

Request for Information

Comprehensive review of the *IFRS for SMEs* Standard

Webinar
17 August 2020

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or the IFRS Foundation.

Housekeeping

The Request for Information, Optional Response Document and the slides used in this webinar are available on the 2019 Comprehensive Review of the *IFRS for SMEs* Standard project webpage at <https://www.ifrs.org/projects/work-plan/2019-comprehensive-review-of-the-ifrs-for-smes-standard/>

The views expressed are those of the presenters, not necessarily those of the International Accounting Standards Board (Board) or the IFRS Foundation.

To ask a question, type it into the designated text box on your screen and click 'submit'. You can submit questions at any time during the presentation. We'll try to answer them at the end of the presentation.

Background to the *IFRS for SMEs* Standard

Yousouf Hansye

Overview of the second comprehensive review

Michelle Sansom

Part A: Strategy and the general framework for the review

Darrel Scott

Part B: Aligning with IFRS Standards

Michelle Sansom

Part C: New topics and other related matters

Yousouf Hansye

Responding to the Request for Information

Yousouf Hansye

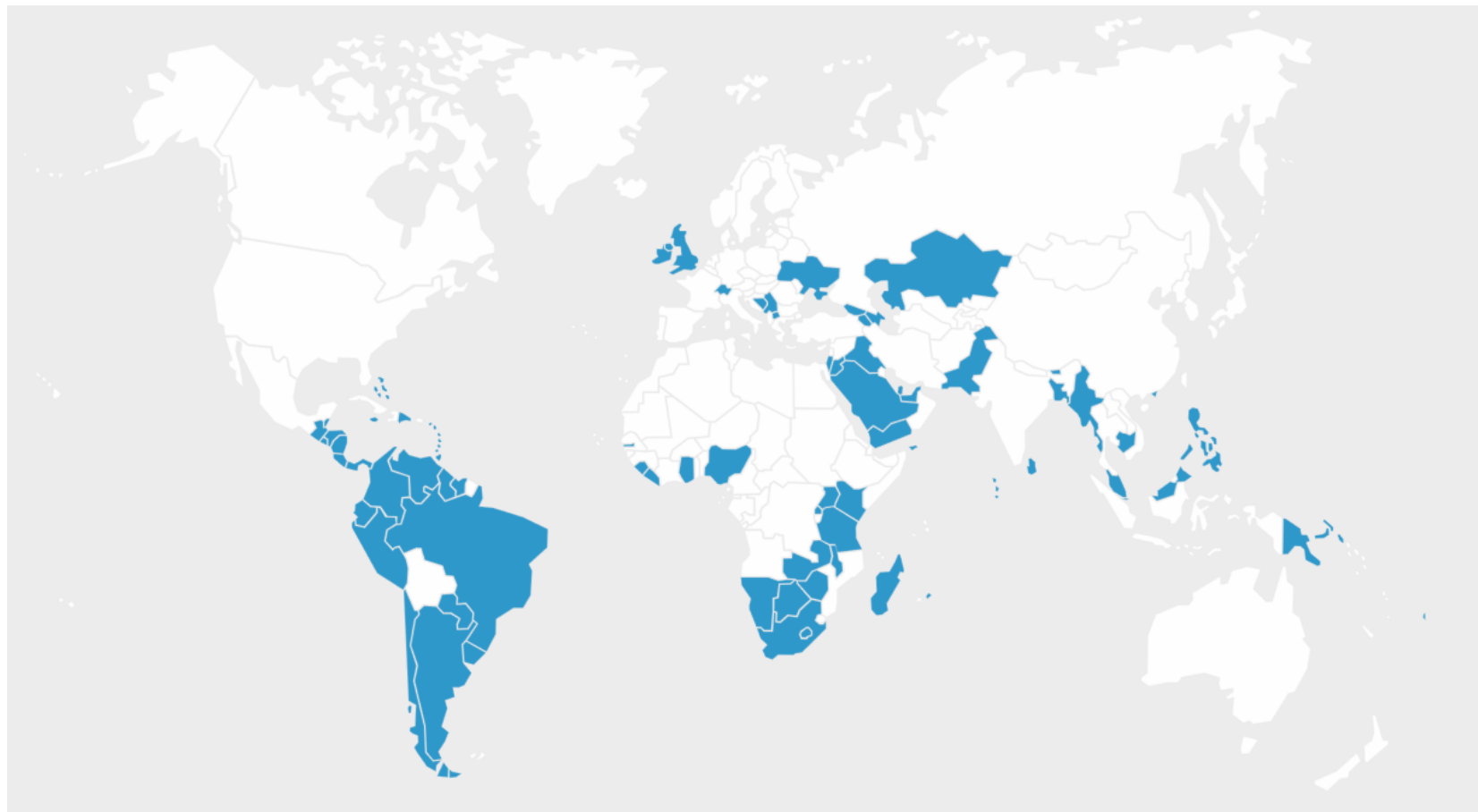
Resources supporting the second comprehensive review

Appendix

Background to the *IFRS for SMEs* Standard

Adoption of the *IFRS for SMEs* Standard

5

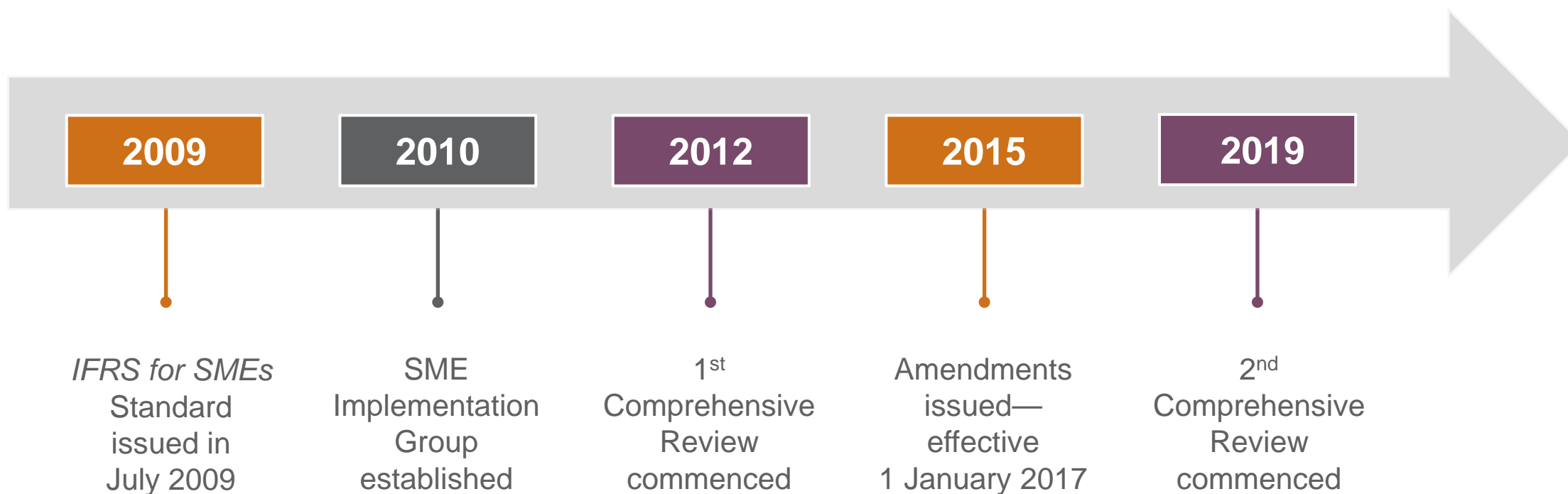


86 of 166
jurisdictions
require or
permit use of
the *IFRS for*
SMEs Standard

■ = *IFRS for SMEs* Standard is required or permitted

IFRS for SMEs Standard—timeline

6



Overview of the *IFRS for SMEs* Standard

7

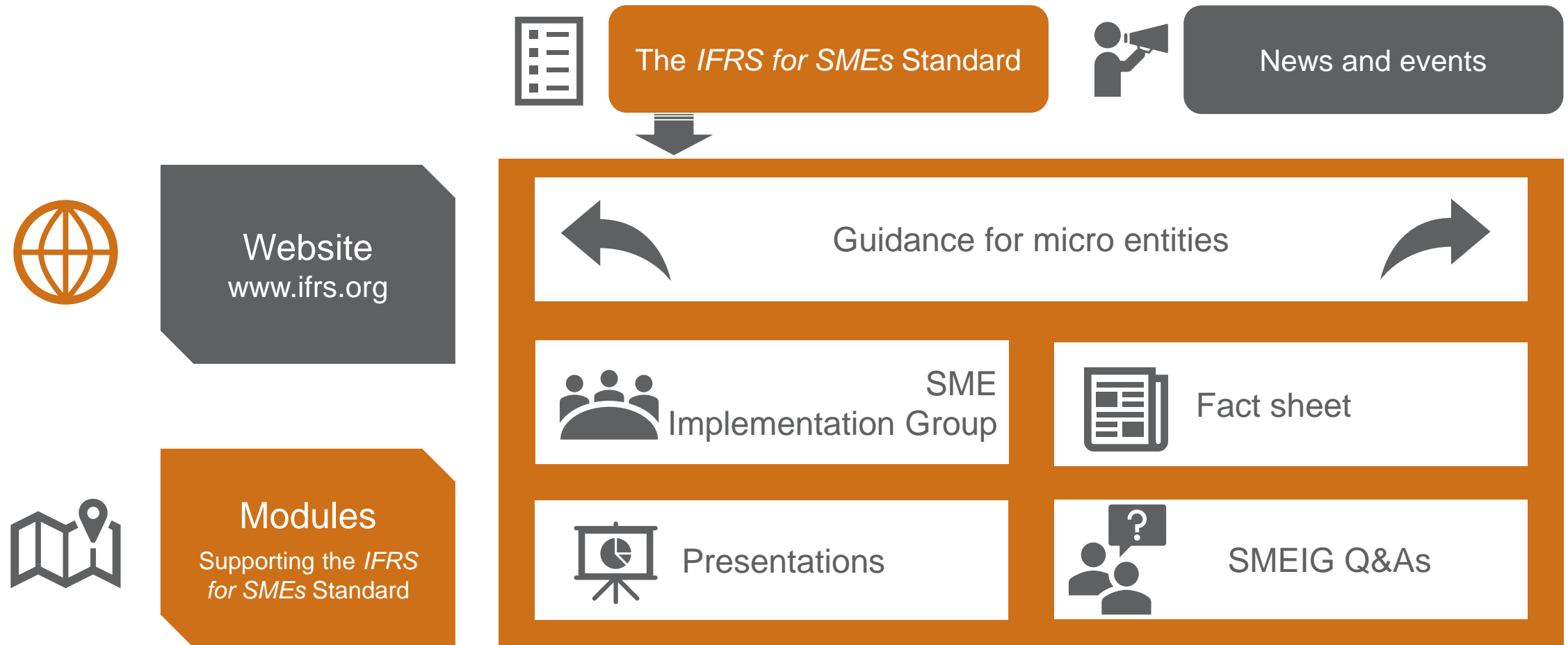
- 250 pages
- Tailored for **small and medium-sized** entities (SMEs) that are not publicly accountable
- Based on **principles from full IFRS** Standards
- Focuses on **information needs of lenders and other users** of SMEs' financial statements



IFRS for SMEs Standard

Resources available on our website

8

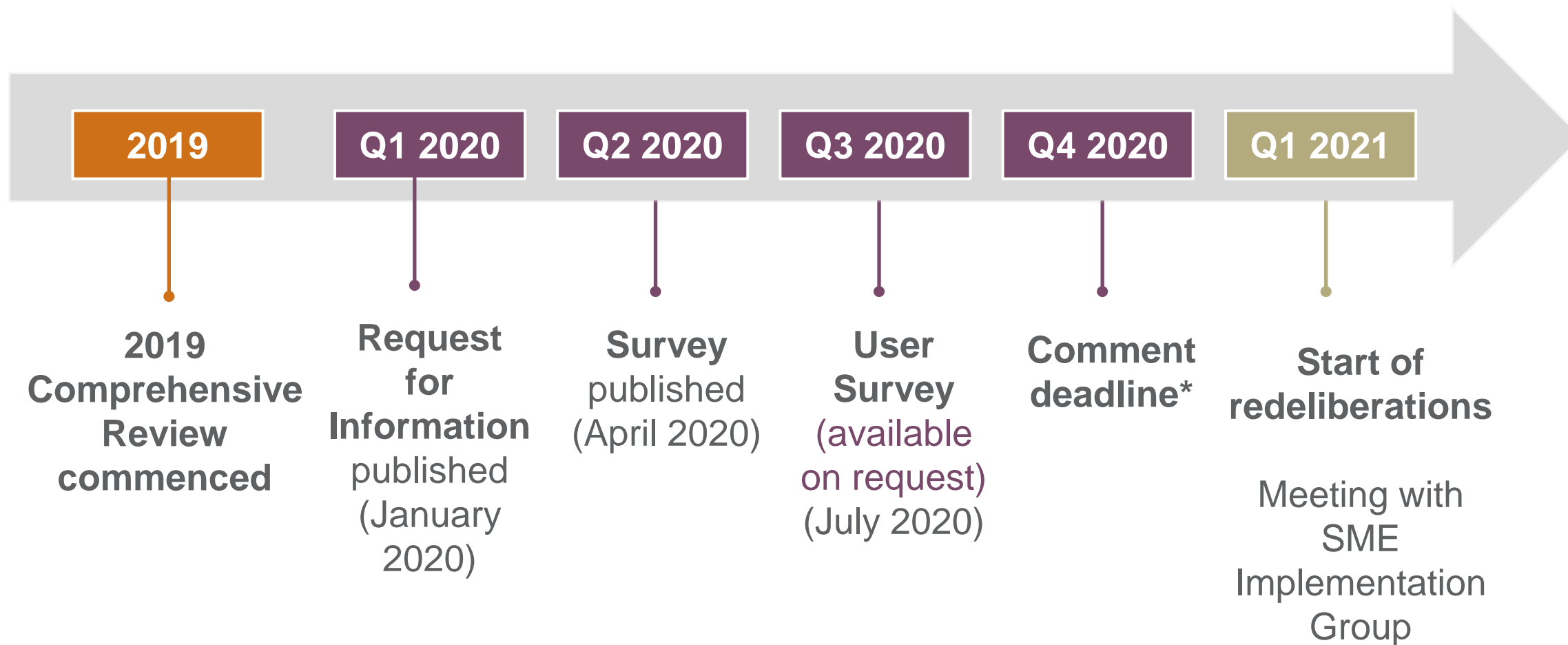


<https://www.ifrs.org/issued-standards/ifrs-for-smes/>

Overview of the second comprehensive review

Second comprehensive review—timeline

10



*Extended from 27 July due to covid-19 pandemic.

Overview of the second comprehensive review

11

Phase I – Request for Information

Request for Information seeks feedback on whether and how to align the *IFRS for SMEs* Standard with IFRS Standards

Phase II – Feedback analysis

Decide whether to propose amendments to the *IFRS for SMEs* Standard



Questions on ...

Part A

... strategy and the general framework for the review

Part B

... sections of the *IFRS for SMEs* Standard that could be aligned with IFRS Standards

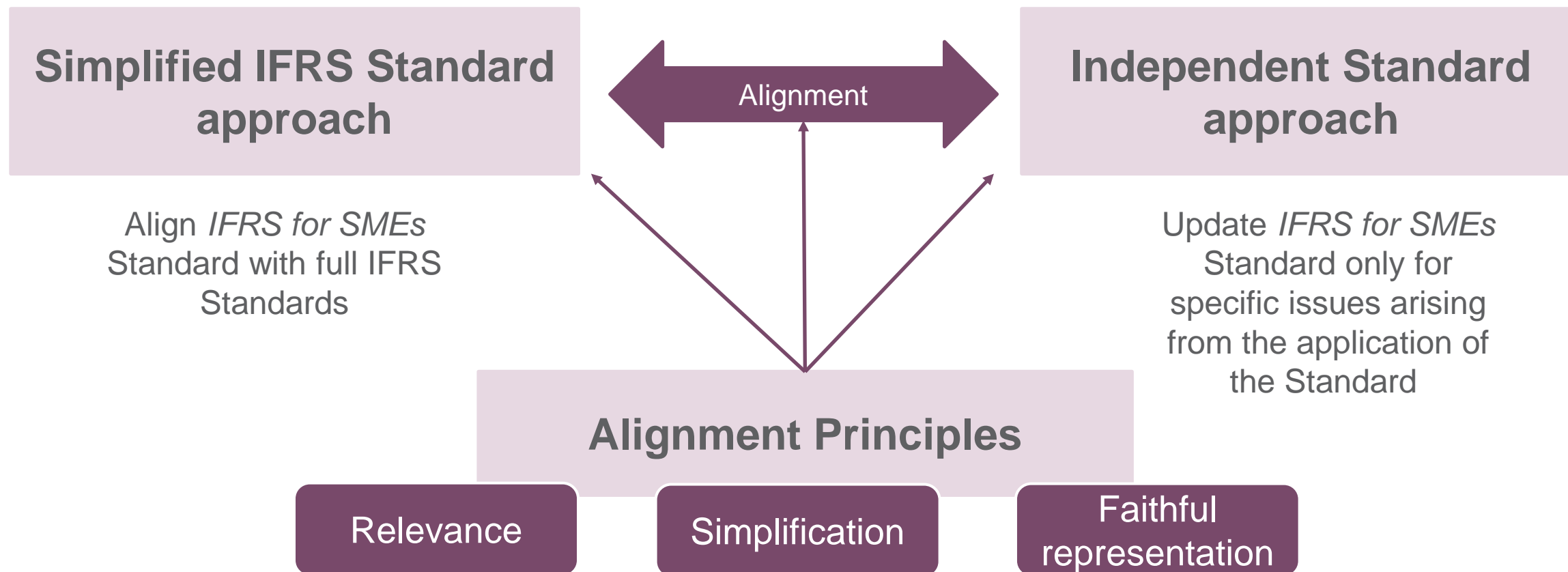
Part C

... new topics and other matters related to the *IFRS for SMEs* Standard

Part A: Strategy and the general framework for the review

Two possible approaches to the second comprehensive review

14



Alignment principles

When

15

The options are to incorporate changes:

1

Issued before the publication date of Request for Information

2

Effective before the publication date of Request for Information

3

Effective and Post-implementation Review completed before publication date of Request for Information

4

Based on some other date

Strategic and General questions for discussion

16



Should the *IFRS for SMEs* standards **be aligned** with full IFRS? If so, **what extent** of alignment of *IFRS for SMEs* Standard with IFRS do you consider to be most useful?



Do you agree with the **alignment principles**?



When should alignment be considered?

Part B: Aligning with IFRS Standards

IFRS Standards in scope of the review

18



IFRS Standards in scope of the review

19

Seeking views on alignment

Leaving unchanged

2018 *Conceptual Framework for Financial Reporting*

IFRS 14

IFRS 13

IFRS 3

IFRIC
Interpretations

IFRS 10

IFRS 9

Amendments to
IFRS Standards

IFRS 15

IFRS 16

IFRS 11



Fundamental concepts from the Conceptual Framework provide the foundation of the IFRS for SMEs Standard and the IFRS Standards

- **Align** Section 2 with the 2018 *Conceptual Framework for Financial Reporting*
- Consequential amendments to other Sections
- **Retain** the concept of ‘undue cost and effort’

IFRS 13
***Fair Value
Measurement***

- **Align** definition of **fair value**
- **Align** fair value hierarchy to provide clearer guidance
- Include examples illustrating application of hierarchy
- Move guidance and related disclosure requirements to Section 2

Alignment—Business Combinations and Consolidation

22

IFRS 3 *Business Combinations*

- **Request information** on introducing requirements for step acquisitions?
- **Align**: recognition of **acquisition costs**; measurement of **contingent consideration—fair value**, subject to undue cost or effort exemption; **definition of a business**
- **Retain** requirements for **recognition of intangibles**

IFRS 10 *Consolidated Financial Statements*

- **Align** definition of **control**
- **Retain presumption** that control exists if investor has direct power over an investee solely from voting rights
- **Do not** introduce requirement that investment entities account for investments at fair value through profit or loss

Alignment—Joint Arrangements and Revenue

23

IFRS 11 Joint Arrangements

- **Align** definition of **joint control**
- **Retain:**
 - the three categories of joint arrangements
 - the accounting requirements for each category of joint arrangement
 - policy election for jointly controlled entities

IFRS 15 Revenue from Contracts with Customers

- **Views sought** on alternative approaches:
 - Approach 1—update Section 23 to align outcomes with IFRS 15
 - Approach 2—rewrite Section 23 to align with IFRS 15
 - Approach 3—wait until the next review

IFRS 9 *Financial Instruments*

- Add a **classification principle** for financial assets based on contractual cash flow characteristics
- **Align simplified approach** to impairment of financial assets
- **Align** definition and requirements of **issued financial guarantee contracts**
- **Request information** on:
 - need for requirements on **hedge accounting**—if so, retain current requirements
 - need for a **fall-back**—if so, update to IFRS 9

IFRS 16 *Leases*

- **Align to a single model** for the accounting for leases
- Exempt entities from requirement to **separate lease components** from non-lease components
- **Simplify recognition and measurement** requirements for variable lease payments and optional payments relating to extension options
- **Additional simplifications for:** threshold for low-value assets, discount rate, determining and reassessing term of lease, subsequent (reassessment) of lease liability
- **Retain** finance lease disclosures

Aligning specific sections

Questions for discussion

26



What are your views on the *IFRS for SMEs* Standard **being aligned** with the 2018 *Conceptual Framework*, and with IFRS 3, 9, 10, 13 and 16 and with IFRIC interpretations?



What are your views on the *IFRS for SMEs* standard **being partially aligned** IFRS 11?



What are your views **on how** the *IFRS for SMEs* standard should align IFRS 15?

Part C: New topics and other related matters

New topics and other related matters

28

IFRS 14

Regulatory Deferral Accounts

Not aligning with IFRS 14 because it may be replaced by an active standard-setting project

Other topics not addressed by the *IFRS for SMEs* Standard

Topics which stakeholder think should be the subject of specific requirements

Simplifications when measuring a defined benefit obligation

Section 28 of the *IFRS for SMEs* Standard simplifies measurement of a defined benefit obligation if an entity is unable, without undue cost or effort, to use the projected unit credit method.

The Board is seeking information on how often the simplifications are applied and whether stakeholders experience difficulties in applying them.

Cryptocurrency

Are holdings of cryptocurrency and issues of cryptoassets prevalent among entities eligible to apply the *IFRS for SMEs* Standard?

Additional matters

Other questions relating to the *IFRS for SMEs* Standard

Other topics

Questions for discussion

29



What are your views on these matters?

Responding to the Request for Information



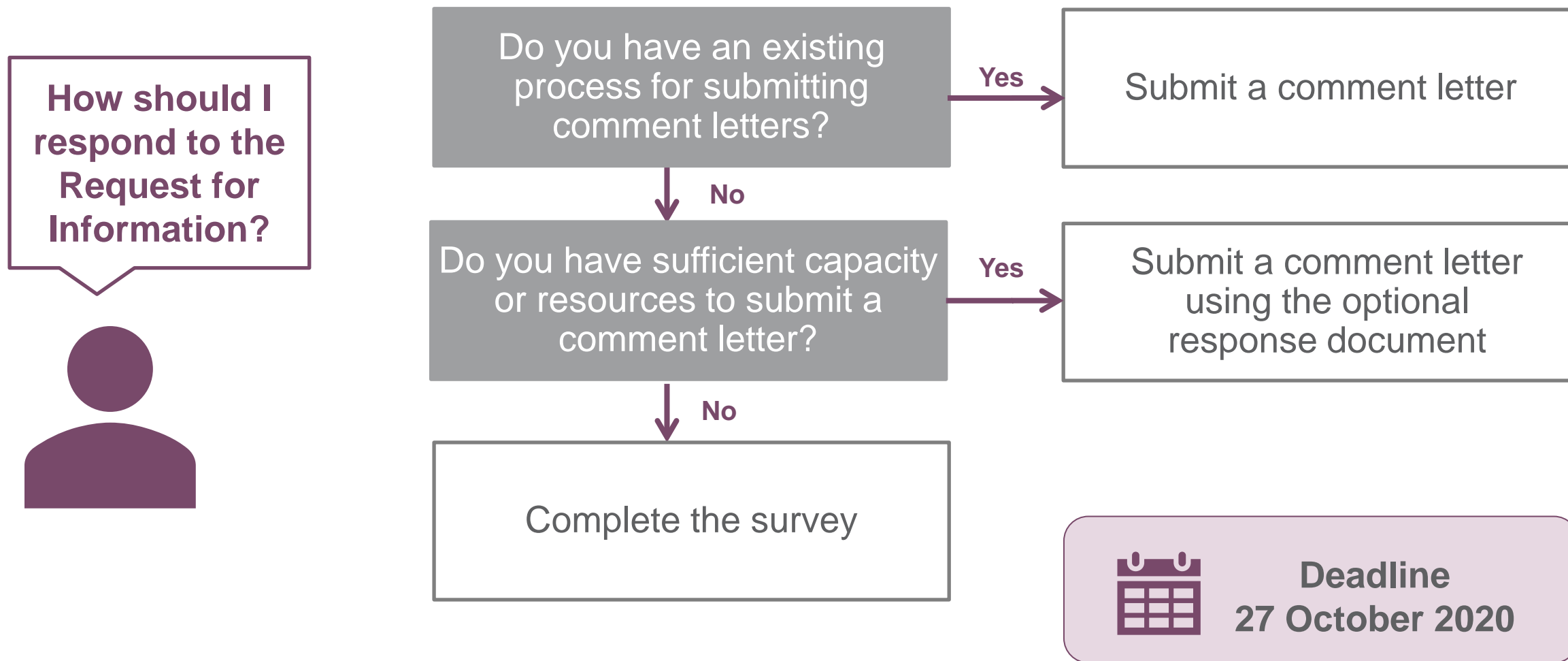
Resources available
to SMEs, preparers
and auditors



Identifying and
engaging with
investors in SMEs

Responding to the Request for Information

32



Investor survey

To provide insight into the information needs of users of SMEs financial statements

Disclosure requirements of the *IFRS for SMEs* Standard

Broad principles set out in paragraph BC157 of the *IFRS for SMEs* Standard

The user outreach seek feedback on these broad principles

Survey available on request



Deadline for consultation
27 October 2020



Resources supporting the second comprehensive review

Second comprehensive review—resources

36



Website: www.ifrs.org

January 2020

IFRS for SMEs® Standard
Request for Information

Comprehensive Review of the
IFRS for SMEs Standard

Comments to be received by 27 July 2020



IASB



[Snapshot](#)



[Press release](#)



[Webcast /
Webinars](#)



[IFRS for
SMEs Update](#)



[Online survey](#)
User survey
(on Request)

How to comment



Electronically: 'Open for comment documents' @:

<http://go.ifrs.org/open-for-comment>



Email: commentletters@ifrs.org



Post: IFRS Foundation,
Columbus Building,
7 Westferry Circus,
Canary Wharf, London E14 4HD
United Kingdom

<https://www.ifrs.org/issued-standards/ifrs-for-smes/>

Appendix

Board is seeking views on aligning the *IFRS for SMEs* Standard with ...

Definition of Material (Amendments to IAS 1 and IAS 8)

Disclosure Initiative (Amendments to IAS 7)

Transfers of Investment Property (Amendments to IAS 40)

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

Annual Improvements to IFRSs 2010–2012 Cycle (IFRS 2)

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)

Amendments to IFRS Standards (2 of 3)

39

Board is seeking views on leaving the *IFRS for SMEs* Standard unchanged with regard to ...

Disclosure Initiative (Amendments to IAS 1)

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

Annual Improvements to IFRS Standards 2012–2014 Cycle (IFRS 7)

Annual Improvements to IFRS Standards 2014–2016 Cycle (IFRS 12)

Annual Improvements to IFRS Standards 2015–2017 Cycle (IAS 12)

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
(Amendments to IFRS 10 and IAS 28)

Board is seeking views on leaving the *IFRS for SMEs* Standard unchanged with regard to ...

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

Annual Improvements to IFRSs 2010–2012 Cycle (IAS 38)

Effective Date of IFRS 15

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

Plan Amendment, Curtailment or Settlement (Amendment to IAS 19)

Annual Improvements to IFRSs 2011–2013 Cycle (IFRS 1)

Annual Improvements to IFRS Standards 2014–2016 Cycle (IFRS 1)

Board is requesting further information on whether to align the *IFRS for SMEs* Standard with ...

Annual Improvements to IFRSs 2011–2013 Cycle (IAS 40)

IFRIC 21 Levies

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 23 Uncertainty over Income Tax Treatments

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

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