Request for Information

Comprehensive review of the IFRS for SMEs Standard

Webinar
17 August 2020
Before we start

Housekeeping


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.
## Content

<table>
<thead>
<tr>
<th>Section</th>
<th>Authors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Background to the <em>IFRS for SMEs</em> Standard</td>
<td>Yousouf Hansye</td>
</tr>
<tr>
<td>Overview of the second comprehensive review</td>
<td>Michelle Sansom</td>
</tr>
<tr>
<td>Part A: Strategy and the general framework for the review</td>
<td>Darrel Scott</td>
</tr>
<tr>
<td>Part B: Aligning with IFRS Standards</td>
<td>Michelle Sansom</td>
</tr>
<tr>
<td>Part C: New topics and other related matters</td>
<td>Yousouf Hansye</td>
</tr>
<tr>
<td>Responding to the Request for Information</td>
<td>Yousouf Hansye</td>
</tr>
<tr>
<td>Resources supporting the second comprehensive review</td>
<td></td>
</tr>
<tr>
<td>Appendix</td>
<td></td>
</tr>
</tbody>
</table>
Background to the IFRS for SMEs Standard
Adoption of the *IFRS for SMEs* Standard

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

- **2009**: IFRS for SMEs Standard issued in July 2009
- **2010**: SME Implementation Group established
- **2012**: 1st Comprehensive Review commenced
- **2015**: Amendments issued—effective 1 January 2017
- **2019**: 2nd Comprehensive Review commenced
Overview of the *IFRS for SMEs* Standard

- 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

Website
www.ifrs.org

Modules
Supporting the IFRS for SMEs Standard

The IFRS for SMEs Standard
News and events

Guidance for micro entities

SME Implementation Group
Fact sheet

Presentations
SMEIG Q&As

https://www.ifrs.org/issued-standards/ifrs-for-smes/
Overview of the second comprehensive review
Second comprehensive review—timeline

- **2019**
  - Comprehensive Review commenced

- **Q1 2020**
  - Request for Information published (January 2020)

- **Q2 2020**
  - Survey published (April 2020)

- **Q3 2020**
  - User Survey (available on request) (July 2020)

- **Q4 2020**
  - Comment deadline*

- **Q1 2021**
  - Start of redeliberations
    - Meeting with SME Implementation Group

*Extended from 27 July due to covid-19 pandemic.
Overview of the second comprehensive review

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
## Structure of the Request for Information

### Questions on ...

<table>
<thead>
<tr>
<th>Part A</th>
<th>... strategy and the general framework for the review</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part B</td>
<td>... sections of the <em>IFRS for SMEs</em> Standard that could be aligned with IFRS Standards</td>
</tr>
<tr>
<td>Part C</td>
<td>... new topics and other matters related to the <em>IFRS for SMEs</em> Standard</td>
</tr>
</tbody>
</table>
Part A: Strategy and the general framework for the review
Two possible approaches to the second comprehensive review

**Simplified IFRS Standard approach**
- Align IFRS for SMEs Standard with full IFRS Standards

**Independent Standard approach**
- Update IFRS for SMEs Standard only for specific issues arising from the application of the Standard

**Alignment Principles**
- Relevance
- Simplification
- Faithful representation
Alignment principles
When

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

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

Issued before the first comprehensive review:
- IFRS 3
- IFRS 10
- IFRS 11
- IFRS 13
- IAS 19

Issued since the first comprehensive review:
- Concepts
- IFRS 9
- IFRS 14
- IFRS 15
- IFRS 16

IFRS 12
IFRS Standards in scope of the review

Seeking views on alignment

Leaving unchanged

2018 Conceptual Framework for Financial Reporting

IFRS 13

IFRS 10

IFRS 15

IFRS 3

IFRS 9

IFRS 16

IFRS 14

IFRIC Interpretations

Amendments to IFRS Standards

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’
Alignment—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

#### 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

**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
Alignment—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
Alignment—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
<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>What are your views on the <em>IFRS for SMEs</em> Standard being aligned with</td>
<td>the 2018 <em>Conceptual Framework</em>, and with IFRS 3,</td>
</tr>
<tr>
<td></td>
<td>9, 10, 13 and 16 and with IFRIC interpretations?</td>
</tr>
<tr>
<td>What are your views on the <em>IFRS for SMEs</em> standard being partially</td>
<td>aligned IFRS 11?</td>
</tr>
<tr>
<td>What are your views on how the <em>IFRS for SMEs</em> standard should</td>
<td>aligned IFRS 15?</td>
</tr>
</tbody>
</table>
Part C: New topics and other related matters
New topics and other related matters

<table>
<thead>
<tr>
<th>IFRS 14</th>
<th>Other topics not addressed by the IFRS for SMEs Standard</th>
<th>Simplifications when measuring a defined benefit obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regulatory Deferral Accounts</strong></td>
<td>Not aligning with IFRS 14 because it may be replaced by an active standard-setting project</td>
<td>Section 28 of the <em>IFRS for SMEs</em> 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.</td>
</tr>
<tr>
<td><strong>Cryptocurrency</strong></td>
<td>Topics which stakeholder think should be the subject of specific requirements</td>
<td></td>
</tr>
<tr>
<td>Are holdings of cryptocurrency and issues of cryptoassets prevalent among entities eligible to apply the <em>IFRS for SMEs</em> Standard?</td>
<td>Other questions relating to the <em>IFRS for SMEs</em> Standard</td>
<td></td>
</tr>
<tr>
<td><strong>Additional matters</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Other topics

Questions for discussion

What are your views on these matters?
Responding to the Request for Information
Challenges

- Resources available to SMEs, preparers and auditors
- Identifying and engaging with investors in SMEs
Responding to the Request for Information

How should I respond to the Request for Information?

Do you have an existing process for submitting comment letters?

- Yes: Submit a comment letter
- No: Do you have sufficient capacity or resources to submit a comment letter?

- Yes: Submit a comment letter using the optional response document
- No: Complete the survey

Deadline: 27 October 2020
Engaging with investors of SMEs

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

Website: www.ifrs.org

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/
Amendments to IFRS Standards (1 of 3)

<table>
<thead>
<tr>
<th>Board is seeking views on aligning the IFRS for SMEs Standard with ...</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Definition of Material</strong> (Amendments to IAS 1 and IAS 8)</td>
</tr>
<tr>
<td><strong>Disclosure Initiative</strong> (Amendments to IAS 7)</td>
</tr>
<tr>
<td><strong>Transfers of Investment Property</strong> (Amendments to IAS 40)</td>
</tr>
<tr>
<td><strong>Clarification of Acceptable Methods of Depreciation and Amortisation</strong> (Amendments to IAS 16 and IAS 38)</td>
</tr>
<tr>
<td><strong>Annual Improvements to IFRSs 2010–2012 Cycle</strong> (IFRS 2)</td>
</tr>
<tr>
<td><strong>Classification and Measurement of Share-based Payment Transactions</strong> (Amendments to IFRS 2)</td>
</tr>
<tr>
<td><strong>Agriculture: Bearer Plants</strong> (Amendments to IAS 16 and IAS 41)</td>
</tr>
</tbody>
</table>
Amendments to IFRS Standards (2 of 3)

<table>
<thead>
<tr>
<th>Board is seeking views on leaving the IFRS for SMEs Standard unchanged with regard to …</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclosure Initiative (Amendments to IAS 1)</td>
</tr>
<tr>
<td>Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)</td>
</tr>
<tr>
<td>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</td>
</tr>
<tr>
<td>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)</td>
</tr>
<tr>
<td>Annual Improvements to IFRS Standards 2012–2014 Cycle (IFRS 7)</td>
</tr>
<tr>
<td>Annual Improvements to IFRS Standards 2014–2016 Cycle (IFRS 12)</td>
</tr>
<tr>
<td>Annual Improvements to IFRS Standards 2015–2017 Cycle (IAS 12)</td>
</tr>
<tr>
<td>Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)</td>
</tr>
<tr>
<td>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)</td>
</tr>
</tbody>
</table>
Amendments to IFRS Standards (3 of 3)

<table>
<thead>
<tr>
<th>Board is seeking views on leaving the <em>IFRS for SMEs</em> Standard unchanged with regard to ...</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</strong> (Amendments to IFRS 10, IFRS 11 and IFRS 12)</td>
</tr>
<tr>
<td><strong>Annual Improvements to IFRSs 2010–2012 Cycle</strong> (IAS 38)</td>
</tr>
<tr>
<td><strong>Effective Date of IFRS 15</strong></td>
</tr>
<tr>
<td><strong>Defined Benefit Plans: Employee Contributions</strong> (Amendments to IAS 19)</td>
</tr>
<tr>
<td><strong>Plan Amendment, Curtailment or Settlement</strong> (Amendment to IAS 19)</td>
</tr>
<tr>
<td><strong>Annual Improvements to IFRSs 2011–2013 Cycle</strong> (IFRS 1)</td>
</tr>
<tr>
<td><strong>Annual Improvements to IFRS Standards 2014–2016 Cycle</strong> (IFRS 1)</td>
</tr>
</tbody>
</table>
Amendments to IFRS Standards and IFRIC Interpretations

<table>
<thead>
<tr>
<th>Board is requesting further information on whether to align the <em>IFRS for SMEs</em> Standard with …</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Improvements to IFRSs 2011–2013 Cycle (IAS 40)</strong></td>
</tr>
<tr>
<td>IFRIC 21 <em>Levies</em></td>
</tr>
<tr>
<td>IFRIC 22 <em>Foreign Currency Transactions and Advance Consideration</em></td>
</tr>
<tr>
<td>IFRIC 23 <em>Uncertainty over Income Tax Treatments</em></td>
</tr>
<tr>
<td><em>Recognition of Deferred Tax Assets for Unrealised Losses</em> (Amendments to IAS 12)</td>
</tr>
</tbody>
</table>
Get involved

Find out more: www.ifrs.org

Follow us:  
- @IFRSFoundation
- IFRS Foundation
- International Accounting Standards Board
- IFRS Foundation
- IFRS Foundation

Join our team: go.ifrs.org/careers