

## STAFF PAPER

December 2019

## IASB® Meeting

Project	Comprehensive review of the <i>IFRS for SMEs</i> ® Standard		
Paper topic	Development of the Draft Request for Information and permission to publish		
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (Board) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS® Standards or the *IFRS for SMEs*® Standard do not purport to set out acceptable or unacceptable application of IFRS Standards or the *IFRS for SMEs*® Standard. Technical decisions are made in public and reported in IASB® *Update*.

## Purpose

1. At the October 2019 meeting the International Accounting Standards Board (Board) completed its deliberations on whether and how the *IFRS for SMEs* Standard should be aligned with IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations within the scope of the 2019 Comprehensive Review of the *IFRS for SMEs* Standard (2019 Review).
2. In this paper, the staff:
  - (a) summarises the steps undertaken in development of the Draft Request for Information;
  - (b) asks the Board to approve the comment period for the Request for Information; and
  - (c) asks the Board for permission to publish the Draft Request for Information.

## Structure of this paper

3. This paper is structured as follows:
  - (a) overview of the 2019 Review (paragraphs 4–5);
  - (b) role of the SME Implementation Group (paragraphs 6–8);
  - (c) scope of the 2019 Review (paragraphs 9–10);
  - (d) summary of steps undertaken in development of the Draft Request for Information (paragraph 11);
  - (e) objective of the Request for Information (paragraphs 12–15);
  - (f) comment period (paragraphs 16–18);
  - (g) SMEIG and staff recommendation (paragraph 19);
  - (h) questions to the Board; and
  - (i) Appendix A—Reasons for issuing a Request for Information.

## Overview of the 2019 Review

4. The first comprehensive review started in 2012 and resulted in a revised *IFRS for SMEs* Standard that was issued in 2015 and effective from 1 January 2017.
5. In 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 approximately two years after the effective date of the amendments to the Standard resulting from a previous comprehensive review. Accordingly, the Board commenced its second comprehensive review of the *IFRS for SMEs* Standard in 2019.

### **Role of the SME Implementation Group**

6. The SME Implementation Group (SMEIG) was established as an advisory body to the Board to support the international adoption of the *IFRS for SMEs* Standard and monitor its implementation. In fulfilling that mission, the SMEIG has two main responsibilities:
  - (a) to consider 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) to consider and make recommendations to the Board on the need to amend the *IFRS for SMEs* Standard.
7. The staff has requested advice from SMEIG members in developing most of the agenda papers on whether and how to consider aligning the *IFRS for SMEs* Standards with IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations within the scope of the 2019 Review.
8. The advice of SMEIG members has been reported in the agenda papers and accordingly the Board has considered that advice.

### **Scope of the 2019 Review**

9. At its meeting in February 2019 the Board decided the scope of the 2019 Review would include:
  - (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 review, but that did not result in amendments to the *IFRS for SMEs* Standard at that time; and
  - (c) general implementation experience and issues arising from the application of the *IFRS for SMEs* Standard.

10. Publishing the Request for Information will complete the first phase of the Board’s second comprehensive review of the *IFRS for SMEs* Standard.

***Summary of steps undertaken in development of the Draft Request for Information***

11. The Draft Request for Information has been developed as follows:
- (a) February 2019–April 2019 the Board discussed:
    - (i) scope of the 2019 Review;
    - (ii) approach to the 2019 Review, that is:
      - whether the *IFRS for SMEs* Standard should be aligned with full IFRS Standards (alignment approach).
      - how to align the *IFRS for SMEs* Standard with full IFRS Standards in the scope of the 2019 Review (alignment principles).
      - determining which IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations to include in the scope of the 2019 Review (when to consider alignment).
  - (b) May 2019–October 2019 the Board discussed on whether and how to consider aligning the *IFRS for SMEs* Standard with IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations within the scope of the 2019 Review.
  - (c) October 2019–November 2019 selected Board members and SMEIG members reviewed and commented on drafts of the Request for Information.
  - (d) No SMEIG member has objected to the publication of the Draft Request for Information.

**Objective of the Request for Information**

12. The objective of the Request for Information is to seek the 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 the 2019 review.
13. The Request for Information seeks views on:
  - (a) the framework the Board developed for approaching the second comprehensive review;
  - (b) specific 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 the review;
  - (c) 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.
14. Responses to the Request for Information will help the SMEIG to develop recommendations for the Board about possible amendments to the *IFRS for SMEs* Standard. Responses and recommendations of the SMEIG will also help the Board in deciding whether to propose amendments to the *IFRS for SMEs* Standard.
15. The reasons for publishing a Request for Information as part of the first phase of the 2019 Review are set out in Appendix A of this agenda paper.

**Comment period**

16. Paragraph 4.7 of the *Due Process Handbook* states that the Board normally allows a minimum period of 60 days for comment on Requests for Information other than Requests for Information on the work programme.
17. The Request for Information issued as part of the first comprehensive review of the *IFRS for SMEs* Standard had a comment period of 157 days. As the 2019 Review

includes more IFRS Standards to be considered for alignment; and given that the Board is also consulting on the approach to alignment of the *IFRS for SMEs* Standard with full IFRS Standards the staff is recommending a longer comment period.

18. We believe a comment period of 180 days is appropriate for the 2019 Review and should allow stakeholders sufficient time to comment on the questions in the Request for Information. The Request for Information is expected to be published at the end of January 2020; the comment period will therefore end in July 2020. The staff will present analysis of feedback received in H2 of 2020.

### **SMEIG and staff recommendation**

19. Both the SMEIG and the staff recommend that the Board should publish the Draft Request for Information for public comment with a comment deadline of 21 July 2020.

#### **Questions to the Board**

1. **Request for Information:** does the Board agree to retain its previous decision to publish a Request for Information to complete the first phase of the Board's second comprehensive review of the *IFRS for SMEs* Standard?
2. **Comment Period:** Does the Board agree with the staff recommendation to allow 180 days for comment on the Request for Information?
3. **Permission to publish:** Does the Board approve the publication of the Draft Request for Information?

## Appendix A—Reasons for issuing a Request for Information

A1 The Due Process Handbook does not specifically address the comprehensive review of the *IFRS for SMEs* Standard, however, staff believe that the comprehensive review is equivalent to a post-implementation review.

A2 The *Due Process Handbook* defines Requests for Information as:

formal requests by the IASB for information or feedback on a matter related to technical projects or broader consultations. Examples of appropriate topics for a Request for Information include seeking input on its five-yearly agenda consultation or PIRs or help in assessing the practical implications of a potential financial reporting requirement. (Paragraph 4.15).

The *Due Process Handbook* also provides, in relation to post-implementation reviews, that:

Each *post-implementation review* [emphasis added] has two phases. The first involves an initial identification and assessment of the matters to be examined, which are then the subject of a public consultation by the IASB in the form of a Request for Information. In the second phase, the IASB considers the comments it has received from the Request for Information along with the information it has gathered through other consultative activities. On the basis of that information, the IASB presents its findings and sets out the steps it plans to take, if any, as a result of the review. (Paragraph 6.54).

The IASB publishes a Request for Information, setting out the matters for which it is seeking feedback by means of a formal public consultation. In the Request for Information, the IASB should explain why it is seeking feedback on the matters specified and should include any initial assessment by the IASB of the Standard or major amendment that is being reviewed. The Request for Information will also set out the process that the IASB followed in establishing the scope of the review. (Paragraph 6.57).

- A3 In accordance with paragraph 6.54 of the *Due Process Handbook* the first phase of the 2019 Review has comprised:
- (a) identifying topics to be included in the review, that is, determining the scope of the review; and
  - (b) assessing these matters, that is, applying the alignment principles to consider whether and how the *IFRS for SMEs* Standard could be aligned with IFRS Standards.
- A4 As outlined above, paragraph 6.57 of the *Due Process Handbook* provides that the Request for Information explains *why* the Board is seeking feedback on the matters specified and should include any initial assessment.
- A5 In the agenda papers addressing whether and how to align the *IFRS for SMEs* Standard with IFRS Standards, the Board was asked whether the Request for Information should:
- (c) seek views on aligning the *IFRS for SMEs* Standard with IFRS Standards, amendments to IFRS Standards or IFRIC Interpretations;
  - (d) seek views on leaving the *IFRS for SMEs* Standard unchanged (that is, on not aligning it with full IFRS Standards); or
  - (e) request further information to help it reach a decision.
- A6 The Board has discussed all the questions in the Draft Request for Information. The way the questions are expressed indicates the direction of 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.