

Comprehensive Review of the *IFRS for SMEs* Standard

July 2020
Alignment principles

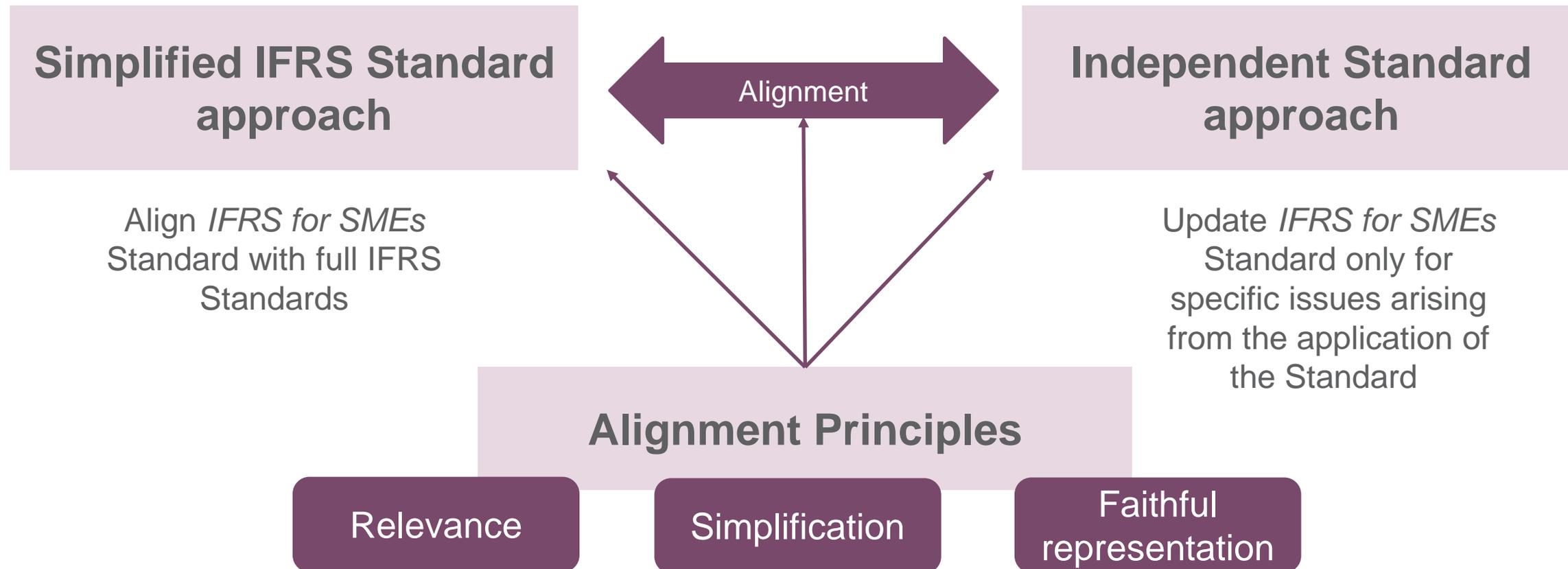
The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or the IFRS Foundation.

The Request for Information and Optional Response Document 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/comment-letters-projects/request-for-information/>

The slides used in this presentation, including the first and second webcast can be accessed here: <https://www.ifrs.org/projects/work-plan/2019-comprehensive-review-of-the-ifrs-for-smes-standard/#supporting-material>

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Two possible approaches to the second comprehensive review



Applying the alignment principles

Consolidation and Joint Arrangements

Relevance	Simplification	Faithful representation
Consolidation already included in <i>IFRS for SMEs</i> Standard	<ul style="list-style-type: none">• Single basis for control easier to apply• Retain simplification: control is presumed to exist when the parent entity owns, more than half the voting power of the entity	<ul style="list-style-type: none">• Single principle of control enhances faithful representation
Joint arrangements already included in <i>IFRS for SMEs</i> Standard	Retain: <ul style="list-style-type: none">• categories and accounting requirements for each of the three categories of joint arrangement• accounting policy election for jointly controlled entities	<ul style="list-style-type: none">• Aligning definition of joint control will enhance the faithful representation• Retaining categories of joint arrangements will not impede faithful representation

Applying the alignment principles

IFRS 9 *Financial Instruments*

Relevance	Simplification	Faithful representation
<p>Relevant topics:</p> <ul style="list-style-type: none"> classification and measurement of financial assets 	<ul style="list-style-type: none"> Remove the business model test for classifying financial assets Remove the option to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument 	<ul style="list-style-type: none"> Simplifications for classification of financial assets will not impede faithful representation
<ul style="list-style-type: none"> impairment of financial assets 	<ul style="list-style-type: none"> Introducing the simplified approach for the impairment of financial assets 	<ul style="list-style-type: none"> Simplified approach provides more useful and relevant information than the incurred loss model

- hedge accounting

Topics not relevant:

- financial liabilities and own credit risk
- disclosures required by IFRS 7 *Financial Instruments: Disclosures* when an entity elect to follow IAS 39
- derecognition of financial assets and financial liabilities

Applying the alignment principles

Revenue

Relevance	Simplification	Faithful representation
<p>Revenue already included in <i>IFRS for SMEs Standard</i></p>	<p>Three alternatives:</p> <ol style="list-style-type: none">1—modifying Section 23 to remove differences in outcomes, without wholly reworking Section 23;2—fully rewriting Section 23 to reflect the principles and language used in <i>IFRS 15 Revenue from Contracts with Customers</i>; or3—do not to amend Section 23 as part of the second comprehensive review. <p>Provide transitional relief for alternative 1 and 2</p>	<p>Users benefit from the new approach</p>

Other IFRS Standards

IFRS 13 *Fair Value Measurement*

A clear definition is simple to apply and supports faithful representation

IFRS 14 *Regulatory Deferral Accounts*

Ongoing project—await next comprehensive review

Amendment to IFRS Standards and IFRIC Interpretations

Alignment principles applied to each amendment

Reminder: published materials



- [Request for Information](#)
- [Request for Information: Optional Response Document](#)



[Snapshot](#)



How to respond



- Submit a comment letter
- Submit a comment letter using the optional response document
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