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Pre-meeting Summary

June 2023

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https://www.iasplus.com/en/meeting-notes/iasb/2023/june/
The meeting agenda and all of the staff papers are available on the IASB website:
https://www.ifrs.org/news-and-events/calendar/2023/june/international-accounting-standards-board/

Overview

The IASB met in London from 20-22 June 2023. The following topics were discussed:

Primary Financial Statements: The IASB discussed issues related to categories and subtotals, and issues related to IAS 29 and IAS 12. The IASB voted in favour of all staff recommendations on how to revise some of the proposals in the ED.

Equity Method: The IASB decided not to develop proposals on how an investor applies the equity method when an associate issues an equity-settled share-based payment or a share warrant. The IASB also decided to propose that on acquisition of an investment in an associate, an investor should recognise contingent consideration as part of the cost of the investment and measure that contingent consideration at fair value. Furthermore, the IASB will propose that after the acquisition date for contingent consideration classified as equity, an investor accounts for its subsequent settlement within equity, whereas for other contingent consideration, the investor measures contingent consideration at fair value at each reporting date and recognises changes in fair value in profit or loss.

Disclosure Initiative: Subsidiaries without Public Accountability—Disclosures: The IASB discussed feedback on proposed disclosure requirements in the Exposure Draft *Third Edition of the IFRS for SMEs Accounting Standard* (SMEs ED) and decided not to make further changes to the proposed disclosure requirements in the draft Standard based on comments received on the SMEs ED.

Rate-regulated Activities: The IASB continued redeliberating the proposals in the Exposure Draft *Regulatory Assets and Regulatory Liabilities* (ED), in particular proposals on the measurement basis, cash-flow-based measurement technique and estimating uncertain future cash flows. The IASB decided to make further changes to these proposals when finalising the Standard.

Second Comprehensive Review of the *IFRS for SMEs* Accounting Standard: The IASB discussed the feedback received from comment letters and outreach events on the SMEs ED and decided to make changes to the proposed amendments in the ED for the clarification of the definition of public accountability.

Primary Financial Statements

In this session, the IASB discussed the feedback from targeted outreach conducted between September and December 2022 and continued discussing the proposals in the Exposure Draft *General Presentation and Disclosures*.

Cover note and summary of feedback and redeliberations (Agenda Paper 21)

In September 2022, the IASB completed redeliberations on key aspects of the proposals in the Exposure Draft ED/2019/7 *General Presentation and Disclosures.* In this session, the IASB discussed the feedback from targeted outreach conducted between September and December 2022 and continued discussing the proposals in the ED.

Issues related to categories and subtotals (Agenda Paper 21A)

Background

This paper set out staff analysis and recommendations relating to categories and subtotals in the statement of profit or loss. This paper discussed the classification of income and expenses arising on the derecognition of assets or liabilities (for example, the disposal of a consolidated subsidiary) and income and expenses arising from transactions or other events that result in a change in the category in which an entity classifies income and expenses from assets or liabilities, without affecting the recognition of the assets or liabilities (for example, transfers in and out of investment property). Appendix B to the paper summarised other outstanding issues for which the staff concludes no further action is required, including:

- The prohibition on the presentation of the subtotal 'profit before financing and income tax' when an entity that provides financing to customers as a main business activity classifies in the operating category all income and expenses from liabilities that arise from transactions that involve only the raising of finance
- The presentation of subtotals that are equal
- The requirements for interim financial statements relating to an entity's ability to continue as a going concern
- The disclosure of significant judgements made in applying presentation and disclosure requirements

Staff recommendation

The staff recommended that the IASB clarify that:

- Income and expenses on the derecognition of an asset or liability are classified in the same category as the income and expenses generated by that asset or liability immediately before derecognition (Recommendation 1)
- When a transaction or other event changes the category in the statement of profit or loss in which income and expenses from an asset or liability are classified without affecting the recognition of the asset or liability, the income or expenses from that transaction or event are classified in the category in which income and expenses from the asset or liability were classified immediately before the transaction or other event (Recommendation 2)
- If either of the scenarios above arise from a transaction or other event that involves a group of assets or liabilities that generated income and expenses that were classified in different categories immediately before the transaction or other event: (Recommendation 3)
    - If any of the assets in the group is an asset that generated income and expenses that were classified in the operating category, the gain or loss on the transaction or other event is classified in the operating category

- If all the assets in the group generated income and expenses that were classified in the investing category, the gain or loss on the transaction or other event is classified in the investing category

Lastly, the staff recommended that the IASB confirm that an entity shall not present the subtotal 'profit or loss before financing and income tax' when an entity that provides financing to customers as a main business activity classifies in the operating category all income and expenses from liabilities that arise from transactions that involve only the raising of finance. (Recommendation 4)

IASB discussion

Some IASB members expressed concerns about Recommendation 3. While many IASB members acknowledged that this is a pragmatic proposal, some IASB members considered that preparers should be permitted to split the group of assets into different categories if they are able to do so. Some IASB members suggested that the staff clarify that when a transaction or other event changes the category in the statement of profit or loss in which income and expenses from an asset or liability are classified, it can potentially affect the recognition of the asset or liability. Furthermore, some IASB members asked the staff whether the proposal relates to groups of assets and liabilities. The staff confirmed that. Some IASB members asked the staff to explain the rationale for the proposal in the Basis for Conclusions (BC).

IASB decision

13 of the 14 IASB members agreed with Recommendations 1-3. All IASB members agreed with Recommendation 4.

Issues related IAS 29 *Financial Reporting in Hyperinflationary Economies* and IAS 12 *Income Taxes* (Agenda Paper 21B)

Background

This paper set out the staff analysis and recommendations for IAS 29 and IAS 12 issues related to the ED. This paper incorporated the additional feedback on IAS 29 that was received since Agenda Paper 21E for the March 2023 IASB meeting was published. The IASB was not asked to make decisions in the March 2023 IASB meeting so that the staff could do further research before asking the IASB to make decisions.

Staff recommendation

The staff recommended that the IASB clarify in the new Standard that the gain or loss on the net monetary position is classified in the operating category in the statement of profit or loss when an entity presents it in a single line item applying IAS 29 and foreign exchange differences arising from asset and liabilities in scope of IAS 12 shall be classified in the income tax category in the statement of profit or loss. (Recommendation 5)

The staff also recommended that the IASB make a consequential amendment to the requirements in paragraph 78 of IAS 12 for classifying foreign exchange differences on deferred tax assets and liabilities to align with the recommendations above. (Recommendation 6)

IASB discussion

Many IASB members said they agreed with the staff recommendation because the proposal neither disrupts the application nor interprets the application of IAS 29. Some IASB members asked whether a separate category should be created for foreign exchange differences resulting from the application of IAS 21. The staff said this would create additional complexity. Most IASB members agreed that it would not be useful information to present for example, interest expense in one category and foreign exchange differences from the application of IAS 21 in the same category of the statement of profit or loss as the income and expenses from the items that gave rise to the foreign exchange differences and gain or loss on net monetary position in a single category.

Some IASB members questioned whether it is necessarily to consider undue cost or effort when assessing the classification of foreign exchange differences on deferred tax assets and liabilities. The staff clarified that this is consistent with how previous requirements have been described and whether an entity can allocate foreign exchange differences on deferred tax assets and liabilities are usually binary. IASB members asked the staff to explain the rationale in the BC. Some IASB members thought this should be a wider principle and not specific to foreign exchange differences on deferred tax assets and liabilities.

IASB decision

13 of the 14 IASB members agreed with Recommendation 5. All IASB members agreed with Recommendation 6.

Equity Method

In this session, the IASB discussed whether they should develop proposals on how an investor applies the equity method when an associate issues an equity-settled share-based payment or a share warrant, and how to, initially and subsequently, recognise and measure contingent consideration on acquisition of an investment in an associate applying IAS 28.

Cover paper (Agenda Paper 13)

The objective of the Equity Method project is to assess whether application questions with the equity method, as set out in IAS 28, can be addressed in consolidated and individual financial statements by identifying and explaining principles in IAS 28.

The purpose of this session was to ask the IASB:

- Whether it should develop proposals on how an investor applies the equity method when an associate issues an equity-settled share-based payment or a share warrant
- How to answer the application question: *How to, initially and subsequently, recognise and measure contingent consideration on acquisition of an investment in an associate applying IAS 28*?

Towards an Exposure Draft—Transactions and other events that change an investor's ownership interest (Agenda Paper 13A)

The purpose of this paper was to ask the IASB whether it should develop proposals on how an investor applies the equity method when an associate issues an equity-settled share-based payment or a share warrant.

In this agenda paper, the staff had analysed why the requirements in IAS 28 and the IASB's tentative decision on changes in ownership whilst retaining significant influence are not sufficient to address other changes in an investor's ownership interest that arise from an associate's issuing a share-based payments and a share warrant.

The IASB tentative decisions provided a solution for transactions and other events that change the investor's ownership interest. Whilst the tentative decisions address many of these transactions and events, they do not resolve how to apply the equity method when an associate issues a share-based payment and a share warrant. As there is a wide range of potentially dilutive instruments and transactions, the staff considered that trying to provide requirements for all possible fact patterns is not the objective of the project.

Staff recommendation

Considering the analysis and outreach, the staff recommended that the IASB does not develop proposals on how an investor applies the equity method when an associate issues an equity-settled share-based payment or a share warrant.

IASB discussion

All IASB members stated that they agreed with the staff recommendation not to develop proposals on how an investor applies the equity method when an associate issues an equity-settled share-based payment or a share warrant. Several IASB members mentioned that the issue was not pervasive, not likely to be material, and it would be difficult to develop proposals for all possible fact patterns and types of transactions, and as such the cost of developing new requirements would not justify the benefit from it. A few IASB members also stated that there was not much diversity in the current practice being followed and that the current practice was acceptable.

A few IASB members agreed that the requirements in IAS 33 provide users with the necessary information on the potential dilutive effect of an associate's share-based payments or share warrants while others said that IAS 33 is not applicable to all entities and that it might be relevant to think about disclosures for other entities, and whether or not disclosure requirements from other relevant standards such as IAS 1 and IFRS 12 would provide adequate information in such instances.

A few IASB members suggested that the reasons not to develop this proposal should form a part of the Basis for Conclusions. It was also proposed that this consideration should be mentioned in the Exposure Draft to which several IASB members stated that it can be explained in the Exposure Draft (such as when explaining the scope) but should probably not be raised as a question.

IASB decision

All IASB members voted in favour of the staff recommendation.

Towards an Exposure Draft— Contingent consideration on acquisition of an investment in an associate, including subsequent measurement (Agenda Paper 13B)

The purpose of this paper was to ask the IASB to decide if, and if so, how to propose amendments to IAS 28 to recognise and measure contingent consideration on acquisition of an investment in an associate, including the subsequent measurement of that contingent consideration.

The staff considered that to answer the application question, the IASB should decide: (a) if consideration transferred includes contingent consideration, as part of the cost of an investment; and (b) if (a) is yes, how an investor recognises changes in the fair value of contingent consideration, at each reporting date, until it is settled (subsequent measurement of contingent consideration).

Staff recommendation

The staff recommended the IASB proposes that an investor:

- On acquisition of an investment in an associate, recognises contingent consideration as part of the cost of the investment and measures that contingent consideration at fair value
- After the acquisition date:
    - For contingent consideration classified as equity—accounts for its subsequent settlement within equity

- For other contingent consideration—measures contingent consideration at fair value at each reporting date and recognises changes in fair value in profit or loss

IASB discussion

All IASB members stated that they agreed with the staff recommendations. One IASB member stated that on the first proposal, the recommendation was consistent with the decisions made by the IASB previously and on the second proposal, the recommendation was consistent with IFRS 3 and the current practice. Any other recommendation would need to be explained.

One IASB member recommended that a measurement period window, similar to the concept in IFRS 3, must also be considered for application in these proposals. A few IASB members responded that they do not agree with that recommendation as that would be bringing in a new concept into IAS 28. This could be adding a complexity that may not be necessary at this stage.

A few IASB members mentioned that while they agree with the staff recommendations, the basis for these recommendations should not be based on IFRS 3, but instead the staff should explain why they are logical within the framework of IAS 28 and that they are consistent with other standards such as IFRS 3.

IASB decision

All IASB members voted in favour of the staff recommendation.

Rate-regulated Activities

In this session, the IASB continued redeliberating the proposals in the Exposure Draft *Regulatory Assets and Regulatory Liabilities*, in particular proposals on the measurement basis, cash-flow-based measurement technique and estimating uncertain future cash flows.

Cover note (Agenda Paper 9)

At this meeting, the IASB continued redeliberating the proposals in the Exposure Draft *Regulatory Assets and Regulatory Liabilities* (ED). The staff prepared two papers on the proposals on the measurement basis, cash-flow-based measurement technique and estimating uncertain future cash flows.

Measurement (estimating future cash flows) and unit of account—Overview (Agenda Paper 9A)

The measurement workstream includes the analysis of comments arising from the following questions in the Invitation to Comment on the ED:

- Questions 5(a)–(c) concerning:
  - The proposed measurement basis
  - The proposed cash-flow-based measurement technique
  - The proposals for estimating uncertain future cash flows
- Questions 6(a)–(d) concerning the proposals on the discount rate

This paper set out the staff's recommended approach to redeliberating the proposals on the measurement basis, cash-flow-based measurement technique and estimating uncertain future cash flows. As part of these redeliberations, the IASB will also discuss feedback received on the proposals relating to the unit of account and the boundary of the regulatory agreement.

The staff presented their recommended approach to redeliberating the proposals on the discount rate at a future meeting.

Feedback on the proposals relating to the measurement of items affecting regulated rates only when related cash is paid or received will be considered as part of a separate work stream.

The staff did not ask the IASB to make decisions on this paper. However, the IASB was requested to comment on any additional matters that the staff may need to consider.

IASB discussion

One IASB member suggested that the name of the measurement basis – 'Modified historical cost' – should be redeliberated at a future meeting given that it could cause confusion for stakeholders as 'historical cost' is only defined in the conceptual framework.

One IASB member requested that any redeliberation of the term should be concise given previous lengthy discussions. Another IASB member suggested that the measurement basis could be explained in the standard without it being labelled.

Estimating uncertain future cash flows (Agenda Paper 9B)

This paper set out staff analysis and recommendations on the proposals in the ED concerning estimating uncertain future cash flows.

Staff recommendation

The staff recommended that the final Accounting Standard:

- Retains the proposal to require that an entity estimates uncertain future cash flows using whichever of two methods—the 'most likely amount' method or the 'expected value' method—the entity expects to better predict the cash flows
- States that the most likely amount method may better predict the cash flows only if the most likely amount is highly probable and is expected to remain highly probable
- Requires an entity to reassess the method of estimating uncertain future cash flows if and only if there is a significant change in facts and circumstances such that the entity no longer expects that the method will better predict the cash flows
- Clarifies that when an entity uses the expected value method to estimate uncertain future cash flows, the entity should consider the entire range of outcomes, including those outcomes in which a regulatory asset or a regulatory liability does not exist or exists but will result in no future cash flows
- Retains the proposal not to require a separate impairment test for regulatory assets

IASB discussion

No significant comments were made in relation to the first proposal.

A number of IASB members did not support the second proposal to state that the most likely amount method may better predict the cash flows only if the most likely amount is highly probable and is expected to remain highly probable. These IASB members noted that there is judgement in determining the best method and adding the additional threshold of 'highly probable' adds to the complexity of the judgement. Additionally, these are well understood methods that are already used in practice in IAS 37, IFRS 15 and IFRIC 23 and this addition may impact the way this is already applied in practice.

One IASB member highlighted that few respondents had provided comments on the selection of the method to be used and that it would be best to keep this simple.

A couple of IASB members supported the proposal on the basis that the additional threshold of 'highly probable' would be helpful for preparers in determining the most appropriate method to use.

The IASB agreed that the decision taken should be reflected in the basis of conclusion along with references to other Standards that include the same judgement and illustrative guidance.

In relation to the third proposal, to require an entity to reassess the method of estimating uncertain future cash flows if and only if there is a significant change, some IASB members stated that they did not object to the proposal but would prefer to simply remove the paragraph in the ED that prohibited a change in method. This would allow entities to follow the principle each period of using the method that resulted in the best estimates of uncertain cash flows. Some IASB members agreed with removing the paragraph highlighting that this would reduce cost by not requiring entities to reassess the method used at each reporting date which would be the result if the paragraph was simply removed.

The majority of IASB members expressed support for the fourth proposal, to clarify that all outcomes should be considered for the expected value method including those outcomes where a regulatory asset or liability does not exist. One IASB member expressed a preference for separating the two questions of existence and measurement such that once it is determined that the asset or liability exists, the measurement should only include the outcomes that may occur if it exists. The staff and other IASB members acknowledged that this could be an approach to measurement but that it might not result in information that is useful to users because it would not incorporate the probability of the outcome being nil. Another IASB member suggested that a clarification would be useful but that it could be limited to clarifying that all possible outcomes should be considered. To address concerns of stakeholders it was suggested that an illustrative example could be included, similar to an example in IFRIC 23, which included existence uncertainty, to demonstrate the application of the expected value method.

On the final proposal not to require a separate impairment test for regulatory assets, all IASB members were supportive. One IASB member noted a preference for including a different articulation for the rationale for this decision compared to that in the paper. The IASB member proposed that the rationale in the paper would not be required as the mechanics of the method used would have the same outcome as impairment models in other standards including IFRS 9 and IAS 36.

IASB decisions

All IASB members voted in favour of the first recommendation.

12 IASB members voted against the second recommendation, with 2 voting in favour.

13 IASB members voted in favour of the third recommendation. Only 4 IASB members voted in favour of only deleting the paragraph prohibiting a change in method used.

13 IASB members voted in favour of the fourth recommendation,

All IASB members voted in favour of the fifth recommendation.

Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures

In this session, the IASB discussed feedback on proposed disclosure requirements in the Exposure Draft *Third Edition of the IFRS for SMEs Accounting Standard*

Cover Paper (Agenda Paper 31)

At its June 2022 meeting, the IASB agreed on a project plan for redeliberating the Exposure Draft *Subsidiaries without Public Accountability: Disclosures* (draft Standard) towards developing an IFRS Accounting Standard (new Standard).

At the June 2023 meeting, the IASB discussed feedback on proposed disclosure requirements in the Exposure Draft *Third Edition of the IFRS for SMEs Accounting Standard* (SMEs ED).

Feedback on proposed disclosure requirements in the Exposure Draft Third Edition of the *IFRS for SMEs* Accounting Standard (Agenda Paper 31A)

This agenda paper discussed whether any of the feedback received on the disclosure requirements proposed in the SMEs ED needs to be taken into consideration in finalising the new Standard.

The discussions in this paper only related to the possible effects on disclosure requirements in the new Standard, and did not assess the feedback as it relates to the *IFRS for SMEs* Accounting Standard. There is no commitment that the disclosure requirements in the two Standards are aligned.

Staff analysis

The proposed disclosures that attracted most responses related to revenue, fair value, and the liabilities arising from financing activities reconciliation supporting the statement of cash flows.

Revenue—IFRS 15

In general, the comments received relating to revenue as part of the SMEs ED have either already been assessed against the principles as part of the review of feedback on the draft Standard or relate to the balance of costs and benefits. The staff recommend that the IASB retain the proposed disclosure requirements relating to IFRS 15 in the draft Standard as revised by the IASB's tentative decision at its May 2023 meeting.

Fair value disclosures—IFRS 13

All comments on the SMEs ED that related to content that is also included in the draft Standard relate to areas that have already been considered by the IASB in previous meetings or were not discussed because they had not been raised in comment letters. The SMEs ED allows some simplifications from measuring assets and liabilities at fair value where this is not reliably measurable, and therefore disclosure requirements relating to this situation had to be added. For the draft Standard, recognition and measurement is that of full IFRS Accounting Standards, as these exemptions are not available and the related disclosure requirements are not relevant. The staff recommend that the IASB retain the proposed disclosure requirements in the draft Standard for IFRS 13 as no new information has been received to suggest that further disclosure requirements are needed.

Liabilities from financing activities reconciliation—IAS 7

The proposed disclosure requirements in the draft Standard for IAS 7, in particular the requirement in paragraph 130, were added to require a reconciliation of opening and closing liabilities relating to financing activities. The main reason for questioning whether paragraph 130 of the draft Standard would provide useful information was an observation that eligible subsidiaries rely on their group for financing, so the subsidiary as a standalone entity did not have a meaningful standalone position. However, in the staff's view, since intragroup financing loans would be included in the reconciliation, this gives information to users on the financing arrangements between the eligible subsidiary, its parent and other group entities. Because of this, the IASB tentatively decided to retain paragraph 130 in the new Standard.

Other disclosures

Respondents to the SMEs ED had comments relating to most other sections as well as those discussed elsewhere in this paper. In some cases, there is a recognition and measurement difference between IFRS Accounting Standards and the *IFRS for SMEs* Accounting Standard, so comments on the disclosure requirements are not considered further.

Staff recommendation

The staff recommended that the IASB should not make further changes to the proposed disclosure requirements in the draft Standard based on comments received on the SMEs ED.

IASB discussion

IASB members agreed that there is no need to review decisions previously made in respect of the draft Standard to take account of comments received on the SMEs ED. This was because the comments received on the SMEs ED were either duplicates of comments previously discussed and considered, or they were specific to the SMEs ED cost-benefit analysis which is not relevant to the draft Standard.

One IASB member noted that some respondents had pointed out that some information would be available in group financial statements and so should not be required by the draft Standard. The IASB member pointed out that if, on the other hand, the information is important, it should be available in the subsidiary's standalone financial statements rather than requiring users to cross reference group accounts.

IASB decision

All IASB members agreed with the staff recommendation.

Second Comprehensive Review of the *IFRS for SMEs* Accounting Standard

In this session, the IASB discussed the feedback received from comment letters and outreach events on the Exposure Draft *Third Edition of the IFRS for SMEs Accounting Standard* and decide whether to make changes to the proposed amendments in the ED for the clarification of the definition of public accountability.

Cover Paper (Agenda Paper 30)

In September 2022, the IASB published Exposure Draft *Third edition of the* IFRS for SMEs *Accounting Standard* (the ED). The ED was open for comment for 180 days, which ended on 7 March 2023.

At this meeting, the IASB:

- Decided whether to make changes to the proposed amendments in the ED for the clarification of the definition of public accountability
- Discussed the feedback received from comment letters and outreach events on the ED and provide views on which issue to seek advice from the SME Implementation Group (SMEIG)

Feedback from comment letters on Exposure Draft—Proposed amendments to the *IFRS for SMEs* Accounting Standard (Agenda Paper 30A)

This paper summarised the feedback from 70 comment letters that the IASB received on Questions 1-11 and 15 of the Invitation to Comment (ITC) in the ED, which asked about the proposed amendments to the *IFRS for SMEs* Accounting Standard. Respondents generally provided overall support for the proposed amendments in the ED except:

- There was mixed feedback on the proposal to clarify the definition of public accountability and many respondents (large minority) expressed concern that the proposed amendments are subjective
- Most respondents disagreed with the proposals for impairment of financial assets measured at amortised cost. Most of these respondents supported retaining the incurred loss model for all financial assets measured at amortised cost

- Many respondents (a small majority) disagreed with the proposal to delete paragraph 28.19, which provides measurement simplifications for defined benefit obligations

For each question in the ITC the staff asked for IASB members' views on which issues to seek advice from the SMEIG.

Feedback from comment letters on Exposure Draft—Topics for which amendments were not proposed (Agenda Paper 30B)

This paper summarised the feedback from comment letters on Questions 12-14 of the ITC in the ED, which asked about topics that the IASB considered but for which amendments to the *IFRS for SMEs* Accounting Standard were not proposed. In summary:

- Most agreed with the proposal to consider alignment with IFRS 16 in a future review of the Standard
- Most supported the introduction of an accounting policy option to recognise intangible assets arising from development costs (that meet the specified criteria in IAS 38)
- Most supported the removal of paragraph 22.7(a), which requires an entity to present the amount receivable from unpaid issued equity instrument as an offset to equity in the statement of financial position

For each question in the ITC the staff asked for IASB members' views on which issues to seek advice from the SMEIG.

Outreach feedback summary (Agenda Paper 30C)

This paper summarised the feedback from outreach events (undertaken by staff and IASB members) on the ED. The staff asked if the IASB have any comments on the feedback from outreach events.

IASB discussion

Agenda Papers 30A-30C were discussed together. IASB members were pleased with the responses received from diversified stakeholders, which are detailed and useful. IASB members were also pleased with the level of support received for the ED given the complexity and the number of changes that were proposed.

IASB members agreed with most of the issues proposed in Agenda Paper 30A and 30B for the staff to seek advice from the SMEIG. Some IASB members noted the questions prepared to seek SMEIG advice may be too generic. Some IASB members suggested that the staff reword the questions so they are specific (for example, ask the SMEIG whether specific guidance should be added instead of asking whether more guidance should be added). IASB members suggested that the staff focus on issues that the SMEIG can help with and prioritise those issues when meeting with the SMEIG.

Most IASB members suggested that the staff not seek advice from the SMEIG on IFRS 16 given the ED did not propose amendments to align the *IFRS for SMEs* with IFRS 16. Some IASB members suggested that the staff reduce the number of questions to be asked. Lastly, IASB members suggested the staff seek advice from the SMEIG on where some of the guidance should be located and how it will be used.

No decision was made.

Definition of public accountability (Agenda Paper 30D)

The purpose of this paper was to ask the IASB to:

- Consider feedback on the proposed clarification to the definition of public accountability in paragraphs 1.3 and 1.3A of the ED

- Decide whether the definition of public accountability in the *IFRS for SMEs* Accounting Standard needs clarification

The staff recommended the IASB should:

- Confirm the proposed amendment to paragraph 1.3(b) of the Standard to list banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks as examples of entities that often meet the second criterion of public accountability
- Make the same amendment to the description of public accountability in the forthcoming Standard *Subsidiaries without Public Accountability: Disclosures*
- Relocate the guidance in paragraph 1.3A of the ED from the body of the Standard to both the Basis for Conclusions on the Standard and the *IFRS for SMEs* educational modules (in Module 1 *Small and Medium-sized Entities*) and:
    - State explicitly that this guidance provides further direction on the application of paragraph 1.3
    - Add 'and' to clarify that an entity with public accountability would likely have the characteristics in both paragraphs 1.3A(a) and (b)
- Further clarify in the Preface to the *IFRS for SMEs* Accounting Standard the role of the local legislative and regulatory authorities in individual jurisdictions in applying the definition of public accountability (for example as suggested in paragraph 41)
- Consider other suggestions for guidance when updating the *IFRS for SMEs* educational modules

IASB discussion

All IASB members welcomed the proposed amendment to paragraph 1.3(b) to list banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks as examples of entities that often meet the second criterion of public accountability. All IASB members agreed to make the same amendment to the description of public accountability in the forthcoming Standard *Subsidiaries without Public Accountability: Disclosures.*

Some IASB members expressed concerns that only changing the location of paragraph 1.3A of the ED would not be enough as the feedback received noted that paragraph 1.3A is subjective and could lead to different interpretations of the definition of public accountability, and therefore the intended scope of the Standard. They suggested that paragraph 1.3A of the ED should be removed from the Standard completely and instead be used as a specific example in the Basis for Conclusions to the Standard and the *IFRS for SMEs* educational modules.

IASB decision

8 of the 14 IASB members agreed with the staff recommendation to relocate the guidance in paragraph 1.3A of the ED.

8 IASB members suggested to remove paragraph 1.3A of the ED from the Standard completely to avoid unintended consequences.

Only a few IASB members supported the staff recommendation to have further clarification of the role of the local legislative and regulatory authorities in individual jurisdictions in applying the definition of public accountability in the Preface.

11 IASB members voted in favour of adding further clarification in the Basis for Conclusions. Some IASB members also suggested to have this clarification in the education modules.

All IASB members agreed to consider other suggestions for guidance when updating the *IFRS for SMEs* educational modules.