STAFF PAPER

September 2021

SME Implementation Group meeting

Project	**Second Comprehensive Review of the *IFRS for SMEs*® Standard**
Paper topic	Aligning multiple sections of the *IFRS for SMEs* Standard for amendments to IFRS Standards and IFRIC Interpretations

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Purpose of the paper

1. This paper:

   (a) summarises the feedback from comment letters and the online survey on aligning multiple sections of the *IFRS for SMEs* Standard for amendments to IFRS Standards and IFRIC Interpretations, as discussed in the Request for Information *Comprehensive review of the* IFRS for SMEs *Standard*, which was published by the International Accounting Standards Board (Board) in January 2020;

   (b) includes some staff preliminary thoughts about the direction for these topics; and

   (c) seeks views from the members of the SME Implementation Group (SMEIG) on these staff preliminary thoughts.

2. In this paper, the term SMEs refers to small and medium-sized entities that are eligible to apply the *IFRS for SMEs* Standard.

Structure of the paper

3. For each of the three categories of possible alignments of the *IFRS for SMEs* Standard with amendments to IFRS Standards and IFRIC Interpretations, this paper provides:

   (a) the question in the Request for Information;

   (b) the overall feedback;

   (c) staff preliminary thoughts; and

   (d) questions for the SMEIG.

4. Appendix A to this paper sets out detailed comments on the three categories of amendments to IFRS Standards and IFRIC interpretations set out in Tables A1–A3 of Appendix A to the Request for Information.

Question in the Request for Information

5. Question S10 of the Request for Information asked for views on three categories of amendments to IFRS Standards and IFRIC Interpretations and particularly views on:

   (a) aligning the *IFRS for SMEs* Standard with the amendments to IFRS Standards outlined in Table A1 of Appendix A to the Request for Information (refer to Table A1 in Appendix A to this paper for the list of these amendments);

   (b) leaving the *IFRS for SMEs* Standard unchanged for the amendments to IFRS Standards listed in Table A2 of Appendix A to the Request for Information (refer to Table A2 in Appendix A to this paper for the list of these amendments); and

   (c) whether to align the *IFRS for SMEs* Standard with the following amendments to IFRS Standards and IFRIC Interpretations (listed in Table A3 of Appendix A to the Request for Information and in Table A3 in Appendix A to this paper):

      (i) the amendments to IAS 40 *Investment Property* from the *Annual Improvements to IFRSs 2011–2013 Cycle;*

(ii) the amendments to IAS 12 *Income Taxes* for the recognition of deferred tax assets for unrealised losses;

(iii) IFRIC 21 *Levies*;

(iv) IFRIC 22 *Foreign Currency Transactions and Advance Consideration*; and

(v) IFRIC 23 *Uncertainty over Income Tax Treatments*.

Amendments to IFRS Standards listed in Table A1

Overall feedback

6. Many respondents to the Request for Information support aligning the *IFRS for SMEs* Standard with the amendments to IFRS Standards outlined in Table A1 of Appendix A to the Request for Information. According to these respondents:

(a) the amendments are relevant to SMEs;

(b) the amendments provide helpful guidance for the application of requirements IFRS Standards and make it easy to train accountants;

(c) the amendments are not difficult for SMEs to implement;

(d) aligning the *IFRS for SMEs* Standard with these amendments can enhance comparability between SMEs and other entities applying full IFRS Standards; and

(e) aligning the *IFRS for SMEs* Standard with these amendments will not detract from the principle of simplicity.

7. A small number of respondents via comment letters expressed concerns about:

(a) the costs of applying the disclosure requirement introduced by *Disclosure Initiative* (Amendments to IAS 7), which is based on an objective that entities must determine how to fulfil. One respondent said this requirement could be simplified in the *IFRS for SMEs* Standard by prescribing the disclosures that would meet this objective.

(b) introducing complexity to the *IFRS for SMEs* Standard by aligning the Standard with some amendments to IFRS Standards in Table A1.

8. Detailed feedback from respondents is outlined in Table A1 of Appendix A to this paper.

Staff preliminary thoughts

9. The staff think that the feedback from comment letters and online survey provides support for the SMEIG to recommend the Board propose amendments to the *IFRS for SMEs* Standard to align with the amendments to IFRS Standards listed in Table A1 of the of Appendix A to the Request for Information, with a simplification for the disclosure requirement introduced by the Amendments to IAS 7, in the light of the concerns discussed in paragraph 7(a) of this paper.

10. Similar to the proposals in the Exposure Draft *Subsidiaries without Public Accountability: Disclosures* published by the Board in July 2021,[1] the staff think the Board could propose amending the *IFRS for SMEs* Standard to require an entity to disclose a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, without the need to specify the objective of the disclosure the entity should meet.

11. The staff would welcome comments from SMEIG members on the staff preliminary thoughts about the amendments in Table A1.

Questions for the SMEIG

Question 1 for the SMEIG
What are SMEIG members' views on proposing amendments to the *IFRS for SMEs* Standard to align with the amendments to IFRS Standards listed in Table A1 of Appendix A to the Request for Information?

[1] The Board's proposal in Exposure Draft *Subsidiaries without Public Accountability: Disclosures* would permit subsidiaries eligible to apply the *IFRS for SMEs* Standard to apply the recognition, measurement and presentation requirements in IFRS Standards with reduced disclosure requirements.

Do SMEIG members have any concerns, other than those summarised in paragraph 7 of this paper, on aligning with any of the amendments?

Amendments to IFRS Standards listed in Table A2

Overall feedback

12. Most respondents to the Request for Information support leaving the *IFRS for SMEs* Standard unchanged for the amendments to IFRS Standards listed in Table A2 of Appendix A to the Request for Information. These respondents agreed with the Board's rationale set out in the Table A2 of Appendix A to the Requestion for Information and said:

    (a) the alignments listed in Table A2 would not add sufficient value to the financial statements of SMEs to justify the change;

    (b) some of the amendments listed in Table A2 are not applicable for the *IFRS for SMEs* Standard; and

    (c) some of the amendments regarding disclosure listed in Table A2 are not necessary, and if the *IFRS for SMEs* Standard were to be aligned with those amendments, it would be against the principle of simplicity.

13. A small number of respondents via comment letters expressed different views on aligning Section 3 *Financial Statement Presentation* with *Disclosure Initiative* (Amendments to IAS 1) to clarify,[2] rather than significantly change, existing requirements in IAS 1 *Presentation of Financial Statements*. These respondents said there is no justification for waiting until the Primary Financial Statements project is completed.

> "… because those amendments would complement *Definition of Material* (Amendments to IAS 1 and IAS 8) that is being considered for alignment. Besides, those amendments either do not contradict the proposed amendments in ED/2019/7 *General Presentation and Disclosures*, or are

[2] In December 2014, the Board issued *Disclosure Initiative* (Amendments to IAS 1) as part of its Disclosure Initiative. Project details can be access here.

proposed to be carried forward with only limited changes to the wording." (CL 3)

"We do not agree with the Board's proposal to leave the *IFRS for SMEs* Standard unchanged for these amendments in anticipation of future changes related to its PFS project. Doing so would be a missed opportunity to potentially improve the quality and relevance of the information presented in the financial statements of entities applying the *IFRS for SMEs* Standard." (CL 11)

14. The staff note that:

    (a) the amendments to IAS 1 and IAS 8 are part of the Board's major initiative to improve presentation and disclosure in financial reports and are designed to further encourage entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. They also clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures. Although the amendments to IAS 1 are relevant to SMEs, they clarify existing requirements in IAS 1.

    (b) when the Primary Financial Statements project is completed, IAS 1 would be withdrawn. Some of the requirements of IAS 1 would be replaced by new requirements in the new IFRS Standard. Other requirements of IAS 1 would be moved to other IFRS Standards.

15. A small number of respondents via comment letters commented on the benefit on aligning some of the topics in Table A2. Detailed comments from the stakeholders are outlined in Table A2 of Appendix A to this paper.

Staff preliminary thoughts

16. The staff think that the feedback from comment letters and the online survey provides support for the SMEIG to recommend the Board not propose aligning the *IFRS for SMEs* Standard with amendments to IFRS Standards listed in Table A2.

17. Regarding the different views discussed in paragraphs 13–14 of this paper, the staff think that the Board's view of considering alignment with the new IFRS Standard once the Primary Financial Statements project is complete continues to hold. The alignment with the new IFRS Standard, rather than with some clarifications to existing requirements in IAS 1, should be more effective for SMEs for cost-benefit reasons.

18. The staff would welcome comments from SMEIG members on the staff preliminary thoughts about the amendments in Table A2, particularly regarding the amendments from *Disclosure Initiative* (Amendments to IAS 1).

Questions for the SMEIG

Question 2 for the SMEIG
What are SMEIG members' views on not proposing aligning the *IFRS for SMEs* Standard with the amendments to IFRS Standards listed in Table A2 of Appendix A to the Request for Information? Do SMEIG members have any concerns on not proposing aligning with any of these amendments?

Amendments to IFRS Standards and IFRIC Interpretations listed in Table A3

Overall feedback

19. Many respondents who commented on Table A3 of the Request for Information said the *IFRS for SMEs* Standard should be aligned with:

    (a) the amendments to IAS 40 from the Annual Improvements to IFRSs 2011–2013 Cycle;

    (b) the amendments to IAS 12 for the recognition of deferred tax assets for unrealised losses;

    (c) IFRIC 22; and

    (d) IFRIC 23.

20. The stakeholders who support aligning the *IFRS for SMEs* Standard with these amendments and IFRIC Interpretations are of the views that:

    (a) these amendments and IFRIC Interpretations are relevant to SMEs;

    (b) alignment could assist consistent application and improve comparability; and

    (c) alignment would improve the quality of information provided to users.

21. In contrast, some respondents do not support aligning with the amendments listed in paragraph 20 of this paper. These respondents are of the view that:

    (a) those transactions are not common for SMEs and there is no diversity in practice;

    (b) alignment would detract from the alignment principle of simplicity; and

    (c) alignment is not necessary on cost-benefit grounds.

22. Detailed comments from the stakeholders are outlined in Table A3 of Appendix A to this paper. The staff would welcome comments from SMEIG members on the contrasting arguments discussed in paragraphs 20–21 of this paper.

IFRIC 21 Levies

23. There are mixed views on whether to align the *IFRS for SMEs* Standard with IFRIC 21.

24. Some respondents via comment letters said that Section 21 *Provisions and Contingencies* of the *IFRS for SMEs Standard* should be aligned with IFRIC 21 because this IFRIC Interpretation is relevant to SMEs.

25. However, other respondents via comment letters expressed concerns about aligning the *IFRS for SMEs* Standard with IFRIC 21. These respondents said:

    (a) government levies are less relevant to SMEs.

    (b) *The Conceptual Framework for Financial Reporting* (2018 *Conceptual Framework*) is not consistent with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The alignment of IFRIC 21 would introduce similar inconsistency within the *IFRS for SMEs* Standard and cause confusion in its application.

    (c) the requirements of IAS 37 as interpreted in IFRIC 21 are inconsistent with the concepts for identifying liabilities in the 2018 *Conceptual Framework*.

26. The staff:

    (a) agree with respondents that alignment with IFRIC 21 would introduce similar inconsistency to the *IFRS for SMEs* Standard as Section 21 of the *IFRS for SMEs* Standard is aligned with IAS 37; and

    (b) note that, at its May 2021 meeting, the Board tentatively decided to propose aligning Section 2 *Concepts and Pervasive Principles* with the 2018 *Conceptual Framework* and to introduce an override paragraph in Section 2 to emphasise that the specific requirements of the other Sections of the *IFRS for SMEs* Standard take precedence over the requirements in Section 2. The override paragraph will prevent issues arising from the discrepancy in the liability definition because it gives preparers a clear instruction to look at specific guidance, in this case the wording in the proposed amended Section 21.

Staff preliminary thoughts

27. The staff think that:

   (a) the feedback from comment letters and online survey provides support for the SMEIG to recommend the Board align the *IFRS for SMEs* Standard with the following amendments and IFRIC Interpretations:

      (i) the amendments to IAS 40 from the Annual Improvements to IFRSs 2011–2013 Cycle;

      (ii) the amendments to IAS 12 for the recognition of deferred tax assets for unrealised losses;

      (iii) IFRIC 22; and

      (iv) IFRIC 23.

   (b) as discussed in paragraph 26 of this paper, alignment with IFRIC 21 will introduce potential inconsistency and the override paragraph would address the difference. The staff would welcome SMEIG members' views on whether to align the *IFRS for SMEs* Standard with IFRIC 21.

Questions for the SMEIG

Question 3 for the SMEIG
What are SMEIG members' views on: (a) proposing aligning the *IFRS for SMEs* Standard with the following amendments to IFRS Standards and IFRIC interpretations listed in Table A3: (i) the amendments to IAS 40 *Investment Property* from the *Annual Improvements to IFRSs 2011–2013 Cycle*; (ii) the amendments to IAS 12 *Income Taxes* for the recognition of deferred tax assets for unrealised losses; (iii) IFRIC 22 *Foreign Currency Transactions and Advance Consideration*; and (iv) IFRIC 23 *Uncertainty over Income Tax Treatments*. (b) not aligning the *IFRS for SMEs* Standard with IFRIC 21 *Levies*.

Appendix A—Amendments to IFRS Standards and IFRIC Interpretations

A1. Tables A1–A3 in this appendix summarise the feedback from stakeholders on amendments to IFRS Standards and IFRIC Interpretations and provides the staff's preliminary views. The staff have grouped 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); and

(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).

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

Ref.	Standard section and Amendment to IFRS Standards	Overview of amendment to IFRS Standards	Board's rationale	Overall feedback	Staff preliminary thoughts
A1.1	Section 3 *Financial Statement Presentation* ***Definition of Material* (Amendments to IAS 1 and IAS 8)**	Clarifies the definition of 'material' and how it should be applied: information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.	The clarification would assist a preparer applying the *IFRS for SMEs* Standard.	Most respondents supported alignment with this amendment because it more clearly defines the 'material' concept. One respondent expressed concerns that referring to the term 'obscuring' in the revised definition of 'material' would increases judgement, thereby creating complexity for SMEs.	The feedback provides support for the SMEIG to recommend the Board propose alignment.
A1.2	Section 7 *Statement of Cash Flows* ***Disclosure Initiative* (Amendments to IAS 7)**	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.	Many respondents supported alignment with this amendment because it provides useful information to users. However, a small number of respondents expressed concerns that it requires significant effort (see paragraph 7(a) of this paper).	The feedback provides support for the SMEIG to recommend the Board propose alignment, with the simplification discussed in paragraph 10 of this paper.

Ref.	Standard section and Amendment to IFRS Standards	Overview of amendment to IFRS Standards	Board's rationale	Overall feedback	Staff preliminary thoughts
A1.3	Section 16 *Investment Property* ***Transfers of Investment Property* (Amendments to IAS 40)**	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 *IFRS for SMEs* Standard.	Most respondents supported alignment with this amendment. One respondent suggested including the examples in paragraph 57 of IAS 40 to assist consistent application.	The feedback provides support for the SMEIG to recommend the Board propose alignment.
A1.4	Section 17 *Property, Plant and Equipment* ***Clarification of Acceptable Methods of Depreciation and Amortisation* (Amendments to IAS 16 and IAS 38)**	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 *IFRS for SMEs* Standard.	Most respondents supported alignment with this amendment. One respondent suggests providing example of when the presumption might be rebutted and transitional provisions. However, a small number of respondents concerned aligning with this amendment would introduce extra complexity as revenue-based methods are less relevant for SMEs.	The feedback provides support for the SMEIG to recommend the Board propose alignment.

Ref.	Standard section and Amendment to IFRS Standards	Overview of amendment to IFRS Standards	Board's rationale	Overall feedback	Staff preliminary thoughts
A1.5	Section 18 *Intangible Assets other than Goodwill* ***Clarification of Acceptable Methods of Depreciation and Amortisation*** **(Amendments to IAS 16 and IAS 38)**	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 *IFRS for SMEs* Standard.	Most respondents supported alignment with this amendment. However, a small number of respondents concerned aligning with this amendment would introduce extra complexity as revenue-based methods are less relevant for SMEs.	The feedback provides support for the SMEIG to recommend the Board propose alignment.
A1.6	Section 26 *Share-based Payment* ***Annual Improvements to IFRSs 2010–2012 Cycle*** **(IFRS 2)**	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 *IFRS for SMEs* Standard.	Most respondents supported alignment with this amendment. However, one respondent expressed concerns that aligning with this amendment would introduce extra complexity.	The feedback provides support for the SMEIG to recommend the Board propose alignment.

Ref.	Standard section and Amendment to IFRS Standards	Overview of amendment to IFRS Standards	Board's rationale	Overall feedback	Staff preliminary thoughts
A1.7	Section 26 *Share-based Payment* ***Classification and Measurement of Share-based Payment Transactions* (Amendments to IFRS 2)**	The amendments clarify and change: (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 in paragraphs (a) and (b) of the overview would assist a preparer applying the *IFRS for SMEs* Standard because they: (a) allow some vesting conditions not to be recognised at fair value, which would simplify the accounting for an entity applying the *IFRS for SMEs* Standard; and (b) provide relief on cost-benefit grounds.[3]	Most respondents supported alignment with this amendment. However, a small number of respondents expressed concerns that alignment would introduce extra complexity. One respondent said alignment is not necessary because there is not diversity in practice in its jurisdiction.	The feedback provides support for the SMEIG to recommend the Board propose alignment.

[3] The Board did not seek views on aligning the clarification described in paragraph (c) of the overview because the *IFRS for SMEs* Standard does not include guidance on this topic.

Ref.	Standard section and Amendment to IFRS Standards	Overview of amendment to IFRS Standards	Board's rationale	Overall feedback	Staff preliminary thoughts
A1.8	Section 34 *Specialised Activities* ***Agriculture: Bearer Plants*** **(Amendments to IAS 16 and IAS 41)**	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 *Property, Plant and Equipment*, because their operation is similar to that of manufacturing operations.	The amendment is a relief in full IFRS Standards and alignment would provide equivalent relief to the requirements in the *IFRS for SMEs* Standard.	Most respondents supported alignment with this amendment.	The feedback provides support for the SMEIG to recommend the Board propose alignment.

Table A2—Amendments to IFRS Standards—The Board is seeking views on not aligning the *IFRS for SMEs* Standard

Ref.	Section and Amendment to IFRS Standards	Overview of amendment to IFRS Standards	Board's rationale	Feedback	Staff preliminary thoughts
A2.1	Section 3 *Financial Statement Presentation* ***Disclosure Initiative* (Amendments to IAS 1)**	Clarifies IAS 1 requirements relating to materiality, order of the notes, subtotals, accounting policies and disaggregation.	The *IFRS for SMEs* Standard includes simplified drafting and simplified language and does not require an entity to provide as much detail as do full IFRS Standards. The Board has recently published proposals would result in a new IFRS Standard that sets out general presentation and disclosure requirements relevant for all companies, replacing IAS 1 *Presentation of Financial Statements.* Consequently, the Board views is it should not, as part of this comprehensive review, amend the *IFRS for SMEs* Standard to align with this amendment to IAS 1.	Many respondents agreed not to align with this amendment. However, some respondents expressed views that the Board should consider aligning with this amendment and should not wait until the Primary Financial Statement project completed: (a) the amendments complement definition of material (listed in Table A1); (b) the amendments do not contradict the proposed amendments in PFS project; (c) the amendments would improve quality and relevance of the information; and (d) the amendments only have limited changes to wording.	The feedback provides support for the SMEIG to recommend the Board not propose aligning with these amendments. Although the amendments to IAS 1 are relevant to SMEs, they clarify existing requirements in IAS 1.

Ref.	Section and Amendment to IFRS Standards	Overview of amendment to IFRS Standards	Board's rationale	Feedback	Staff preliminary thoughts
A2.2	Section 27 *Impairment of Assets* ***Recoverable Amount Disclosures for Non-Financial Assets* (Amendments to IAS 36)**	Clarifies the scope of disclosures required by IAS 36 *Impairment of Assets* about the recoverable amount of impaired assets being limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.	The *IFRS for SMEs* Standard requires fewer disclosures than full IFRS Standards. The Board is seeking views on not requiring an entity applying the *IFRS for SMEs* Standard to make these disclosures on the basis of user needs.	Most respondents supported not aligning with this amendment. However, a small number of respondents express views that the Board should consider aligning these amendments. Those respondents think the fair value disclosure should be aligned considering the alignment with IFRS 13 *Fair Value Measurement*.	The feedback provides support for the SMEIG to recommend the Board not propose aligning with this amendment. The staff will consider the fair value disclosure during the drafting stage.
A2.3	No equivalent section ***Applying IFRS 9* Financial Instruments *with IFRS 4* Insurance Contracts**	Provides relief for an entity implementing IFRS 9 *Financial Instruments* before implementing IFRS 17 *Insurance Contracts.*	Not applicable. Related to full IFRS Standards.	Most respondents supported not aligning with this amendment.	The feedback provides support for the SMEIG to recommend the Board not propose aligning with this amendment.

Ref.	Section and Amendment to IFRS Standards	Overview of amendment to IFRS Standards	Board's rationale	Feedback	Staff preliminary thoughts
A2.4	Section 9 *Consolidated and Separate Financial Statements* ***Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*** **(Amendments to IFRS 10, IFRS 11 and IFRS 12)**	Provides additional transition relief in IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*, limiting the requirement to provide adjusted comparative information to the preceding comparative period only.	This transition relief relates to full IFRS Standards.	Most respondents supported not aligning with this amendment.	The feedback provides support for the SMEIG to recommend the Board not propose aligning with this amendment.

Ref.	Section and Amendment to IFRS Standards	Overview of amendment to IFRS Standards	Board’s rationale	Feedback	Staff preliminary thoughts
A2.5	Section 9 *Consolidated and Separate Financial Statements* ***Annual Improvements to IFRS Standards 2014–2016 Cycle*** **(IFRS 12)**	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 *Non-current Assets Held for Sale and Discontinued Operations.*	Assets held for sale are not addressed in the *IFRS for SMEs* Standard.	Most respondents supported not aligning with this amendment.	The feedback provides support for the SMEIG to recommend the Board not propose aligning with this amendment.

Ref.	Section and Amendment to IFRS Standards	Overview of amendment to IFRS Standards	Board's rationale	Feedback	Staff preliminary thoughts
A2.6	Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instrument Issues* ***Annual Improvements to IFRSs 2012–2014 Cycle* (IFRS 7)**	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 *Financial Instruments: Disclosures* on offsetting disclosures to condensed interim financial statements.	The *IFRS for SMEs* Standard does not include guidance on servicing contracts and does not address interim financial reporting.	Most respondents ag supported not aligning with this amendment. However, one respondent expressed the view that the Board should consider aligning these amendments and said that if there is continuing involvement of SMEs in a transferred asset, the disclosures should be provided by the SMEs.	The feedback provides support for the SMEIG to recommend the Board not propose aligning with this amendment.

Ref.	Section and Amendment to IFRS Standards	Overview of amendment to IFRS Standards	Board’s rationale	Feedback	Staff preliminary thoughts
A2.7	Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instrument Issues* ***Novation of Derivatives and Continuation of Hedge Accounting* (Amendments to IAS 39)**	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.	Most respondents supported not aligning with this amendment.	The feedback provides support for the SMEIG to recommend the Board not propose aligning with this amendment.

Ref.	Section and Amendment to IFRS Standards	Overview of amendment to IFRS Standards	Board's rationale	Feedback	Staff preliminary thoughts
A2.8	Section 14 *Investments in Associates* ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28)**	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.	Most respondents supported not aligning with this amendment.	The feedback provides support for the SMEIG to recommend the Board not propose aligning with this amendment.
A2.9	Section 15 *Investments in Joint Ventures* ***Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* (Amendments to IFRS 10, IFRS 11 and IFRS 12)**	Provides additional transition relief in IFRS 10, IFRS 11 and IFRS 12.	This transition relief relates to full IFRS Standards.	Most respondents supported not aligning with this amendment.	The feedback provides support for the SMEIG to recommend the Board not propose aligning with this amendment.

Ref.	Section and Amendment to IFRS Standards	Overview of amendment to IFRS Standards	Board's rationale	Feedback	Staff preliminary thoughts
A2.10	Section 18 *Intangible Assets other than Goodwill* ***Annual Improvements to IFRSs 2010–2012 Cycle* (IAS 38)**	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 *IFRS for SMEs* Standard.	Most respondents supported not aligning with this amendment.	The feedback provides support for the SMEIG to recommend the Board not propose aligning with this amendment.
A2.11	Section 23 *Revenue* ***Effective Date of IFRS 15***	Deferred the effective date from 1 January 2017 to 1 January 2018.	Not applicable. Relates to full IFRS Standard.	Most respondents supported not aligning with this amendment.	The feedback provides support for the SMEIG to recommend the Board not propose aligning with this amendment.

Ref.	Section and Amendment to IFRS Standards	Overview of amendment to IFRS Standards	Board’s rationale	Feedback	Staff preliminary thoughts
A2.12	Section 28 *Employee Benefits* ***Defined Benefit Plans: Employee Contributions* (Amendments to IAS 19)**	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 *IFRS for SMEs* Standard does not include this level of detail on actuarial assumptions.	Most respondents supported not aligning with this amendment.	The feedback provides support for the SMEIG to recommend the Board not propose aligning with this amendment.
A2.13	Section 28 *Employee Benefits* ***Plan Amendment, Curtailment or Settlement* (Amendments to IAS 19)**	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 *IFRS for SMEs* Standard addresses curtailment and settlements of defined benefit plans.	Most respondents supported not aligning with this amendment.	The feedback provides support for the SMEIG to recommend the Board not propose aligning with this amendment.

Ref.	Section and Amendment to IFRS Standards	Overview of amendment to IFRS Standards	Board's rationale	Feedback	Staff preliminary thoughts
A2.14	Section 29 *Income Tax* ***Annual Improvements to IFRS Standards 2015–2017 Cycle* (IAS 12)**	Clarifies that the requirements in the former paragraph 52B of IAS 12 *Income Taxes* 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 *IFRS for SMEs* 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.	Most respondents supported not aligning with this amendment. One respondent said introducing the amendment would clarify that, when applying paragraph 29.35 to the tax expense associated with dividend payments, the underlying 'transactions' are those that generate the distributable profits, rather than the distributions themselves.	The feedback provides support for the SMEIG to recommend the Board not propose aligning with this amendment.

Ref.	Section and Amendment to IFRS Standards	Overview of amendment to IFRS Standards	Board's rationale	Feedback	Staff preliminary thoughts
A2.15	Section 35 *Transition to the* IFRS for SMEs *Standard* ***Annual Improvements to IFRSs 2011–2013 Cycle*** **(IFRS 1)**	Defines 'effective IFRSs'.	Not applicable. Relates to full IFRS Standards.	Most respondents supported not aligning with this amendment.	The feedback provides support for the SMEIG to recommend the Board not propose aligning with this amendment.
A2.16	Section 35 *Transition to the* IFRS for SMEs *Standard* ***Annual Improvements to IFRS Standards 2014–2016 Cycle*** **(IFRS 1)**	Deleted the short-term exemptions in paragraphs E3–E7 of IFRS 1 *First-time Adoption of International Financial Reporting Standards*, because they have now served their intended purpose.	Not applicable. Relates to full IFRS Standard.	Most respondents supported not aligning with this amendment.	The feedback provides support for the SMEIG to recommend the Board not propose aligning with this amendment.

Table A3—Amendments to IFRS Standards and IFRIC Interpretations—The Board is seeking views on whether to aligning the *IFRS for SMEs* Standard

Ref.	Section and Amendment to IFRS Standards and IFRIC Interpretations	Overview of amendment to IFRS Standards	Feedback	Staff preliminary thoughts
A3.1	Section 16 *Investment Property* ***Annual Improvements to IFRSs 2011–2013 Cycle* (IAS 40)**	Clarifies that determining whether a specific transaction meets the definition of both a 'business combination', as defined in IFRS 3 *Business Combinations*, and 'investment property', as defined in IAS 40 *Investment Property*, requires the separate application of both IFRS Standards independently of each other.	Many respondents agreed with alignment with this amendment to IAS 40, because the amendment: (a) is relevant to SMEs; (b) could provide useful information to the users; and (c) could assist consistent application in areas where doubts and uncertainty exist to improve comparability. However, a small number of respondents expressed concerns on aligning with the amendment to IAS 40: (a) the issue is not common for SMEs; (b) there is no diversity in practice; and (c) aligning with this amendment would add unnecessary complexity to the Standard.	The feedback provides support for the SMEIG to recommend the Board propose alignment.

Ref.	Section and Amendment to IFRS Standards and IFRIC Interpretations	Overview of amendment to IFRS Standards	Feedback	Staff preliminary thoughts
A3.2	Section 29 *Income Tax* ***Recognition of Deferred Tax Assets for Unrealised Losses*** **(Amendments to IAS 12)**	The amendments clarify that: (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; and (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.	Many respondents supported with aligning with amendments to IAS 12, because they think this amendment is relevant to SMEs. However, some respondents did not support alignment: (a) the situation is not common for SMEs; (b) there is no diversity in practice; (c) aligning with this amendment would potentially add a significant amount of detail on this topic and detract from the alignment principle of simplicity; and (d) it is not necessary to amend the existing standard on cost-benefit ground.	The feedback provides support for the SMEIG to recommend the Board propose aligning with these amendments.

Ref.	Section and Amendment to IFRS Standards and IFRIC Interpretations	Overview of amendment to IFRS Standards	Feedback	Staff preliminary thoughts
A3.3	Section 30 *Foreign Currency Translation* **IFRIC 22 *Foreign Currency Transactions and Advance Consideration***	Addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.	Most respondents agreed with aligning with IFRIC 22: (a) it is relevant for SMEs, because many companies make and receive payment in foreign currencies; (b) it will help entity apply the Standards consistently However, some respondents did not agree with alignment with IFRIC 22: (a) the issue is not common for SMEs; (b) it is difficult for SMEs to comply with the Standards; and (c) it is not necessary for cost-benefit consideration.	The feedback provides support for the SMEIG to recommend the Board propose aligning with this amendment.

Ref.	Section and Amendment to IFRS Standards and IFRIC Interpretations	Overview of amendment to IFRS Standards	Feedback	Staff preliminary thoughts
A3.4	Section 29 *Income Tax* **IFRIC 23 *Uncertainty over Income Tax Treatments***	IFRIC 23 adds to the requirements in IAS 12 *Income Taxes* by specifying how to reflect the effects of uncertainty in the accounting for income taxes.	Many respondents supported with aligning with IFRIC 23: (a) it is relevant to SMEs, and tax uncertainty is an issue for SMEs; (b) it assists consistency of application. One respondent also suggested the Board consider providing an undue cost or effort relief for measuring an uncertain tax position. However, some respondents did not agree with alignment with IFRIC 23: (a) the issue is not common for SMEs; (b) it is difficult for SMEs to comply with the Standards; and (c) it is not necessary for cost-benefit consideration.	The feedback provides support for the SMEIG to recommend the Board propose aligning with this amendment.

Ref.	Section and Amendment to IFRS Standards and IFRIC Interpretations	Overview of amendment to IFRS Standards	Feedback	Staff preliminary thoughts
A3.5	Section 21 *Provisions and Contingencies* **IFRIC 21 *Levies***	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.	Some respondents said the *IFRS for SMEs* Standard should be aligned to IFRIC 21, as it is relevant to SMEs. However, other respondents expressed concerns about aligning with IFRIC 21 because they said: (a) this issue is less relevant to SMEs. (b) the 2018 *Conceptual Framework* is not consistent with IAS 37. The alignment of IFRIC 21 would introduce similar inconsistency within the *IFRS for SMEs* Standard.	As discussed in paragraph 27(b) of this paper the staff think alignment with IFRIC 21 would introduce potential inconsistency and the override paragraph would address the difference.