Australian Government
Australian Accounting Standards Board

Staff Paper

Project:	**Proposed amendments to the *IFRS for SMEs* Accounting Standard**	**Meeting:**	M191
Topic:	**Project update including the possible effect of the proposed amendments on AASB 1060**	**Agenda Item:**	4.1
		Date:	25 October 2022
Contact(s):	Ao Li ali@aasb.gov.au Kim Carney kcarney@aasb.gov.au	**Project Priority:**	Medium
		Decision-Making:	Low
		Project Status:	Project update

Objective of this agenda item

1 The objective of this agenda item is:

(a) to provide Board members with an introduction to the IASB Exposure Draft ED/2022/1 *IFRS for SMEs Accounting Standard – Third edition of the IFRS for SMEs Accounting Standard* (ED/2022/1) issued in September 2022; and

(b) for Board members to decide whether:

(i) the AASB should issue ED/2022/1 as an AASB Exposure Draft, including whether an Australian preface is needed and if so, what it should include;

(ii) AASB staff should undertake outreach in Australia on the IASB's proposals; and

(iii) the AASB should comment to the IASB.

Attachments

Agenda paper 4.2	IASB ED/2022/1 *IFRS for SMEs Accounting Standard – Third edition of the IFRS for SMEs Accounting Standard* [supporting documents folder]
Agenda paper 4.3	IASB ED/2022/1 *IFRS for SMEs Accounting Standard – Third edition of the IFRS for SMEs Accounting Standard* Basis for Conclusions [supporting documents folder]
Agenda paper 4.4	Exposure Draft — Snapshot *IFRS for SMEs* Accounting Standard – Third edition of the *IFRS for SMEs* Accounting Standard [supporting documents folder]

Background and reasons for bringing this paper to the Board

2 In 2019, the IASB commended its second comprehensive review of the *IFRS for SMEs* Accounting Standard, which the IASB issued in 2009 and amended in 2015.

3 As part of the first phase of the second comprehensive review, the IASB published a Request for Information requesting views on whether and, if so, how the *IFRS for SMEs* Accounting

Standard should be updated to take account of IFRS Accounting Standards and amendments not currently incorporated into the *IFRS for SMEs* Accounting Standard. After considering stakeholder feedback, the IASB issued ED/2022/1 in September 2022, with comments due to the IASB by 7 March 2023.

4 ED/2022/1 as issued by the IASB, is currently available under the 'Open for Comment' section of the AASB website and stakeholders are able to submit comments directly to the IASB.

5 The *IFRS for SMEs* Accounting Standard is intended for use by entities without public accountability, these entities are referred to as small and medium-sized entities (SMEs). The *IFRS for SMEs* Accounting Standard is not available for use in Australia. Instead, entities that do not have public accountability are able to prepare general purpose financial statements (GPFS) that comply with Tier 2 reporting requirements unless they elect or are required to apply Tier 1 reporting requirements.[1] Tier 2 disclosure requirements are set out in a stand-alone disclosure standard AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.*[2]

6 In Australia, Tier 2 reporting requirements comprise the recognition and measurement (R&M) requirements of Tier 1 (i.e. the full IFRS R&M requirements, including consolidation and the equity method of accounting) but substantially reduced disclosure requirements. The presentation requirements under Tier 1 and Tier 2 are the same, except for the presentation of a third statement of financial position[3] and the option of not presenting a statement of changes in equity[4] which are not required for entities applying Tier 2 reporting requirements.

7 Although not applicable in Australia, the *IFRS for SMEs* Accounting Standard was used as the basis to develop the Tier 2 disclosure requirements. AASB 1060 has been developed via a bottom-up approach, starting with the existing disclosures in the current *IFRS for SMEs* Accounting Standard (2nd edition) and has applied the same principles adopted by the IASB in developing the disclosure requirements for the *IFRS for SMEs* Accounting Standard.[5] However, in addition, the AASB also decided to add disclosure requirements to AASB 1060 to address matters of public policy or Australian-specific issues.

8 AASB 1060 was developed to maximise the use of relevant IFRS-based materials by more closely reflecting the disclosure requirement in the *IFRS for SMEs* Accounting Standard; and to support the IASB with its project to develop a reduced disclosure IFRS Accounting Standard that combines full IFRS R&M requirements with the *IFRS for SMEs* Accounting Standard.[6]

9 When finalising AASB 1060, the Board acknowledged that a review of the disclosures will need to take place any time the *IFRS for SMEs* Accounting Standard is updated.[7]

---

1 Currently in Australia, certain not-for-profit private sector entities are able to prepare and lodge special purpose financial statements to satisfy their regulatory reporting obligations.

2 AASB 1060 was issued in March 2020.

3 Under AASB 101 *Presentation of Financial Statements*, a complete set of financial statements includes a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

4 AASB 1060, paragraph 26, permits the presentation of a single statement of income and retained earnings in place of the statement of changes in equity if the only changes to equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policies.

5 Paragraphs BC34–BC50 of AASB 1060.

6 Paragraph BC2 of AASB 1060.

7 Paragraph BC96 of AASB 1060.

10 Whilst staff acknowledge proposed changes to the *IFRS for SMEs* Accounting Standard are only in the exposure draft phase and may be subject to further changes as the IASB continues with its due process, should the IASB proceed with the proposed amendments to the *IFRS for SMEs* Accounting Standard, the AASB would need to consider the effect of any changes on AASB 1060.

Summary of staff recommendations

11 Staff recommend that:

(a) ED/2022/1 should not be issued as an AASB Exposure Draft;

(b) limited targeted outreach to obtain stakeholder views on the proposed amendments to the definition of public accountability is sufficient; and

(c) the AASB only comment on the proposed amendments to the definition of public accountability and other matters identified by staff as being particularly relevant to Australian stakeholders during their analysis of ED/2022/1.

Structure of the paper

12 This paper is structured as follows:

(a) Overview of ED/2022/1 (paragraphs 13–18)

(b) Areas for consideration:

(i) Whether to issue ED/2022/1 as an AASB Exposure Draft? (paragraphs 19–34)

(ii) Outreach and whether to comment on IASB ED/2022/1 (paragraph 35)Proposed **content for the Australian preface** (paragraphs 36–37)

(c) Appendix 1: Summary of key proposed amendments in ED/2022/1

Overview of ED/2022/1

13 The IASB developed the *IFRS for SMEs* Accounting Standard from full IFRS Accounting Standards. The first and second editions of the *IFRS for SMEs* Accounting Standard were based on the *Framework for the Preparation and Presentation of Financial Statements* (1989) together with the principles and requirements in full IFRS Accounting Standards but simplified for users' needs and cost-benefit considerations.

14 The IASB continues with this approach as the starting point for developing the 3rd edition of the *IFRS for SMEs* Accounting Standard. In undertaking this second comprehensive review of the *IFRS for SMEs* Accounting Standard, the IASB applied three principles:

(a) Relevance to SMEs — is the topic relevant to SMEs?

(b) Simplicity — can the requirements of full IFRS Accounting Standards be simplified? and

(c) Faithful representation — do the outcomes faithfully represent the substance of transactions?

15 When the IASB performed its first comprehensive review of the *IFRS for SMEs* Accounting Standard, it decided not to amend the *IFRS for SMEs* Accounting Standard to take account of some IFRS Accounting Standards, for example, IFRS 3 *Business Combinations*, and amendments to IFRS Accounting Standards in the scope of the review. The IASB made these decisions, in

part, to minimise changes to what was then a newly issued Standard, but also because many entities that had adopted the *IFRS for SMEs* Accounting Standard had done so very recently.

16 This comprehensive review re-examines some IFRS Accounting Standards (see paragraph 17 below). It also proposes amendments to reflect new requirements in full IFRS Accounting Standards, and other matters brought to the IASB's attention since it issued the second edition of the *IFRS for SMEs* Accounting Standard.

17 ED/2022/1 proposes:

(a) substantial changes to the requirements of six sections of the *IFRS for SMEs* Accounting Standard, to align it with the following IASB pronouncements:[8]

(i) The *Conceptual Framework for Financial Reporting* (issued in 2018);

(ii) IFRS 3 *Business Combinations*;

(iii) IFRS 9 *Financial Instruments*;

(iv) IFRS 10 *Consolidated Financial Statements*;

(v) IFRS 11 *Joint Arrangements*; and

(vi) IFRS 15 *Revenue from Contracts with Customers*;

(b) minor amendments to 19 sections of the *IFRS for SMEs* Accounting Standard;

(c) editorial amendments to 10 sections of the *IFRS for SMEs* Accounting Standard;

(d) to add a new section, *Fair Value Measurement,* to the *IFRS for SMEs* Accounting Standard; and

(e) clarifications to the definition of public accountability following stakeholder concerns about applying the definition.[9]

18 Staff have not yet performed a detailed analysis of the amendments proposed in ED/2022/1 to fully understand any possible effect on AASB 1060. Staff intend to do so over the coming months.

Areas for consideration

Whether to issue ED/2022/1 as an AASB Exposure Draft?

19 Staff considered the following matters when forming the staff recommendation about whether ED/2022/1 should be issued by the AASB as an AASB Exposure Draft.

What effect do amendments to the IFRS for SMEs *Accounting Standard have on AASB 1060?*

---

8 The IASB has also applied the alignment approach to IFRS 14 *Regulatory Deferral Accounts* and IFRS 16 *Leases*. The IASB is not proposing amendments for IFRS 14, because IFRS 14 may be replaced when the IASB's project on rate-regulated activities is completed. The IASB is not proposing amendment for IFRS 16 at this time, because to do so imposes a workload on SMEs that is disproportionate to the benefit to users of their financial statements. Further, findings from the post-implementation review of IFRS 16 and application questions may provide additional information about the costs and benefits of aligning with IFRS 16.

9 The IASB also consider and decided not to include requirements in the *IFRS for SMEs* Accounting Standard for holdings of cryptocurrency and the issue of cryptoassets. The IASB considered that the use of cryptocurrency is not prevalent among SMEs. The IASB awaits the outcome of future research and standard-setting projects to develop requirements for cryptocurrency for entities applying full IFRS Accounting Standards.

20 AASB 1060 was developed based on the *IFRS for SMEs* Accounting Standard. In determining the disclosure requirements in AASB 1060, the Board's approach was to:

(a) retain the disclosures in the *IFRS for SMEs* Accounting Standard where the R&M requirements and options are the same or similar in the *IFRS for SMEs* Accounting Standard and full IFRS.

(b) remove the disclosures relating to R&M options or treatments in the *IFRS for SMEs* Accounting Standard that are not available in full IFRS; and

(c) add disclosures to the *IFRS for SMEs* Accounting Standard where the R&M principles are significantly different or certain topics are not addressed under the *IFRS for SMEs* Accounting Standard.[10]

21 AASB 1060 paragraph BC96 states that "a review of the disclosures will need to take place any time the *IFRS for SMEs* Accounting Standard is updated, a new Australian Accounting Standard or Interpretation is issued or amendments are made to existing Australian Accounting Standards or Interpretations".

22 Staff note that the proposals in ED/2022/1 were mainly developed to align the *IFRS for SMEs* Accounting Standard with recent development in full IFRS Accounting Standards and to reduce the inconsistencies between *IFRS for SMEs* and the full IFRS Accounting Standards. However, staff also note that, when AASB 1060 was being developed, many of the developments considered by the IASB in developing ED/2022/1 were considered by the Board at that time (e.g. revenue and fair value measurement disclosures).

23 Therefore, staff expect that the Board's consideration of any proposed amendments to AASB 1060 will only commence once the IASB has issued a revised *IFRS for SMEs* Accounting Standard.

AASB due process requirements

24 The *AASB Due Process Framework for Setting Standards* sets out the principle that, to maximise Australia's input and influence on international accounting Standard-setting, the AASB issues IASB consultation documents concurrently in Australia to seek Australian input and prepares formal submissions on issues likely to be of interest to Australian entities. [11]

25 However, staff consider that ED/2022/1 is likely to be of limited interest to Australian stakeholders. This is because the *IFRSs for SMEs* Accounting Standard is not currently in use in Australia.

26 When developing AASB 1060 and AASB 2020-2 *Amendments to Australian Accounting Standards — Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*, staff note that the Board did re-evaluate the suitability of the *IFRS for SMEs*

10 See paragraphs BC41–42 and BC53 of AASB 1060 for the principles the Board applied in determining what disclosures to add.

11 Paragraph 5.1(c) of the due process framework. Paragraph 7.4.3 of the due process framework also states that when the IASB issues an ED, the AASB reissues the ED in Australia along with Australian-specific commentary, if necessary. AASB strategic objective 3 is also relevant and requires that the AASB "actively influence IASB … standards and other international accounting and external reporting standards and guidance, by demonstrating thought leadership and enhancing key international relationships".

Accounting Standard as the Tier 2 framework in Australia and reconfirmed that the Standard continued not to be a preferred option for the for-profit private sector in Australia.[12]

27 Staff note that, when the IASB was undertaking its first comprehensive review of the *IFRS for SMEs* Accounting Standard in 2013 and issued an IASB Exposure Draft, an AASB Exposure Draft was also not issued at that time.[13]

Extent of possible future changes to AASB 1060

28 As outlined in paragraph 17, the key areas of possible changes to AASB 1060, should the IASB finalise the proposed amendments in the future are (with reference to paragraphs in AASB 1060):

(a) Business Combinations and Goodwill (paragraphs 142–142);

(b) Basic Financial Instruments (paragraphs 111–119);

(c) Other Financial Instrument Issues — Hedging Disclosures (paragraphs 120–122);

(d) Consolidated and Separate Financial Statements (paragraphs 104–105);

(e) Investments in Joint Ventures (paragraphs 120–131);

(f) Revenue (paragraphs 157–159); and

(g) Disclosures (under various topics) related to assets and liabilities measured at fair value.

29 However, as noted above, when AASB 1060 was being developed, many of the topics considered by the IASB in developing ED/2022/1 were considered by the Board at that time (e.g. revenue and fair value measurement disclosures) and therefore significant changes to AASB 1060 may not be required, regardless of any possible changes to the *IFRS for SMEs* Accounting Standard.

Definition of public accountability

30 Feedback on IASB Exposure Draft ED/2021/7 *Subsidiaries without Public Accountability: Disclosures*, issued in July 2021, indicated some concerns about applying the definition of public accountability. In particular, some respondents to ED/2021/7 disagreed with the statement that 'most' banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks hold assets in a fiduciary capacity for a broad group of outsiders as a primary business, and hence have public accountability.

31 ED/2022/1 proposes to instead list banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks as examples of entities that often meet the second criterion (i.e. that often hold assets in a fiduciary capacity).

32 Furthermore, to help jurisdictions better understand the basis for the definition of 'public accountability' and apply that definition consistently, the IASB is proposing to clarify why the entities in paragraph 1.3(b) of ED/2022/1 would often be considered to have public

---

12 Paragraphs BC108–BC114 of AASB 2020-2 *Amendments to Australian Accounting Standards — Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.

13 Staff note that at the time the Board was concerned that the proposed second edition of the *IFRS for SMEs* Accounting Standard was moving away further away from the full IFRS Accounting Standards, in terms of recognition and measurement, and therefore, the comparability between publicly and non-publicly accountable entities might be compromised. See AASB comments on IASB Exposure Draft ED/2013/9 *Proposed amendments to the International Financial Reporting Standard for Small and Medium-sized Entities*.

accountability.[14] In particular, the IASB is proposing to clarify that an entity with the following characteristics would usually have public accountability:

(a) there is both a high degree of outside interest in the entity and a broad group of users of the entity's financial statements (existing and potential investors, lenders and other creditors) who have a direct financial interest in, or substantial claim against, the entity; and

(b) these users depend primarily on external financial reporting as their means of obtaining financial information about the entity. These users need financial information about the entity but lack the power to demand the information for themselves. The IASB's view is that full IFRS Accounting Standards are intended to meet the needs of these users.

33 The proposed amendments are expected to clarify the definition of public accountability without changing the intended scope.[15]

<u>*Staff recommendation*</u>

34 On balance, staff recommend that the ED/2022/1 should not be issued as an AASB Exposure Draft. Staff consider that the *IFRS for SMEs* Accounting Standard is not available for use in Australia and therefore:

(a) issuing an AASB Exposure Draft of the proposals may confuse stakeholders and, without a clear explanation about why the proposals are being exposed in Australia, stakeholders may consider that the Boards' issue of such an Exposure Draft indicates the Board is reconsidering its position on the adoption of the *IFRS for SMEs* Accounting Standard (however, staff acknowledge that an Australian preface could minimise any possible confusion);

(b) the Board's interest in ED/2022/1 is limited to any possible effect the proposals may have on:

(i) the disclosure requirements of AASB 1060. Staff consider that, until the IASB has finalised any changes to the *IFRS for SMEs* Accounting Standard, seeking feedback from Australian stakeholders on any possible disclosure amendments to AASB 1060 at this time is premature; and

(ii) the application of Tier 2 requirements in Australia because the definition of public accountability contained within the *IFRS for SMEs* Accounting Standard is used in AASB 1053 *Application of Tiers of Australian Accounting* Standards. Staff acknowledge that any proposed amendments or clarifications to the IASB's definition of public accountability are likely to affect AASB 1053 and the application of Tier 2 reporting requirements in Australia (and therefore may be of interest to Australian stakeholders). However, because the proposed amendments are

---

14 Paragraph 1.3 of ED/2022/1 states that "An entity has public accountability if:
(a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or
(b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, most banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks often would meet this second criterion)."

15 Staff noted that at its October 2022 meeting, the NZASB also decided not to issue ED/2022/1 in New Zealand and also decided to only comment specifically on the sections of the Exposure Draft relating to the definition of public accountability as well as any other matters NZASB staff become aware of during their analysis of ED/2022/1.

intended to clarify the application of the definition of public accountability and are not intended to alter to the scope of the public accountability definition, staff do not consider the proposed amendments to be significant enough to warrant issuing ED/2022/1 as an AASB Exposure Draft;

(c) if amendments to the *IFRS for SMEs* Accounting Standard are made by the IASB, the Board would need to consider them and undertake its own due process (including seeking stakeholder feedback) before making any changes to AASB 1060;

(d) should Australian stakeholders have significant interest in the ED/2022/1 proposals, they are able to comment directly to the IASB via the link on the AASB website or via the IASB website directly; and

(e) when AASB 1060 was being developed, many of the topics considered by the IASB in developing ED/2022/1 were considered by the Board at that time (e.g. revenue and fair value measurement disclosures) and therefore significant changes to AASB 1060 may not be required.

Outreach and whether to comment on IASB ED/2022/1

35 Based on the consideration discussed in paragraph 34, staff also recommend the Board:

(a) only comment to the IASB on matters directly affecting Australian stakeholders. That is, only comment on the proposed amendments to the definition of public accountability and anything else that staff identify during their analysis of ED/2022/1 as being particularly relevant to Australian stakeholders;

(b) perform limited targeted outreach to obtain stakeholder views on the proposed amendments to the definition of public accountability and inform the Board's comment to the IASB on this matter; and

(c) monitor relevant literature but not perform any further research about the suitability of the *IFRS for SMEs* Accounting Standard for entities without public accountability in Australia at this stage.

Questions to the Board:

Q1. Do Board members agree with the staff recommendations in paragraph 34 that ED/2022/1 should not be issued as an AASB Exposure Draft? If no, what do Board members suggest?

Q2. Do Board members agree with the staff recommendation in paragraph 35(a) that the Board should comment only on the proposed amendments to the definition of public accountability and other matters identified by staff as being particularly relevant to Australian stakeholders? If no, what do Board members suggest?

Q3. Do Board members agree with the staff recommendation in paragraph 35(b) to perform limited targeted outreach on the proposed amendments to the definition of public accountability?

Q4. Do Board members agree with the staff recommendation in paragraph 35(c) to not monitor relevant literature but not perform any further research about the suitability of the *IFRS for SMEs* Accounting Standard for entities without public accountability in Australia at this stage?

Proposed content for the Australian preface – only if the Board disagrees with staff recommendation in Question 1

36 Whilst staff do not consider that ED/2022/1 should be issued as an AASB Exposure Draft, if in response to question 1 the Board decides to issue ED/2022/1 as an AASB Exposure Draft, staff consider it is important for an Australian preface to accompany the proposals.

37 Staff seek direction from the Board regarding what other matters should be addressed in the Australian preface, in addition to the preface being clear that the Board is not exposing the proposals as a possible replacement for AASB 1060.

Questions to the Board:

Q5. If the Board disagrees with the staff recommendation in Question 1, what matters do Board members consider should be addressed in the Australian preface?

Appendix 1: Summary of key proposed amendments in ED/2022/1

This appendix considers the key changes to the *IFRS for SMEs* Accounting Standard proposed in ED/2022/1. The proposed changes summarised below are those identified by IASB staff as being key changes because substantial changes to requirements in the *IFRS for SMEs* Accounting Standard are proposed in ED/2022/1.

Section in current* IFRS for SMEs *Accounting Standard)	***Corresponding full IFRS Accounting Standards***	***Summary of proposed amendments in ED/2022/1 to the recognition and measurement requirements of the* IFRS for SMEs *Accounting Standard***	***Summary of proposed amendments in ED/2022/1 to the disclosure requirements of the* IFRS for SMEs *Accounting Standard***
Section 2 *Concepts and Pervasive Principle*	*Conceptual Framework for Financial Reporting* (issued in 2018)	The IASB is proposing to: • introduce new concepts on measurement, presentation and disclosure, and guidance on derecognition; • update definitions and recognition criteria for assets and liabilities; • clarify the concepts of prudence, stewardship, measurement uncertainty and substance over form; • add an overriding principle that the requirements in other sections of the Standard take precedence over Section 2; and • retain the concept of 'undue cost or effort'.	No disclosure changes. ED/2022/1 is proposing to align the *IFRS for SMEs* Accounting Standard with the *Conceptual Framework for Financial Reporting* (2018).
Section 9 *Consolidated and Separate Financial Statements* **Section 14 *Investments in Associates*** **Section 15 *Investment in Joint Ventures***	IFRS 10 *Consolidated Financial Statements* IFRS 11 *Joint Arrangements* IFRS 12 *Disclosure of Interests in Other Entities*	The IASB is proposing to: • align Section 9 with IFRS 10, introducing control as the single basis for consolidation that applies to all entities; • update the definition of control to align with IFRS 10 while retaining the rebuttable presumption that control exists when an investor owns more than a majority of the voting rights of an investee, which is a simplification of the control model; • add new requirements for partial disposals that result in loss of control – an SME would measure	New disclosure requirements for: • disclosures in the consolidated financial statements – gain or loss arising by a parent loss of control of a subsidiary; and • disclosures in separate financial statements – the consolidated financial statements which the separate financial statements are related or, if the entity elected not to prepare consolidated financial statements, the name and principal place of business of the entity whose consolidated financial

Section in current **IFRS for SMEs** *Accounting Standard)*	*Corresponding full IFRS Accounting Standards*	*Summary of proposed amendments in ED/2022/1 to the recognition and measurement requirements of the* **IFRS for SMEs** *Accounting Standard*	*Summary of proposed amendments in ED/2022/1 to the disclosure requirements of the* **IFRS for SMEs** *Accounting Standard*
	IAS 28 *Investments in Associates and Joint Ventures*	any retained interest at fair value when control is lost; • update the definition of joint control to align with IFRS 11; • retain the classifications of joint arrangements as: ○ jointly controlled operations; ○ jointly controlled assets; and ○ jointly controlled entities; and • add requirements for when an entity participates but does not have joint control.	statements comply with full IFRS Accounting Standards or *IFRS for SMEs* Accounting Standards. Amendments to existing disclosure requirements: • Minor amendments to the disclosure requirements proposed to align with proposed revisions to terminologies and other clarifications. The revised terminologies are consistent with IFRS 11.
Section 11 ***Basic Financial Instruments*** **Section 12** ***Other Financial Instrument Issues***	IFRS 9 *Financial Instruments*	The IASB is proposing to: • remove the option to apply the recognition and measurement requirements in IAS 39 *Financial Instruments: Recognition and Measurement;* • retain the incurred loss model for trade receivables and contract assets in the scope of the revised Section 23 *Revenue*; • require an expected credit loss model for all other financial assets measured at amortised cost, aligned with the simplified approach in IFRS 9; • introduce a principle for classification (i.e. amortised cost and fair value through profit and loss) and measurement of financial instruments based on their contractual cash flow characteristics with simplification to the classification and measurement requirements for financial assets in IFRS 9 by removing the requirement to determine how financial assets should be classified and measured on the basis of the entity's business model for managing the financial asset; and	New disclosure requirements for: • quantitative and qualitative information about amounts arising from expected credit losses. Amendments to existing disclosure requirements: • Remove the disclosure requirements related to financial assets and liabilities measured at fair value. Proposed disclosure requirements in the new Fair Value section would provide overarching disclosure requirements for assets and liabilities measured at fair value after initial recognition (see the row below).

Section in current **IFRS for SMEs** *Accounting Standard)*	*Corresponding full IFRS Accounting Standards*	*Summary of proposed amendments in ED/2022/1 to the recognition and measurement requirements of the* **IFRS for SMEs** *Accounting Standard*	*Summary of proposed amendments in ED/2022/1 to the disclosure requirements of the* **IFRS for SMEs** *Accounting Standard*
		removing the option to present subsequent changes in fair value of an investment in an equity instrument in other comprehensive income (fair value through other comprehensive income election); • introduce simplified requirements for issued financial guarantee contracts including a definition of a financial guarantee contract and measurement requirements – recognition at the higher of amount initially recognised and receivable; and • retain the requirements in Section 11 for impairment of equity instruments measured at cost. The IASB is also proposing to combine Section 11 and Section 12 to have a new combined Section 11.	
New Section *Fair Value Measurement* (Proposed Section 12 in ED/2022/1)	*IFRS 13 Fair Value Measurement*	The IASB is proposing that the requirements on measuring fair value and related disclosure requirements be consolidated in a new section *Fair Value Measurement*. ED/2022/1 also proposes updating the definition of fair value and the framework for measuring fair value including examples that are relevant to SMEs.	New disclosure requirements for: • the carrying amounts, level of fair value hierarchy and description of the valuation technique(s) for each class of assets and liabilities measured at fair value in the statement of financial position after initial recognition; • total gain or losses in profit or loss and other comprehensive income for recurring fair value measurements categorised within level 3 of the fair value hierarchy; and • quantitative disclosures in a table (unless another format is more appropriate) for the above disclosure requirements and sufficient information to enable disaggregation and reconciliation to the

Section in current **IFRS for SMEs** *Accounting Standard)*	*Corresponding full IFRS Accounting Standards*	*Summary of proposed amendments in ED/2022/1 to the recognition and measurement requirements of the* **IFRS for SMEs** *Accounting Standard*	*Summary of proposed amendments in ED/2022/1 to the disclosure requirements of the* **IFRS for SMEs** *Accounting Standard*
			line items presented in the statement of financial position. The revised terminologies are consistent with IFRS 13.
Section 19 ***Business Combinations and Goodwill***	IFRS 3 *Business Combinations*	IASB is proposing to align Section 19 with the acquisition method of accounting in IFRS 3 by: • adding requirements and guidance on identifying the acquirer and forming a new entity; • updating the definition of a business; • updating the references when recognising the identifiable assets acquired and liabilities assumed in a business combination to refer to the definitions of an asset and a liability in the revised Section 2; • clarifying that an acquirer cannot recognise a contingency that is not a liability; • requiring recognition of acquisition-related costs as an expense; • requiring measurement of contingent consideration at fair value if the fair value can be measured reliably without undue cost or effort; and • adding requirements for an acquisition achieved in stages (step acquisitions).	New disclosure requirements for: • contingent consideration arrangements (i.e. where the purchase price includes a contingent consideration); • contingent liabilities that are not recognised because their fair value cannot be measured reliably; and • subsequent periods where an entity has a contingent consideration asset or liability. Amendments to existing disclosure requirements: • Minor and editorial changes to align with proposed revisions to terminologies and other clarifications. The revised terminologies are consistent with IFRS 3.
Section 23 ***Revenue***	*IFRS 15 Revenue from Contracts with Customers*	IASB is proposing to revise Section 23 to align it with the principles and language used in IFRS 15. The revised requirements are based on the five-step model in IFRS 15, with simplifications that retain the basic principles in IFRS 15 for recognising revenue. ED/2022/1 also provides transition relief for SMEs to apply their current revenue recognition policy to contracts already in progress.	Disclosure requirements rewritten to align with the proposed revisions to the principles of the section, including: • revenue disaggregated into categories at a minimum; arising from the sales of goods, the rendering or services, royalties, commissions and other significant types of revenue from contracts with customers;

Section in current IFRS for SMEs *Accounting Standard)*	*Corresponding full IFRS Accounting Standards*	*Summary of proposed amendments in ED/2022/1 to the recognition and measurement requirements of the* IFRS for SMEs *Accounting Standard*	*Summary of proposed amendments in ED/2022/1 to the disclosure requirements of the* IFRS for SMEs *Accounting Standard*
			• presenting separately, impairment losses recognised for the reporting period on receivables or contract assets arising from the entity's contracts with customers; • information and description about promises in contracts with customers; • method used to recognise revenue for promises that an entity satisfies over time; • quantitative or qualitative explanation of the significance of unsatisfied promises and when they are expected to be satisfied; • closing balances of assets recognised from costs incurred to obtain or fulfil a contract with a customer by main category of asset and the amount of amortisation and impairment losses recognised in the reporting period; • the fact that an entity elects to use the options in relation to making no adjustment for the time value of money or costs of obtaining a contract; and • the fact that an entity recognises the costs to obtain a contract as expenses when incurred because it is unable to identify whether those costs meet the criteria without undue cost or effort and the reason why identifying the costs would involve undue cost or effort.