
IASB[®] meeting

Date	July 2024
Project	Second Comprehensive Review of the <i>IFRS for SMEs</i>[®] Accounting Standard
Topic	Impairment of financial assets—Fieldwork methodology
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Purpose of the paper

1. This paper describes the methodology used for the fieldwork on the impairment of SMEs' financial assets. The paper is provided to assist the International Accounting Standards Board (IASB) in considering the feedback from the fieldwork in Agenda Paper 30B *Impairment of financial assets—Impairment model*.
2. In this paper, the term SMEs refers to entities that apply the *IFRS for SMEs* Accounting Standard or local accounting requirements based on the *IFRS for SMEs* Accounting Standard.

Methodology

3. This section explains:
 - (a) how the fieldwork participants were identified (paragraphs 4–8);
 - (b) the objectives of the fieldwork (paragraphs 9–10); and
 - (c) the fieldwork undertaken (paragraphs 11–17).

How the fieldwork participants were identified

4. In undertaking the fieldwork, input was sought from:
 - (a) users of SMEs' financial statements (users);
 - (b) accounting practitioners who are involved in the preparation or assurance of SMEs' financial statements (accounting practitioners); and
 - (c) in-house preparers of SMEs' financial statements (preparers).

5. The reason for seeking input from accounting practitioners and preparers separately was to obtain:
 - (a) views from accounting practitioners because they frequently support SMEs that operate in different industries and will provide input based on their clients.
 - (b) views from preparers because they also apply the *IFRS for SMEs Accounting Standard* and will provide input based on the SME they work for.

6. Participants were identified through the following sources:
 - (a) an [invitation to participate](#) on the IFRS Foundation website;
 - (b) an invitation to participate in the [April 2024 IFRS for SMEs Accounting Standard Update](#);
 - (c) social media posts;
 - (d) accounting practitioners who participated in the fieldwork on proposed revised Section 23 *Revenue from Contracts with Customers*;
 - (e) users interviewed as part of the Request for Information *Comprehensive Review of the IFRS for SMEs Standard*, published in January 2020;
 - (f) SME Implementation Group (SMEIG) members and IASB members' contacts; and
 - (g) IASB staff contacts.

7. Approximately 93 individuals expressed interest in participating in the fieldwork and were invited to complete a questionnaire. Of these, 29 (6 users, 17 accounting practitioners and 6 preparers) completed the questionnaire.
8. As the sample was identified based on participants' willingness to participate in the fieldwork (that is, using convenience sampling) it is not representative of the population of SMEs. An overview of the fieldwork participants ('the participants') is provided in Appendix A of this paper.

Objectives of the fieldwork

9. The objective of the fieldwork conducted with preparers of SMEs' financial statements was to identify:
 - (a) whether SMEs would be able to determine if they provide financing to customers as one of their primary businesses and how costly it is to make this determination.
 - (b) what would be the costs and benefits of applying an ECL model (aligned with the simplified approach in IFRS 9 *Financial Instruments*) for SMEs that provide financing to customers as one of their primary businesses.
10. The objective of the fieldwork conducted with users of SMEs' financial statements was to assess the effects of an ECL model.

Fieldwork undertaken

Questionnaire

11. Fieldwork participants completed one of three questionnaires, tailored for each group (users, accounting practitioners and preparers).

Users

12. The questionnaire completed by users asked for views on:
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- (a) the usefulness of information from an ECL model (aligned with the simplified approach in IFRS 9) compared to the incurred loss model;
 - (b) whether the ECL model is expected to result in significant change in the amounts reported by SMEs;
 - (c) the proposed disclosure requirements in the Exposure Draft; and
 - (d) the effects on comparability of financial statements.

Accounting practitioners and preparers

- 13. The questionnaire for accounting practitioners and preparers asked the same questions, however the questions were tailored to each participant group. That is, accounting practitioners were asked to complete the questionnaire based on their clients, and preparers were asked to complete the questionnaire based on the SME they work for.
- 14. The questionnaire completed by accounting practitioners and preparers asked:
 - (a) about determining whether an SME provides financing to customers as one of its primary businesses; and
 - (b) SMEs that provide financing to customers as one of their primary businesses about:
 - (i) the costs and challenges of applying the ECL model;
 - (ii) whether they will be able to provide the proposed disclosures; and
 - (iii) the potential benefits from applying an ECL model.

Follow-up discussions

- 15. Follow-up discussions were held with 20 participants (5 users, 10 accounting practitioners and 5 preparers). The discussions lasted around 30 minutes.
- 16. The discussions were structured around the participant's responses.

Timing

17. The questionnaire was circulated and completed by participants during April and May 2024. Participants were typically given two weeks to complete the questionnaire. Follow-up discussions were held in May and June.

Appendix A—Fieldwork participants

A1. This appendix provides an overview of the fieldwork participants (‘the participants’) based on information provided by each participant.

Users

A2. Six users of SMEs’ financial statements completed the questionnaire in their individual capacity, that is the users did not complete the questionnaire on behalf of their organisations.

Location

A3. Users were from five different jurisdictions across all regions.

A4. Users were evenly split between:

- (a) users from jurisdictions that require or permit the *IFRS for SMEs* Accounting Standard and participants from jurisdictions where the *IFRS for SMEs* Accounting Standard influences or is used as a point of reference for their local accounting requirements; and
- (b) users in jurisdictions that do not require or permit the *IFRS for SMEs* Accounting Standard.

Organisation

A5. Users were from six different organisations.

Organisation type

A6. Users were evenly split between investors in SMEs and financial institutions lending to SMEs, with one user’s organisation engaged both in investing and lending to SMEs. One user’s organisation was a venture capital firm funding SMEs.

Experience

A7. Most users’ experience was over 10 years investing in or financing SMEs.

Industry

- A8. Users dealt with SMEs that operated in a variety of sectors, including manufacturing, utilities, healthcare, financial services, real estate, retail, agriculture and renewable energy.

Role

- A9. The role of the users were varied. Most held senior roles, such as unit head, director and senior advisor.

Accounting practitioners

- A10. The questionnaire was completed by 17 accounting practitioners.

Location

- A11. Accounting practitioners were from seven different jurisdictions across the regions of Asia-Oceania, Africa and the Americas.
- A12. Most accounting practitioners were from jurisdictions that require or permit the *IFRS for SMEs* Accounting Standard. Some of the accounting practitioners were from jurisdictions where the local requirements are based on the *IFRS for SMEs* Accounting Standard.
- A13. All accounting practitioners were from jurisdictions that require or permit full IFRS Accounting Standards.

Organisation

- A14. Each accounting practitioner was from a different organisation.

Organisation type

- A15. All accounting practitioners are working in practice for an accounting and/or auditing firm.

Experience

- A16. Many accounting practitioners were working for organisations that had been involved in the preparation or assurance of financial statements for over 20 years.

Role

- A17. Almost all the accounting practitioners held senior roles, such as partners or directors.

Number of SME clients

- A18. Most accounting practitioners provided information about the number of SME clients they had. The number of SME clients varied, from three to 800. Many of accounting practitioners had 20 or more SME clients.

Industry

- A19. The accounting practitioners' SME clients operated in a variety of industrial sectors. Common sectors included:
- (a) trade;
 - (b) manufacturing;
 - (c) services;
 - (d) retail; and
 - (e) construction.

Experience of financial reporting frameworks

- A20. Accounting practitioners' experience in the preparation or assurance of SMEs' financial statements varied. Some had more than 20 years' experience and some had less than 20 years' experience.
- A21. All accounting practitioners had experience of applying IFRS 9.

Preparers

A22. A total of six preparers of SMEs' financial statements completed the questionnaire.

Location

A23. Preparers were from six different jurisdictions across the regions of Africa and the Americas.

A24. All but one preparer was from a jurisdiction that requires or permits the *IFRS for SMEs* Accounting Standard.

A25. All preparers were from jurisdictions that require or permit full IFRS Accounting Standards.

Organisation

A26. Each preparer was from a different organisation.

Experience

A27. Almost all preparers have been involved in the preparation of financial statements for over five years.

Role

A28. Preparers held various roles, including accounts officer, accounting coordinator and finance director.

Industry

A29. SME clients of the preparers operated in a variety of sectors which included energy, health, and real estate.

IFRS 9 experience

A30. All preparers had experience of applying IFRS 9.