



THE 12th ANNUAL AOSSG MEETING
*Joining hands in regional cooperation and the development
of IFRS*
November 23-25, 2020, Virtual Meeting

IASB Request for Information: Comprehensive Review for IFRS for SMEs Standard

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AOSSG IFRS for SMEs Working Group Leader

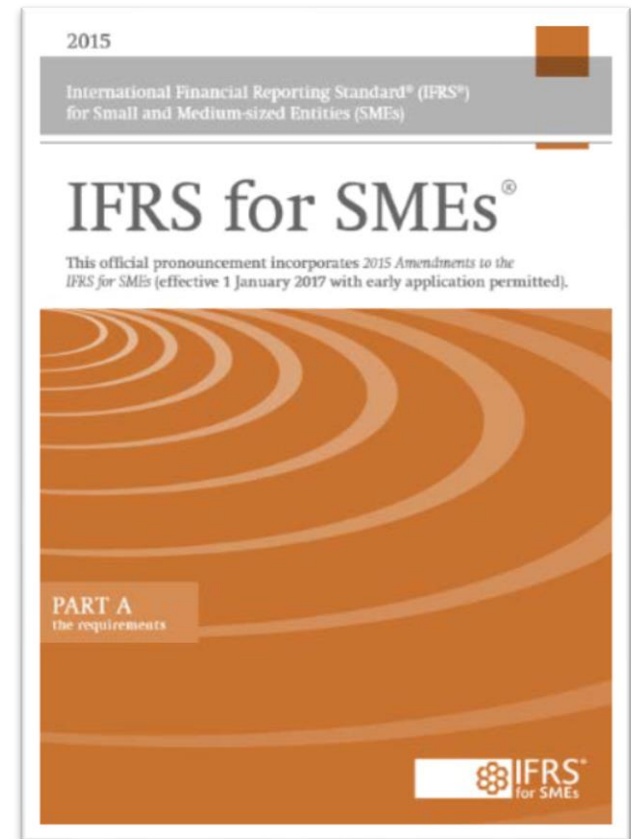
IFRS for SMEs Standard – Timeline



IASB deadline:
27 Oct 2020

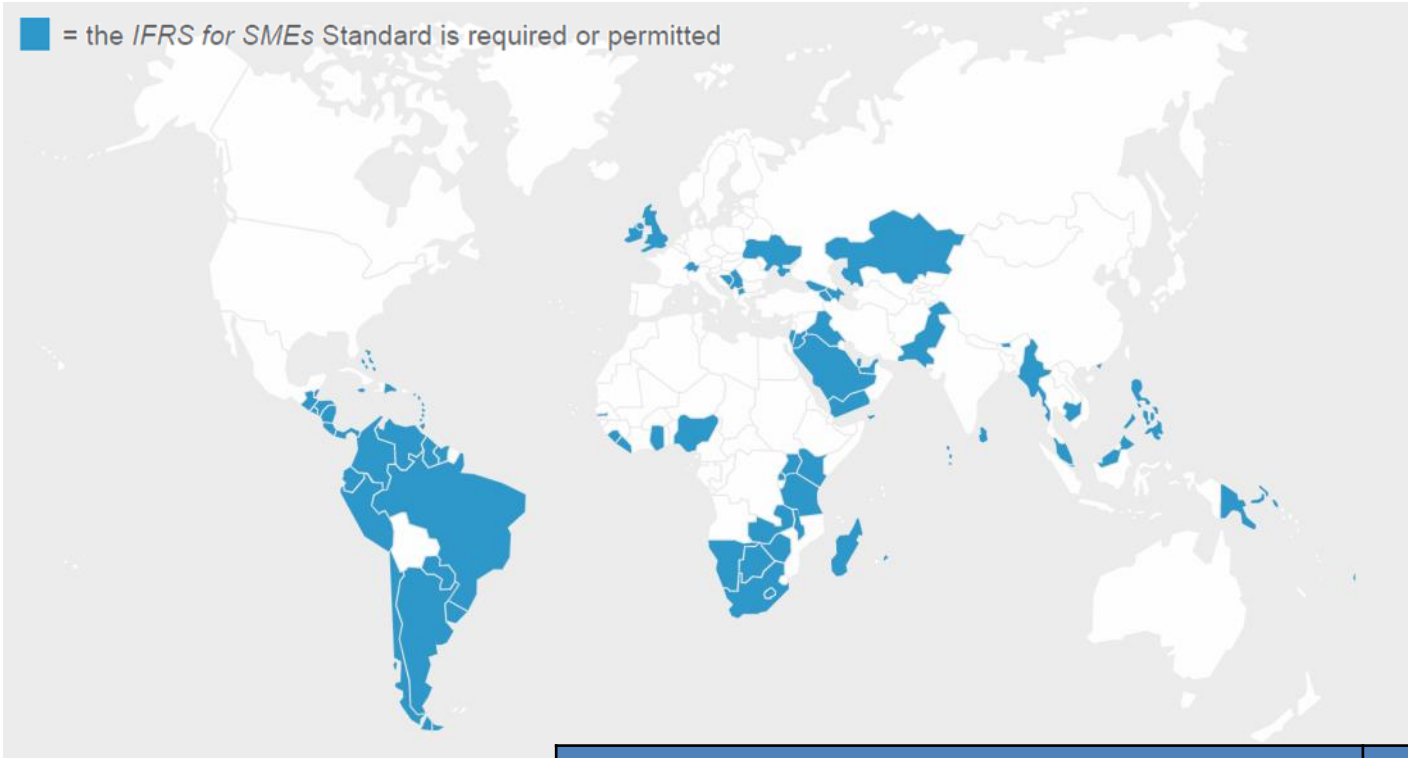
IFRS for SMEs Standard

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



IFRS for SMEs Standard – Adoption

■ = the IFRS for SMEs Standard is required or permitted



As at
21 March
2019

Source: <https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/>

Is the IFRS for SMEs Standard required or permitted?	No. of jurisdictions
Required or permitted	86
Currently under consideration	9
Not used or under consideration	71
Total	166

2nd Comprehensive Review – Overview

Phase I – Request for Information

- Seeks feedback on whether and how to align the *IFRS for SMEs Standard* with IFRS Standards

Phase II – Feedback analysis

- Decide whether to propose amendments to the *IFRS for SMEs Standard*

with questions on ...

Part A

... strategy and the general framework for the review

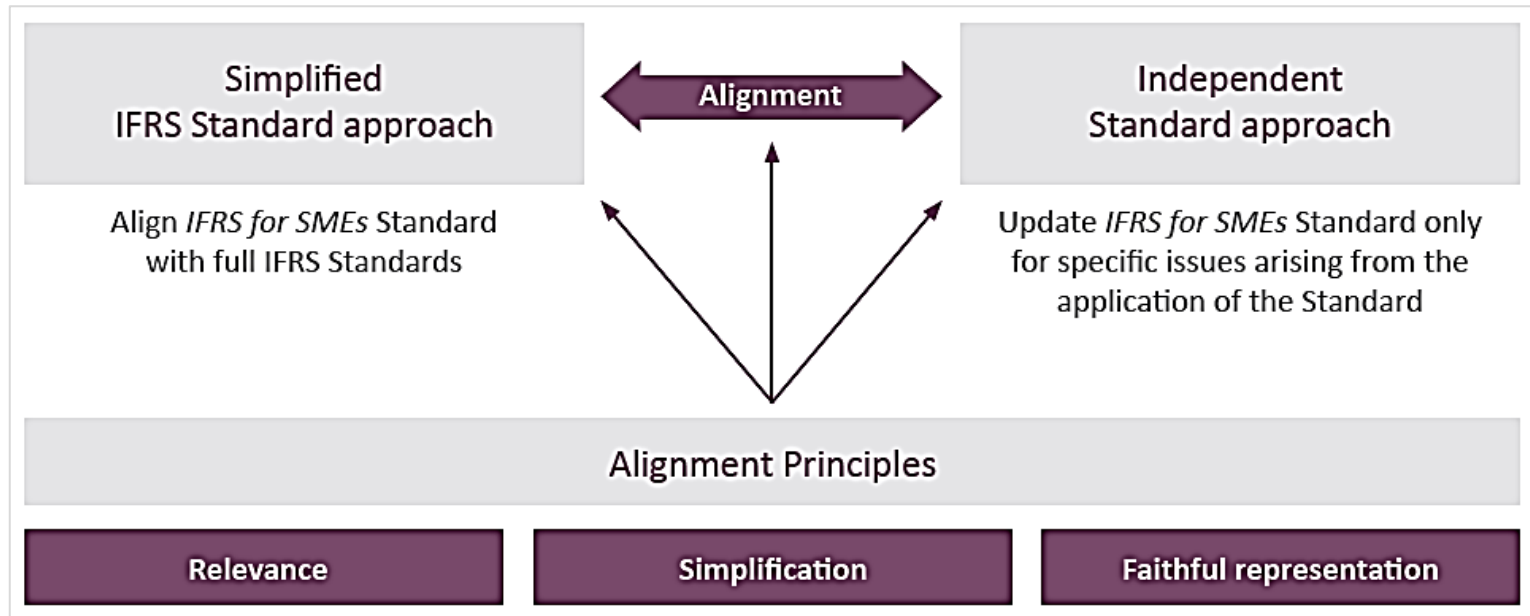
Part B

... 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*

G1A: Two possible alignment approaches



Source: IASB Article issued in August 2020: Second comprehensive review of the IFRS for SMEs Standard – What does alignment mean?

Rfl follows the Simplified IFRS Standard approach

- Allows efficient use of experience gained from developing IFRS Standards.
- IFRS Standards and *IFRS for SMEs Standard* will reflect same principles.
- Sufficiently flexible to cater for specific requirements and characteristics.

G1A: Two possible alignment approaches

Differing views – in support of alignment:

- ☑ **Significant and substantial portion** of companies are **SMEs** globally.
- ☑ Allow **leveraging of implementation experience** from respective full IFRS Standards.
- ☑ Enable **accounting consistency** between SMEs and large-sized counterparts, while retaining sufficient flexibility to cater for SMEs' specific requirements and characteristics.
- ☑ **More conducive** for SMEs anticipated to **access capital market** at later stage.
- ☑ **Avoid continual divergence** between *IFRS for SMEs* Standard and full IFRS Standards.



G1A: Two possible alignment approaches

Differing views – against full alignment:

- ☒ Depending on IASB's objective [see [Slide 11](#)], '**Independent Standard approach**' may be more suitable – allows **greater flexibility** to effectively address **SMEs' needs and challenges**.
- ☒ Users need *IFRS for SMEs* Standard to be simpler than the full IFRS Standards; SMEs may find the *IFRS for SMEs* Standard **complicated and not cost beneficial** to apply.
- ☒ May cause disproportionate use of *IFRS for SMEs* Standard by **penalizing majority** of SMEs **in favour of** the benefit to the **minority**.

Regardless of approach – important to carefully consider details and possible implications of any proposed amendments.



G1A: Two possible alignment approaches

Determining the appropriate alignment approach:

- **What is the objective of developing IFRS for SMEs Standard?**
Did the objective change and why?
Is the current direction in line with the objective?
 - A simplified Standard fit for purpose of SMEs' reporting **OR** as a stepping stone towards adoption of full IFRS Standards?
[Note: smaller proportion of SMEs may use IFRS for SMEs Standard as a stepping stone.]
 - BC45 – nature and degree of differences must be determined on the basis of users' needs and cost-benefit analyses.
 - Potential unintended consequences of full alignment:
 - may compromise simplification efforts
 - may discourage adoption or continued adoption of the IFRS for SMEs Standard.



G1A: Two possible alignment approaches

Determining the appropriate alignment approach:

- **Concurrent IASB project: *Subsidiaries that are SMEs***
 - Common expected outcome – condensed full IFRS Standards, with:
 - recognition and measurement principles of full IFRS Standards.
 - disclosure requirements of *IFRS for SMEs* Standard.
 - Common objective – companies with same transactions and balances would have similar outcomes in financial statements regardless of financial reporting framework applied.
 - **Recommendation: To consider revisiting objective of both projects and feasibility of integrating the two, so as to consolidate and avoid duplication in standard-setting efforts.**



G1A: Two possible alignment approaches

Determining the appropriate alignment approach:

- ***Need for greater focus on leveraging implementation experience***
 - Crucial that sufficient time is allowed to gain requisite experience from implementation of respective newer IFRS Standards before aligning.
 - Alignment should **not** be the main driving force in proposing amendments to the *IFRS for SMEs* Standard.



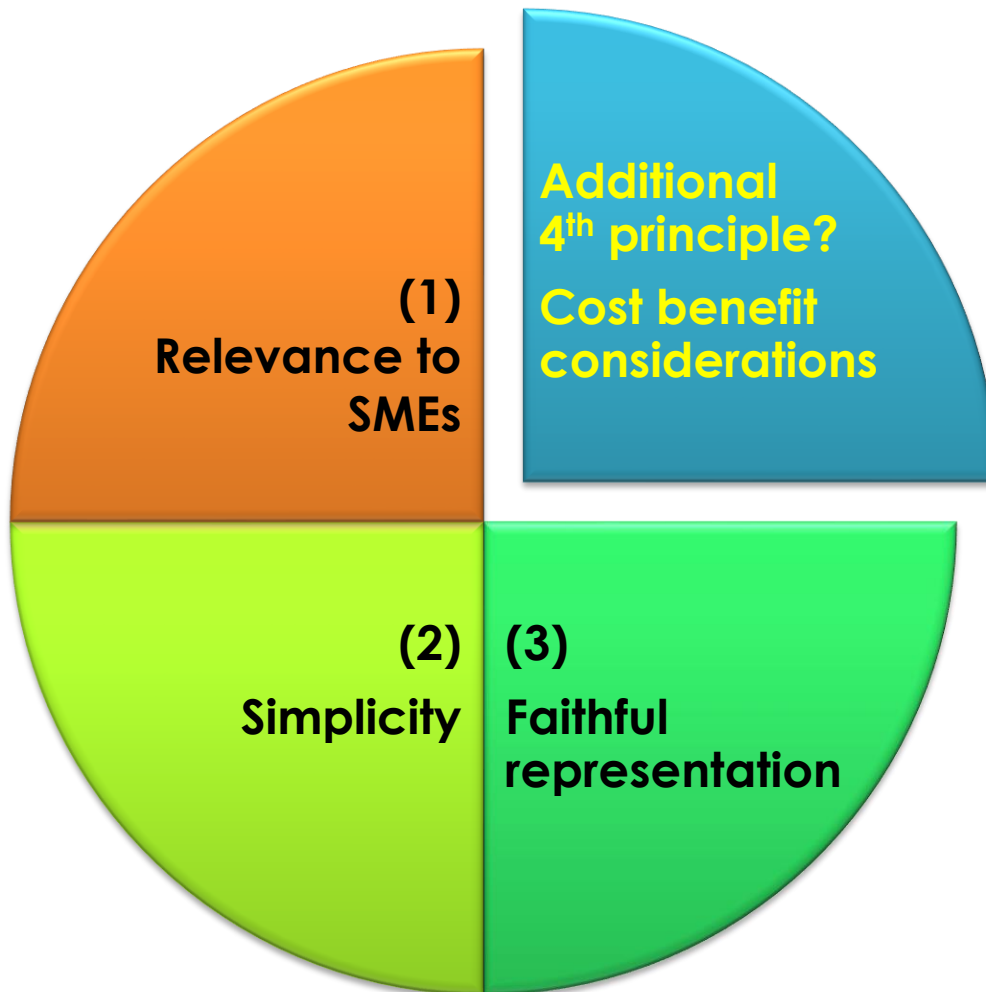
G1B: Extent of alignment

- 3 options:

Option A	Option B	Option C
<ul style="list-style-type: none">Principles	<ul style="list-style-type: none">PrinciplesImportant definitions	<ul style="list-style-type: none">PrinciplesImportant definitionsPrecise wording of requirements

- Certain AOSSG member organisations consider **Option B** most useful, subject to identification of which terms are 'important definitions' and how they will be aligned.
- Alignment of 'precise wording of requirements' is not consistent with 3 alignment principles, i.e. relevance to SMEs, simplicity and faithful representation.
- One AOSSG member organisation: *IFRS for SMEs Standard* should be **re-written, specifically tailored to SME's user needs, with fresh perspective of all concepts**, with certain important definitions aligned to enhance consistency.

G2: Alignment principles



- Two AOSSG member organisations:
When assessing 'relevance to SMEs', to consider whether requirement is **relevant to majority of SMEs, regardless of complexity or size**, i.e. proposed changes should not disadvantage majority of SMEs in favour of minority.
- Three AOSSG member organisations:
Recommend **4th principle, i.e. cost benefit considerations**.

G3: Timing of alignment

- Differing views:

View	Option A Issued up to Rfl publication date	Option B Effective before Rfl publication date	Option C Effective and on which PIR completed before Rfl publication date	Option D Issued or effective on some other date
1	IFRS, Amd, Int			
2		Amd, Int		IFRS
3			IFRS, Amd, Int	
4				IFRS, Amd, Int

IFRS = IFRS Standards

Amd = Amendments to IFRS Standards

Int = IFRIC Interpretations

PIR = Post-implementation Review

G3: Timing of alignment

View	Option A
1	IFRS, Amd, Int issued up to Rfl publication date

- IFRIC amendments to IFRS Standards and IFRIC Interpretations may be prioritised for alignment based on relevance to SMEs.
- Appropriate timeline – depends on overall objective of issuing *IFRS for SMEs* Standard and extent of alignment with the IFRS Standards.
- Overall timelines – Alignment should be with limited time gap.
- PIR outcome – PIR outlines need for further refinement of certain accounting areas; no major shift in underlying principles and approaches.
- Issuance and application of significant IFRS 9, IFRS 15 and IFRS 16 would likely result in holistic alignment of *IFRS for SMEs* Standard with most recent version of IFRS Standards.

G3: Timing of alignment

View	Option B	+	Option D
2	Amd, Int effective before Rfl publication date		IFRS which have been effective for say, 2 years before Rfl publication date

- It is crucial to carefully balance leveraging implementation experience from respective full IFRS Standards and timely alignment efforts.
 - While respective PIR may not have been completed, there would be at least 2 years' worth of implementation experience from full IFRS Standards.
 - IASB project teams for *IFRS for SMEs* Standard and PIR could work closely to ensure accounting principles and key decisions remain aligned.
 - Waiting for PIR completion may take too long, i.e. a **13-year gap for IFRS 15** and **12-year gap for IFRS 16** and corresponding amendment to *IFRS for SMEs* Standard, as illustrated:

2nd comprehensive review

2021: Exposure draft

2022: Issuance of revised Standard

2024: Effective date

3rd comprehensive review

2027: Rfl

2028: Exposure draft

2029: Issuance of revised Standard

2031: Effective date

G3: Timing of alignment

View	Option B	+	Option D
2	Amd, Int effective before Rfl publication date		IFRS which have been effective for say, 2 years before Rfl publication date

- ‘Big four’ new IFRS Standards (IFRS 9, IFRS 15, IFRS 16, IFRS 17) issued and effective in phases in 2018, 2019 and 2023 (“phased approach”).
 - SME preparers have fewer resources than IFRS preparers, but are expected to learn and apply all new principles and concepts (aligned version of new IFRS Standards) simultaneously, by one given date (“big bang approach”).
- Recommendation to help SME preparers cope and address alignment delay: If IASB proceeds to align with IFRS 9, IFRS 15 and IFRS 16, to consider a transition approach, i.e. combining:
 - assigning of **staggered effective dates** for affected Sections (emulating phased approach for ‘big four’ new IFRS Standards); and
 - **modified retrospective approach**, with no restatement of comparative information. Cumulative effect of initially applying the amendments to the respective Sections recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

G3: Timing of alignment

View	Option C
3	IFRS, Amd, Int effective and on which PIR was completed before Rfl publication date

- It is important to first consider the results of amendments to IFRS Standards or IFRIC Interpretations, prior to incorporating them into the *IFRS for SMEs* Standard.

View	Option D
4	IFRS, Amd, Int effective and after sufficient practical implementation experience has been obtained

- The IASB should only consider changes to full IFRS Standards for incorporation into the *IFRS for SMEs* Standard after they are effective and sufficient practical implementation experience has been obtained.

S1: Aligning Section 2 with 2018 Conceptual Framework (CF)

Differing views – in support of alignment:

- ✓ **Consistency** in core underlying principles is crucial for achieving alignment of principles.
- ✓ Can help SMEs in:
 - developing **consistent accounting policies** for areas not covered by the standard which result in relevant and reliable information.
 - **assist understanding and interpretation** of accounting policy choice.
- ✓ **Most** of the **concepts** set out in the 2018 CF have been **updated**.



S1: Aligning Section 2 with 2018 Conceptual Framework (CF)

Differing views – against alignment:

- ☒ **Differing role and authority** of Section 2 and 2018 CF:

	Section 2	2018 CF
Location	Within IFRS for SMEs Standard	Separate document from IFRS Standards
Role & Authority	Carries authority of a Standard	Provides foundation of Standards, but is not itself a Standard. Additional purpose of assisting IASB in development of future Standards and review of existing Standards

- ☒ **2018 CF is not the framework applied** when developing **existing major IFRS Standards**, such as IFRS 15 and IFRS 16.

- Known inconsistency between 2018 CF and IAS 37 as interpreted by IFRIC 21 *Levies*.



S1: Aligning Section 2 with 2018 Conceptual Framework (CF)

Differing views – against alignment:

- ☒ Aligning Section 2 to 2018 CF while aligning other sections of the IFRS for SMEs Standard to existing IFRS Standards (developed applying earlier CF) may result in **unintended consequences**, including **inconsistencies** within the *IFRS for SMEs Standard*, as well as **unintended legal implications** depending on respective jurisdictions' legislation.

Recommendation (also in response to S9):

- To move Section 2 to a separate document, emulating 2018 CF.
- Current Section 2 to be replaced with one-stop guidance on fair value measurement (IFRS 13).
- Due consideration needed on whether certain principles would be more appropriately located within other Sections or in a separate document.



S1: Aligning Section 2 with 2018 Conceptual Framework (CF)

‘Undue cost or effort’ concept

- ☑ Should be retained as it:
 - allows necessary flexibility for SMEs’ application.
 - clarifies that cost is a consideration when applying the requirement to consider constraints in resources and expertise as well as the nature of business environment for most SMEs.

Recommendation:

- More guidance should be provided to facilitate thought process for its application (e.g. similar to four-step materiality process set out in Practice Statement 2 *Making Materiality Judgements*).



S2A: Control

Paragraph 9.5 – control is presumed to exist when the parent entity owns, directly or indirectly through subsidiaries, more than half the voting power of the entity.

- ☑ No objection to retaining paragraph 9.5, subject to:
 - **Update of paragraph 9.5** to achieve 2 objectives, i.e.
 - to convey clearly that 50% shareholding / voting right is an indication of control (and so does not override the main principle of control).
 - to remain simplified in terms of drafting.
 - **More clarification on nature of 'updates' to paragraph 9.5**, and whether the update is restricted to amendments arising from alignment of definition in Section 9 with IFRS 10.



S3A: Financial assets – Classification and measurement

Section 11 list of examples – to supplement with a principle for classifying financial assets based on their contractual cash flow characteristics?

Differing views:

Agree —

- provided that the list of conditions (paragraph 11.9) that a debt instrument needs to satisfy in order to qualify as a basic financial instrument, and thereafter apply the amortised cost model, is retained.
- as this would provide a clear rationale for classifying financial assets and measuring them either at amortised cost or fair value.

Disagree – Section 11 should be aligned with IFRS 9 principles.



S3B: Financial assets – Impairment

To introduce IFRS 9 simplified approach to provide for lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables?

Differing views:

- ☑ **Agree**, the simplified approach will —
 - reduce the need to track separate increases in credit risk.
 - address problem of delayed recognition by requiring an entity recognise ECL.

- ☒ **Disagree** –
 - ECL is not relevant for SMEs; existing current loss model in the *IFRS for SMEs* Standard should be retained.
 - Simplified approach is likely to impose undue cost or effort on small entities, and so does not achieve the ‘simplicity’ alignment principle.



S3C: Hedge accounting

To align with IFRS 9 hedge accounting requirements?

Differing views:

- ☑ **Agree** — hedge accounting requirements should be aligned with IFRS 9.
- ☒ **Disagree** – retain current requirements, in view of:
 - Section 12 existing requirements being sufficient to cater for SMEs.
 - limited application of hedge accounting by most small entities.
 - inclusion of hedge accounting requirements may not be worthwhile and may bring undue cost or effort for SMEs. Hedging is not free of charge and involves certain costs, e.g. premium/brokerage, which SMES may not be able to afford.
 - hedging limits profits of individuals and hence, may not be popular among SMEs of certain jurisdictions.



S3D: Financial instruments – Recognition and measurement

To change reference from IAS 39 to IFRS 9?

Differing views:

- ☑ **Agree** — change reference to IFRS 9, in view that:
 - IAS 39 will be withdrawn under the full IFRS Standards.
 - not having to put all revaluation gains and losses to profit or loss can result in significantly lower volatility in a company's profits and a more stable presentation of income to shareholders.
- ☒ **Disagree** – retain reference to IAS 39, in view of:
 - existing disclosure requirements being sufficient to cater for SMEs.
 - no significant value addition to SMEs.

Observation:

- Financial instruments available to SMEs are very basic and few in quantity. Impact of switching from IAS 39 to IFRS 9 would probably be minimal and may bring unnecessary cost or effort.



S3E: Financial guarantee contracts (FGC)

To add FGC definition and align with IFRS 9?

Differing views:

- ☑ **Agree** — add FGC definition and align with IFRS 9. FGC is not defined in the *IFRS for SMEs* Standard.
- ☒ **Disagree** – to revisit FGC accounting treatment with a view to providing measurement relief, as recommended by SMEIG.
 - Existing Section 21 requirements can be applied to FGC.
 - No significant value addition to SMEs.

Observation:

- Financial instruments available to SMEs are very basic and few in quantity.



S5A: Accounting for step acquisitions

To include and align requirements for accounting for step acquisitions with IFRS 3 (2008)?

Differing views:

- ☑ **Agree** — requirements should be aligned with IFRS 3 (2008).
 - Will improve comparability and provide better quality information to users.
 - Entities may apply divergent practices in the absence of clarified requirements.

- ☒ **Disagree** – to consider alignment after further research and outreach about SMEs' involvement in step acquisitions.
 - Limited no. of SMEs, in particular family-owned entities, would be engaged in step acquisitions.
 - Alignment may add complexity, e.g. fair value accounting, goodwill recognition, etc.



S5B: Acquisition costs and contingent considerations

To align Section 19 with IFRS 3 (2008) for acquisition costs and contingent considerations, including permitting use of undue cost or effort exemption?

Differing views:

- ☑ **Agree** – *IFRS for SMEs* Standard permits use of ‘undue cost or effort’ exemption, and alignment will:
 - provide a common principle and ensure comparability.
 - add value for SMEs and would provide users with better information about the cost of business combinations.
- ☒ **Disagree** – may add complexity for contingent consideration, as recognition and subsequent measurement requirements differ.

Recommendation: To consider aligning certain requirements rather than full alignment.



S6: Leases

To align Section 20 with IFRS 16, with simplifications?

- simplified recognition and measurement requirements
- retaining Section 20 disclosure requirements
- simplified language

Differing views:

Agree – align with IFRS 16:

- Leasing is extensively used by SMEs for financing and business expansion purposes.
- Underlying reasons for bringing in IFRS 16 apply, i.e. to bring leases on to statement of financial position.
- add value for SMEs and provide users with better information about cost of business combinations.
 - greater transparency about entities' financial leverage and capital employed.
 - entity's assets and liabilities more faithfully represented.



S6: Leases

To align Section 20 with IFRS 16, with simplifications?

- simplified recognition and measurement requirements
- retaining Section 20 disclosure requirements
- simplified language

Differing views:

Agree – align with IFRS 16 (cont'd):

- Alignment need not affect accounting by lessors; however adds guidance on definition of lease, sublease and accounting for sale and leaseback transactions.
 - New lease definition may cause some contracts previously treated as 'service contracts' to be treated as 'lease contracts'.

Recommendation: To consider further simplifications, e.g. lease term determination, lease asset and liability remeasurement, discount rate determination, disclosure requirements, etc.



S6: Leases

To align Section 20 with IFRS 16, with simplifications?

- simplified recognition and measurement requirements
- retaining Section 20 disclosure requirements
- simplified language

Differing views:

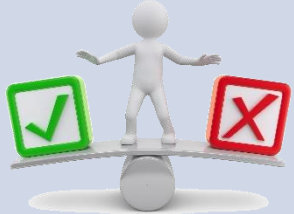
Disagree – not to align with IFRS 16:

- Current level of IFRS 16 implementation experience insufficient to appropriately and effectively align and/or simplify its requirements for SMEs' purposes, as indicated by:
 - Since IFRS 16 issuance in 2016, IFRIC issued 5 Agenda Decisions.
 - During COVID-19 pandemic, IASB took urgent steps to provide relief in the form of a practical expedient, i.e. lessees are permitted not to assess whether particular COVID-19-related rent concessions are lease modifications.
- SMEs are one of the groups hardest hit by COVID-19 effects, and there is still much uncertainty as to how long its effects may last.



S7A: Revenue

To align Section 23 with IFRS 15?

Alternative 1 modify Section 23 to remove clear differences in outcome, without wholly reworking Section 23	Alternative 2 fully rewriting Section 23 to reflect IFRS 15 principles and language	Alternative 3 no amendments to Section 23 as part of this Comprehensive Review
<p>Preferred, subject to further comments on detailed drafting of proposed amendments.</p> <ul style="list-style-type: none">☑ Result in necessary alignment, provide greater clarity and require limited efforts.☑ Less complex than rewriting entire section☑ Enhance understandability of concepts for SMEs.	<p>Against, as it may introduce unnecessary complexity for SMEs due to principle-based nature of IFRS 15.</p>	<p>Preferred, due to complexity and insufficient implementation experience.</p> <p>Against, as it could result in vast gap between IFRS Standards and <i>IFRS for SMEs</i> Standard in a longer run.</p> 

S7A: Revenue

To align Section 23 with IFRS 15?

Observations:

- Revenue is a common performance indicator and is relevant to all business-oriented entities, irrespective of size.
- IFRS 15 (ASC 606 in the US) is globally recognised and aligns revenue recognition standards.
- IFRS 15 and ASC 606 were developed as a joint IASB and FASB project.
- Common principles for revenue recognition should be provided in the IASB developed standards.



S7B: Revenue – Transition relief

To provide transition relief for contracts already in progress at transition date or scheduled to be completed within a set time after the transition date?

- ☑ **Agree** – transitional relief should be provided and limited to permitting an entity to continue its current revenue recognition policy for any contracts already in progress and scheduled to be completed within a set time frame after transition date.
 - One AOSSG member organisation recommends for transitional relief to be limited to 24 months after the effective date of the final Standard.
 - Absence of time limit could result in longer term contracts being recognised using extant requirements on an almost indefinite basis. E.g. for a 20-year contract for which only 2 years had passed as at the effective date of the final Standard, the contract having applied the transitional relief could be recognised using extant requirements for the remaining 18 years.



S8: Termination benefits – Recognition

To align Section 28 with 2011 amendments to IAS 19 only in respect of recognition requirements for termination benefits?

Agree – to align:

- Will provide better clarity.

Disagree – not to align:

- SMEs generally handle fewer employees and do not tend to follow more complex employee benefits plans.
- Section 28 guidelines are adequate for SMEs' reporting purposes without leading to undue costs or efforts.

Recommendation:

- To retain simplified accounting of actuarial gains and losses (compared to IAS 19) in the *IFRS for SMEs Standard*.



S10: Alignment with Amendments to IFRS Standards and IFRIC Interpretations

☑ **Agree** to align with **Table A1 of Appendix A**, however, one AOSSG member organisation had the following comments:

- **Section 3 Financial Statements Presentation – Definition of Material (Amendments to IAS 1 and IAS 8)**

- **Recommendation: Definition of 'material' should be aligned, except for the term 'obscuring'.**
 - 'Obscuring' introduces the element of judgement, creating complexity for SMEs to apply – inconsistent with 'simplicity' alignment principle.
 - From regulatory and legal perspective, difficult to evaluate whether information disclosed was with the purpose (intent) to obscure, similar to regulatory and legal challenges faced in proving negligence or recklessness,



S10: Alignment with Amendments to IFRS Standards and IFRIC Interpretations

☑ **Agree** to align with **Table A1 of Appendix A**, however, one AOSSG member organisation had the following comments:

- **Section 16 Investment Property – Transfers of Investment Property (Amendments to IAS 40)**
 - **Recommendation:** To include examples of evidence of change in use, as set out in paragraph 57 of IAS 40, to guide consistent application by SMEs.

Extract – Paragraph 57 of IAS 40

Examples of evidence of a change in use include:

- (a) commencement of owner-occupation, or of development with a view to owner-occupation, for a transfer from investment property to owner-occupied property;*
- (b) commencement of development with a view to sale, for a transfer from investment property to inventories;*
- (c) end of owner-occupation, for a transfer from owner-occupied property to investment property; and*
- (d) inception of an operating lease to another party, for a transfer from inventories to investment property.*
- (e) [deleted]*



S10: Alignment with Amendments to IFRS Standards and IFRIC Interpretations

Agree to align with **Table A1 of Appendix A**, however, one AOSSG member organisation had the following comments:

- **Section 34 Specialised *Activities* – Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)**

Disagree with alignment.

- Proposed amendments would require bifurcation of bearer plants and produce growing on them, which would bring limited benefit and introduce unnecessary complexity for SMEs – inconsistent with 'simplicity' alignment principle.

Agree not to align with **Table A2 of Appendix A**.



S10: Alignment with Amendments to IFRS Standards and IFRIC Interpretations

- To align with **Table A3 of Appendix A?**
 - ☑ **Agree** – to align insofar that the proposed alignments are consistent with requirements already aligned or identified to be aligned with the *IFRS for SMEs Standard*.
 - ☒ **Disagree** – not to align IFRIC 21 *Levies* with Section 21 *Provisions and Contingencies*:
 - Known inconsistency between 2018 CF and IAS 37 as interpreted by IFRIC 21.
 - *Current IFRS for SMEs Standard* is aligned with IAS 37. Hence, introduction of IFRS 21 would introduce similar inconsistency within *IFRS for SMEs Standard* and cause confusion in its application.



N1: Regulatory deferral accounts

Not to align with IFRS 14, i.e. not to include requirements for regulatory deferral account balances?

Agree – not to align with IFRS 14:

- Generally, rate-regulated entities are large public utility entities (public interest entities) which are usually not eligible to adopt *IFRS for SMEs* Standard.
- Establishing prices that a public utility or similar entity can charge to customers for regulated goods or services is usually not relevant for practical application to SMEs' businesses.

No comment from one AOSSG member organisation:

- Entities in this jurisdiction are not within scope of IFRS 14; only applies if entities have recognised regulatory deferral account balances under previous GAAP in the period immediately preceding its first IFRS financial statements.



N2: Cryptocurrency

Are holdings of cryptocurrency prevalent, i.e. are there material holdings among SMEs?

Observations:

- Adding accounting treatment for cryptocurrency holding **would not be useful.**
 - In one jurisdiction, **central bank had not given licence or authorisation** to any entity or company to operate schemes involving virtual currencies (including cryptocurrency), and has not authorised any Initial Coin Offerings (ICO).
- **Limited information and experience** in cryptocurrency holding.
 - In one jurisdiction, issuers of digital assets (including cryptoassets) are regulated and lodge financial statements to the securities commission, and accordingly, are **not eligible to apply the IFRS for SMEs Standard.**



N2: Cryptocurrency

Are holdings of cryptocurrency prevalent, i.e. are there material holdings among SMEs?

Observations (cont'd):

- For one AOSSG member organisation, **holding and dealing in cryptocurrency is prohibited.**
- Virtual currencies such as cryptocurrency use **decentralised peer-to-peer digital networks** to authorise transactions.
 - Due to absence of centralised authority such as a central bank to guarantee currency value and regulate transactions, there is **no recourse in the event of user or transaction-related disputes.**
 - **Value** of virtual currencies is **dependent on speculation** and is **not backed by underlying asset or regulatory framework.**
- **High probability** of being used in **illegal activities.**



N4: Other topics

Observations:

- One AOSSG member organisation – companies tend to choose to apply *IFRS for SMEs Standard* and not IFRS Standards.
 - Certain industries (e.g. construction) found certain implications of new IFRS Standards unbearable due to current economic situation; increased burden may lead to business continuity issues.
- One AOSSG member organisation – most SMEs in its jurisdiction prepare financial statements using its home-grown SME financial reporting framework or full IFRS Standards equivalent.
 - Application of *IFRS for SMEs Standard* equivalent is limited as SMEs consider its recognition and measurement requirements too complex.
 - Choice to apply is based on fewer disclosure requirements and use of 'undue cost and effort' concept.



N4: Other topics

Recommendations:

- To consider proposed relevant requirements of IASB ED/2019/7 *General Presentation and Disclosures* in finalising revision to the *IFRS for SMEs Standard*.
- To consider guidance on business combinations under common control (BCUCC) and group restructurings, subject to IASB finalised approach under IFRS Standards.
- To consider industry-specific requirements. From professional's point of view, they agree with expected outcomes although they may struggle to apply requirements relating to measurement and present the outcome in the financial statements. Current focus is to first survive in the industry.
- Beneficial to conduct a detailed situation study before application of new IFRS Standards.



N4: Other topics

Recommendations (cont'd):

- To reconsider for the name *IFRS for SMEs Standard*.
 - *IFRS for SMEs Standard* is intended for use of entities which do not have public accountability (non-public interest entities).
 - Hence, the name may cause confusion for large companies which are not publicly accountable yet are eligible to apply the *IFRS for SMEs Standard*.
- Topics should first be addressed in the full IFRS Standards before being considered for incorporation into the *IFRS for SMEs Standard*.





THANK YOU

