

# Comprehensive Review of the *IFRS for SMEs* Standard

May 2020

Approach to the second comprehensive  
review

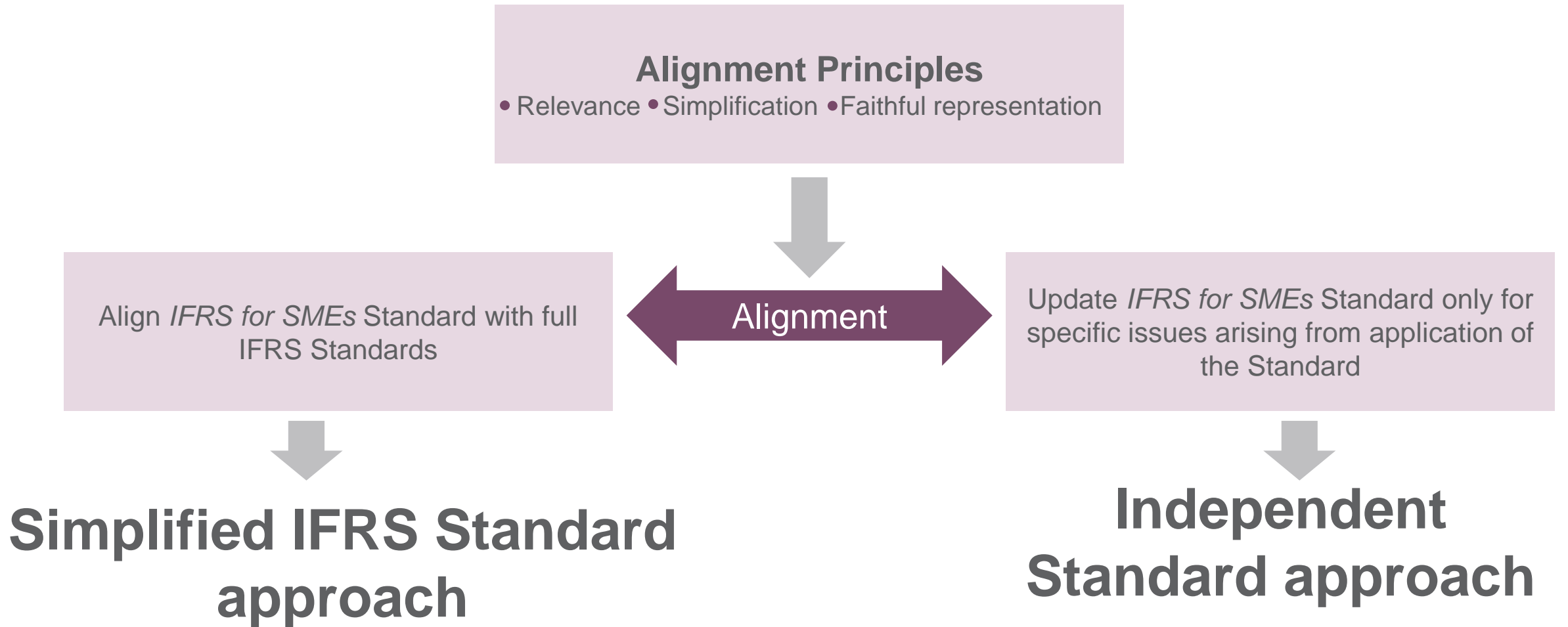
The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or the IFRS Foundation.

The Request for Information, the Optional Response Document and the slides used in this presentation 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/>

The views expressed are those of the presenters, not necessarily those of the International Accounting Standard Board (Board) or the IFRS Foundation.

# Framework for the review



# Approach to the review

## Alignment approach

Different views on whether to align the *IFRS for SMEs* Standard with IFRS Standards

## Two possible approaches

### Proponents of simplified IFRS Standard approach

- experience gained developing full IFRS Standards used efficiently
- consistent with expectation that *IFRS for SMEs* Standard is simplified IFRS Standards
- allows the specific requirements and characteristics of SMEs to be considered

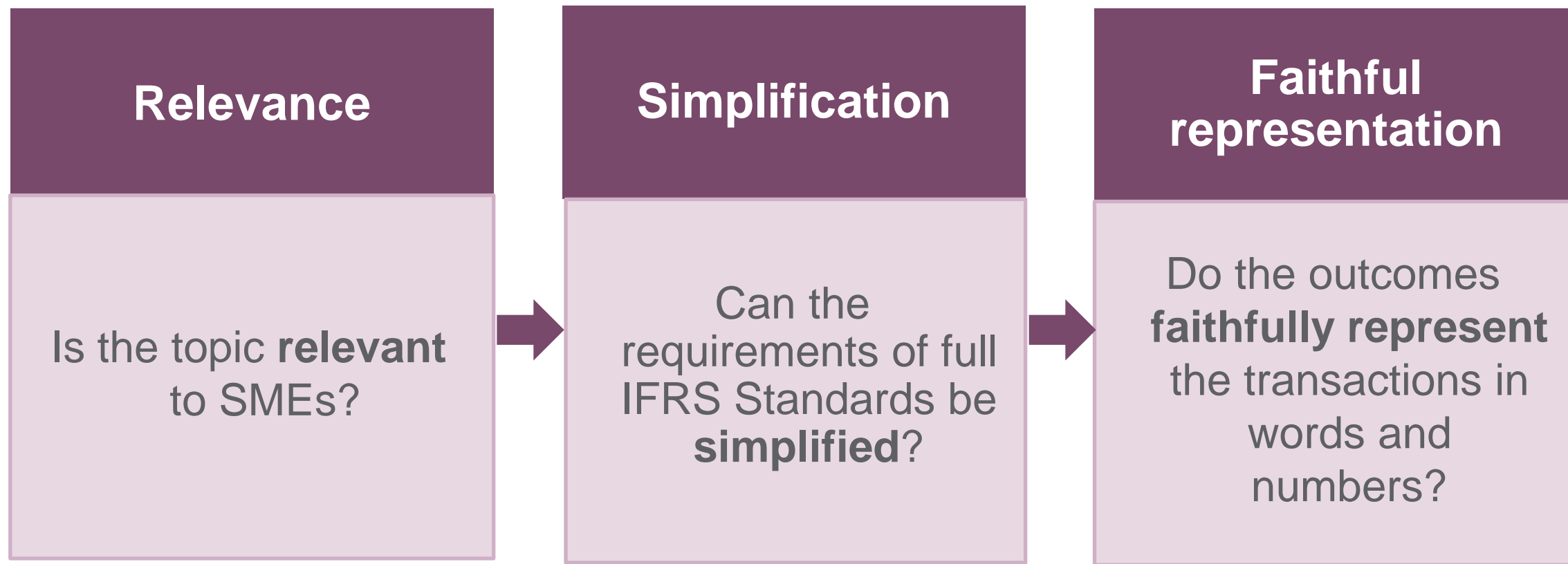
Alignment

### Proponents of independent Standard approach

- *IFRS for SMEs* Standard should be developed and amended considering only the explicit and specific requirements of SMEs

# Alignment principles

Principles the Board applied in considering whether to seek views on alignment:



# Applying the alignment principles

## IFRS 16 *Leases*

Relevance	Simplification	Faithful representation
<p>Leasing is widely used by SMEs and is ranked as their third most important source of financing</p>	<p>Suggestions:</p> <ul style="list-style-type: none"><li>• requiring a single model for lease accounting</li><li>• introducing recognition exemptions for short-term leases and leases of low-value assets</li><li>• simplifying the requirements for<ul style="list-style-type: none"><li>○ measuring variable lease payments</li><li>○ determining the discount rate</li><li>○ determining and reassessing the term of the lease</li><li>○ subsequent measurement (reassessment) of a lease liability</li></ul></li><li>• retaining the existing disclosures for finance leases</li><li>• simplifying the language of the Standard</li></ul>	<p>The Board considered whether financial statements prepared using the simplified requirements would faithfully represent an entity's lease assets and liabilities</p>

# Applying the alignment principles

## IFRS 3 (2008) *Business Combinations*

### Apply principles to significant improvements

Relevance	Simplification	Faithful representation
<b>Align for:</b> <ul style="list-style-type: none"> <li>Acquisition-related costs</li> <li>Contingent consideration</li> </ul>	<ul style="list-style-type: none"> <li><b>Topics simplified:</b> <ul style="list-style-type: none"> <li>measuring contingent consideration at fair value subject to the application of the undue cost and effort exemption</li> </ul> </li> </ul>	Improve uses understanding of the cost of a business combination
<b>Do not align for:</b> <ul style="list-style-type: none"> <li>Fair value option non-controlling interest</li> <li>Recognition criteria for intangible asset acquired</li> <li>Assembled workforce not an intangible asset</li> <li>Additional guidance on reacquired rights</li> </ul>	<ul style="list-style-type: none"> <li><b>Topics omitted:</b></li> </ul>	Intangible assets not separately identified are assumed into goodwill and amortised
<b>Step acquisitions</b>	Ask for further information	

# When to consider alignment

The options are to incorporate changes:

1

Issued before the publication date of the Request for Information

2

Effective before the publication date of the Request for Information

3


Effective and on which the post-implementation review was completed before the publication date of the Request for Information

4

Based on some other date



# Reminder: published materials



IASB consults on IFRS for SMEs Standard | Have your say: consultations planned for 2020 | IASB publishes Primary Financial Statements proposals

2015  
International Financial Reporting Standard (IFRS) for Small and Medium-Sized Entities

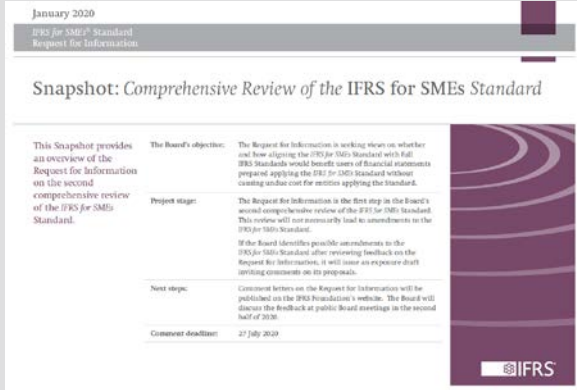

## IFRS for SMEs

This official government description 2015 amendments to the IFRS for SMEs will be effective 1 January 2020 with early application permitted.

Request for Information: Review of IFRS for SMEs Standard

The Board is asking for views on its approach to updating its simplified accounting standard for small and medium-sized entities

[Press release](#)



January 2020  
IFRS for SMEs Standard  
Request for Information

### Snapshot: Comprehensive Review of the IFRS for SMEs Standard

This Snapshot provides an overview of the Request for Information on the second comprehensive review of the IFRS for SMEs Standard.


**The Board's objective:** The Request for Information is seeking views on whether and how aligning the IFRS for SMEs Standard with full IFRS Standards would benefit users of financial statements prepared applying the IFRS for SMEs Standard without creating undue cost for entities applying the Standard.

**Project stage:** The Request for Information is the first step in the Board's second comprehensive review of the IFRS for SMEs Standard. This review will ultimately lead to amendments to the IFRS for SMEs Standard.


**If the Board identifies possible amendments to the IFRS for SMEs Standard after receiving feedback on the Request for Information, it will issue an exposure draft inviting comments on its proposals.**

**Next steps:** Comment letters on the Request for Information will be published on the IFRS Foundation's website. The Board will discuss the feedback at public Board meetings in the second half of 2020.

**Comment deadline:** 27 July 2020



## Snapshot




January 2020  
IFRS for SMEs Standard  
Request for Information

### Comprehensive Review of the IFRS for SMEs Standard

Comments to be received by 27 July 2020


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



IFRS Foundation

### Comprehensive Review of the IFRS for SMEs Standard

February 2020  
Introducing the Request for Information



[Web presentations on the Request for Information](#)

## How to comment

- Electronically by visiting 'Open for comment documents' page at: <http://go.ifrs.org/open-for-comment>
- By email to: [commentletters@ifrs.org](mailto:commentletters@ifrs.org)
- By post: IFRS Foundation, Columbus Building, 7 Westferry Circus, Canary Wharf, London E14 4HD United Kingdom

Submission Deadline: 27 October 2020

