from Contracts with Customers</i> —Disclosure requirements</li> <li>Proposed new Section 12 <i>Fair Value Measurement</i>—Use of plainer language</li> <li>Proposals for intragroup issued financial guarantee contracts</li> </ul>
May 2024	<ul style="list-style-type: none"> <li>Proposed revised Section 23 <i>Revenue from Contracts with Customers</i> —Other matters raised in feedback</li> <li>Proposed revised Section 23—Length and language</li> <li>Section 9 <i>Consolidated and Separate Financial Statements</i> other matter raised in feedback</li> <li>Considering the differences in disclosure requirements in the Standard and those in IFRS 19 <i>Subsidiaries without Public Accountability: Disclosures</i></li> <li>Transition to the third edition of the Standard</li> </ul>
July 2024	<ul style="list-style-type: none"> <li>Impairment of financial assets including disclosures and transition</li> <li>Issued financial guarantee contracts</li> <li>Sweep and other issues</li> <li>Due process and effective date</li> </ul>
September 2024	<ul style="list-style-type: none"> <li>Feedback on the Addendum to the Exposure Draft <i>Third edition of the IFRS for SMEs Accounting Standard (Addendum Exposure Draft)</i></li> <li>Redeliberation of the proposals in the Addendum Exposure Draft</li> </ul>



**Table C4—Meetings with consultative bodies**

Time	Topic discussed
SME Implementation Group	
February 2021	<ul style="list-style-type: none"> <li>• Request for Information—comment letter summary</li> <li>• Request for Information—online survey feedback summary</li> <li>• Request for Information—outreach feedback summary</li> <li>• Request for Information—user survey and interview feedback summary</li> <li>• SMEIG’s recommendation on (i) whether, and if so, how and when the IASB should align the Standard with full IFRS Accounting Standards and (ii) whether the IASB should develop amendments to the Standard considering the alignment with the 2018 <i>Conceptual Framework</i>, IFRS 3 <i>Business Combinations</i>, IFRS 9 <i>Financial Instruments</i>, IFRS 10 <i>Consolidated Financial Statements</i>, IFRS 11 <i>Joint Arrangements</i>, IFRS 13 <i>Fair Value Measurement</i>, IFRS 15 <i>Revenue from Contracts with Customers</i> and IFRS 16 <i>Leases</i></li> </ul>
September 2021	<ul style="list-style-type: none"> <li>• SME preparer interview feedback summary</li> <li>• Update on aligning the Standard with the 2018 <i>Conceptual Framework</i> and IFRS 9 <i>Financial Instruments</i></li> <li>• Summary of feedback and analysis on aligning the Standard with IFRS 16 <i>Leases</i></li> <li>• Aligning the Standard with IFRS 14 <i>Regulatory Deferral Accounts</i></li> <li>• Aligning the Standard with IAS 19 <i>Employee Benefits</i></li> <li>• Aligning the Standard with amendments to full IFRS Accounting Standards and IFRIC Interpretations</li> <li>• Summary of feedback and analysis on other topics</li> </ul>
January 2022	<ul style="list-style-type: none"> <li>• Definition of business and reacquired rights in IFRS 3 <i>Business Combinations</i></li> <li>• Simplification to IFRS 15 <i>Revenue from Contracts with Customers</i></li> <li>• Cryptocurrency</li> <li>• Recognition and measurement of development costs</li> <li>• Update on recent IASB decisions</li> </ul>
October 2022	<ul style="list-style-type: none"> <li>• Overview of the Exposure Draft</li> <li>• Guidance on how to approach questions in the Invitation to Comment on the Exposure Draft</li> </ul>
July 2023	<ul style="list-style-type: none"> <li>• Feedback on the Exposure Draft</li> <li>• Findings from the fieldwork on the proposed revised revenue requirements</li> </ul>
December 2023	<ul style="list-style-type: none"> <li>• Proposed revised Section 23 <i>Revenue from Contracts with Customers</i></li> </ul>

	<ul style="list-style-type: none"> <li>• Addendum to the Exposure Draft</li> <li>• Impairment of financial assets—credit risk survey</li> <li>• Lack of Exchangeability and Supplier Finance Arrangements</li> </ul>
September 2024	<ul style="list-style-type: none"> <li>• Overview of the amendments in the third edition of the Standard</li> <li>• Feedback on the Addendum to the Exposure Draft <i>Third edition of the IFRS for SMEs Accounting Standard</i></li> <li>• Overview of and updating of IFRS 19 <i>Subsidiaries without Public Accountability: Disclosures</i></li> </ul>
Emerging Economies Group	
March 2019	<ul style="list-style-type: none"> <li>• Scope of the Standard</li> </ul>
December 2019	<ul style="list-style-type: none"> <li>• Overview of the forthcoming Request for Information</li> <li>• Simplification in measuring defined benefit plan in the Standard</li> </ul>
May 2020	<ul style="list-style-type: none"> <li>• Request for Information</li> <li>• Saudi Organization for Certified Public Accountant's preliminary views on the Request for Information</li> </ul>
May 2021	<ul style="list-style-type: none"> <li>• Update on the project</li> <li>• Feedback on the Request for Information</li> </ul>
December 2022	<ul style="list-style-type: none"> <li>• Overview of the Exposure Draft</li> </ul>
Islamic Finance Consultative Group	
November 2022	<ul style="list-style-type: none"> <li>• Overview of the Exposure Draft</li> </ul>
March 2024	<ul style="list-style-type: none"> <li>• Overview of the Addendum Exposure Draft</li> </ul>
Accounting Standards Advisory Forum	
July 2022	<ul style="list-style-type: none"> <li>• Update on the project and forthcoming Exposure Draft</li> </ul>

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## Appendix D—Extracts from Agenda Paper 30F *Due Process* of the July 2024 IASB meeting

This is an extract of Agenda Paper 30F *Due Process* which was originally posted for the July 2024 IASB meeting. The extracts below excluded the discussion on 'effective date' and details about the project that were repeated in the main section of the paper.

### Purpose of this paper

1. The purpose of this paper is to:
  - (a) ...
  - (b) explain the steps in the [IFRS Foundation Due Process Handbook](#) (the *Due Process Handbook*) that the IASB has taken in updating and amending the Standard;
  - (c) ask the IASB's permission to begin the process for balloting the Standard; and
  - (d) ask if any IASB member plans to dissent from the amendments in the Standard.
2. Paragraph 6.22 of the *Due Process Handbook* requires that when the IASB has reached general agreement on the technical matters in the project and has considered the likely effects of the new [amended] IFRS Accounting Standard, the staff presents a paper to the IASB:
  - (a) summarising the steps that the IASB has taken in developing the Standard, including a summary of when the IASB discussed this project in public meetings, public hearings held, outreach activities and meetings of consultative groups;
  - (b) if applicable, reaffirming why the IASB has decided that it was not necessary to have a consultative group or to have conducted fieldwork; and
  - (c) assessing whether the proposals can be finalised or whether they should be re-exposed.

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

...

## Due process and permission to ballot

### **Background**

42. The *Due Process Handbook* outlines the following mandatory and optional due process steps prior to issuing an IFRS Standard (see paragraphs 3.44–3.45 of the *Due Process Handbook* or Appendix C of this paper). The relevant mandatory and optional due process steps can be summarised in Tables 1 and 2 below.

**Table 1—Mandatory due process steps (paragraph 3.44 of the *Due Process Handbook*)**

Mandatory due process steps (minimum safeguards)	Paragraph reference
(a) Debating any proposals in public meetings	22–26
(b) Exposing for public comment a draft of any proposed new IFRS Accounting Standard with minimum comment periods	17
(c) Considering in a timely manner comment letters received on the proposals	24, 26
(d) Considering whether the proposals should be exposed again	50–54
(e) Consulting the ASAF and the IFRS Advisory Council	29–30

**Table 2—Optional due process steps (paragraph 3.45 of the *Due Process Handbook*)**

Optional due process steps ('comply or explain' steps)	Paragraph reference
(e) Publishing a discussion document for major projects (for example, a discussion paper) before an exposure draft is developed	8–16, 44(a)
(f) Establishing consultative groups or other types of specialist advisory groups for major projects	31–32, 44(b)
(g) Holding public hearings	45
(h) Undertaking fieldwork	20, 25, 44(c)

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43. Appendix C of this paper [*reproduced in Appendix E to this paper*] provides further detail on the due process steps taken in developing the third edition of the Standard.

### ***Optional due process steps***

44. The IASB undertook the following optional due process steps in the project:
- (a) instead of publishing a discussion paper, an RFI was published to seek views on whether and, if so, how to align the Standard with new and amended full IFRS Accounting Standards (see paragraphs 8–16).
  - (b) the SMEIG is the IASB’s principal consultative body for the Standard. The IASB and the staff have engaged the SMEIG at every stage of the project (see paragraphs 31–32).
  - (c) in finalising the requirements in the revised Section 23 and in considering whether to introduce an ECL model in the Standard, IASB members and the staff undertook fieldwork (see paragraphs 20 and 25).
45. The IASB did not undertake public hearings. Nevertheless, as noted in paragraphs 17–19, the project and its proposals were discussed with various stakeholders (including at the World Standard-setters conference) and with SMEIG. Table B2 of Appendix B sets out a list of meetings with consultative bodies with topics that were discussed).

### ***Effects analysis***

46. The alignment approach that the IASB applied in developing the amendments in the Standard considered costs and benefits. Using the alignment approach the IASB only amended the Standard if a new requirement in full IFRS Accounting Standards is relevant to users of SMEs’ financial statements (that is, it provides improved information to users). In assessing costs and benefits of amending the Standard the IASB takes into consideration the limited resources of SMEs and the information needs of users of SMEs’ financial statements, mainly lenders.

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47. The IASB will include in the Project Summary and Feedback Statement an analysis of the expected effects of each major amendment in the Standard. The IASB will review this analysis as part of the balloting process.

***Permission to begin the balloting process and intention to dissent***

48. Subject to the outstanding due process on the proposals in the addendum Exposure Draft, in the staff view paragraphs 42–47 of this paper demonstrates the IASB has undertaken sufficient activities to satisfy the mandatory due process steps set out in the *Due Process Handbook*, as well as considering optional due process steps. Accordingly, if the IASB agrees with the staff view it is recommended that the IASB start the balloting process for the third edition of the Standard.
49. In accordance with paragraph 6.23 of the *Due Process Handbook*, the staff would like to ask whether any IASB member intends to dissent from the issuance of the third edition of the Standard.

***Considering re-exposure***

50. Paragraph 6.25 of the *Due Process Handbook* sets out the criteria to be considered by the IASB with regard to re-exposure:
- (a) identifies substantial issues that emerged during the comment period on the exposure draft and that it had not previously considered;
  - (b) assesses the evidence that it has considered;
  - (c) determines whether it has sufficiently understood the issues, implications and likely effects of the new requirements and actively sought the views of interested parties; and
  - (d) considers whether the various viewpoints were appropriately aired in the exposure draft and adequately discussed and reviewed in the basis for conclusions.

51. Paragraph 6.26 of the *Due Process Handbook* also states:

It is inevitable that the final proposals will include changes from those originally proposed. The fact that there are changes does not compel the Board to re-expose the proposals. The Board needs to consider whether the revised proposals include any fundamental changes on which respondents have not had the opportunity to comment because they were not contemplated or discussed in the basis for conclusions accompanying the exposure draft. The Board also needs to consider whether it will learn anything new by re-exposing the proposals. If the Board is satisfied that the revised proposals respond to the feedback received and that it is unlikely that re-exposure will reveal any new concerns, it should proceed to finalise the proposed requirements.

52. Paragraph 24 of this paper highlights the main changes the IASB made to the proposals in the Exposure Draft. All the IASB's decisions considered stakeholders' feedback (including those from SMEIG). Various viewpoints, which were often opposing, were assessed and analysed together by the IASB in making those decisions.

53. Depending on the IASB's decision on Agenda Paper 30B *Impairment of financial assets—impairment model* of this meeting either the proposal in the Exposure Draft to introduce an ECL model based on the simplified approach in IFRS 9 will be withdrawn; or the scope of SMEs that would be required to apply the simplified ECL model will be narrowed. Paragraph 25 of this paper explains the IASB has undertaken additional work on this topic to assess the effects of possible changes to its proposals.

54. In the staff's view, none of the revisions referred to in paragraphs 52–53 of this paper fundamentally change the proposals in the Exposure Draft sufficiently to warrant re-exposure. As noted in the paper, the IASB in making these revisions has taken into consideration feedback on the proposals; feedback from further field-testing and sought the advice of the SMEIG. It is therefore unlikely that re-exposure will reveal any new concerns. Consequently, the staff do not think it is necessary to re-expose the proposals.

## Appendix E—Due process steps following the Exposure Draft *Third Edition of the IFRS for SMEs Accounting Standard*

E1. The table below shows how the IASB has complied with the due process steps to date, as required to finalise an IFRS Accounting Standard in accordance with the *Due Process Handbook*.

<b>Step</b>	<b>Required/Optional</b>	<b>Actions</b>
<b>Consideration of information gathered during consultation</b>		
<b>The IASB posts all of the comment letters that are received in relation to the Exposure Draft on the project pages.</b>	Required	<p>The IASB received 70 comments letters. The staff, together with IASB members, engaged in 31 outreach events with various types of stakeholders.</p> <p>The comment letters to the Exposure Draft can be accessed <a href="#">here</a>.</p>
<b>Round-tables between external participants and members of the IASB.</b>	Optional	<p>A summary of feedback from comment letters and outreach events was presented to and discussed by the IASB in June 2023. See <a href="#">Agenda Paper 30A Feedback from comment letters on Exposure Draft—Proposed amendments to the IFRS for SMEs Accounting Standard</a>, <a href="#">Agenda Paper 30B Feedback from comment letters on Exposure Draft—Topics for which amendments were not proposed</a> and <a href="#">Agenda Paper 30C Outreach feedback summary</a> of the June 2023 IASB meeting.</p>
<b>IASB meetings are held in public, with papers being available for observers. All decisions are made in public sessions.</b>	Required	<p>Since the end of the consultation period, the IASB has discussed the feedback and redeliberated the proposals in the Exposure Draft in 11 meetings. All decisions with regards to the amendments to the Standard were taken during these meetings.</p> <p>The <a href="#">project page</a> on the IFRS Foundation website contains a full description with up-to-date information.</p> <p>Papers for the meetings were posted before each meeting and a summary of each meeting was included in <i>IASB Update</i>.</p> <p>Appendix C of this paper provides a list of these meetings and topics discussed.</p> <p>A list of IASB meetings held in the development of the Exposure Draft can also be found in Appendix B of <a href="#">Agenda Paper 30D Due process and permission to begin the balloting process</a> of the June 2022 IASB meeting.</p>



<b>Step</b>	<b>Required/Optional</b>	<b>Actions</b>
<b>Analysis of likely effects of the forthcoming Standard or major amendment, for example, costs or on-going associated costs.</b>	Required	The IASB will include in the Project Summary and Feedback Statement an expected effects of each major amendments in the Standard. The IASB will review this analysis as part of the balloting process.
<b>Email alerts are issued to registered recipients.</b>	Optional	Interested parties have been notified when updates to the project website have been made using the News section of the project page and subscriber email alerts.
<b>Outreach meetings to promote debate and hear views on proposals that are published for public comment.</b>	Optional	31 outreach events were held during the consultation period of the Exposure Draft. A summary of feedback from outreach events were presented to and discussed by the IASB in June 2023. See <a href="#">Agenda Paper 30C Outreach feedback summary</a> of the June 2023 IASB meeting.
<b>Regional discussion forums are organised with national standard-setters and the IASB.</b>	Optional	During the consultation period and redeliberation of the proposals, the IASB and the staff have regularly engaged with the SMEIG (see paragraphs 42–47 of this paper). Appendix C of this paper provides a list of these meetings and topics discussed. IASB member and the staff also performed fieldwork (see paragraphs 22 and 27–28 of this paper).
<b>Finalisation</b>		
<b>Due process steps are reviewed by the IASB.</b>	Required	The IASB has reviewed the due process steps taken and is satisfied that it has complied with all the applicable requirements.  This paper will be provided to the DPOC and will also be considered at a future meeting when the DPOC undertakes a 'lifecycle' review of the due process for the project.
<b>Need for re-exposure of a Standard is considered.</b>	Required	The staff think that the revisions to the Exposure Draft respond to the feedback received and do not think that re-exposure would reveal any new information. In this paper the staff provides its rationale for recommending that the IASB does not re-expose the proposed standard for another round of public comment (see paragraphs 48–50 of this paper).
<b>The IASB sets an effective date for the Standard, considering the need for effective implementation, generally providing at least a year.</b>	Required	The staff has recommended an effective date for the third edition of the Standard for the IASB to decide (see <a href="#">Agenda Paper 30F Due Process</a> of the July 2024 IASB meeting).

<b>Step</b>	<b>Required/Optional</b>	<b>Actions</b>
<b>Drafting</b>		
<b>The Translations team has been included in the review process.</b>	Required	This step will be completed toward the end of the project.
<b>The XBRL team has been included in the review process.</b>	Required	This step will be completed toward the end of the project.
<b>The Editorial team has been included in the review process.</b>	Optional	<p>The Editorial team will review the third edition of the Standard in different stages of the balloting process.</p> <p>The staff intend to send a draft of the third edition of the Standard to external parties, including the SMEIG, for review. This process allows external parties to review and report back to the staff on the clarity and understandability of the draft, mainly with editorial comments. The external review process does not grant external parties the opportunity to question the IASB's technical decisions.</p>
<b>Draft for editorial review has been made available external reviewers and the comments have been collected and considered by the IASB.</b>	Optional	A draft of the third edition of the Standard will be made available for external editorial review, including the SMEIG.
<b>Draft for editorial review has been posted on the project website.</b>	Optional	There is no plan to post a draft of the third edition of the Standard on the project website.
<b>Publication</b>		
<b>Press release to announce final Standard.</b>	Required	<p>This step will be completed toward the end of the project.</p> <p>The project team will work with the Communications team to plan and prepare a press release for the third edition of the Standard.</p>
<b>A Feedback Statement is provided, which provides high level executive summaries of the Standard and explains how the IASB has responded to the comments received.</b>	Required	A Feedback Statement will be prepared and reviewed together with the third edition of the Standard.
<b>Podcast to provide interested parties with high level</b>	Optional	Updates about the project were provided in some of the IASB podcasts produced by the IFRS Foundation after each IASB meeting.

<b>Step</b>	<b>Required/Optional</b>	<b>Actions</b>
<b>updates or other useful information about the Standard.</b>		
<b>Standard is published.</b>	Required	The third edition of the Standard will be made available on the IFRS Foundation website when published. The DPOC will be informed when the third edition of the Standard is published.

## **Appendix F—Extracts from the Due Process Handbook**

### ***Extracts from the Due Process Handbook***

#### **Minimum safeguards**

...

- 3.44 The due process steps that are mandatory include:
- (a) debating any proposals in one or more public meetings;
  - (b) exposing for public comment a draft of any proposed new IFRS Standard, proposed amendment to a Standard or proposed IFRIC Interpretation—with minimum comment periods;
  - (c) considering in a timely manner comment letters received on the proposals;
  - (d) considering whether the proposals should be exposed again;
  - (e) consulting the Accounting Standards Advisory Forum (ASAF) and the IFRS Advisory Council (Advisory Council) on the work plan, major projects, project proposals and work priorities; and
  - (f) deciding in a public Board meeting whether to ratify an Interpretation.

#### **‘Comply or explain’ steps**

- 3.45 Other steps specified in the Constitution are not mandatory. They include:
- (a) publishing a discussion document for major projects (for example, a discussion paper) before an exposure draft is developed;
  - (b) establishing consultative groups or other types of specialist advisory groups for major projects;
  - (c) holding public hearings; and
  - (d) undertaking fieldwork.
- 3.46 If the Board decides not to undertake those non-mandatory steps, it informs the DPOC of its decision and reasons for not undertaking the steps.