

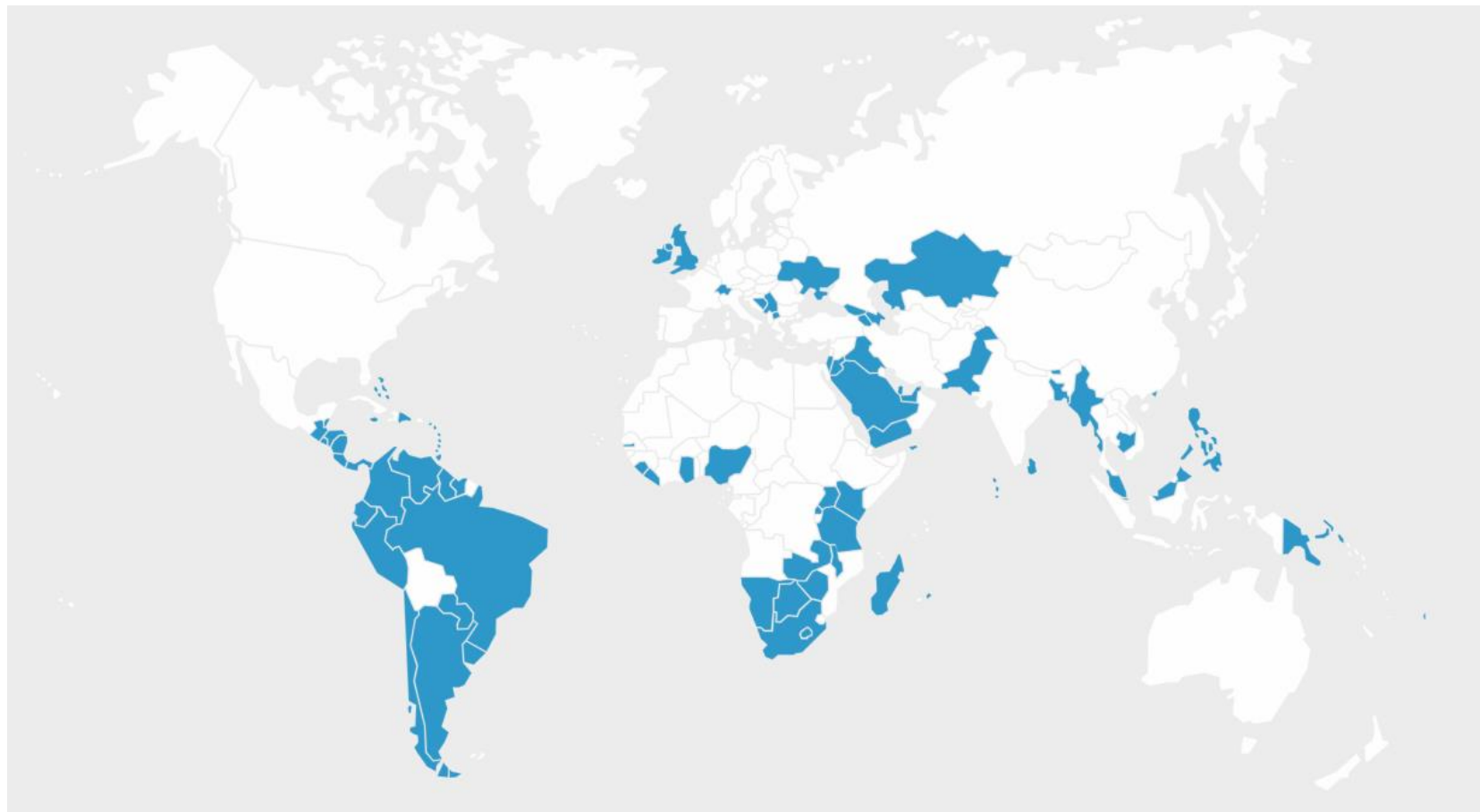
Comprehensive review of the *IFRS for SMEs* Standard

Bruce Mackenzie: IASB Board Member

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

Background to the
IFRS for SMEs Standard

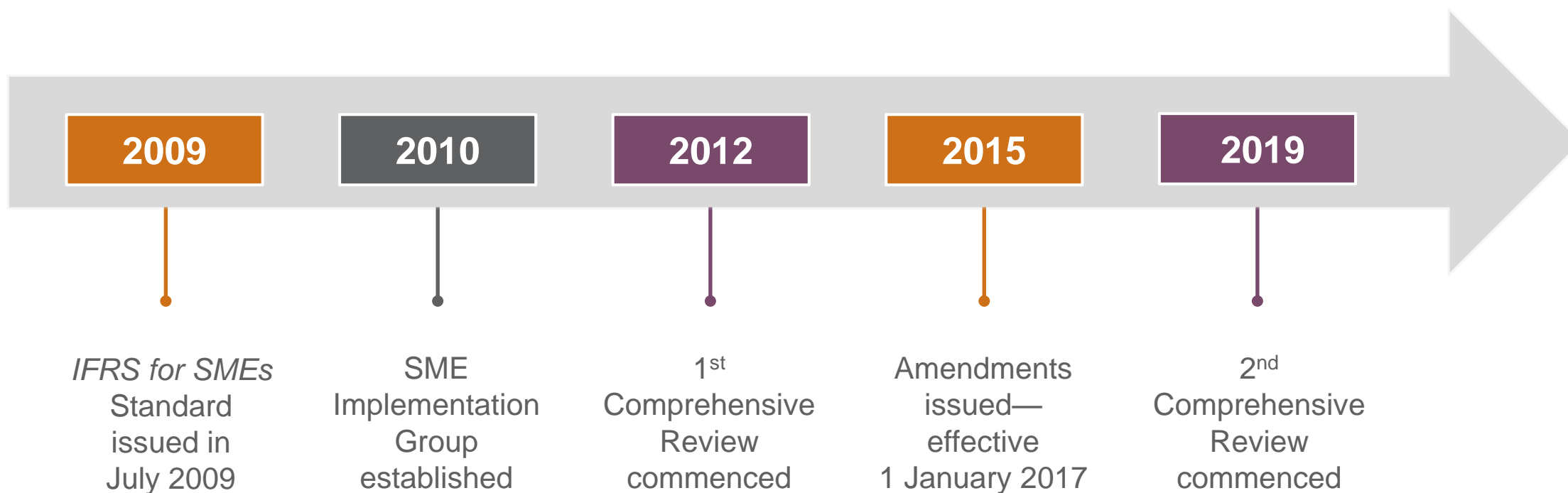
Adoption of the *IFRS for SMEs* Standard



86 of 166
jurisdictions
require or
permit use of
the *IFRS for
SMEs* Standard

■ = *IFRS for SMEs* Standard is required or permitted

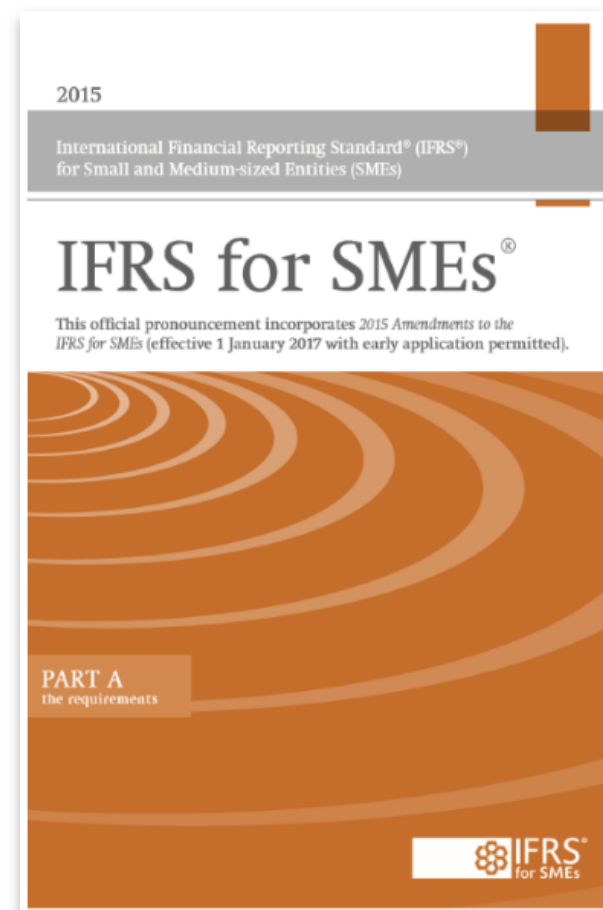
IFRS for SMEs Standard—timeline



Overview of the *IFRS for SMEs* Standard

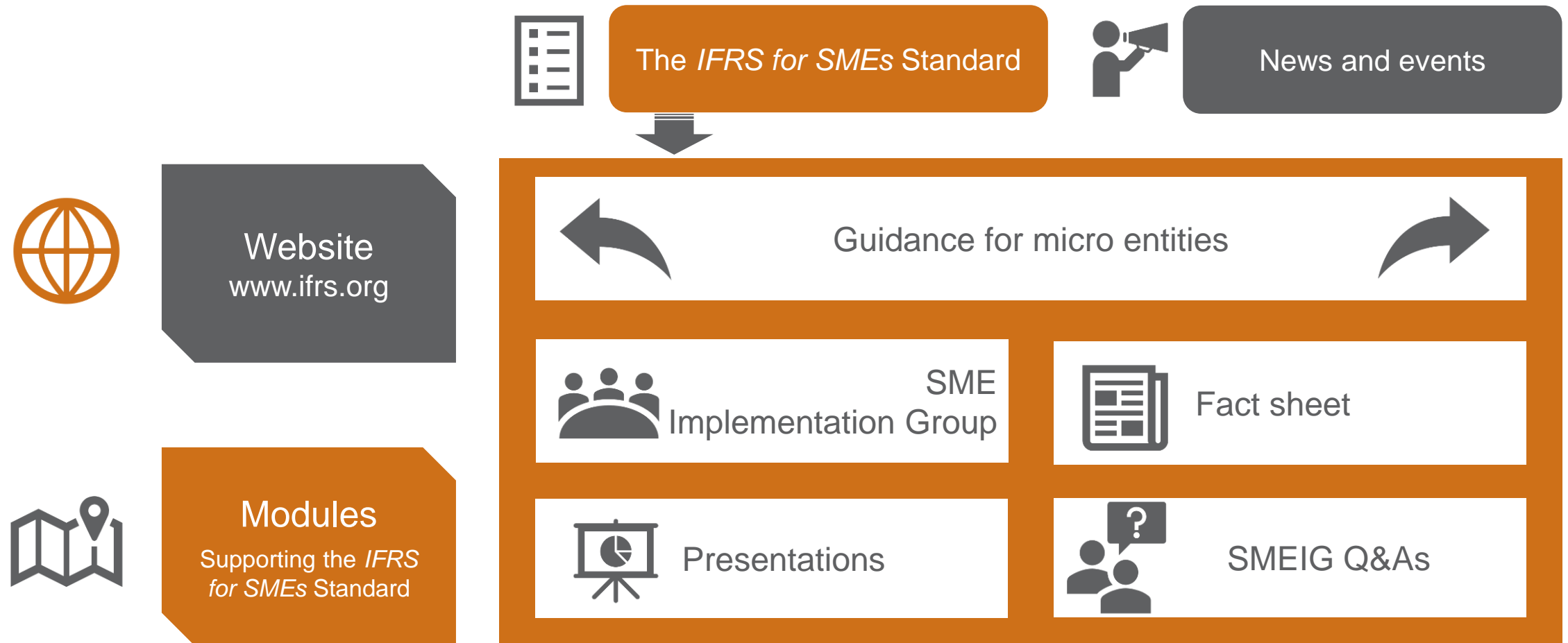
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- 250 pages
- Tailored for **small and medium-sized** entities (SMEs) that are not publicly accountable
- Based on **principles from full IFRS** Standards
- Focuses on **information needs of lenders and other users** of SMEs' financial statements



IFRS for SMEs Standard

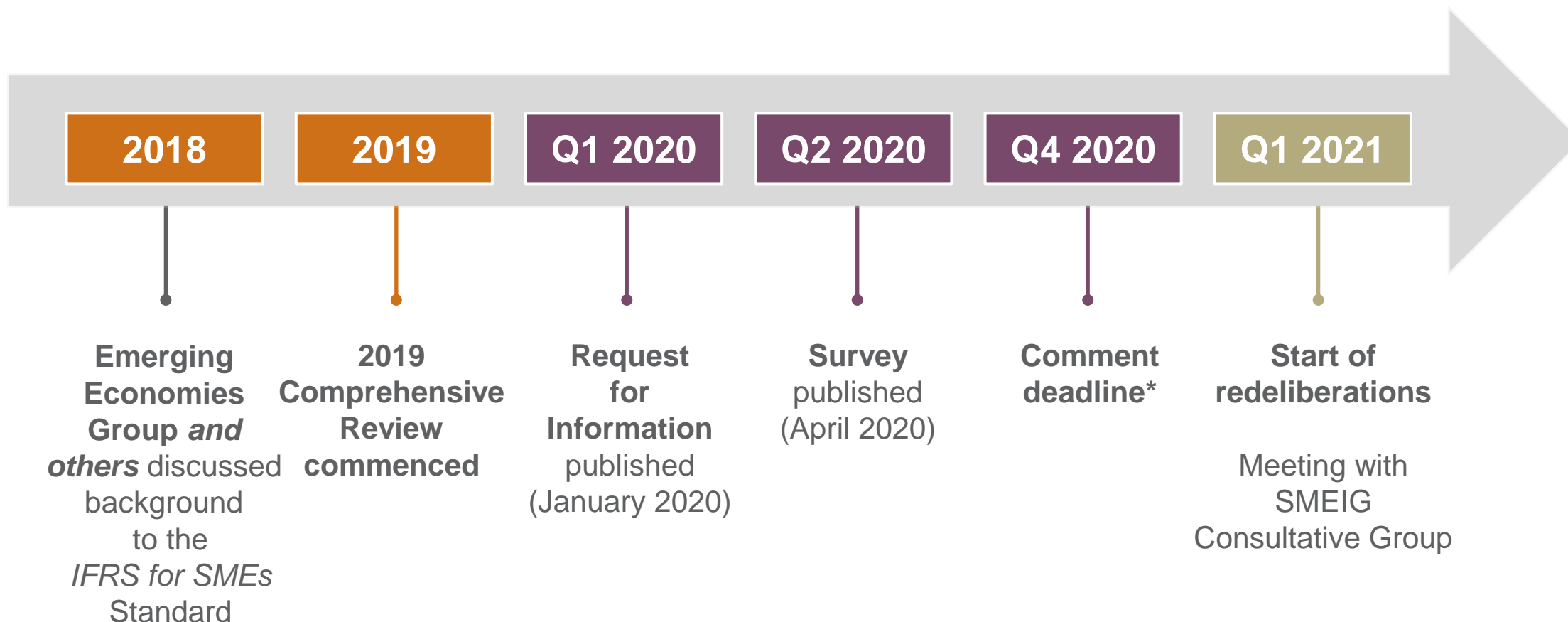
Resources available on our website



<https://www.ifrs.org/issued-standards/ifrs-for-smes/>

Overview of the second comprehensive review

Second comprehensive review—timeline



*Extended from 27 July due to covid-19 pandemic.

Structure of the Request for Information



Questions on ...

Part A

... strategy and the general framework for the review

Part B

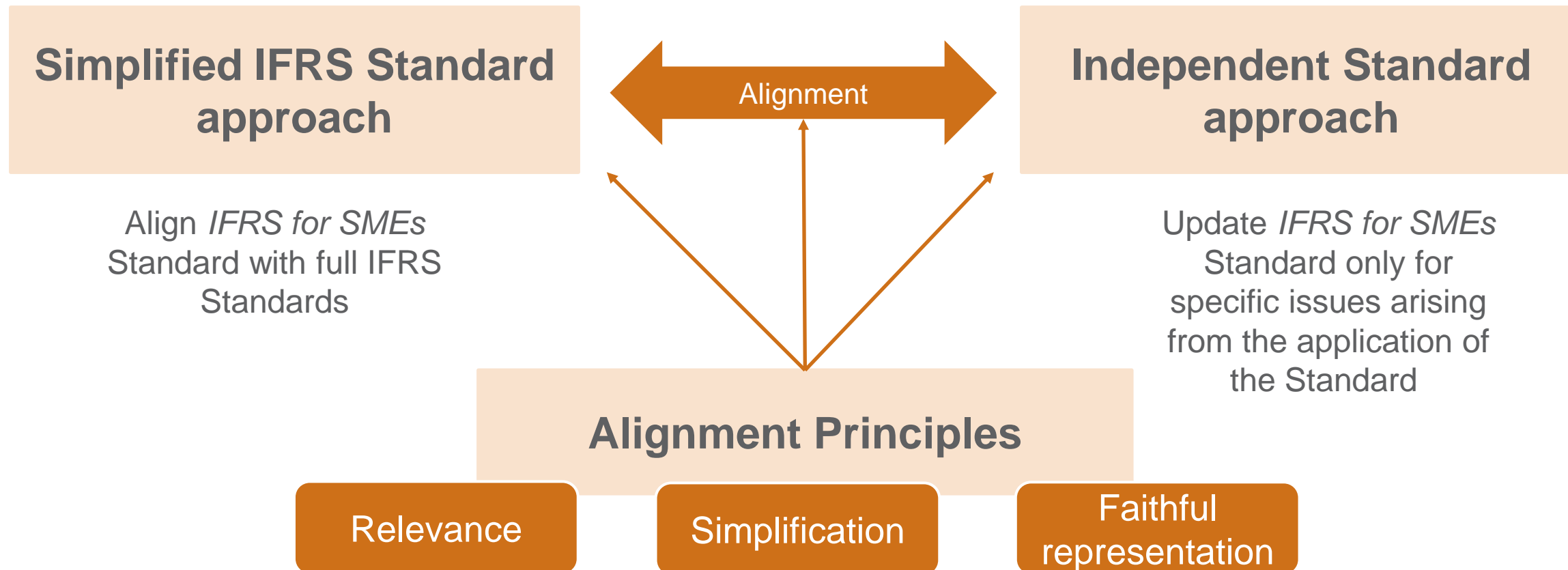
... sections of the *IFRS for SMEs* Standard that could be aligned with IFRS Standards

Part C

... new topics and other matters related to the *IFRS for SMEs* Standard

Part A:
*Strategy and the general
framework for the review*

Two possible approaches to the second comprehensive review



Alignment principles

When

12

The options are to incorporate changes:

1

Issued before the publication date of Request for Information

2

Effective before the publication date of Request for Information

3

Effective and Post-implementation Review completed before publication date of Request for Information

4

Based on some other date

Part B: Aligning with IFRS Standards

IFRS Standards in scope of the review



Seeking views on alignment

Leaving unchanged

2018 *Conceptual Framework for Financial Reporting*

IFRS 14

IFRS 13

IFRS 3

IFRIC
Interpretations

IFRS 10

IFRS 9

Amendments to
IFRS Standards

IFRS 15

IFRS 16

IFRS 11



Fundamental concepts from the *Conceptual Framework* provide the foundation of the *IFRS for SMEs* Standard and the IFRS Standards

- **Align** Section 2 with the 2018 *Conceptual Framework for Financial Reporting*
- Consequential amendments to other Sections
- **Retain** the concept of ‘undue cost and effort’

IFRS 13
*Fair Value
Measurement*

- **Align** definition of **fair value**
- **Align** fair value hierarchy to provide clearer guidance
- Include examples illustrating application of hierarchy
- Move guidance and related disclosure requirements to Section 2

Alignment—Business Combinations and Consolidation

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IFRS 3 *Business Combinations*

- **Request information** on introducing requirements for step acquisitions?
- **Align**: recognition of **acquisition costs**; measurement of **contingent consideration—fair value**, subject to undue cost or effort exemption; **definition of a business**
- **Retain** requirements for **recognition of intangibles**

IFRS 10 *Consolidated Financial Statements*

- **Align** definition of **control**
- **Retain presumption** that control exists if investor has direct power over an investee solely from voting rights
- **Do not** introduce requirement that investment entities account for investments at fair value through profit or loss

IFRS 11 Joint Arrangements

- **Align** definition of **joint control**
- **Retain:**
 - the three categories of joint arrangements
 - the accounting requirements for each category of joint arrangement
 - policy election for jointly controlled entities

IFRS 15 Revenue from Contracts with Customers

- **Views sought** on alternative approaches:
 - Approach 1—update Section 23 to align outcomes with IFRS 15
 - Approach 2—rewrite Section 23 to align with IFRS 15
 - Approach 3—wait until the next review

IFRS 9 *Financial Instruments*

- Add a **classification principle** for financial assets based on contractual cash flow characteristics
- **Align simplified approach** to impairment of financial assets
- **Align** definition and requirements of **issued financial guarantee contracts**
- **Request information** on:
 - need for requirements on **hedge accounting**—if so, retain current requirements
 - need for a **fall-back**—if so, update to IFRS 9

IFRS 16 *Leases*

- **Align to a single model** for the accounting for leases
- Exempt entities from requirement to **separate lease components** from non-lease components
- **Simplify recognition and measurement** requirements for variable lease payments and optional payments relating to extension options
- **Additional simplifications for:** threshold for low-value assets, discount rate, determining and reassessing term of lease, subsequent (reassessment) of lease liability
- **Retain** finance lease disclosures

Part C: New topics and other related matters

New topics and other related matters

IFRS 14

Regulatory Deferral Accounts

Not aligning with IFRS 14 because it may be replaced by an active standard-setting project

Other topics not addressed by the *IFRS for SMEs* Standard

Topics which stakeholder think should be the subject of specific requirements

Simplifications when measuring a defined benefit obligation

Section 28 of the *IFRS for SMEs* Standard simplifies measurement of a defined benefit obligation if an entity is unable, without undue cost or effort, to use the projected unit credit method.

The Board is seeking information on how often the simplifications are applied and whether stakeholders experience difficulties in applying them.

Cryptocurrency

Are holdings of cryptocurrency and issues of cryptoassets prevalent among entities eligible to apply the *IFRS for SMEs* Standard?

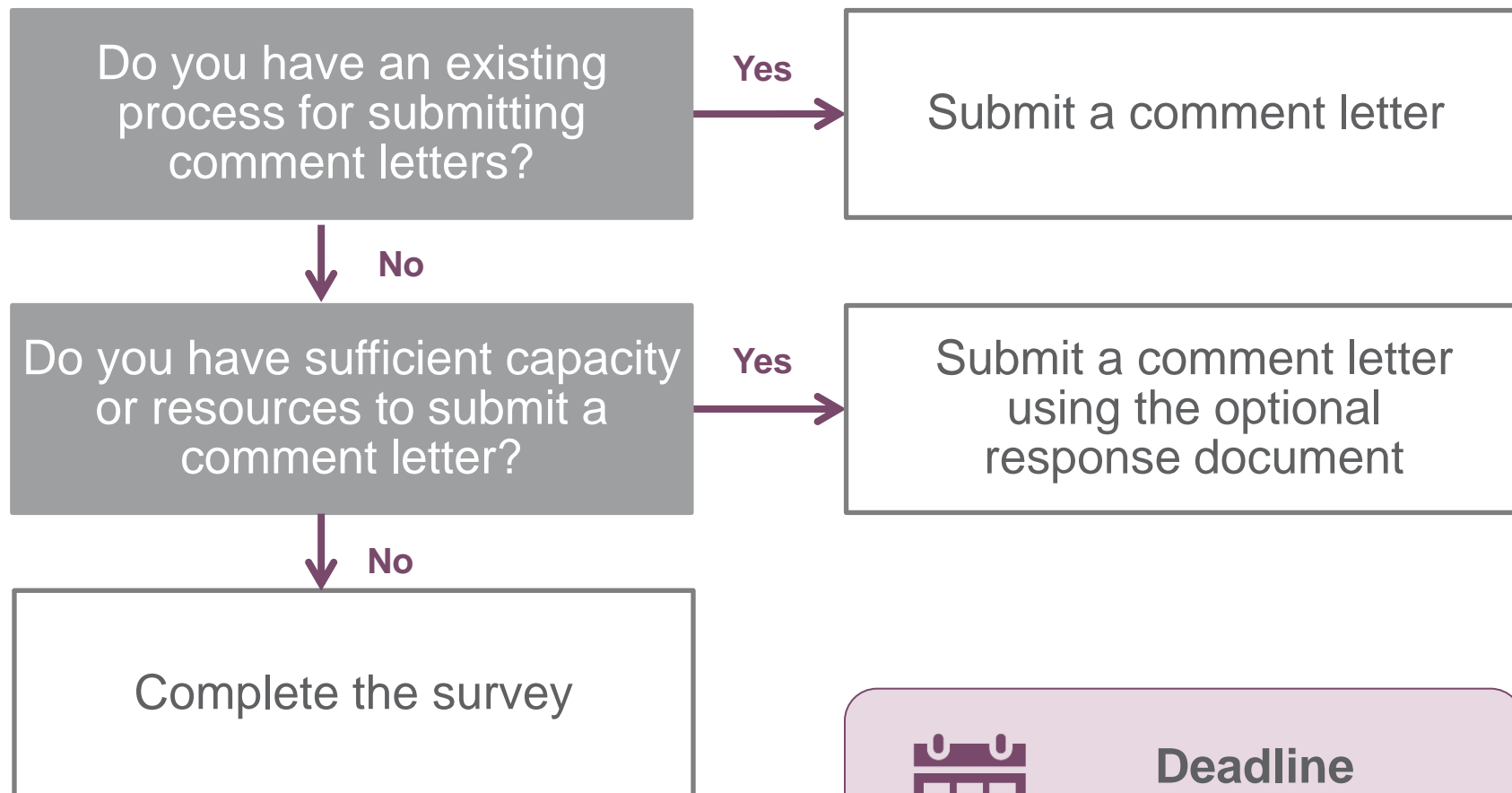
Additional matters

Other questions relating to the *IFRS for SMEs* Standard

Responding to the Request for Information

Responding to the Request for Information

How should I respond to the Request for Information?



 **Deadline**
27 October 2020

Investor survey

To provide insight into the information needs of users of SMEs financial statements

Disclosure requirements of the *IFRS for SMEs* Standard

Broad principles set out in paragraph BC157 of the *IFRS for SMEs* Standard

The user outreach seek feedback on these broad principles

Survey available on request



Deadline for consultation
27 October 2020

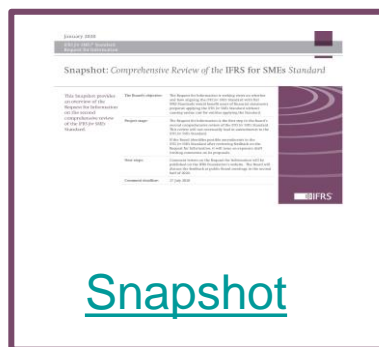
Resources supporting the second comprehensive review

Second comprehensive review—resources

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Website: www.ifrs.org



How to comment



Electronically: ‘Open for comment documents’ @:
<http://go.ifrs.org/open-for-comment>



Post: IFRS Foundation,
Columbus Building,
7 Westferry Circus,
Canary Wharf, London E14 4HD
United Kingdom



Email: commentletters@ifrs.org

<https://www.ifrs.org/issued-standards/ifrs-for-smes/>