

January 2020

IFRS for SMEs[®] Standard
Request for Information

Comprehensive Review of the *IFRS for SMEs* Standard

Comments to be received by 27 October 2020

Comment deadline changed from 27 July 2020 because of the covid-19 pandemic

IASB[®]

 IFRS[®]

Request for Information

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IFRS for SMEs Standard**

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the covid-19 pandemic

Request for Information *Comprehensive Review of the IFRS for SMEs Standard* is published by the International Accounting Standards Board (Board) for comment only. Comments need to be received by **27 October 2020** and should be submitted in writing to the address below, by email to commentletters@ifrs.org or electronically using our 'Open for comment documents' page at: <https://www.ifrs.org/projects/open-for-comment/>.

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Request for Information Comprehensive Review of the *IFRS for SMEs* Standard

Introduction

The International Financial Reporting Standard for Small and Medium-sized Entities

- 1 The *IFRS for SMEs* Standard is tailored to small and medium-sized entities (SMEs). It focuses on the needs of lenders, creditors and other users of SMEs' financial statements who are primarily interested in information about cash flows, liquidity and solvency. In addition, the Standard takes into consideration the costs to SMEs and the capabilities of SMEs to provide financial information.

Objective of the Request for Information

- 2 This Request for Information is the first step by the International Accounting Standards Board (Board) in its second comprehensive review of the *IFRS for SMEs* Standard.
- 3 The objective of the Request for Information is to seek views on whether and how aligning the *IFRS for SMEs* Standard with the full IFRS Standards could better serve users of financial statements prepared applying the *IFRS for SMEs* Standard without causing undue cost and effort for SMEs.

Structure of the Request for Information

- 4 The Board has discussed in detail all the questions in this Request for Information. The way the questions are expressed indicates the Board's reasoning on important issues, for instance, on aligning or not aligning the *IFRS for SMEs* Standard with full IFRS Standards. The Board has not, however, reached a preliminary view on any of these issues. Agenda papers and summaries from the Board's discussions are publicly available on the IFRS Foundation's website.
- 5 The Request for Information has three parts:
- (a) Part A sets out the framework the Board developed for approaching this review and asks for comments on the Board's approach.
 - (b) Part B contains questions on sections of the *IFRS for SMEs* Standard that could be aligned with IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations in the scope of this review.
 - (c) Part C seeks views on topics that are not addressed in the *IFRS for SMEs* Standard and on whether, in relation to these topics, the Standard could be aligned with full IFRS Standards. It also asks about topics on which the Board has received feedback.

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- 6 Further information about the *IFRS for SMEs* Standard and this Request for Information is provided in Appendices:
- (a) Appendix A sets out the scope of this comprehensive review as determined by the Board.
 - (b) Appendix B provides further information explaining the Board's reasons for asking or not asking a question. It is supplementary to the questions set out in Parts A to C.
 - (c) Appendix C provides background information about the *IFRS for SMEs* Standard.
 - (d) Appendix D provides information about the SME Implementation Group (SMEIG).
 - (e) Appendix E lists links to the main resources on the *IFRS for SMEs* Standard on the IFRS Foundation's website.
- 7 The Board maintains comprehensive web pages about the *IFRS for SMEs* Standard at <http://go.ifrs.org/SMEsHome>.

How responses to the Request for Information will help the SMEIG and the Board

- 8 Responses to this Request for Information will help the SMEIG to develop recommendations to the Board about possible amendments to the *IFRS for SMEs* Standard. Responses will also help the Board in developing possible amendments to the *IFRS for SMEs* Standard.
- 9 Responsibility for publishing formal proposals for amendments to the *IFRS for SMEs* Standard and approving the final amendments rests with the Board. If the Board issues amendments to the *IFRS for SMEs* Standard, it will do so after inviting and considering comments on an Exposure Draft setting out specific proposals and the Board's reasons for making the proposals.
- 10 The Board's comprehensive review of the *IFRS for SMEs* Standard will not necessarily lead to amendments. When it was issued, the *IFRS for SMEs* Standard reflected simplifications of requirements from full IFRS Standards for recognising and measuring assets, liabilities, income and expenses and substantially reduced the amount of information required to be disclosed. The Board does not intend that all IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations issued since the *IFRS for SMEs* Standard was issued should give rise to amendments to the *IFRS for SMEs* Standard. The Board's intention is that any amendments to the *IFRS for SMEs* Standard will be consistent with the approach to simplifications and disclosure reductions adopted when the *IFRS for SMEs* Standard was originally issued.

Overview of this comprehensive review of the *IFRS for SMEs* Standard

Objective

- 11 This Request for Information is seeking views on whether and how the *IFRS for SMEs* Standard should be amended to take account of IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations in the scope of this review.
- 12 The Board has developed a framework that can be applied to each of those IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations. This Request for Information seeks views on the framework since it defines the scope and structure of the comprehensive review and determines the approach to possible amendments.
- 13 Respondents are asked in Part A for their views on the framework for deciding whether, how and when to align the *IFRS for SMEs* Standard with IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations in the scope of this review.

IFRS Standards in the scope of this review

- 14 Appendix A to the Request for Information includes a list of IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations in the scope of the comprehensive review and shows the sections of the *IFRS for SMEs* Standard that could be affected. The Board has considered aligning the *IFRS for SMEs* Standard with these IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations, applying the principles set out in paragraph 32.
- 15 The comprehensive review includes:
- (a) IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations issued since the first comprehensive review of the *IFRS for SMEs* Standard;
 - (b) IFRS Standards and IFRIC Interpretations issued before the first comprehensive review, but that did not result in amendments to the *IFRS for SMEs* Standard for the reasons set out in paragraph 17; and
 - (c) general implementation experience and issues arising from the application of the *IFRS for SMEs* Standard.
- 16 The Board is not seeking views on the scope of the *IFRS for SMEs* Standard as part of this comprehensive review. The Board's reasoning is as discussed in paragraphs B7–B13 of Appendix B.
- 17 When the Board performed its first comprehensive review of the *IFRS for SMEs* Standard, some IFRS Standards and amendments to IFRS Standards were considered but the Board decided not to amend the *IFRS for SMEs* Standard as part of the first comprehensive review. The Board made this decision, in part, to minimise changes to what was then a newly issued Standard, but also because many entities that had adopted the *IFRS for SMEs* Standard had done so

very recently. This comprehensive review also re-examines those IFRS Standards.

- 18 One important step in assessing whether the *IFRS for SMEs* Standard should be aligned with IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations in the scope of this comprehensive review is considering implementation experience of those requirements, which would not be available for IFRS Standards not yet in use. Therefore, the Board has included in this Request for Information specific questions about whether and how to amend the *IFRS for SMEs* Standard for IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations in the scope of this review that became effective on or before 1 January 2019. However, the Board is also seeking views on aligning the *IFRS for SMEs* Standard with two amendments to IFRS Standards (*Definition of Material* and *Definition of a Business*) with effective dates of 1 January 2020. The Board is of the view that these amendments provide clarification and therefore would ease application of the *IFRS for SMEs* Standard.

Board projects relating to full IFRS Standards

- 19 At any time the Board has projects on its agenda that are expected to result in changes to IFRS Standards. Those projects are at various stages of completion and the public nature of the Board's deliberations means the Board's latest views are available to the public. Until an IFRS Standard, amendment to an IFRS Standard or an IFRIC Interpretation is issued, those views are always tentative and subject to change. Those ongoing projects are not considered as part of this review.

Future reviews

- 20 The Board does not intend to reconsider IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations that it has considered as part of this comprehensive review and with regard to which it has reached a decision on alignment unless a specific matter addressed in one of these IFRS Standards, amendments to IFRS Standards or IFRIC Interpretations is brought to the Board's attention in the future.

Invitation to comment

- 21 The Board invites comments on the questions set out in Parts A, B and C.
- 22 Each question includes a brief summary of the issue under review. Further information explaining the Board's discussions in developing the questions set out in this Request for Information is provided in Appendices A and B.
- 23 Respondents need not comment on all of the questions. Respondents are encouraged to comment on any additional issues they wish to raise on the *IFRS for SMEs* Standard, including whether there are topics not currently addressed in the *IFRS for SMEs* Standard that should be added (see questions N4–N5).

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- 24 The Board has published a separate document entitled *Optional Response Document* that respondents can use to submit their comments if they wish. Many respondents will find this the easiest way to submit their comments, and making submissions in this form will also help ease the analysis of the answers. However, respondents are not required to use this document and responses will be accepted in all formats.
- 25 Comments are helpful if they:
- (a) address the questions as stated;
 - (b) indicate the specific paragraph or paragraphs to which they relate;
 - (c) contain a clear rationale;
 - (d) identify any wording in the proposals that is difficult to translate;
 - (e) include any alternative the Board should consider, if applicable.
- 26 All comments will be on the public record and posted on our website unless you request confidentiality and we grant your request. We do not normally grant such requests unless they are supported by a good reason, for example, commercial confidence. Please see our website for details on this policy and on how we use your personal data.

Deadline

- 27 The Board will consider all comments received in writing by **27 October 2020**. The deadline has changed to 27 October 2020 because of the covid-19 pandemic; previously it was 27 July 2020.

How to comment

- 28 We prefer to receive comments electronically. However, you may submit comments using any of the following methods:

Electronically	Visit the 'Open for comment documents' page at: http://go.ifrs.org/open-for-comment
By email	Send email comments to: commentletters@ifrs.org
By post	IFRS Foundation Columbus Building 7 Westferry Circus Canary Wharf London E14 4HD United Kingdom

Questions for respondents

Part A—Strategic and general questions

- 29 Part A sets out the framework the Board developed for approaching the second comprehensive review and asks for comments on the Board's approach.

Alignment approach

- 30 The Board's approach in this comprehensive review has been to treat alignment with full IFRS Standards as the starting point for developing this Request for Information, with judgement applied in determining whether and how that alignment should take place. There are, however, different views on whether to align the *IFRS for SMEs* Standard with IFRS Standards. Those who support the alignment approach do so because they consider it:
- (a) efficient, because it allows the Board to apply the considerable insight gained while developing full IFRS Standards;
 - (b) consistent with constituents' expectations that full IFRS Standards and the *IFRS for SMEs* Standard reflect the same principles;
 - (c) necessary for an entity seeking consistency with its larger peers;
 - (d) conducive to an entity potentially migrating, in time, to full IFRS Standards; and
 - (e) sufficiently flexible to allow the specific requirements and characteristics of SMEs to be considered.
- 31 Those who do not support the alignment approach believe the *IFRS for SMEs* Standard should be developed and amended considering only the explicit and specific requirements of SMEs, and should not be guided by developments in full IFRS Standards.

Alignment principles

- 32 In considering whether and how the *IFRS for SMEs* Standard should be aligned with IFRS Standards in the scope of this review, the Board decided to apply three principles:
- (a) relevance to SMEs;
 - (b) simplicity; and
 - (c) faithful representation.

- 33 Relevance to SMEs is determined by assessing whether the problem addressed by an IFRS Standard, an amendment to an IFRS Standard or an IFRIC Interpretation would make a difference in the decisions of users of financial statements prepared applying the *IFRS for SMEs* Standard. The assessment includes determining whether the *IFRS for SMEs* Standard needs to include requirements for the problem addressed by the IFRS Standard, amendment to an IFRS Standard or IFRIC Interpretation in the scope of the comprehensive review and also whether the changes are at a level of detail beyond the scope of the *IFRS for SMEs* Standard.
- 34 The *IFRS for SMEs* Standard simplifies recognition and measurement requirements, makes reductions in the number of disclosures required and simplifies language. Paragraph BC16 of the Basis for Conclusions on the *IFRS for SMEs* Standard sets out five ways in which the requirements of full IFRS Standards can be simplified in the *IFRS for SMEs* Standard. They are:
- (a) omitting some topics;
 - (b) when an IFRS Standard permits options, permitting only the simplest option;
 - (c) simplifying recognition and measurement requirements;
 - (d) reducing disclosures; and
 - (e) simplifying language.
- 35 Applying the principle of simplicity involves looking at the IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations that have satisfied the relevance condition and then assessing what simplifications are appropriate.
- 36 The principle of faithful representation is intended to help the Board assess whether financial statements prepared applying the *IFRS for SMEs* Standard would faithfully represent the substance of economic phenomena in words and numbers. Simplifications that would result in financial statements that do not meet this criterion could damage the quality of information reported to users.
- 37 Respondents are asked in Part A of this Request for Information for their views on this approach to alignment and on how it could be applied in respect of the IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations in the scope of this review.

When to consider alignment

- 38 A secondary consideration in deciding whether alignment is appropriate is how soon after an IFRS Standard, an amendment to an IFRS Standard, or an IFRIC Interpretation is issued the Board should consider that change for incorporation into the *IFRS for SMEs* Standard. The Board has reaffirmed the decision taken during the first comprehensive review, namely, that IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations should not be considered until they are effective. However, it would generally not be

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necessary to wait until their post-implementation reviews have been completed.

39 Respondents are asked to comment on whether the Board should propose amendments relating to IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations described in paragraph 15 that:

- (a) were issued up to the publication date of the Request for Information;
- (b) were effective before the publication date of the Request for Information;
- (c) were effective and on which the post-implementation review (PIR) was completed before the publication date of the Request for Information; or
- (d) were issued or effective on some other date.

40 Applying the options in paragraphs 39(a), 39(b) and 39(c) to the topics discussed in Part B would affect the scope of the Board's proposals for the sections listed in Table 1:

Table 1 How the options described in paragraphs 39(a), 39(b) and 39(c) could affect the scope of this comprehensive review

	Section 2 (2018 Conceptual Framework)	Section 9 (IFRS 10)	Sections 11 and 12 (IFRS 7 and IFRS 9)	Section 15 (IFRS 11)	Section 19 (IFRS 3)	Section 20 (IFRS 16)	Section 23 (IFRS 15)	Section 28 (IAS 19)	Fair value (IFRS 13)
39(a)	√	√	√	√	√	√	√	√	√
39(b)	√	√	√	√	√	√	√	√	√
39(c)	Not subject to PIR	PIR currently in progress	PIR not yet due	PIR currently in progress	√	PIR not yet due	PIR not yet due	Not subject to PIR	√

41 Questions G1–G3 relate to the *IFRS for SMEs* Standard as a whole and the framework for deciding whether, how and when the *IFRS for SMEs* Standard could be aligned with IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations, as discussed in paragraphs 29–40.

Table 2 Strategic and general questions on the IFRS for SMEs Standard

Ref	Question
G1	<p>Alignment approach</p> <p>The <i>IFRS for SMEs</i> Standard was originally developed using an alignment approach. That is, the Standard was based on the 1989 <i>Framework for the Preparation and Presentation of Financial Statements</i> and the principles and related requirements of full IFRS Standards, with modifications that were appropriate in the light of users' needs and cost-benefit considerations.</p> <p>In considering how to approach this comprehensive review of the <i>IFRS for SMEs</i> Standard, the Board considered whether it should continue to follow the alignment approach or if the Board should only consider issues raised by stakeholders regarding the <i>IFRS for SMEs</i> Standard. The second approach would see the <i>IFRS for SMEs</i> Standard diverge from full IFRS Standards over time and become an independent Standard.</p> <p>The Board's approach at the first stage of the review is to continue to align the principles in the <i>IFRS for SMEs</i> Standard with those in full IFRS Standards and to seek views on this approach.</p> <p>This approach is discussed in paragraph 30 of this part of the Request for Information.</p>
G1A	<p>In your view, should the <i>IFRS for SMEs</i> Standard be aligned with full IFRS Standards?</p> <p>Please explain why you are suggesting the <i>IFRS for SMEs</i> Standard should or should not be aligned with full IFRS Standards.</p>
G1B	<p>What extent of alignment of the <i>IFRS for SMEs</i> Standard with full IFRS Standards do you consider most useful, and why?</p> <p>(a) alignment of principles;</p> <p>(b) alignment of both principles and important definitions; or</p> <p>(c) alignment of principles, important definitions and the precise wording of requirements?</p> <p>Please explain the reasoning that supports your choice of (a), (b) or (c).</p>

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Ref	Question
G2	<p>Alignment principles</p> <p>The Board decided that in assessing whether and how to consult on aligning the <i>IFRS for SMEs</i> Standard with full IFRS Standards not currently included in the <i>IFRS for SMEs</i> Standard, the Board would apply three principles:</p> <ul style="list-style-type: none"> (a) relevance to SMEs; (b) simplicity; and (c) faithful representation. <p>These principles are discussed in paragraphs 32–37 of this part of the Request for Information.</p> <p>In your view, do these principles provide a framework to assist in determining whether and how the <i>IFRS for SMEs</i> Standard should be aligned with full IFRS Standards?</p> <p>Please explain the reasoning that supports your response.</p>
G3	<p>When to consider alignment</p> <p>If the alignment approach is maintained there needs to be an agreed approach as to how soon after an IFRS Standard, an amendment to an IFRS Standard, or an IFRIC Interpretation is issued the Board should consider that change for incorporation into the <i>IFRS for SMEs</i> Standard.</p> <p>Three possible dates for when to consider alignment are discussed in paragraphs 38–40 of this part of the Request for Information. Which, if any, of these possible dates do you prefer?</p> <p>Those IFRS Standards, amendments to IFRS Standards or IFRIC Interpretations:</p> <ul style="list-style-type: none"> (a) issued up to the publication date of the Request for Information; (b) effective before the publication date of the Request for Information; (c) effective and on which the post-implementation review was completed before the publication date of the Request for Information; or (d) issued or effective on some other date (please specify). <p>Please explain the reasoning that supports your views, for example, the benefits of the date selected.</p>

Part B—Questions on aligning specific sections of the IFRS for SMEs Standard

Alignment with IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations

- 42 Part B contains questions on sections of the *IFRS for SMEs* Standard that are being considered for alignment with IFRS Standards, amendments to IFRS Standards or IFRIC Interpretations in the scope of this review. Part B summarises each of the issues under review. More detailed explanations of the Board's reasoning are set out in Appendix B.
- 43 In reviewing each IFRS Standard, amendment to an IFRS Standard or IFRIC Interpretation in the scope of the review, the Board decided to:
- (a) seek views on aligning the *IFRS for SMEs* Standard with the IFRS Standard, amendment to an IFRS Standard or IFRIC Interpretation;
 - (b) seek views on leaving the *IFRS for SMEs* Standard unchanged (that is, on not aligning it with full IFRS Standards); or
 - (c) request further information to help it reach a decision.
- 44 Appendix A provides a summary of the IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations in the scope of this comprehensive review. It groups amendments to IFRS Standards and IFRIC Interpretations into tables based on whether the Board is:
- (a) seeking views on aligning the *IFRS for SMEs* Standard (Table A1);
 - (b) seeking views on leaving the *IFRS for SMEs* Standard unchanged—that is, on not aligning with amendments to IFRS Standards and IFRIC Interpretations (Table A2);
 - (c) requesting further information (Table A3);
 - (d) considering the amendments listed along with the IFRS Standards they amend (Table A4); or
 - (e) not considering the listed amendments to IFRS Standards because they are already incorporated in the *IFRS for SMEs* Standard (Table A5).
- 45 The questions in Part B are on the following sections of the *IFRS for SMEs* Standard:
- S1—Section 2 *Concepts and Pervasive Principles*;
 - S2—Section 9 *Consolidated and Separate Financial Statements*;
 - S3—Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instrument Issues*;
 - S4—Section 15 *Investments in Joint Ventures*;
 - S5—Section 19 *Business Combinations and Goodwill*;
 - S6—Section 20 *Leases*;
 - S7—Section 23 *Revenue*;

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S8 – Section 28 *Employee Benefits*;

S9 – Multiple sections: fair value; and

S10 – Multiple sections: amendments to IFRS Standards and IFRIC Interpretations.

- 46 The requirements described in the detailed questions S1–S10 cover the main recognition and measurement changes to full IFRS Standards since the *IFRS for SMEs* Standard was issued. If the Board decides to propose amendments to the recognition and measurement requirements of the *IFRS for SMEs* Standard it will consider whether changes to the disclosure requirements are also appropriate.
- 47 In some cases, the responses to questions in Part A will affect the responses to questions in Part B. For example:
- (a) respondents who answer question G1 by disagreeing with the alignment approach may wish to use the questions in Part B to give more information relating to the applicability of particular IFRS Standards to SMEs;
 - (b) respondents with a differing view to the proposed alignment principles in question G2 may wish to respond to the questions in Part B with reference to their preferred approach, or may wish to respond with reference to how the Board's proposed principles would be applied; and
 - (c) where reservations are expressed about alignment with a particular IFRS Standard, amendments to IFRS Standards or IFRIC Interpretations discussed in Part B, respondents may wish to cross-refer their responses to their answer to question G3 with regard to preferred dates.
- 48 Responses to the questions in Part B will be most useful if they address whether and how possible amendments meet any other criteria respondents propose for assessing changes to the *IFRS for SMEs* Standard. Additional commentary on whether the proposed amendments meet the criteria established by the Board would also be welcome.
- 49 Some questions refer to full IFRS Standards. These questions have been drafted so they can be answered by respondents who are not familiar with full IFRS Standards. However, if you believe the question is unclear, and you do not understand what is being asked, please state this in your response.

Table 3 Questions on aligning specific sections of the IFRS for SMEs Standard

Ref	Question
S1	<p data-bbox="395 427 1224 488">Aligning Section 2 Concepts and Pervasive Principles of the IFRS for SMEs Standard with the 2018 Conceptual Framework for Financial Reporting</p> <p data-bbox="395 510 1224 629">In developing the <i>IFRS for SMEs</i> Standard, the Board stated that the 1989 <i>Framework for the Preparation and Presentation of Financial Statements (1989 Framework)</i> provides the foundation for the <i>IFRS for SMEs</i> Standard as well as for full IFRS Standards. Section 2 is currently aligned with the <i>1989 Framework</i>.</p> <p data-bbox="395 651 1224 808">The Board is seeking views on aligning Section 2 with the <i>Conceptual Framework for Financial Reporting</i> issued in 2018 (<i>2018 Conceptual Framework</i>). This alignment would require amendments to other sections of the <i>IFRS for SMEs</i> Standard. For example, Section 17 <i>Property, Plant and Equipment</i> paragraph 17.4 uses the definition of ‘asset’ from Section 2.</p> <p data-bbox="395 831 1224 1043">Section 2 also includes the concept of ‘undue cost or effort’, a concept that is made available to an entity applying the <i>IFRS for SMEs</i> Standard in specified circumstances. The <i>2018 Conceptual Framework</i> has no direct equivalent concept; however, the Board is seeking views on retaining the concept of ‘undue cost or effort’ in Section 2 because it provides a mechanism the Board can use to balance the costs and benefits of the requirements of the <i>IFRS for SMEs</i> Standard.</p> <p data-bbox="395 1066 1224 1088">What are your views on:</p> <ul style="list-style-type: none"> <li data-bbox="395 1111 1224 1133">(a) aligning Section 2 with the 2018 Conceptual Framework? <li data-bbox="395 1155 1224 1216">(b) making appropriate amendments to other sections of the IFRS for SMEs Standard? <li data-bbox="395 1238 1224 1261">(c) retaining the concept of ‘undue cost or effort’?

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Ref	Question
S2	<p>Aligning Section 9 Consolidated and Separate Financial Statements of the IFRS for SMEs Standard with IFRS 10 Consolidated Financial Statements</p> <p>Section 9 of the <i>IFRS for SMEs</i> Standard establishes control as the basis for determining which entities are included in the consolidated financial statements. The definition of control in Section 9 is aligned with the definition of control from the superseded version of <i>IAS 27 Consolidated and Separate Financial Statements</i> and includes some of the guidance from the superseded <i>SIC-12 Consolidation—Special Purpose Entities</i>.</p> <p>The Board is seeking views on aligning the definition of control in Section 9 with the definition in <i>IFRS 10 Consolidated Financial Statements</i> to provide a clearer principle and facilitate greater consistency among the financial statements of entities applying the <i>IFRS for SMEs</i> Standard. <i>IFRS 10</i> sets out a single principle of control that applies to all investees.</p> <p>The Board is also seeking views on retaining and updating the simplification in paragraph 9.5 of the <i>IFRS for SMEs</i> Standard, which states that control is presumed to exist when the parent entity owns, directly or indirectly through subsidiaries, more than half the voting power of the entity.</p>
S2A	<p>What are your views on:</p> <p>(a) aligning the definition of control in Section 9 with <i>IFRS 10</i>; and</p> <p>(b) retaining and updating paragraph 9.5 of the <i>IFRS for SMEs</i> Standard?</p> <p><i>Further information on this question is provided in paragraphs B15–B24 of Appendix B.</i></p>
S2B	<p>Investment entities</p> <p><i>IFRS 10</i> requires an investment entity to measure an investment in a subsidiary at fair value through profit or loss and not consolidate such an entity. The <i>IFRS for SMEs</i> Standard has no equivalent requirement.</p> <p>Based on the definition of investment entity in <i>IFRS 10</i> the Board considered that few entities eligible to apply the <i>IFRS for SMEs</i> Standard will also be investment entities. Consequently, the Board is seeking views on not introducing the requirement that an investment entity measure an investment in a subsidiary at fair value through profit or loss rather than consolidate such entities.</p> <p>What are your views on not introducing the requirement that investment entities measure investments in subsidiaries at fair value through profit and loss?</p> <p><i>Further information on this question is provided in paragraphs B25–B26 of Appendix B.</i></p>

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Ref	Question
S3	<p data-bbox="397 427 1224 517">Aligning Section 11 <i>Basic Financial Instruments</i> and Section 12 <i>Other Financial Instrument Issues</i> of the <i>IFRS for SMEs</i> Standard with IFRS 9 <i>Financial Instruments</i></p> <p data-bbox="397 539 1224 629">In July 2014 the Board issued IFRS 9 <i>Financial Instruments</i>, completing its project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> with a principle-based Standard.</p> <p data-bbox="397 651 1224 674">Classification and measurement of financial assets</p> <p data-bbox="397 696 1224 786">IFRS 9 applies a principle-based approach to the classification of financial assets. Applying IFRS 9, when an entity initially recognises a financial asset, its classification is based on:</p> <ul data-bbox="397 808 1224 887" style="list-style-type: none"> <li data-bbox="397 808 1224 842">(a) the contractual cash flow characteristics of the financial asset; and <li data-bbox="397 853 1224 887">(b) the business model for managing the financial asset. <p data-bbox="397 909 1224 1021">Section 11 of the <i>IFRS for SMEs</i> Standard provides a list of examples of basic financial instruments as well as the conditions a debt instrument must satisfy to qualify (that is to be classified) as a basic financial instrument and therefore be measured at amortised cost.</p> <p data-bbox="397 1043 1224 1189">The Board's discussions on aligning the classification of financial assets included considering whether supplementing the list of examples in Section 11 with a principle based on their contractual cash flow characteristics would be helpful to entities in the circumstance in which a financial asset does not match the characteristics described in any of the examples.</p>
S3A	<p data-bbox="397 1216 1224 1305">What are your views on supplementing the list of examples in Section 11 with a principle for classifying financial assets based on their contractual cash flow characteristics?</p> <p data-bbox="397 1328 1224 1384"><i>Further information on this question is provided in paragraphs B27–B34 of Appendix B.</i></p>

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Ref	Question
S3B	<p>Impairment of financial assets</p> <p>The current requirements for recognising and measuring impairment of financial assets measured at cost or amortised cost in the <i>IFRS for SMEs</i> Standard are based on IAS 39. The impairment model in IAS 39 (an incurred loss model) may delay an entity's recognition of credit losses because an impairment test is not required until there is objective evidence of impairment.</p> <p>The impairment requirements in IFRS 9 addressed the problem of delayed recognition by requiring an entity to recognise expected credit losses. IFRS 9 includes a simplified approach to provide for lifetime expected credit losses for trade receivables, contract assets and lease receivables. The Board is seeking views on introducing the simplified approach into the <i>IFRS for SMEs</i> Standard.</p> <p>What is your view on aligning the <i>IFRS for SMEs</i> Standard with the simplified approach to the impairment of financial assets in IFRS 9?</p> <p><i>Further information on this question is provided in paragraphs B35–B37 of Appendix B.</i></p>
S3C	<p>Hedge accounting</p> <p>IFRS 9 includes new hedge accounting requirements that represent a major overhaul of hedge accounting and introduce significant improvements.</p> <p>Section 12 sets out requirements for the types of hedging activities an entity applying the <i>IFRS for SMEs</i> Standard is likely to use to manage risks.</p> <p>The Board decided to seek views on the need for Section 12 to provide hedge accounting requirements and to seek views on retaining the current requirements rather than aligning with IFRS 9.</p> <p>(a) Do you consider Section 12 needs to include requirements on hedge accounting?</p> <p>(b) If your answer is yes, what are your views on retaining the current requirements to address the needs of entities applying the Standard, rather than aligning Section 12 with IFRS 9?</p> <p>(c) If your answer is no, please explain the reasons for your answer.</p>

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Ref	Question
S3D	<p data-bbox="397 421 1224 495">Using recognition and measurement requirements in IFRS Standards for financial instruments</p> <p data-bbox="397 495 1224 539">The <i>IFRS for SMEs</i> Standard currently permits entities to opt to apply either:</p> <ul style="list-style-type: none"> <li data-bbox="397 539 1224 613">(a) the requirements of both Sections 11 and 12 of the <i>IFRS for SMEs</i> Standard in full; or <li data-bbox="397 613 1224 687">(b) the recognition and measurement requirements of IAS 39 and the disclosure requirements of Sections 11 and 12. <p data-bbox="397 687 1224 831">In order to decide whether to amend the <i>IFRS for SMEs</i> Standard and permit an entity to opt to apply the recognition and measurement requirements of IFRS 9 and the disclosure requirements of Sections 11 and 12, the Board would like to obtain evidence on how frequently the option to apply IAS 39 is used.</p> <ul style="list-style-type: none"> <li data-bbox="397 831 1224 954">(a) Are you aware of entities that opt to apply the recognition and measurement requirements of IAS 39 with the disclosure requirements of Sections 11 and 12? <li data-bbox="397 954 1224 1077">(b) What are your views on changing the reference to IAS 39 to permit an entity to apply the recognition and measurement requirements of IFRS 9 and the disclosure requirements of Sections 11 and 12?

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COMPREHENSIVE REVIEW OF THE IFRS FOR SMEs STANDARD

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Ref	Question
S3E	<p data-bbox="464 432 1284 454">Treatment of Q&As on the <i>IFRS for SMEs Standard</i></p> <p data-bbox="464 477 1284 600">Since the 2015 <i>Amendments to the IFRS for SMEs Standard</i> were issued by the Board, the SMEIG has published one Q&A on <i>Accounting for financial guarantee contracts in individual or separate financial statements of the issuer</i> (Q&A 2017/12.1).</p> <p data-bbox="464 622 1284 936">This comprehensive review provides an opportunity for the Q&A 2017/12.1 to be incorporated into the <i>IFRS for SMEs Standard</i> and for the Q&A to be withdrawn. The Board noted the SMEIG's recommendation that the Board revisit the accounting treatment for issued financial guarantee contracts during the second comprehensive review with a view to providing measurement relief. The SMEIG made this recommendation based on feedback that measuring issued financial guarantee contracts at fair value at each reporting date is more complex than the accounting requirements in IFRS 9. The Board is seeking views on aligning the accounting requirements in Section 12 for issued financial guarantee contracts with IFRS 9.</p> <p data-bbox="464 947 1284 969">What are your views on:</p> <p data-bbox="464 992 1284 1059">(a) adding the definition of a financial guarantee contract from IFRS 9 to the <i>IFRS for SMEs Standard</i>; and</p> <p data-bbox="464 1081 1284 1149">(b) aligning the requirements in the <i>IFRS for SMEs Standard</i> for issued financial guarantee contracts with IFRS 9?</p> <p data-bbox="464 1160 1284 1202"><i>Further information on this question is provided in paragraphs B38–B45 of Appendix B.</i></p>

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Ref	Question
S4	<p data-bbox="395 427 1224 488">Aligning Section 15 <i>Investments in Joint Ventures</i> of the <i>IFRS for SMEs</i> Standard with IFRS 11 <i>Joint Arrangements</i></p> <p data-bbox="395 506 1224 663">Section 15 of the <i>IFRS for SMEs</i> Standard is based on IAS 31 <i>Interests in Joint Ventures</i>, requiring entities that are jointly controlled to be classified as either jointly controlled operations, jointly controlled assets or jointly controlled entities. A significant difference between Section 15 and IAS 31 is that Section 15 does not permit proportionate consolidation for jointly controlled entities.</p> <p data-bbox="395 680 1224 837">In May 2011 the Board issued IFRS 11 <i>Joint Arrangements</i>, which replaced IAS 31. Applying IFRS 11, an entity classifies joint arrangements on the basis of the parties' rights and obligations under the arrangement. IFRS 11 changed the definitions and requirements of IAS 31 and classifies arrangements as either joint operations or joint ventures.</p> <p data-bbox="395 855 1224 1012">The Board is seeking views on aligning the definition of joint control in Section 15 with the definition in IFRS 11 but retaining the three categories of joint arrangements—jointly controlled operations, jointly controlled assets and jointly controlled entities—in Section 15. Consequently, the accounting requirements of Section 15 would be retained.</p> <p data-bbox="395 1030 1224 1151">Retaining these accounting requirements would include retaining the accounting policy election in Section 15 such that a venturer can choose to apply the cost model, the equity method or the fair value model to account for jointly controlled entities.</p> <p data-bbox="395 1169 1224 1196">What are your views on:</p> <ul style="list-style-type: none"> <li data-bbox="395 1214 1224 1240">(a) aligning the definition of joint control in Section 15 with IFRS 11? <li data-bbox="395 1258 1224 1326">(b) retaining the categories of joint arrangements: jointly controlled operations, jointly controlled assets and jointly controlled entities? <li data-bbox="395 1344 1224 1433">(c) retaining the accounting requirements of Section 15, including the accounting policy election for jointly controlled entities in Section 15? <p data-bbox="395 1451 1224 1514"><i>Further information on this question is provided in paragraphs B50–B54 of Appendix B.</i></p>

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COMPREHENSIVE REVIEW OF THE IFRS FOR SMEs STANDARD

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Ref	Question
S5	<p>Aligning Section 19 <i>Business Combinations and Goodwill</i> of the <i>IFRS for SMEs</i> Standard with IFRS 3 (2008) <i>Business Combinations</i></p> <p>Section 19 of the <i>IFRS for SMEs</i> Standard is based on IFRS 3 (2004) <i>Business Combinations</i>, which applies the purchase method of accounting for business combinations.</p> <p>The Board is seeking views on aligning Section 19 with parts of IFRS 3 (2008) to:</p> <ul style="list-style-type: none"> (a) introduce requirements for step acquisitions. (b) recognise acquisition-related costs as an expense at the time of the acquisition. (c) require contingent consideration to be recognised at fair value and subsequently accounted for as a financial instrument with changes in fair value recognised in profit or loss. The Board is also seeking views on permitting an entity to use the undue cost or effort exemption in paragraph 2.14A of the <i>IFRS for SMEs</i> Standard and provide the related disclosures if measuring contingent consideration at fair value would involve undue cost or effort.
S5A	<ul style="list-style-type: none"> (a) Do you consider Section 19 needs to include requirements for the accounting for step acquisitions? (b) If your answer is yes, should the requirements be aligned with IFRS 3 (2008)? <p><i>Further information on this question is provided in paragraphs B55–B66 of Appendix B.</i></p>
S5B	<p>What are your views on aligning Section 19 with IFRS 3 (2008) for acquisition costs and contingent consideration, including permitting an entity to use the undue cost or effort exemption and provide the related disclosures if measuring contingent consideration at fair value would involve undue cost or effort?</p> <p><i>Further information on this question is provided in paragraphs B55–B66 of Appendix B.</i></p>

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Ref	Question
S5C	<p>Definition of a business</p> <p>In October 2018 the Board issued an amendment to IFRS 3, effective for acquisitions on or after 1 January 2020, to improve consistency of application by clarifying the definition of a business. The amended definition emphasises that the output of a business is the goods and services it provides to customers; the previous definition defined outputs as having the ability to provide returns in the form of dividends, lower costs and other economic benefits to investors and others.</p> <p>What are your views on aligning the <i>IFRS for SMEs</i> Standard with the amended definition of a business issued in October 2018?</p>
S6	<p>Aligning Section 20 <i>Leases</i> of the <i>IFRS for SMEs</i> Standard with IFRS 16 <i>Leases</i></p> <p>In January 2016 the Board issued IFRS 16 <i>Leases</i>. IFRS 16 replaced IAS 17 <i>Leases</i> and became effective on 1 January 2019.</p> <p>Section 20 of the <i>IFRS for SMEs</i> Standard is based largely on IAS 17.</p> <p>The Board noted that leases provide an important source of funding to SMEs and therefore decided to seek views on aligning Section 20 with IFRS 16, with simplifications. The requirements in IFRS 16 could be simplified so they are easier and less costly for SMEs to apply including by:</p> <ul style="list-style-type: none"> (a) simplifying recognition and measurement requirements in respect of matters such as variable lease payments, determining the discount rate and the term of the lease; (b) retaining the disclosure requirements of Section 20; and (c) simplifying the language of the Standard. <p>What are your views on aligning Section 20 with IFRS 16, making the simplifications listed in paragraphs (a)–(c)?</p> <p><i>Further information on this question is provided in paragraphs B67–B72 of Appendix B.</i></p>

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Ref	Question
S7	<p>Aligning Section 23 Revenue of the IFRS for SMEs Standard with IFRS 15 Revenue from Contracts with Customers</p> <p>Section 23 of the <i>IFRS for SMEs</i> Standard is based on IAS 18 <i>Revenue</i>. IAS 18 provided relatively limited principles for the recognition of revenue from the supply of goods or services.</p> <p>IFRS 15, effective from 1 January 2018, replaced IAS 18 and set out a more structured framework based on performance obligations and the timing of their satisfaction. The main distinction it makes is between performance over time and performance at a point in time, rather than between goods and services.</p> <p>The Board considered that although there are substantive conceptual differences between IAS 18 and IFRS 15, the effect in practice for most entities in the scope of the <i>IFRS for SMEs</i> Standard would be minimal in terms of the timing and measurement of revenue. However, some feedback indicates that aligning principles and language would be helpful for preparers who seek consistency with IFRS Standards.</p> <p>The Board is seeking views on the merits of three possible approaches to aligning Section 23 with IFRS 15:</p> <ul style="list-style-type: none"> (a) Alternative 1—modifying Section 23 only to remove the clear differences in outcome from applying Section 23 or IFRS 15, without wholly reworking Section 23; (b) Alternative 2—fully rewriting Section 23 to reflect the principles and language used in IFRS 15; and (c) Alternative 3—deciding not to make amendments to Section 23 as part of this comprehensive review.
S7A	<p>Which of the three alternatives do you prefer for amending Section 23 to align with IFRS 15? Why have you chosen this alternative?</p> <p><i>Further information on this question is provided in paragraphs B73–B74 of Appendix B.</i></p>
S7B	<p>The Board also discussed whether to provide transitional relief, if Alternative 1 or Alternative 2 is chosen, by permitting an entity to continue its current revenue recognition policy for any contracts already in progress at the transition date or scheduled to be completed within a set time after the transition date.</p>

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Ref	Question
	<p>If Alternative 1 or Alternative 2 is the basis for an Exposure Draft, should transitional relief be provided:</p> <p>(a) by permitting an entity to continue its current revenue recognition policy for any contracts already in progress at the transition date or scheduled to be completed within a set time after the transition date?</p> <p>(b) by some other method?</p> <p>(c) not at all?</p> <p>Please explain why you have chosen (a), (b) or (c) above.</p>
S8	<p>Aligning Section 28 <i>Employee Benefits</i> of the <i>IFRS for SMEs</i> Standard with IAS 19 (2011) <i>Employee Benefits</i></p> <p>In 2011 the Board issued amendments to IAS 19 <i>Employee Benefits</i> that changed the requirements for presenting actuarial gains and losses relating to defined benefit plans.</p> <p>Paragraph 28.24 of the <i>IFRS for SMEs</i> Standard permits an entity to select a policy for the presentation of actuarial gains and losses. The Board's view is this simplification is appropriate for entities applying the <i>IFRS for SMEs</i> Standard.</p> <p>The 2011 amendments to IAS 19 also clarified that termination benefits should be recognised at the earlier of:</p> <p>(a) when the entity can no longer withdraw those benefits; and</p> <p>(b) when any related restructuring costs are recognised.</p> <p>The Board is seeking views on aligning the recognition requirements for termination benefits in Section 28 with those in IAS 19.</p> <p>What are your views on aligning Section 28 with the 2011 amendments to IAS 19 only in respect of the recognition requirements for termination benefits?</p> <p><i>Further information on this question is provided in paragraphs B75–B78 of Appendix B.</i></p>

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Ref	Question
S9	<p data-bbox="464 421 1284 454">Aligning the <i>IFRS for SMEs</i> Standard with IFRS 13 <i>Fair Value Measurement</i></p> <p data-bbox="464 472 1284 723">The <i>IFRS for SMEs</i> Standard requires the use of fair value and thereby includes a definition of fair value. Paragraphs 11.27–11.32 of the <i>IFRS for SMEs</i> Standard set out requirements for estimating fair value and are also referred to in other sections of the <i>IFRS for SMEs</i> Standard, for example, Sections 14 and 15 (regarding the fair value model for associates and jointly controlled entities), Section 16 (regarding investment property) and Section 28 (regarding the fair value of pension plan assets). The definition of fair value and the requirements to estimate fair value are not aligned with IFRS 13.</p> <p data-bbox="464 741 1284 835">In the first comprehensive review of the <i>IFRS for SMEs</i> Standard, the Board consulted on aligning the definition of fair value, but decided to wait, because IFRS 13 had only recently become effective.</p> <p data-bbox="464 853 1284 913">The Board completed its post-implementation review of IFRS 13 in December 2018 and concluded that the Standard is working as intended.</p> <p data-bbox="464 931 1284 1025">The Board is seeking views on aligning the <i>IFRS for SMEs</i> Standard with IFRS 13 and including illustrative examples in the Standard. This change would not add new requirements for the use of fair value measurement.</p> <p data-bbox="464 1043 1284 1072">What are your views on:</p> <ul style="list-style-type: none"> <li data-bbox="464 1090 1284 1151">(a) aligning the definition of fair value in the <i>IFRS for SMEs</i> Standard with IFRS 13? <li data-bbox="464 1169 1284 1263">(b) aligning the guidance on fair value measurement in the <i>IFRS for SMEs</i> Standard with IFRS 13 so the fair value hierarchy incorporates the principles of the fair value hierarchy set out in IFRS 13? <li data-bbox="464 1281 1284 1310">(c) including examples that illustrate how to apply the hierarchy? <li data-bbox="464 1328 1284 1388">(d) moving the guidance and related disclosure requirements to Section 2? <p data-bbox="464 1406 1284 1467"><i>Further information on this question is provided in paragraphs B79–B83 of Appendix B.</i></p>

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Ref	Question
S10	<p>Aligning multiple sections of the <i>IFRS for SMEs</i> Standard for amendments to IFRS Standards and IFRIC Interpretations</p> <p>The Board is seeking views on whether and how to align the <i>IFRS for SMEs</i> Standard with the amendments to IFRS Standards and IFRIC Interpretations set out in Appendix A.</p> <p>In aligning the <i>IFRS for SMEs</i> Standard with amendments to IFRS Standards and IFRIC Interpretations the Board would introduce simplifications and language appropriate to the <i>IFRS for SMEs</i> Standard.</p> <p>Appendix A groups the amendments to IFRS Standards and IFRIC Interpretations using the following tables:</p> <p>Table A1—Amendments to IFRS Standards—Board is seeking views on aligning the <i>IFRS for SMEs</i> Standard;</p> <p>Table A2—Amendments to IFRS Standards—Board is seeking views on leaving the <i>IFRS for SMEs</i> Standard unchanged;</p> <p>Table A3—Amendments to IFRS Standards and IFRIC Interpretations—Board is requesting further information on whether to align the <i>IFRS for SMEs</i> Standard;</p> <p>Table A4—Amendments to IFRS Standards—Board will consider along with the full IFRS Standards they amend; and</p> <p>Table A5—Amendments to IFRS Standards with which the <i>IFRS for SMEs</i> Standard is already aligned.</p> <p>What are your views on:</p> <p>(a) aligning the <i>IFRS for SMEs</i> Standard with the amendments to IFRS Standards outlined in Table A1 of Appendix A?</p> <p>(b) leaving the <i>IFRS for SMEs</i> Standard unchanged for the amendments to IFRS Standards listed in Table A2 of Appendix A?</p> <p>(c) whether to align the <i>IFRS for SMEs</i> Standard with the amendments to IFRS Standards and the IFRIC Interpretations listed in Table A3 of Appendix A?</p> <p>Please explain your views and provide any relevant information in support of your views.</p>

Part C—Questions on new topics and other matters related to the *IFRS for SMEs* Standard

- 50 Part C seeks views on topics that are not addressed in the *IFRS for SMEs* Standard and on whether, in relation to these topics, the Standard should be aligned with full IFRS Standards. It also asks about specific topics on which the Board has received feedback.
- 51 The questions cover the following areas:
- N1 – regulatory deferral accounts;
 - N2 – cryptocurrency;
 - N3 – simplifications in measuring a defined benefit obligation;
 - N4 – other new topics; and
 - N5 – additional matters.
- 52 Respondents are encouraged to raise topics the *IFRS for SMEs* Standard does not address, which they think the Standard should address, or additional issues they would like to bring to the Board’s attention regarding the Standard in their response to questions N4 and N5. If you raise such additional questions, please identify the section of the *IFRS for SMEs* Standard to which they relate and provide your suggestions, applying the principles for amending the *IFRS for SMEs* Standard set out in Part A.

Table 4 Questions on new topics and other matters related to the *IFRS for SMEs* Standard

Ref	Question
N1	<p>Aligning the <i>IFRS for SMEs</i> Standard with IFRS 14 <i>Regulatory Deferral Accounts</i></p> <p>The Board issued IFRS 14 <i>Regulatory Deferral Accounts</i> in January 2014. IFRS 14 addresses regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation. The <i>IFRS for SMEs</i> Standard has no section that corresponds to IFRS 14. Entities applying the <i>IFRS for SMEs</i> Standard cannot recognise regulatory deferral account balances if these balances would not be permitted or required to be recognised by other sections of the <i>IFRS for SMEs</i> Standard.</p> <p>Entities subject to rate regulation may be in the scope of the <i>IFRS for SMEs</i> Standard and hence the topic may be relevant. The Board, however, has an active project on Rate-regulated Activities which could lead to the replacement of IFRS 14. Consequently, the Board’s view is it should not, as part of this comprehensive review, amend the <i>IFRS for SMEs</i> Standard to align with IFRS 14.</p>
	<p>What are your views on not aligning the <i>IFRS for SMEs</i> Standard with IFRS 14, that is, not including requirements for regulatory deferral account balances in the <i>IFRS for SMEs</i> Standard?</p>

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Ref	Question
N2	<p data-bbox="397 427 571 454">Cryptocurrency</p> <p data-bbox="397 477 1224 629">The Board would like to gather information about the prevalence of holdings of cryptocurrency and issues of cryptoassets among entities eligible to apply the <i>IFRS for SMEs</i> Standard. Obtaining this information will help the Board decide whether the <i>IFRS for SMEs</i> Standard should address the accounting for holdings of cryptocurrency and issues of cryptoassets.</p> <p data-bbox="397 645 1224 734">Are holdings of cryptocurrency and issues of cryptoassets prevalent (that is, are there material holdings among entities eligible to apply the <i>IFRS for SMEs</i> Standard) in your jurisdiction?</p> <p data-bbox="397 757 1224 813"><i>Further information on this question is provided in paragraphs B85–B86 of Appendix B.</i></p>
N3	<p data-bbox="397 835 1224 891">Defined benefit plans—simplifications allowed in measuring the defined benefit obligation</p> <p data-bbox="397 913 1224 1093">Section 28 <i>Employee Benefits</i> of the <i>IFRS for SMEs</i> Standard allows an entity to apply simplifications in measuring a defined benefit obligation if the entity is unable, without undue cost or effort, to use the projected unit credit method. Paragraph 28.19 of the <i>IFRS for SMEs</i> Standard allows an entity to ignore estimated future salary progression, the effect of future service and death in service.</p> <p data-bbox="397 1115 1224 1171">The Board has received feedback that some preparers are uncertain about how to apply the simplifications.</p> <p data-bbox="397 1193 1224 1283">To decide whether to clarify how to apply the simplifications in paragraph 28.19, the Board would like to know how frequently the simplifications are applied and whether constituents experience difficulties in applying them.</p> <p data-bbox="397 1305 1224 1417">Are you aware of entities applying the simplifications allowed by paragraph 28.19 of the <i>IFRS for SMEs</i> Standard? If so, are you aware of difficulties arising in applying the simplifications? Please include a brief description of the difficulty encountered in applying the simplification.</p>

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COMPREHENSIVE REVIEW OF THE IFRS FOR SMEs STANDARD

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Ref	Question
N4	<p data-bbox="464 423 1276 454">Other topics not addressed by the <i>IFRS for SMEs</i> Standard</p> <p data-bbox="464 472 1276 658">The Board intended that the 35 sections in the <i>IFRS for SMEs</i> Standard would cover the kinds of transactions, events and conditions typically encountered by most SMEs. The Board also provided guidance on how an entity's management should exercise judgement in developing an accounting policy in a case in which the <i>IFRS for SMEs</i> Standard does not specifically address a topic (see paragraphs 10.4–10.6 of the <i>IFRS for SMEs</i> Standard).</p> <p data-bbox="464 676 1276 831">Note: <i>this question is asking about topics that the IFRS for SMEs Standard does not address. It is not asking for areas of the IFRS for SMEs Standard for which additional guidance is required. If you think more guidance should be added for a topic already covered by the IFRS for SMEs Standard, please provide your comments in response to question N5.</i></p> <p data-bbox="464 848 1276 981">Are there any topics the <i>IFRS for SMEs</i> Standard does not address that you think should be the subject of specific requirements (for example, topics not addressed by the Standard for which the general guidance in paragraphs 10.4–10.6 of the <i>IFRS for SMEs</i> Standard is insufficient)?</p>
N5	<p data-bbox="464 987 1276 1050">Please describe any additional issues you would like to bring to the Board's attention relating to the <i>IFRS for SMEs</i> Standard.</p>

Appendix A—Scope of the second comprehensive review of the *IFRS for SMEs* Standard

- A1 The *IFRS for SMEs* Standard was newly adopted in many jurisdictions at the time the International Accounting Standards Board (Board) carried out its first comprehensive review of that Standard. The Board decided not to align the *IFRS for SMEs* Standard, at that stage, with IFRS Standards that had recently been issued. The Board made this decision to minimise the changes to what was then for many entities a newly adopted Standard and because it recognised there was limited implementation experience with recently issued IFRS Standards on which to base proposed amendments.
- A2 The first comprehensive review resulted in amendments to the *IFRS for SMEs* Standard that:
- (a) allowed an option to use the revaluation model for property, plant and equipment;
 - (b) aligned recognition and measurement requirements for income tax with IAS 12 *Income Taxes*; and
 - (c) aligned the main recognition and measurement requirements for exploration and evaluation assets with IFRS 6 *Exploration for and Evaluation of Mineral Resources*.
- A3 The Board recommended that for future reviews each IFRS Standard in the scope of the comprehensive review should be considered individually, but only after it had been issued and assessed on the basis of the experience acquired from its implementation. Possible modifications would be based on users' needs and on cost-benefit considerations.
- A4 The IFRS Standards that meet those criteria and which are therefore in the scope of the second comprehensive review are:
- (a) the *Conceptual Framework for Financial Reporting* (issued in 2018);
 - (b) IFRS 3 *Business Combinations* (issued in 2008);
 - (c) IFRS 9 *Financial Instruments*;
 - (d) IFRS 10 *Consolidated Financial Statements*;
 - (e) IFRS 11 *Joint Arrangements*;
 - (f) IFRS 13 *Fair Value Measurement*;
 - (g) IFRS 14 *Regulatory Deferral Accounts*;
 - (h) IFRS 15 *Revenue from Contracts with Customers*;
 - (i) IFRS 16 *Leases*; and
 - (j) IAS 19 *Employee Benefits* (revised in 2011).

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- A5 Tables A1–A5 group the amendments to IFRS Standards and IFRIC Interpretations based on whether the Board is:
- (a) seeking views on aligning the *IFRS for SMEs* Standard with the listed amendments to IFRS Standards (Table A1);
 - (b) seeking views on leaving the *IFRS for SMEs* Standard unchanged, that is, on not aligning with the listed amendments to IFRS Standards (Table A2);
 - (c) requesting further information on whether to align the *IFRS for SMEs* Standard with the listed amendments to IFRS Standards and IFRIC Interpretations (Table A3);
 - (d) considering the listed amendments to IFRS Standards along with the full IFRS Standards they amend (Table A4); and
 - (e) not considering the listed amendments to IFRS Standards, because the *IFRS for SMEs* Standard is already aligned with them (Table A5).

Table A1—Amendments to IFRS Standards—Board is seeking views on aligning the *IFRS for SMEs Standard*

Standard section	Amendment to IFRS Standards	Effective date	Overview of amendment to IFRS Standards	Board's rationale
Section 3 Financial Statement Presentation	<i>Definition of Material</i> (Amendments to IAS 1 and IAS 8)	January 2020	Clarifies the definition of 'material' and how it should be applied.	The clarification would assist a preparer applying the <i>IFRS for SMEs Standard</i> .
Section 7 Statement of Cash Flows	<i>Disclosure Initiative</i> (Amendments to IAS 7)	January 2017	Requires disclosure about changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash flows.	Users of SMEs' financial statements are particularly interested in information about liquidity and solvency. The disclosure provides users of financial statements with an improved understanding of an entity's financing activities.
Section 16 Investment Property	<i>Transfers of Investment Property</i> (Amendments to IAS 40)	January 2018	Clarifies that an 'entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use'. A change in use occurs if property meets, or ceases to meet, the definition of 'investment property'.	The clarification would assist a preparer applying the <i>IFRS for SMEs Standard</i> .
Section 17 Property, Plant and Equipment	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> (Amendments to IAS 16 and IAS 38)	January 2016	Clarifies that the use of revenue-based methods to calculate the depreciation of an asset are not appropriate, because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.	The clarification would assist a preparer applying the <i>IFRS for SMEs Standard</i> .

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Standard section	Amendment to IFRS Standards	Effective date	Overview of amendment to IFRS Standards	Board's rationale
Section 18 Intangible Assets other than Goodwill	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> (Amendments to IAS 16 and IAS 38)	January 2016	Clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	The clarification would assist a preparer applying the <i>IFRS for SMEs</i> Standard.
Section 26 Share-based Payment	<i>Annual Improvements to IFRSs 2010–2012 Cycle</i> (IFRS 2)	July 2014	Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition'). The Board decided to separate the definitions of 'performance condition' and 'service condition' from the definition of 'vesting condition' to make the description of each condition clearer.	The amendments would assist a preparer applying the <i>IFRS for SMEs</i> Standard.

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Standard section	Amendment to IFRS Standards	Effective date	Overview of amendment to IFRS Standards	Board's rationale
Section 26 Share-based Payment	<i>Classification and Measurement of Share-based Payment Transactions</i> (Amendments to IFRS 2)	January 2018	The amendments clarify and change: <ul style="list-style-type: none"> (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (b) share-based payment transactions with a net settlement feature for withholding tax obligations; and (c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. 	The clarifications would assist a preparer applying the <i>IFRS for SMEs</i> Standard because: <ul style="list-style-type: none"> (a) they allow some vesting conditions not to be recognised at fair value, which would simplify the accounting for an entity applying the <i>IFRS for SMEs</i> Standard; and (b) they provide relief on cost-benefit grounds. The Board is not seeking views on aligning the clarification described in paragraph (c) of the overview because the <i>IFRS for SMEs</i> Standard does not include guidance on this topic.
Section 34 Specialised Activities	<i>Agriculture: Bearer Plants</i> (Amendments to IAS 16 and IAS 41)	January 2016	Requires that bearer plants, such as grape vines, rubber trees and oil palms, be accounted for in the same way as property, plant and equipment in IAS 16 <i>Property, Plant and Equipment</i> , because their operation is similar to that of manufacturing operations.	The amendment is a relief to the requirements in full IFRS Standards and alignment would provide equivalent relief to the requirements in the <i>IFRS for SMEs</i> Standard.

Table A2—Amendments to IFRS Standards—Board is seeking views on leaving the *IFRS for SMEs* Standard unchanged

Standard section	Amendment to IFRS Standards	Effective date	Overview of amendment to IFRS Standards	Board's rationale
Section 3 Financial Statement Presentation	<i>Disclosure Initiative</i> (Amendments to IAS 1)	January 2016	Clarifies IAS 1 requirements relating to materiality, order of the notes, subtotals, accounting policies and disaggregation.	<p>The <i>IFRS for SMEs</i> Standard includes simplified drafting and simplified language and does not require an entity to provide as much detail as do full IFRS Standards.</p> <p>The Board has recently published proposals that could result in a new IFRS Standard that sets out general presentation and disclosure requirements relevant for all companies, replacing IAS 1 <i>Presentation of Financial Statements</i>. Consequently, the Board's view is it should not, as part of this comprehensive review, amend the <i>IFRS for SMEs</i> Standard to align with this amendment to IAS 1.</p>
Section 27 Impairment of Assets	<i>Recoverable Amount Disclosures for Non-Financial Assets</i> (Amendments to IAS 36)	January 2014	Clarifies the scope of disclosures required by IAS 36 <i>Impairment of Assets</i> about the recoverable amount of impaired assets if the recoverable amount of the impaired assets is based on fair value less costs of disposal.	The <i>IFRS for SMEs</i> Standard requires fewer disclosures than full IFRS Standards. The Board is seeking views on not requiring an entity applying the <i>IFRS for SMEs</i> Standard to make these disclosures on the basis of user needs.
No equivalent section	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>	January 2018	Provides relief for an entity implementing IFRS 9 <i>Financial Instruments</i> before implementing IFRS 17 <i>Insurance Contracts</i> .	Not applicable. Relates to full IFRS Standards.

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Standard section	Amendment to IFRS Standards	Effective date	Overview of amendment to IFRS Standards	Board's rationale
Section 9 Consolidated and Separate Financial Statements	<i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i> (Amendments to IFRS 10, IFRS 11 and IFRS 12)	January 2013	Provides additional transition relief in IFRS 10 <i>Consolidated Financial Statements</i> , IFRS 11 <i>Joint Arrangements</i> and IFRS 12 <i>Disclosure of Interests in Other Entities</i> , limiting the requirement to provide adjusted comparative information to the preceding comparative period only.	This transition relief relates to full IFRS Standards.
Section 9 Consolidated and Separate Financial Statements	<i>Annual Improvements to IFRS Standards 2014–2016 Cycle</i> (IFRS 12)	January 2017	Clarifies the scope of IFRS 12 by specifying that the disclosure requirements in the Standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> .	Assets held for sale are not addressed in the <i>IFRS for SMEs</i> Standard.
Section 11 Basic Financial Instruments and Section 12 Other Financial Instrument Issues	<i>Annual Improvements to IFRSs 2012–2014 Cycle</i> (IFRS 7)	January 2016	Adds guidance to clarify whether a servicing contract is deemed to give rise to continuing involvement in a transferred asset for the purpose of determining the disclosures required. Clarifies the applicability of the amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> on offsetting disclosures to condensed interim financial statements.	The <i>IFRS for SMEs</i> Standard does not include guidance on servicing contracts and does not address interim financial reporting.

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Standard section	Amendment to IFRS Standards	Effective date	Overview of amendment to IFRS Standards	Board's rationale
Section 11 Basic Financial Instruments and Section 12 Other Financial Instrument Issues	<i>Novation of Derivatives and Continuation of Hedge Accounting</i> (Amendments to IAS 39)	January 2014	Permits hedge accounting to continue in a situation in which a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. In this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one.	Addressed a specific circumstance which is now resolved.
Section 14 Investments in Associates	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> (Amendments to IFRS 10 and IAS 28)	Indefinitely deferred	Addresses an acknowledged inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) concerning the sale or contribution of assets between an investor and its associate or joint venture.	These amendments are outside the scope of this comprehensive review because the effective date is indefinitely deferred.
Section 15 Investments in Joint Ventures	<i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i> (Amendments to IFRS 10, IFRS 11 and IFRS 12)	January 2013	Provides additional transition relief in IFRS 10, IFRS 11 and IFRS 12.	This transition relief relates to full IFRS Standards.
Section 18 Intangible Assets other than Goodwill	<i>Annual Improvements to IFRSs 2010–2012 Cycle</i> (IAS 38)	July 2014	Clarifies that when an intangible asset is revalued, the gross carrying amount is required to be adjusted in a manner that is consistent with the revaluation of the carrying amount.	The revaluation model is not permitted by Section 18 of the <i>IFRS for SMEs Standard</i> .

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Standard section	Amendment to IFRS Standards	Effective date	Overview of amendment to IFRS Standards	Board's rationale
Section 23 Revenue	<i>Effective Date of IFRS 15</i>	January 2018	Deferred the effective date from 1 January 2017 to 1 January 2018.	Not applicable. Relates to full IFRS Standard.
Section 28 Employee Benefits	<i>Defined Benefit Plans: Employee Contributions</i> (Amendments to IAS 19)	July 2014	Simplifies the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.	The <i>IFRS for SMEs</i> Standard does not include this level of detail on actuarial assumptions.
Section 28 Employee Benefits	<i>Plan Amendment, Curtailment or Settlement</i> (Amendments to IAS 19)	January 2019	Provides that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.	Paragraph 28.21 of the <i>IFRS for SMEs</i> Standard addresses curtailment and settlements of defined benefit plans.
Section 29 Income Tax	<i>Annual Improvements to IFRS Standards 2015–2017 Cycle</i> (IAS 12)	January 2019	Clarifies that the requirements in the former paragraph 52B of IAS 12 <i>Income Taxes</i> apply to all income tax consequences of dividends. Paragraph 52B requires recognition of the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised. The amendment moved the former paragraph 52B away from paragraph 52A (which applies only when there are different tax rates for distributed and undistributed profits).	The <i>IFRS for SMEs</i> Standard does not include the IAS 12 requirement that requires recognition of the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised.

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Standard section	Amendment to IFRS Standards	Effective date	Overview of amendment to IFRS Standards	Board's rationale
Section 35 Transition to the IFRS for SMEs	<i>Annual Improvements to IFRSs 2011–2013 Cycle</i> (IFRS 1)	July 2014	Defines 'effective IFRSs'.	Not applicable. Relates to full IFRS Standards.
Section 35 Transition to the IFRS for SMEs	<i>Annual Improvements to IFRS Standards 2014–2016 Cycle</i> (IFRS 1)	January 2018	Deleted the short-term exemptions in paragraphs E3–E7 of IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> , because they have now served their intended purpose.	Not applicable. Relates to full IFRS Standard.

Table A3—Amendments to IFRS Standards and IFRIC Interpretations—Board is requesting further information on whether to align the IFRS for SMEs Standard

Standard section	IFRIC Interpretation/ amendment to IFRS Standards	Effective date	Overview of IFRIC interpretation or amendment to IFRS Standards
Section 16 Investment Property	<i>Annual Improvements to IFRSs 2011–2013 Cycle</i> (IAS 40)	July 2014	Clarifies that determining whether a specific transaction meets the definition of both a 'business combination', as defined in IFRS 3 <i>Business Combinations</i> , and 'investment property', as defined in IAS 40 <i>Investment Property</i> , requires the separate application of both IFRS Standards independently of each other.
Section 21 Provisions and Contingencies	IFRIC 21 <i>Levies</i>	January 2014	Clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
Section 30 Foreign Currency Translation	IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	January 2018	Addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.
Section 29 Income Tax	IFRIC 23 <i>Uncertainty over Income Tax Treatments</i>	January 2019	IFRIC 23 adds to the requirements in IAS 12 <i>Income Taxes</i> by specifying how to reflect the effects of uncertainty in the accounting for income taxes.
Section 29 Income Tax	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> (Amendments to IAS 12)	January 2017	The amendments clarify that: <ul style="list-style-type: none"> (a) unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. (b) the carrying amount of an asset does not limit the estimation of probable future taxable profits. (c) estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. (d) an entity is required to assess a deferred tax asset in combination with other deferred tax assets. When tax law restricts the utilisation of tax losses, an entity would be required to assess a deferred tax asset in combination with other deferred tax assets of the same type.

Table A4—Amendments to IFRS Standards—Board will consider along with the IFRS Standards they amend

Standard section	Amendment to IFRS Standards	Effective date	Overview of amendment to IFRS Standards
Section 9 Consolidated and Separate Financial Statements	<i>Investment Entities</i> (Amendments to IFRS 10, IFRS 12 and IAS 27)	January 2014	The amendments provide an exception to the consolidation requirements in IFRS 10 and require an investment entity to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them.
Section 9 Consolidated and Separate Financial Statements	<i>Investment Entities: Applying the Consolidation Exception</i> (Amendments to IFRS 10, IFRS 12 and IAS 28)	January 2016	The amendments introduce clarifications to the requirements when accounting for an investment entity. The amendments also provide relief in particular circumstances.
Section 11 Basic Financial Instruments and Section 12 Other Financial Instrument Issues	<i>Annual Improvements to IFRSs 2010–2012 Cycle</i> (IFRS 13)	July 2014	Clarifies that issuing IFRS 13 <i>Fair Value Measurement</i> and amending IFRS 9 <i>Financial Instruments</i> and IAS 39 <i>Financial Instruments: Recognition and Measurement</i> did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
Section 11 Basic Financial Instruments and Section 12 Other Financial Instrument Issues	<i>Annual Improvements to IFRSs 2011–2013 Cycle</i> (IFRS 13)	July 2014	Clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definition of ‘financial assets’ or ‘financial liabilities’, as defined in IAS 32 <i>Financial Instruments: Presentation</i> .
Section 11 Basic Financial Instruments and Section 12 Other Financial Instrument Issues	<i>Prepayment Features with Negative Compensation</i> (Amendments to IFRS 9)	January 2019	Amended the IFRS 9 requirements regarding prepayment rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

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Standard section	Amendment to IFRS Standards	Effective date	Overview of amendment to IFRS Standards
Section 14 Investments in Associates	<i>Long-term Interests in Associates and Joint Ventures</i> (Amendments to IAS 28)	January 2019	Clarifies that IFRS 9 applies to long-term interests in an associate or joint venture to which the equity method is not applied.
Section 15 Investments in Joint Ventures	<i>Accounting for Acquisitions of Interests in Joint Operations</i> (Amendments to IFRS 11)	January 2016	Adds guidance on how an entity is required to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
Section 15 Investments in Joint Ventures	<i>Long-term Interests in Associates and Joint Ventures</i> (Amendments to IAS 28)	January 2019	Clarifies that IFRS 9 applies to long-term interests in an associate or joint venture—to which the equity method is not applied.
Section 15 Investments in Joint Ventures	<i>Annual Improvements to IFRS Standards 2015–2017 Cycle</i> (IFRS 11)	January 2019	Clarifies that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
Section 19 Business Combinations and Goodwill	<i>Annual Improvements to IFRSs 2010–2012 Cycle</i> (IFRS 3)	July 2014	Clarifies that contingent consideration that is classified as an asset or a liability is required to be measured at fair value at each reporting date.
Section 19 Business Combinations and Goodwill	<i>Annual Improvements to IFRSs 2011–2013 Cycle</i> (IFRS 3)	July 2014	Clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

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Standard section	Amendment to IFRS Standards	Effective date	Overview of amendment to IFRS Standards
Section 19 Business Combinations and Goodwill	<i>Annual Improvements to IFRS Standards 2015–2017 Cycle</i> (IFRS 3)	January 2019	Clarifies that when an entity obtains control of a business that is a joint operation, it is required to remeasure previously held interests in that business.
Section 23 Revenue	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i>	January 2018	Addresses identifying performance obligations, principal versus agent considerations and licensing; also provides some transition relief for modified contracts and completed contracts.

Table A5—Amendments to IFRS Standards with which the *IFRS for SMEs Standard* is already aligned

Standard section	Amendment to IFRS Standards	Effective date	Overview of amendment to IFRS Standards
Section 3 Financial Statement Presentation	<i>Annual Improvements to IFRSs 2009–2011 Cycle</i> (IAS 1)	January 2013	Clarifies the requirements for comparative information. Paragraph 3.14 of the <i>IFRS for SMEs Standard</i> already includes requirements for disclosure of comparative information.
Section 9 Consolidated and Separate Financial Statements	<i>Equity Method in Separate Financial Statements</i> (Amendments to IAS 27)	January 2016	The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. Paragraph 9.26 of the <i>IFRS for SMEs Standard</i> permits this accounting option.
Section 14 Investments in Associates	<i>Annual Improvements to IFRS Standards 2014–2016 Cycle</i> (IAS 28)	January 2018	Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The <i>IFRS for SMEs Standard</i> already permits the fair value model to account for investments in associates (see paragraph 14.4(c)).
Section 17 Property, Plant and Equipment	<i>Annual Improvements to IFRSs 2009–2011 Cycle</i> (IAS 16)	January 2013	Clarifies the classification of servicing equipment. Paragraph 17.5 of the <i>IFRS for SMEs Standard</i> —servicing equipment is recognised applying Section 17 when it meets the definition of property, plant and equipment.
Section 22 Liabilities and Equity	<i>Annual Improvements to IFRSs 2009–2011 Cycle</i> (IAS 32)	January 2013	Clarifies that the tax effect of a distribution on holders of equity instruments should be accounted for applying <i>IAS 12 Income Taxes</i> . Paragraph 22.17 of the <i>IFRS for SMEs Standard</i> —income tax relating to distributions to owners shall be accounted for applying Section 29.

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Standard section	Amendment to IFRS Standards	Effective date	Overview of amendment to IFRS Standards
Section 28 Employee Benefits	<i>Annual Improvements to IFRSs 2012–2014 Cycle</i> (IAS 19)	January 2016	Clarifies that the high-quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high-quality corporate bonds should be assessed at currency level). Paragraph 28.17 of the <i>IFRS for SMEs Standard</i> —the currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated period of the future payments.
Section 33 Related Party Disclosures	<i>Annual Improvements to IFRSs 2010–2012 Cycle</i> (IAS 24)	July 2014	Clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. See paragraph 33.2(b)(vii) of the <i>IFRS for SMEs Standard</i> .
Section 35 Transition to the IFRS for SMEs Standard	<i>Government Loans</i> (Amendments to IFRS 1)	January 2013	Clarifies the accounting for loans received from governments at a rate of interest below the market rate and gives first-time adopters of IFRS Standards relief from full retrospective application of IFRS Standards when accounting for these loans on transition. See paragraph 35.9(f) of the <i>IFRS for SMEs Standard</i> .
Section 35 Transition to the IFRS for SMEs Standard	<i>Annual Improvements to IFRSs 2009–2011 Cycle</i> (IFRS 1)	January 2013	The amendments permit the repeated application of IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> . The amendments also address borrowing costs relating to qualifying assets for which the commencement date for capitalisation is before the date of transition to IFRS Standards. See paragraph 35.12A of the <i>IFRS for SMEs Standard</i> .

Appendix B—How the Board developed this Request for Information

Introduction

- B1 The International Accounting Standards Board (Board) issued the *International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs Standard)* in July 2009, with immediate effect.
- B2 The Board conducted its first comprehensive review, starting in 2012 and an amended Standard was issued in 2015 and effective from 1 January 2017.
- B3 After concluding the first comprehensive review the Board considered its plans for future reviews of the *IFRS for SMEs Standard*. The Board supported a comprehensive review of the *IFRS for SMEs Standard* commencing no sooner than two years after the effective date of the amendments to the *IFRS for SMEs Standard* resulting from a previous comprehensive review. The Board commenced its second comprehensive review of the *IFRS for SMEs Standard* in 2019.
- B4 This Request for Information sets out questions relating to the second comprehensive review of the *IFRS for SMEs Standard*.
- B5 This Appendix gives further information explaining the Board's reasons for asking or for not asking a question, when understanding these reasons requires information about IFRS Standards and the Board's approach to aligning the *IFRS for SMEs Standard* with IFRS Standards. The topics covered give more context to the questions being asked. No decisions have yet been taken on which amendments to the *IFRS for SMEs Standard*, if any, will be proposed.

Part A—Strategic and general questions

- B6 Part A of the Request for Information presents questions that relate to the *IFRS for SMEs Standard* and the principles for assessing whether and how to align the *IFRS for SMEs Standard* with full IFRS Standards.

Scope of the *IFRS for SMEs Standard*

- B7 The Board decided not to ask a question about amending the scope of the *IFRS for SMEs Standard* in the Request for Information.
- B8 The *IFRS for SMEs Standard* is intended for entities that prepare general purpose financial statements and are not publicly accountable. An entity is publicly accountable if:¹
- (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

¹ See paragraph 1.3 of the *IFRS for SMEs Standard*.

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- (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 or dealers, mutual funds and investment banks would meet this second criterion).
- B9 As part of the first comprehensive review of the *IFRS for SMEs* Standard the Board asked stakeholders whether the scope of the Standard was too restrictive. In concluding the first comprehensive review, the Board decided not to amend the scope of the Standard. The Board decided that if it widened the scope of the Standard to include some publicly accountable entities, other changes to the *IFRS for SMEs* Standard might be required to address issues relevant to this wider group of entities, which could increase the complexity of the Standard.
- B10 The Board continues to receive comments on the scope of the *IFRS for SMEs* Standard. As part of this comprehensive review, the Board has conducted outreach with its consultative groups and national standard-setters on whether to permit exceptions to the definition of public accountability such that some publicly accountable entities could apply the Standard.
- B11 However, responses to outreach supported the Board's view that changes to the scope of the Standard might require other changes that would increase the complexity of the *IFRS for SMEs* Standard. Furthermore, concerns were raised about the difficulty in clearly defining the group of entities with public accountability that should be permitted to apply the *IFRS for SMEs* Standard.
- B12 The Board concluded it should not ask a question on amending the scope of the *IFRS for SMEs* Standard to permit exceptions to the definition of public accountability. In reaching this conclusion the Board noted that:
- (a) in paragraph BC55 of the Basis for Conclusions on the *IFRS for SMEs* Standard, the Board explained the importance of a clear definition of the class of entity for which the *IFRS for SMEs* Standard is intended, to facilitate:
- (i) the Board deciding what requirements are appropriate for that class of entity; and
- (ii) national regulatory authorities, standard-setters, reporting entities and their auditors understanding the intended scope of applicability of the *IFRS for SMEs* Standard.
- (b) as part of the first comprehensive review, the Board asked stakeholders whether the scope of the *IFRS for SMEs* Standard was too restrictive. In response to the feedback on the first comprehensive review, the Board decided not to amend the scope of the Standard because extending the scope might require changes to the Standard that would introduce complexity.
- B13 The Board decided that in view of the feedback from both the first comprehensive review and from outreach for this review, it was unlikely that responses to this Request for Information would lead the Board to change its previous conclusions.

Part B—Questions on aligning specific sections of the *IFRS for SMEs Standard*

Alignment with IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations

- B14 Part B of the Request for Information sets out questions on sections of the *IFRS for SMEs Standard* that could be aligned with IFRS Standards, amendments to IFRS Standards or IFRIC Interpretations in the scope of this review. The following paragraphs reflect the Board's discussions on each topic. During the Board's discussions, a range of views was expressed, and no preliminary views have been reached.

Aligning Section 9 *Consolidated and Separate Financial Statements* of the *IFRS for SMEs Standard* with IFRS 10 *Consolidated Financial Statements*

- B15 Questions S2A and S2B discuss aligning Section 9 *Consolidated and Separate Financial Statements* of the *IFRS for SMEs Standard* with IFRS 10 *Consolidated Financial Statements*. IFRS 10 was already issued at the time of the first comprehensive review but not incorporated in the *IFRS for SMEs Standard* due to the lack of implementation experience.
- B16 In deciding whether to ask about aligning Section 9 with IFRS 10, the Board applied its 'alignment principles' of relevance, simplicity and faithful representation to determine whether and how to align the *IFRS for SMEs Standard* with IFRS Standards (see paragraphs 32–37 of Part A).
- B17 In considering whether and how to ask about aligning Section 9 with IFRS 10, the Board decided that it had already judged consolidated financial statements to be relevant for entities applying the *IFRS for SMEs Standard* and that the question was whether alignment would improve the quality of information provided to users of financial statements applying the *IFRS for SMEs Standard*.

Definition of control

- B18 The definition of control in Section 9 is based on the definition of control from the superseded version of IAS 27 *Consolidated and Separate Financial Statements* and includes some guidance from SIC-12 *Consolidation—Special Purpose Entities*; it is a principle with supplementary requirements. IFRS 10 builds on the concepts in IAS 27 and SIC-12 and combines them into a single principle of control.
- B19 The requirements of IFRS 10 state that an investor controls an investee if, and only if, the investor has all the following:
- (a) power over the investee (power);
 - (b) exposure, or rights, to variable returns from its involvement with the investee (returns); and
 - (c) the ability to use its power over the investee to affect the amount of the investor's returns (link between power and returns).

- B20 The Board discussed if a single principle of control, which can be applied whenever an entity is assessing control, would result in greater consistency between the financial statements of reporting entities than the current position, where the model applied depends on the type of entity being assessed.
- B21 A single principle of control that applies to all entities would remove uncertainty about which guidance to apply to different entities. The control model in IFRS 10 clarifies requirements that were implicitly included in IAS 27 and SIC-12 and provides additional application guidance.
- B22 The Board noted that aligning the definition of control in Section 9 with IFRS 10 would not introduce significantly new concepts with which entities applying the *IFRS for SMEs* Standard are unfamiliar. For example, Section 9 already requires that voting rights be considered if they are currently exercisable and IFRS 10 requires that substantive potential voting rights be considered. Consequently, the Board is seeking views on aligning the definition of control in Section 9 with the definition of control in IFRS 10.
- B23 In considering aligning Section 9 with IFRS 10, the Board noted that introducing a single principle of control is, in itself, a simplification. Section 9 includes a further simplification—a rebuttable presumption that the parent has control when it directly or indirectly owns more than half of the voting rights. This simplification assists entities applying the *IFRS for SMEs* Standard that control another entity directly through voting rights, as such entities do not need to perform a complex review of other elements of the definition of control.
- B24 The Board noted that the rebuttable presumption in Section 9 simplifies the requirements in IFRS Standards and that the arguments for including this simplification had not changed. Thus, the Board is seeking views on retaining this simplification even if the Board aligns the definition of control in Section 9 with IFRS 10.

Investment entities

- B25 IFRS 10 requires an investment entity to measure an investment in a subsidiary at fair value through profit or loss. The *IFRS for SMEs* Standard has no equivalent requirement. Based on the definition of an ‘investment entity’ in IFRS 10 the Board considered that few entities eligible to apply the *IFRS for SMEs* Standard will also be investment entities. Consequently, the Board is seeking views on not introducing the requirements in IFRS 10 for investment entities into the *IFRS for SMEs* Standard.
- B26 The Board also took into consideration the feedback from the SME Implementation Group (SMEIG) members who were divided on whether Section 9 should include requirements for investment entities. Some SMEIG members considered investment entities applying the *IFRS for SMEs* Standard may not have their investment strategies sufficiently documented to demonstrate that they meet all the requirements for classification as an investment entity.

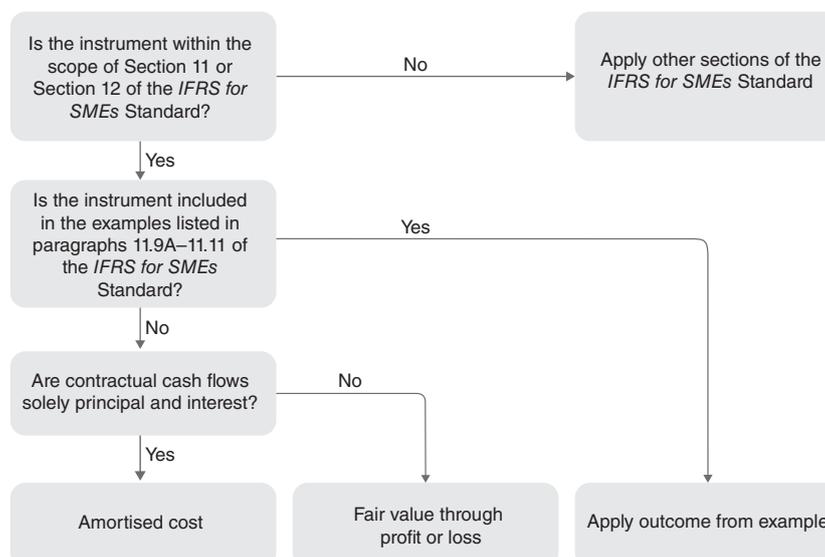
Aligning Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instrument Issues* of the *IFRS for SMEs* Standard with IFRS 9 *Financial Instruments*

- B27 Questions S3A–S3D request views on the extent to which Section 11 and Section 12 of the *IFRS for SMEs* Standard should be aligned with IFRS 9 *Financial Instruments*.
- B28 IFRS 9 was issued in July 2014, so the Board has not previously considered aligning Section 11 and Section 12 with IFRS 9.
- B29 In deciding whether to ask about aligning Section 11 and Section 12 with IFRS 9, the Board applied its ‘alignment principles’ to each topic addressed by IFRS 9.

Classification and measurement of financial assets

- B30 Section 11 provides a list of examples to help entities classify financial assets, while IFRS 9 requires that entities apply a principle-based approach. The Board is seeking views on aligning the classification requirements of Section 11 with those requirements in IFRS 9 by supplementing the list of examples in paragraphs 11.9A–11.11 of the *IFRS for SMEs* Standard with a principle based on their contractual cash flow characteristics.
- B31 The Board concluded that supplementing the list of examples in Section 11 with a principle would provide a clear rationale for classifying financial assets and thereby measuring them either at amortised cost or fair value and that a principle based on their contractual cash flow characteristics would assist entities in the circumstance in which a financial asset does not match the characteristics in any of the examples.
- B32 In supplementing the list of examples in Section 11 with a principle based on the contractual cash flow characteristics, the Board decided it should simplify the classification and measurement of financial assets by:
- (a) removing the requirement to determine how financial assets should be classified and measured on the basis of the entity’s business model for managing the financial asset; and
 - (b) removing the option to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.
- B33 The Board takes the view that these simplifications would not impede faithful representation because removing the business model assessment is unlikely to significantly affect the classification of financial assets held by entities applying the *IFRS for SMEs* Standard.
- B34 Figure 1 outlines the process for classifying financial assets to determine how they would be measured if a principle (aligned with IFRS 9) was added to the list of examples in Section 11 and the simplifications in paragraph B32 were included.

Figure 1: Measuring financial assets applying the IFRS for SMEs Standard



Impairment of financial assets

- B35 In considering aligning the requirements for impairment of financial assets in Section 11 with IFRS 9, the Board noted that the scope of the *IFRS for SMEs Standard* excludes any entity that 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, securities dealers, mutual funds and investment banks satisfy this criterion. Therefore, the general approach to impairment in IFRS 9 would not be relevant to many entities applying the *IFRS for SMEs Standard*.
- B36 IFRS 9 includes a simplified approach that applies to trade receivables, contract assets and lease receivables. It requires the loss allowance to be measured at an amount equal to lifetime expected credit losses. The simplified approach reduces the need to track separately increases in credit risk. Therefore, the simplified approach alleviates the practical concerns about using the general approach for tracking changes in credit risk to determine whether there has been a significant increase in credit risk.
- B37 The Board decided to seek views on replacing the incurred loss model in Section 11 for the impairment of financial assets with the simplified approach in IFRS 9. It did so because the expected credit loss model is widely regarded as an improvement on the approach in IAS 39 *Financial Instruments: Recognition and Measurement*. Furthermore, if Section 11 were amended to include the simplified approach in IFRS 9, users would be better able to predict future cash flows than they can using the incurred loss model in Section 11.

Treatment of Q&As in the *IFRS for SMEs* Standard

- B38 The Board has previously stated it will consider all Q&As issued by the SMEIG at each comprehensive review of the *IFRS for SMEs* Standard to decide whether to incorporate those Q&As into the *IFRS for SMEs* Standard or into the education materials that provide examples for learning the *IFRS for SMEs* Standard.
- B39 Since the 2015 amendments to the *IFRS for SMEs* Standard were issued by the Board, the SMEIG has published one Q&A—*Accounting for financial guarantee contracts in individual or separate financial statements of the issuer* (Q&A 2017/12.1).
- B40 Q&A 2017/12.1 provides guidance that an entity should account for issued financial guarantee contracts by applying the requirements in Section 12, unless the reporting entity chooses to apply the recognition and measurement requirements of IAS 39. Applying Section 12, an issued financial guarantee contract is measured initially, and at the end of each reporting period, at fair value with changes in fair value recognised in profit or loss.
- B41 In developing the Q&A, the SMEIG applied the definition in IFRS 9, as the *IFRS for SMEs* Standard does not define financial guarantee contracts. The Board is seeking views on adding the IFRS 9 definition of financial guarantee contracts to the *IFRS for SMEs* Standard.
- B42 The SMEIG, in finalising Q&A 2017/12.1, noted that some respondents to the draft Q&A said the requirement for issued financial guarantee contracts to be measured at fair value at the end of each reporting period is more complex than the accounting requirements in IFRS 9. Consequently, the SMEIG recommended that the Board revisit the accounting treatment for issued financial guarantee contracts during the second comprehensive review with a view to providing measurement relief.
- B43 In considering whether and how to incorporate Q&A 2017/12.1 the Board noted that, applying IFRS 9, a financial guarantee contract issued by an entity is measured initially at fair value and thereafter at the higher of:
- (a) the amount of any expected credit losses that would have been recognised had the entity made the loan itself (rather than guaranteeing the loan repayments); and
 - (b) the amount initially recognised less the cumulative amount of income recognised, when appropriate, applying the principles of IFRS 15 *Revenue from Contracts with Customers*.
- B44 In view of the recommendation from the SMEIG, that the Board also consider possible accounting requirements for issued financial guarantee contracts, the Board decided not to seek views on incorporating Q&A 2017/12.1 into the *IFRS for SMEs* Standard, but instead to seek views on aligning the accounting requirements for issued financial guarantee contracts with IFRS 9.
- B45 In reaching its decision to seek views on aligning the accounting requirements for issued guarantee contracts with IFRS 9, the Board considered asking stakeholders for views on alternative accounting requirements, such as applying the requirements of Section 21 of the *IFRS for SMEs* Standard. The

Board decided seeking views on alternative accounting requirements would be inconsistent with its previous decision to ask for views on aligning Section 11 and Section 12 with IFRS 9.

Financial instruments—topics on which the Board decided not to seek views on aligning Section 11 and Section 12 with IFRS 9

Financial liabilities and own credit risk

- B46 The Board decided not to ask for views on aligning Section 11 and Section 12 with IFRS 9 requirements in respect of financial liabilities and own credit risk. The Board decided this because the issue of own credit risk is unlikely to be relevant to entities applying the *IFRS for SMEs* Standard.

Derecognition

- B47 The requirements for derecognition of financial assets and financial liabilities were carried forward unchanged from IAS 39 to IFRS 9 and the principle for derecognition is already simplified in Section 11 and Section 12. Consequently, the Board decided it was not necessary to ask for views on derecognition.

Disclosures required by IFRS 7 *Financial Instruments: Disclosures*

- B48 The *IFRS for SMEs* Standard requires entities electing to apply the recognition and measurement requirements of IAS 39 to comply with the disclosure requirements of Section 11 and Section 12, rather than those in IFRS 7 *Financial Instruments: Disclosures*. The Board made this decision when it developed the *IFRS for SMEs* Standard because many of the IFRS 7 disclosures are designed for financial institutions or for entities whose securities are traded in public capital markets; such entities cannot apply the *IFRS for SMEs* Standard.
- B49 The Board is seeking evidence on how frequently the option to apply IAS 39 is used and whether that option should be replaced with an option to apply IFRS 9. The Board decided not to ask for views on whether an option to apply IFRS 9 for recognition and measurement should trigger a requirement to apply the disclosures in IFRS 7, which include disclosures on financial instruments and associated risks. The Board considered that the decision to exempt an entity from these disclosures, made when the *IFRS for SMEs* Standard was developed, still applies.

Aligning Section 15 *Investments in Joint Ventures* of the *IFRS for SMEs* Standard with IFRS 11 *Joint Arrangements*

- B50 Question S4 asks for views on aligning Section 15 of the *IFRS for SMEs* Standard with IFRS 11 *Joint Arrangements*.
- B51 The definition of joint control in Section 15 of the *IFRS for SMEs* Standard is aligned with the concept of control as defined in Section 9. Similarly, the definition of control in IFRS 10 and the definition of joint control in IFRS 11 are aligned.²
- B52 The Board took into consideration the alignment between IFRS 10 and IFRS 11 and is seeking views on aligning the definition of control in Section 9 with IFRS 10 and the definition of joint control in Section 15 with IFRS 11.
- B53 The Board, however, acknowledged the feedback that IFRS 11 had been challenging for entities to apply in practice, specifically in deciding how to classify a joint arrangement as either a joint operation or a joint venture. The Board noted that it could align the definition of joint control without changing the classification of joint ventures in Section 15. It is therefore seeking views on retaining the existing categories of joint ventures, namely jointly controlled operations, jointly controlled assets and jointly controlled entities, and the accounting requirements of Section 15.
- B54 Section 15 permits an entity to account for all of its interests in jointly controlled entities using the cost model, the equity method or the fair value model. In contrast, IFRS 11 requires the equity method. The accounting policy election was introduced by the Board because SMEs experienced difficulty applying the equity method and because fair values are relevant for lenders. The Board is seeking views on retaining the accounting policy election.

Aligning Section 19 *Business Combinations and Goodwill* of the *IFRS for SMEs* Standard with IFRS 3 (2008) *Business Combinations*

- B55 Question S5 asks for views on the extent to which Section 19 *Business Combinations* of the *IFRS for SMEs* Standard should be aligned with IFRS 3 (2008) *Business Combinations*. Currently, Section 19 is based on IFRS 3 (2004) *Business Combinations*, which was revised in 2008.
- B56 The Board decided not to align the requirements of Section 19 with IFRS 3 (2008) during the first comprehensive review of the *IFRS for SMEs* Standard because the requirements of Section 19 were working well in practice and adding new fair value measurement requirements would introduce unnecessary complexity.
- B57 In deciding to reconsider alignment of Section 19 with IFRS 3 (2008) the Board noted that it had completed the post-implementation review of IFRS 3 (2008) and had access to additional implementation experience regarding IFRS 3 (2008).

² Paragraph BC21 of the Basis for Conclusions on IFRS 11 *Joint Arrangements*.

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- B58 The Board noted that IFRS 3 (2008) was developed to address known deficiencies in the requirements of IFRS 3 (2004) and to address application problems with the Standard. The Board decided to address alignment by applying the 'alignment principles' to the significant improvements introduced in IFRS 3 (2008).
- B59 The *IFRS for SMEs* Standard does not include requirements on the accounting for step acquisitions. If Section 19 was aligned with the IFRS 3 (2008), requirements for step acquisitions an acquirer would be required to:
- (a) measure the fair value of assets and liabilities acquired at the acquisition date and thereby determine the amount of goodwill at the acquisition date; and
 - (b) remeasure its previously held equity interest in the acquisition.
- B60 Introducing requirements for step acquisitions based on IFRS 3 (2008) into Section 19 would improve comparability and provide better-quality information to users. In the absence of requirements in the *IFRS for SMEs* Standard, entities may apply other practices.
- B61 The Board decided to seek views, first, on the need to introduce requirements for step acquisitions into Section 19 and then on whether those requirements should be aligned with IFRS 3 (2008).
- B62 The Board is also seeking views on aligning Section 19 with IFRS 3 (2008) so that:
- (a) acquisition-related costs are recognised as an expense at the time of the acquisition. Applying IFRS 3 (2008), acquisition-related costs are considered not to be part of the fair value exchange between the buyer and seller of the business combination and therefore are recognised separately as an expense.
 - (b) contingent consideration in a business combination is recognised at fair value and subsequent changes are accounted for as remeasurements of a financial instrument. Recognising contingent consideration at fair value would provide users of financial statements prepared applying the *IFRS for SMEs* Standard with better information about the cost of the business combination. The Board also proposes to simplify these requirements and seek views on permitting an entity to use the undue cost or effort exemption in paragraph 2.14A of the *IFRS for SMEs* Standard and provide the related disclosures if measuring contingent consideration at fair value would involve undue cost or effort.
- B63 The Board is not seeking views on aligning Section 19 with improvements in IFRS 3 (2008) that:
- (a) introduced the option to measure non-controlling interests at fair value;
 - (b) changed the recognition criteria for recognising an intangible asset acquired in a business combination;

- (c) clarified that an assembled workforce is not recognised as an intangible asset; and
 - (d) provided additional guidance on reacquired rights.
- B64 The Board decided that these improvements would introduce complexity into Section 19. The Board noted that its decision not to seek views on aligning Section 19 with these improvements would result in the *IFRS for SMEs* Standard diverging from the acquisition method of accounting required by IFRS 3 (2008).
- B65 The acquisition method of accounting views a business combination from the perspective of the acquirer. Applying the acquisition method, users of financial statements are provided with relevant information to assess the initial investment made and the subsequent performance of those investments.
- B66 The Board acknowledged the divergence; however, the topics it had decided to seek views on should provide a balance between simplicity and faithful representation. Specifically, the Board noted that:
- (a) introducing requirements for acquisition-related costs to be recognised as an expense at the time of the acquisition and for contingent consideration in a business combination to be recognised at fair value would improve users' ability to understand the cost of the business combination. This approach would result in the amount of goodwill recognised more faithfully representing the underlying economics of the business combination.
 - (b) applying the *IFRS for SMEs* Standard, goodwill acquired in a business combination is amortised over its useful life similarly to any other intangible asset. Consequently, intangible assets that have not been separately recognised in the business combination will be accounted for through the annual amortisation charge for goodwill so that the split of items between intangible assets and goodwill has a less significant impact on the financial statements prepared applying the *IFRS for SMEs* Standard than it does under full IFRS Standards.

Aligning Section 20 *Leases* of the *IFRS for SMEs* Standard with IFRS 16 *Leases*

- B67 Question S6 asks for views on aligning Section 20 *Leases* of the *IFRS for SMEs* Standard with IFRS 16 *Leases*. In deciding whether to ask about aligning Section 20 the Board applied the 'alignment principles' and in considering relevancy, the Board noted that a 2015 report *The Use of Leasing Amongst European SMEs* stated that leasing is the third most important source of financing for SMEs, that about 40% of SMEs use leases and that 17% of their total investment is financed by leasing.

- B68 IFRS 16 eliminates the classification by lessees of leases as either operating leases or finance leases. Instead, IFRS 16 requires a single model for the accounting for leases and requires recognition of all lease obligations, subject to some limited optional recognition exemptions for short-term leases and leases of low-value assets.
- B69 IFRS 16 retains the IAS 17 requirements for lessor accounting; however, it adds guidance for lessors on the definition of a lease, a sublease and on the accounting for sale and leaseback transactions. Consequently, aligning Section 20 with IFRS 16 need not affect the accounting by lessors.
- B70 The Board is seeking views on aligning Section 20 with IFRS 16. The Board considers that aligning the *IFRS for SMEs* Standard would result in greater transparency about entities' financial leverage and capital employed. In the Board's view, financial statements prepared applying the aligned Section 20 would more faithfully represent an entity's assets and liabilities and would provide useful and relevant information to users who are not able to require reports tailored to meet their needs.
- B71 The Board is also seeking views on possible simplifications if Section 20 is aligned with IFRS 16, for example:
- (a) permitting the option to use a discount rate by reference to market yields on high-quality corporate bonds if the interest rate implicit in the lease and the lessee's incremental borrowing rate cannot be readily determined.
 - (b) changing the definition of 'lease term' to 'the non-cancellable period for which an entity is required to comply with the lease'. Any subsequent extension to the lease term then would be accounted for as a new lease.
 - (c) simplifying the requirements for subsequent measurement (reassessment) of the lease liability by requiring a lease to be remeasured in the event of a substantive change in the term of the contract. The effect of any other change would be reflected in the income statement for the period in which it is recognised.
 - (d) retaining the existing finance lease disclosures applying the *IFRS for SMEs* Standard.
 - (e) simplifying the language of the Standard.
- B72 These additional potential simplifications would not, in the Board's view, impede faithful representation.

Aligning Section 23 Revenue of the *IFRS for SMEs* Standard with IFRS 15 Revenue from Contracts with Customers

- B73 Question S7A asks respondents to comment on one of three possible approaches to aligning Section 23 Revenue of the *IFRS for SMEs* Standard with IFRS 15 Revenue from Contracts with Customers. When the Board considered the possible outcomes of aligning Section 23 with IFRS 15, its initial view was

there could be limited changes in the amount and timing of revenue recognised. However, the Board also noted the importance of revenue to financial statements, and the potential negative impacts of not aligning Section 23 with IFRS 15. On the basis that these arguments were finely balanced, the Board decided to seek views on all three approaches. One of these approaches (Alternative 1) involves modifying Section 23 to remove clear differences in the outcomes of applying Section 23 and IFRS 15, without wholly reworking Section 23.

B74 Alternative 1 would involve making at least the following changes to Section 23:

- (a) adding a 'principles' heading and subsection near the beginning of the Section, providing new guidance defining performance obligations and distinguishing between performance over time and performance at a point in time. This subsection would include a requirement for preparers to consider the examples in the Appendix to Section 23 and, if a suitable example is not available to follow, requiring an entity to apply the principles.
- (b) rewording some of the current guidance so it relates to the timing of the satisfaction of performance obligations and the distinction between performance over time and at a point in time.
- (c) removing the guidance that relates specifically to construction contracts.
- (d) elevating the status of the examples in the Appendix to Section 23 by describing them as an integral part of the Section.
- (e) amending the examples addressing construction contracts and any other areas for which there would otherwise be clear differences in outcome if IFRS 15 were applied.
- (f) adding new examples in areas where it appears necessary (for instance on the agent–principal distinction which, at present, is addressed in the examples to Section 23).

Aligning Section 28 *Employee Benefits* of the *IFRS for SMEs* Standard with IAS 19 (2011) *Employee Benefits*

B75 Question S8 asks respondents to comment on the potential alignment of Section 28 of the *IFRS for SMEs* Standard with IAS 19 *Employee Benefits* as revised in 2011. The Board did not align Section 28 *Employee Benefits* with IAS 19 (2011) as part of the first comprehensive review in 2012.

B76 In relation to defined benefit plans, the 2011 amendments to IAS 19:

- (a) eliminated an option to defer recognition of changes in the defined benefit obligation and an option to present actuarial gains or losses in profit or loss. The option to defer recognition of changes in the defined benefit obligation is not available to entities applying the *IFRS for SMEs* Standard.

- (b) eliminated the option to present actuarial gains and losses either in profit or loss or in other comprehensive income.
- (c) clarified that termination benefits should be recognised at the earlier of when the entity can no longer withdraw the offer of those benefits and when any related restructuring costs are recognised.

- B77 The Board is seeking views on aligning Section 28 for the amendment described in paragraph B76(c); such that termination benefits would be recognised at the earlier of when the entity can no longer withdraw the offer of those benefits and when any related restructuring costs are recognised.
- B78 The Board is not seeking views on aligning Section 28 with other amendments introduced in IAS 19 (2011) and in subsequent minor consequential amendments.

Aligning the *IFRS for SMEs* Standard with IFRS 13 *Fair Value Measurement*

- B79 Question S9 addresses the application of guidance on fair value measurement in multiple sections of the *IFRS for SMEs* Standard.
- B80 Multiple sections of the *IFRS for SMEs* Standard cross-refer to the fair value measurement guidance in Section 11 *Basic Financial Instruments* including, for example, Section 14 and Section 15 (regarding the fair value model for associates and jointly controlled entities), Section 16 (regarding investment property) and Section 28 (regarding the fair value of pension plan assets). Guidance on fair value measurement is set out elsewhere in the *IFRS for SMEs* Standard, for example, guidance on fair value less costs to sell in paragraph 27.14.
- B81 The Board is seeking views on aligning the *IFRS for SMEs* Standard with IFRS 13 *Fair Value Measurement*. The Board is of the view that aligning both the definition of fair value and the fair value hierarchy in the *IFRS for SMEs* Standard with IFRS 13 would lead to greater consistency in the measurement of fair value, thereby improving the information provided to users of financial statements prepared applying the *IFRS for SMEs* Standard.
- B82 The Board is seeking views on moving the guidance on fair value measurement to Section 2 *Concepts and Pervasive Principles* of the *IFRS for SMEs* Standard. Section 2 already identifies fair value as one of the ‘two common measurement bases’ and includes the definition of fair value. Moving the guidance on fair value measurement to this section would place it alongside other pervasive principles and emphasise its relevance across the *IFRS for SMEs* Standard.
- B83 The *IFRS for SMEs* Standard includes disclosure requirements in each section that require the use of fair value or directs an entity to the disclosure requirements in Section 11, specifically paragraphs 11.43–11.44. The Board is seeking views on moving these disclosure requirements to a single location in Section 2, alongside the guidance for fair value measurement.

Part C—Questions on new topics and other matters related to the *IFRS for SMEs* Standard

B84 Part C of the Request for Information seeks views on topics that are not addressed in the *IFRS for SMEs* Standard and on whether, in relation to these topics, the Standard should be aligned with full IFRS Standards. It also asks about specific topics on which the Board has received feedback.

Cryptocurrency

B85 Before considering whether to propose including requirements in the *IFRS for SMEs* Standard for cryptocurrency and cryptoassets, the Board is seeking information on the prevalence of holdings of cryptocurrency and issues of cryptoassets in Question N2.

B86 If the Board receives feedback about the prevalence of holdings of cryptocurrency and issues of cryptoassets it will consider how to address these topics in the *IFRS for SMEs* Standard.

Appendix C—Background to the *IFRS for SMEs* Standard

- C1 The *IFRS for SMEs* Standard was issued by the International Accounting Standards Board (Board) in 2009. Its publication marked the culmination of a project that began in 2003. In accordance with the Board’s due process, opportunities for public input were provided at several stages of the project. The due process also included field testing of the Standard via the Board’s Exposure Draft *International Financial Reporting Standard for Small and Medium-sized Entities* (February 2007).
- C2 In 2015 the *IFRS for SMEs* Standard was amended after consultation with stakeholders during the first comprehensive review of the Standard which began in 2012. The *2015 Amendments to the IFRS for SMEs* became effective on 1 January 2017. Currently, 86 jurisdictions permit or require the use of the *IFRS for SMEs* Standard.
- C3 The *IFRS for SMEs* Standard is less detailed than full IFRS Standards. The official printed version of the Standard contains around 240 pages whereas the official printed version of full IFRS Standards is more than six times that length. The *IFRS for SMEs* Standard is divided into 35 sections and includes a preface and a glossary. The sections are organised by topic—starting with the scope of the Standard, concepts and basic principles. The Standard then sets out general requirements for presenting financial statements, individual financial statements, notes and other specific accounting topics. The Sections are set out in the following table.

1	<i>Small and Medium-sized Entities</i>
2	<i>Concepts and Pervasive Principles</i>
3	<i>Financial Statement Presentation</i>
4	<i>Statement of Financial Position</i>
5	<i>Statement of Comprehensive Income and Income Statement</i>
6	<i>Statement of Changes in Equity and Statement of Income and Retained Earnings</i>
7	<i>Statement of Cash Flows</i>
8	<i>Notes to the Financial Statements</i>
9	<i>Consolidated and Separate Financial Statements</i>
10	<i>Accounting Policies, Estimates and Errors</i>
11	<i>Basic Financial Instruments</i>
12	<i>Other Financial Instrument Issues</i>
13	<i>Inventories</i>
14	<i>Investments in Associates</i>
15	<i>Investments in Joint Ventures</i>
16	<i>Investment Property</i>

continued...

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...continued

17	<i>Property, Plant and Equipment</i>
18	<i>Intangible Assets other than Goodwill</i>
19	<i>Business Combinations and Goodwill</i>
20	<i>Leases</i>
21	<i>Provisions and Contingencies</i>
22	<i>Liabilities and Equity</i>
23	<i>Revenue</i>
24	<i>Government Grants</i>
25	<i>Borrowing Costs</i>
26	<i>Share-based Payment</i>
27	<i>Impairment of Assets</i>
28	<i>Employee Benefits</i>
29	<i>Income Tax</i>
30	<i>Foreign Currency Translation</i>
31	<i>Hyperinflation</i>
32	<i>Events after the End of the Reporting Period</i>
33	<i>Related Party Disclosures</i>
34	<i>Specialised Activities</i>
35	<i>Transition to the IFRS for SMEs</i>

- C4 The *IFRS for SMEs* Standard is accompanied by a separate booklet setting out the basis for the Board's conclusions when developing that Standard.
- C5 The *IFRS for SMEs* Standard is tailored to small and medium-sized entities. It focuses on the needs of lenders, creditors and other users of SMEs' financial statements who are primarily interested in information about cash flows, liquidity and solvency. In addition, the Standard takes into account the costs to SMEs and the capabilities of SMEs to prepare financial information.
- C6 The *IFRS for SMEs* Standard is less complex than full IFRS Standards and many national requirements. The Standard is simpler than full IFRS Standards in five main ways:
- (a) some topics in full IFRS Standards are omitted because they are not relevant to typical SMEs;
 - (b) some accounting policy options in full IFRS Standards are not allowed because a simplified method is available in the *IFRS for SMEs* Standard;
 - (c) many of the recognition and measurement principles in full IFRS Standards have been simplified;
 - (d) substantially fewer disclosures are required; and

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- (e) the text of full IFRS Standards has been redrafted in plain English so it is easier to understand and translate.
- C7 The amount of experience in implementing IFRS Standards varies among the jurisdictions in which the *IFRS for SMEs* Standard is applied. The Board supports implementation of the Standard by providing:
- (a) translations of the *IFRS for SMEs* Standard as amended in 2015 and the accompanying documents into 11 languages (these translations are also available online);
 - (b) supporting materials for the *IFRS for SMEs* Standard (2015) with extensive explanations, self-assessment questions and case studies;
 - (c) non-mandatory guidance in the form of Q&As developed by the SME Implementation Group;
 - (d) a free quarterly newsletter – the *IFRS for SMEs Update*;
 - (e) a comprehensive *IFRS for SMEs* Standard section on the IFRS Foundation’s website;
 - (f) presentations by members of the Board and its staff about the *IFRS for SMEs* Standard, both to encourage adoption and to explain the Standard;
 - (g) the *IFRS for SMEs* Standard XBRL Taxonomy; and
 - (h) the opportunity to download these materials as well as webcasts and other materials, without charge, from the IFRS Foundation’s website.

Appendix D—The SME Implementation Group

- D1 The SME Implementation Group (SMEIG) advises the International Accounting Standards Board (Board). It will provide recommendations to the Board throughout this comprehensive review of the *IFRS for SMEs* Standard. Members of the SMEIG are appointed by the Trustees of the IFRS Foundation following a public call for nominations. Paragraph D5 includes a list of the SMEIG's current members.
- D2 The SMEIG supports the international adoption of the *IFRS for SMEs* Standard and monitors its implementation. To fulfil that function, the SMEIG:
- (a) considers implementation questions raised on the *IFRS for SMEs* Standard, decides which of them merit published implementation guidance and develops questions and answers (Q&As) as non-mandatory guidance for implementing the *IFRS for SMEs* Standard; and
 - (b) considers and makes recommendations to the Board on the need to amend the *IFRS for SMEs* Standard.
- D3 The terms of reference and operating procedures for the SMEIG were approved by the Trustees in January 2010. The document is available at: www.ifrs.org/-/media/feature/groups/consultative-groups/smeig/smeig-terms-of-reference.pdf.
- D4 The SMEIG will recommend to the Board whether and how to amend the *IFRS for SMEs* Standard:
- (a) for IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations in the scope of this comprehensive review;
 - (b) to incorporate issues that were addressed in the Q&As; and
 - (c) to reflect any other issues, for example, implementation issues identified that may necessitate a change in the Standard (that is, where the SMEIG believes an issue cannot be dealt with appropriately in training material or other implementation guidance).
- D5 The Chairman of the SMEIG is Darrel Scott, who is a member of the Board. The other members and observers of meetings of the SMEIG are:

Name	Affiliation
Africa	
Simon Fisher <i>Kenya</i>	Consultant, RSM Eastern Africa LLP
Pastor Patrick Obilo Orji <i>Nigeria</i>	Managing Consultant and CEO, Turning Point Consulting Limited
Wayne Robert Twigg <i>South Africa</i>	Managing Member, Twigg Advisory Services

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COMPREHENSIVE REVIEW OF THE IFRS FOR SMEs STANDARD

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Frederick Kibbedi <i>Uganda</i>	Partner, PKF Uganda; Vice President, Institute of Certified Public Accountants of Uganda
Raymond Betserayi Chamboko <i>Zimbabwe and South Africa</i>	Director and Head of Advisory, W Technical Consulting SA
Asia and the Middle East	
Huihao Shu <i>China</i>	Deputy Director General, Accounting Regulatory Department, Ministry of Finance of the People's Republic of China
Fanny Hsiang <i>Hong Kong</i>	Director, Head of Technical & Training Department, BDO Limited
Rajkumar S Adukia <i>India</i>	Adviser, Adukia & Associates Chartered Accountants
Naofumi Higuchi <i>Japan</i>	Technical Director, Japanese Institute of Certified Public Accountants (JICPA)
Bee Leng Tan <i>Malaysia</i>	Executive Director, Malaysian Accounting Standards Board
Ahmed Mohammed Alshenaiber <i>Saudi Arabia</i>	Chief Financial Officer, Awqaf Sulaiman Al-Rajhi Holding Company
Europe	
Jelena Poljašević <i>Bosnia and Herzegovina</i>	Assistant Professor, Faculty of Economics, University of Banja Luka
Eva Törning <i>Sweden</i>	Partner—Financial Accounting, Grant Thornton
Ulla Stenfors <i>Sweden</i>	Accounting Expert, Swedish Accounting Standards Board
Freydun Michael Badri <i>Switzerland</i>	Partner & CEO, Rewisco AG
Latin America	
Martin Kerner <i>Argentina</i>	Member of the Argentine Accounting and Auditing Standard Board (CENCYA)
Marta Cristina Pelucio Grecco <i>Brazil</i>	Managing Partner, Praesum International Accounting

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Daniel Sarmiento Pavas <i>Colombia</i>	Consejero, Consejo Técnico de la contaduría pública
Eduardo Alexei Estrella Morales <i>Ecuador</i>	Regional Partner, Arista Global Group
Luis A Chávez <i>Ecuador</i>	Consultant and trainer, Luis A Chávez—Consultoría y Capacitación
Rakesh Latchana <i>Guyana</i>	Partner, BDO
Carlos Manuel Llobet San Nicolás <i>Venezuela</i>	Partner, Llobet, Lugo & Asociados
Others	
Keith Reilly <i>Australia</i>	Financial Reporting Consultant, Keith Reilly
Paul Thompson <i>United States of America</i>	Director, European Federation of Accountants and Auditors for SMEs
Observers	
European Commission	
European Financial Reporting Advisory Group (EFRAG)	

Appendix E—Links to resources on the *IFRS for SMEs* Standard

The IFRS Foundation provides resources to support implementation of the *IFRS for SMEs* Standard including training modules, presentations, Q&As and guidance for micro-sized entities. All materials are available on the IFRS Foundation's website. A list of helpful links is provided below:

- *IFRS for SMEs* Standard home page: <https://www.ifrs.org/issued-standards/ifrs-for-smes/>
- *IFRS for SMEs* Standard in English and 27 other languages: <https://www.ifrs.org/issued-standards/ifrs-for-smes/#translations>
- Q&As issued by the SME Implementation Group: <https://www.ifrs.org/supporting-implementation/supporting-materials-for-the-ifrs-for-smes/sme-qas/>
- Training material (35 modules, self-study PDFs with many examples, annotations, quizzes, comparisons with full IFRS Standards): <https://www.ifrs.org/supporting-implementation/supporting-materials-for-the-ifrs-for-smes/modules/>
- Guidance for micro-sized entities in English and Spanish: <https://www.ifrs.org/supporting-implementation/supporting-materials-for-the-ifrs-for-smes/micros/>
- Guide to the *IFRS for SMEs* Standard: <https://www.ifrs.org/-/media/feature/groups/smes/major-documents/guide-to-the-ifrs-for-smes-march-2016.pdf?la=en>
- International Accounting Standards Board and staff presentations in multiple languages: <https://www.ifrs.org/supporting-implementation/supporting-materials-for-the-ifrs-for-smes/presentations/>
- SME Implementation Group members and their terms of reference: <https://www.ifrs.org/groups/sme-implementation-group/>
- *Update* newsletter in English and Spanish: <https://www.ifrs.org/supporting-implementation/supporting-materials-for-the-ifrs-for-smes/#News>

