
IASB® meeting

Date	March 2024
Project	Second Comprehensive Review of the <i>IFRS for SMEs</i>® Accounting Standard
Topic	Updating the paragraph numbers of the <i>IFRS for SMEs</i> Accounting Standard
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS® Accounting Standards or the *IFRS for SMEs*® Accounting Standard. The IASB's technical decisions are made in public and are reported in the IASB® *Update*.

Purpose of the paper

1. The purpose of this paper is to ask the International Accounting Standards Board (IASB) to:
 - (a) consider the feedback on the Exposure Draft *Third edition of the IFRS for SMEs Accounting Standard* (Exposure Draft) on the approach taken to retain or amend (renumber) the paragraph numbers in each section of the Exposure Draft; and
 - (b) decide whether to retain or renumber the paragraph numbers in sections of the *IFRS for SMEs* Accounting Standard (the Standard).
2. In this paper, the term SMEs refers to entities that are eligible to apply the Standard.

Staff recommendation

3. The staff recommend in the final amendments to the *IFRS for SMEs* Accounting Standard the IASB:
 - (a) renumber paragraph numbers for sections that will be significantly rewritten; and

- (b) retain paragraph numbers for sections with few amendments.

Applying this basis, the staff will use judgement during the drafting of the final amendments as to when individual sections will be significantly rewritten and should be renumbered.

Structure of this paper

- 4. This paper is structured as follows:
 - (a) background (paragraphs 5–8);
 - (b) feedback from comment letters (paragraphs 9–13);
 - (c) staff analysis (paragraphs 14–24);
 - (d) staff recommendation and question for the IASB (paragraph 25); and
 - (e) Appendix—Overview of amendments to full IFRS Accounting Standards in the scope of this review.

Background

- 5. The proposed amendments to the requirements in the Standard included the addition of new paragraphs and amendment and deletion of existing paragraphs.
- 6. In drafting the Exposure Draft, the IASB proposed a mixed approach for the paragraph numbers in each section of the Exposure Draft:
 - (a) for most sections, a new paragraph was numbered in continuation from a previous paragraph, and a deleted paragraph retained its paragraph number (i.e. there is a placeholder for deleted paragraphs) (for example, see Section 19 *Business Combinations and Goodwill*); and
 - (b) some sections were revised, with paragraphs renumbered to show only requirements that would still be applicable, without a placeholder for deleted paragraphs (for example, see Section 2 *Concepts and Pervasive Principles*).

7. The IASB noted that sometimes the approach in paragraph 6(a) of this paper may complicate the readability of the Standard. Therefore, as an alternative, the IASB revised some sections in the Standard (see paragraph 6(b) of this paper). Effectively, for revised sections, the previous requirements have been removed and replaced with new requirements.
8. As part of the first comprehensive review the IASB made a limited number of changes to the Standard and in amending the Standard the IASB used the same approach described in paragraph 6 of this paper in retaining or renumbering the paragraph numbers. During the first comprehensive review, only Section 29 *Income Tax* of the Standard was revised because of the extent of amendments to align the section with IAS 12 *Income Taxes*.

Feedback from comment letters

9. The question in the Invitation to Comment is reproduced below:

Question 15

What are your views on the approach taken to retain or amend paragraph numbers in each section of this Exposure Draft?

10. Most respondents agreed with the approach taken to retain or amend paragraph numbers in each section of the Exposure Draft. Some comments—each made by a few respondents— included:
 - (a) when a section will be significantly rewritten, renumbering ensures the section is readable and easier to follow; and
 - (b) retaining the numbering of the existing paragraphs:
 - (i) enables stakeholders to better track changes to the section and see new requirements; and
 - (ii) means that existing references to the Standard, for example in databases, do not need to be updated.

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11. A few respondents that supported the approach taken in the Exposure Draft said that Section 19 should be renumbered, without a placeholder for deleted paragraphs, because of the extent of changes proposed to that section. Nevertheless, a similar number of respondents stated that Section 19 should not be renumbered (i.e. they agreed with the approach taken for Section 19 in the Exposure Draft).
 12. Some respondents did not express support for the approach taken in the Exposure Draft. These respondents had the following comments:
 - (a) a few respondents said the third edition of the Standard should be renumbered to show only requirements that would still be applicable for readability and understandability, rather than having placeholders for the deleted paragraph. Nevertheless, most of these respondents noted it would be helpful to have a version of the Standard for reference that shows a markup of the changes made to the previous edition of the Standard.
 - (b) a few respondents did not agree with renumbering any sections of the Standard. Most of these respondents said they preferred such an approach as it would be similar to amendments to full IFRS Accounting Standards.
 - (c) a few respondents said whichever approach is applied should be applied consistently.
 13. Based on the responses received, the staff think that a few respondents appear to have interpreted Question 15 in the Invitation to Comment as asking which of the two approaches in paragraph 6 of this paper they preferred rather than whether they agreed with the mixed approach taken in the Exposure Draft, where the approach used for a section depended on the extent of changes.

Staff analysis

14. The staff analysis is set out as follows:
 - (a) sections that will be significantly rewritten (paragraphs 15–22); and

- (b) sections with few amendments proposed (paragraphs 23–24).

Sections that will be significantly rewritten

15. The feedback (see paragraph 10 of this paper) generally supports the mixed approach taken for the paragraph numbers in the Exposure Draft (see paragraph 6 of this paper). The staff think that where a section will be significantly rewritten, renumbering:
- (a) ensures the amended section is readable and easy to follow; and
- (b) communicates to SMEs the extent of changes made to the section.
16. The feedback in paragraph 11 of this paper indicates mixed feedback regarding the approach taken in Section 19. A few respondents said the section should be renumbered without a placeholder for deleted paragraphs because of the extent of changes to that section. While others supported the approach taken in the Exposure draft of retaining paragraph numbers.
17. The staff considered the extent of changes proposed to Section 19 and note that more than 40 paragraphs in that section were proposed to be amended, added or deleted in the Exposure Draft— See the Appendix to this paper for the paragraphs the IASB is proposing changes to. At its February 2024 meeting, the IASB tentatively decided to proceed with the amendments to Section 19 of the Standard proposed in the Exposure Draft.
18. Whilst we think it was helpful to retain the paragraph numbers for Section 19 in the Exposure Draft to help respondents identify and comment on the key changes to the section, we think it would be better to renumber Section 19 in the third edition of the Standard due to the extent of the changes. Other sections that were revised, that is, Section 2 and the proposed revised Section 23 *Revenue from Contracts with Customers* have been renumbered without a placeholder for deleted paragraphs. For consistency with this approach and to ensure the requirements in Section 19 are easy to follow; the staff recommend the IASB renumber the paragraph numbers in Section 19 without a placeholder for deleted paragraphs.

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19. The staff has further considered the extent of proposed amendments to all other sections of the Exposure Draft (See Appendix to this paper) and noted that apart from Section 2, Section 19 and Section 23, another section that the IASB has proposed many amendments to is Section 11 *Basic Financial Instruments* (proposed to be renamed *Financial Instruments*). Section 11 and Section 12 *Other Financial Instrument Issues* of the Standard were combined to create a new Section 11, which is structured in two parts in the Exposure Draft: Part I *Basic Financial Instruments* and Part II *Other Financial Instrument Issues*.
20. In drafting the Exposure Draft, paragraph numbers in Section 11 were retained and paragraphs of the former Section 12 were renumbered accordingly.
21. Although many amendments have been proposed to Section 11 in the Exposure Draft, the staff note that the section is not proposed to be significantly rewritten. Consequently, the staff recommend the IASB retain the approach taken in the Exposure Draft for the paragraph numbers in Section 11 because:
- (a) many of the requirements in Section 11 are proposed to be unchanged including key requirements for financial instruments such as initial and subsequent measurement for basic financial instruments; and
 - (b) for the reasons mentioned in paragraph 23 of this paper.
22. The IASB has not completed its redeliberations on Section 11. In drafting the final amendments, the staff will use judgement in determining whether a section has been significantly rewritten and should be renumbered like Section 2 and Section 23 or whether paragraph numbers should be retained.

Sections with few amendments proposed

23. The feedback generally supports the approach taken to retain paragraph numbers for sections with few amendments. In addition to this feedback, the staff think the following reasons support retaining paragraph numbers for sections with few amendments:

- (a) to assist SMEs to identify new or deleted paragraphs;
 - (b) SMEs will not need to update their databases for existing references to the Standard; and
 - (c) approach is consistent with approach used when making amendments to full IFRS Accounting Standards.
24. Although some respondents said that having placeholders for deleted paragraphs reduces readability and understandability, the staff think the reasons in paragraph 23 of this paper outweigh this drawback for sections with few amendments.

Staff recommendation and question for the IASB

25. The staff recommend in the final amendments to the *IFRS for SMEs* Accounting Standard the IASB:
- (a) renumber paragraph numbers for sections that will be significantly rewritten; and
 - (b) retain paragraph numbers for sections with few amendments.

Applying this basis, the staff will use judgement during the drafting of the final amendments as to when individual sections will be significantly rewritten and should be renumbered.

Question for the IASB

Does the IASB agree with the staff recommendation in paragraph 25 of this paper?

Appendix— Overview of amendments to full IFRS Accounting Standards in the scope of this review

- A1. Table 1 lists topics the IASB considered and for which it is proposing amendments to the Standard and shows the extent of proposed amendments to individual sections of the Exposure Draft. Column 3 in Table 1 lists the main paragraphs that are proposed to be amended in the Exposure Draft. The table does not list paragraphs with proposed editorial or minor consequential amendments.¹
- A2. In considering whether a section will be significantly rewritten, the staff used this table to analyse the extent of changes in each Section. The IASB has not yet completed its redeliberations of the proposed amendments and therefore this table is used as a guide for the purposes of this paper only.

Table 1—Overview of amendments to full IFRS Accounting Standards in the scope of this review

Section	IFRS Accounting Standards/Amendment to IFRS Accounting Standards	Main paragraphs in the Exposure Draft
Section 2 <i>Concepts and Pervasive Principles</i>	<i>Conceptual Framework for Financial Reporting</i> (issued in 2018)	2.1–2.131
Section 3 <i>Financial Statement Presentation</i>	<i>Definition of Material</i> (Amendments to IAS 1 and IAS 8)	3.16
Section 3 <i>Financial Statement Presentation</i>	<i>Disclosure Initiative</i> (Amendments to IAS 1)	3.15A
Section 7 <i>Statement of Cash Flows</i>	<i>Disclosure Initiative</i> (Amendments to IAS 7)	7.19A
Section 8 <i>Notes to the Financial Statements</i>	<i>Disclosure of Accounting Policies</i> (Amendments to IAS 1 and IFRS Practice Statement 2)	8.4-8.6

¹ Table 1 in the Appendix to the Exposure Draft provides the full list of the proposed amendments by section of the Standard — including proposed editorial and minor consequential amendments (for sections with no substantive amendments).

Section	IFRS Accounting Standards/Amendment to IFRS Accounting Standards	Main paragraphs in the Exposure Draft
Section 9 <i>Consolidated and Separate Financial Statements</i>	IFRS 10 <i>Consolidated Financial Statements</i>	9.4–9.6A, 9.18–9.19 and 9.23B
Section 10 <i>Accounting Policies, Estimates and Errors</i>	<i>Definition of Accounting Estimates</i> (Amendments to IAS 8)	10.14A–10.15
Section 11 <i>Financial Instruments</i>	IFRS 9 <i>Financial Instruments</i>	11.2, 11.4–11.5, 11.8(e), 11.9ZA, 11.11A, 11.13(Examples—financial liabilities), 11.14(d), 11.41(g), 11.48(a)(v), 11.25 and 11.26A–11.26L
Section 11 <i>Financial Instruments</i>	<i>Prepayment Features with Negative Compensation</i> (Amendments to IFRS 9)	11.9(b)
Section 12 <i>Fair Value Measurement</i>	IFRS 13 <i>Fair Value Measurement Annual Improvements to IFRSs 2010–2012 Cycle</i> (IFRS 13) <i>Annual Improvements to IFRSs 2011–2013 Cycle</i> (IFRS 13)	12.1–12.32 and 12A.1–12A.8
Section 14 <i>Investments in Associates</i>	<i>Long-term Interests in Associates and Joint Ventures</i> (Amendments to IAS 28)	14.8(d) and 14.8(h)
Section 15 <i>Interests in Joint Arrangements</i>	IFRS 11 <i>Joint Arrangements</i>	15.1–15.8 and 15.16–15.18B
Section 16 <i>Investment Property</i>	<i>Transfers of Investment Property</i> (Amendments to IAS 40)	16.9
Section 16 <i>Investment Property</i>	<i>Annual Improvements to IFRSs 2011–2013 Cycle</i> (IAS 40)	16.3A

Section	IFRS Accounting Standards/Amendment to IFRS Accounting Standards	Main paragraphs in the Exposure Draft
Section 17 <i>Property, Plant and Equipment</i>	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> (Amendments to IAS 16 and IAS 38)	17.21(c) and 17.22
Section 17 <i>Property, Plant and Equipment</i>	<i>Agriculture: Bearer Plants</i> (Amendments to IAS 16 and IAS 41)	17.3(a)
Section 18 <i>Intangible Assets other than Goodwill</i>	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> (Amendments to IAS 16 and IAS 38)	18.22A
Section 19 <i>Business Combinations and Goodwill</i>	IFRS 3 <i>Business Combinations</i> (issued in 2018) <i>Annual Improvements to IFRSs 2010–2012 Cycle</i> (IFRS 3) <i>Annual Improvements to IFRSs 2011–2013 Cycle</i> (IFRS 3) <i>Annual Improvements to IFRS Standards 2015–2017 Cycle</i> (IFRS 3)	19.1–19.26A, 19A.1–19A.15 and 19B.1–19B19
Section 23 <i>Revenue from Contracts with Customers</i>	IFRS 15 <i>Revenue from Contracts with Customers</i> <i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i>	23.1–23.129
Section 26 <i>Share-based Payment</i>	<i>Annual Improvements to IFRSs 2010–2012 Cycle</i> (IFRS 2)	26.9
Section 26 <i>Share-based Payment</i>	<i>Classification and Measurement of Share-based Payment Transactions</i> (Amendments to IFRS 2)	26.14A–26.15C
Section 28 <i>Employee Benefits</i>	IAS 19 <i>Employee Benefits</i> (issued in 2011)	28.1(d)(ii), 28.34– 28.35 and 28.41– 28.41E
Section 29 <i>Income Tax</i>	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> (Amendments to IAS 12)	29.16A, 29.19(a) and 29.19A
Section 29 <i>Income Tax</i>	IFRIC 23 <i>Uncertainty over Income Tax Treatments</i>	29.34A–29.34D

Section	IFRS Accounting Standards/Amendment to IFRS Accounting Standards	Main paragraphs in the Exposure Draft
Section 30 <i>Foreign Currency Translation</i>	IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	30.8A
Section 33 <i>Related Party Disclosures</i>	IAS 24 <i>Related Party Disclosures Annual Improvements to IFRSs 2010–2012 Cycle (IAS 24)</i>	33.7A, 33.9(b), 33.11, 33.12(ha) and 33.15
Section 34 <i>Specialised Activities</i>	<i>Agriculture: Bearer Plants</i> (Amendments to IAS 16 and IAS 41)	34.2–34.2B