
IASB[®] meeting

Date	September 2024
Project	Addendum to the Exposure Draft <i>Third edition of the IFRS for SMEs Accounting Standard</i>
Topic	Analysis of feedback
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Introduction

1. In March 2024, the International Accounting Standards Board (IASB) published the [Exposure Draft Addendum to the Exposure Draft Third edition of the IFRS for SMEs Accounting Standard](#) (Addendum Exposure Draft). The comment period ended on 31 July 2024.
2. The proposals in the Addendum Exposure Draft supplement those in the [Exposure Draft Third edition of the IFRS for SMEs Accounting Standard](#) (2022 Exposure Draft). The supplementary amendments to the *IFRS for SMEs* Accounting Standard (the Standard) would align:
 - (a) Section 7 *Statement of Cash Flows* of the Standard with IAS 7 *Statement of Cash Flows*, as amended by [Supplier Finance Arrangements](#); and
 - (b) Section 30 *Foreign Currency Translation* of the Standard with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, as amended by [Lack of Exchangeability](#).

Purpose of this paper and next steps

3. This paper:
 - (a) summarises feedback on the Addendum Exposure Draft;
 - (b) provides staff analysis of that feedback;
 - (c) includes staff recommendations to the IASB on how to proceed;
 - (d) sets out the steps in the IFRS Foundation [Due Process Handbook](#) (Handbook) that the IASB has taken in developing the prospective amendments to Section 7 and Section 30 of the *IFRS for SMEs* Accounting Standard;
 - (e) asks the IASB to confirm it is satisfied that it has complied with the due process requirements and that it can combine the prospective amendments to Section 7 and Section 30 of the Standard with the balloting process for the third edition of the *IFRS for SMEs* Accounting Standard; and
 - (f) asks whether any IASB member intends to dissent from the prospective amendments to Section 7 and Section 30 of the third edition of the Standard.
4. We discussed our potential staff recommendations with the SME Implementation Group (SMEIG) at its [September 2024 meeting](#) and considered SMEIG members' advice when preparing our recommendations in this paper. See Appendix B to this paper for a summary of SMEIG members' comments and advice.
5. As explained in the Addendum Exposure Draft, the IASB plans to include any resulting amendments in the third edition of the Standard. At its July 2024 meeting, the IASB decided to begin the balloting process for the third edition of the *IFRS for SMEs* Accounting Standard, subject to finalising its proposals and completing the due process steps for the Addendum Exposure Draft. If the IASB agrees with our recommendations in this paper, this meeting will conclude the IASB's redeliberations on the third edition of the Standard.

Structure of this paper

6. This paper includes:
 - (a) overview of respondents (paragraphs 8–13);
 - (b) supplier finance arrangements (paragraphs 14–56);
 - (c) lack of exchangeability (paragraphs 57–69);
 - (d) effective date and transition (paragraphs 70–77);
 - (e) due process steps and permission for balloting (paragraphs 78–84); and
 - (f) staff recommendations and questions to the IASB (paragraph 85).

7. There are six appendices to this paper:
 - (a) Appendix A—staff recommended revisions to the proposed amendments to Section 7 of the Standard;
 - (b) Appendix B— staff analysis of SMEIG members’ comments and advice;
 - (c) Appendix C— staff recommended revisions to the proposed transition requirements;
 - (d) Appendix D—analysis of other comments;
 - (e) Appendix E—extracts from the *Handbook*; and
 - (f) Appendix F—due process steps.

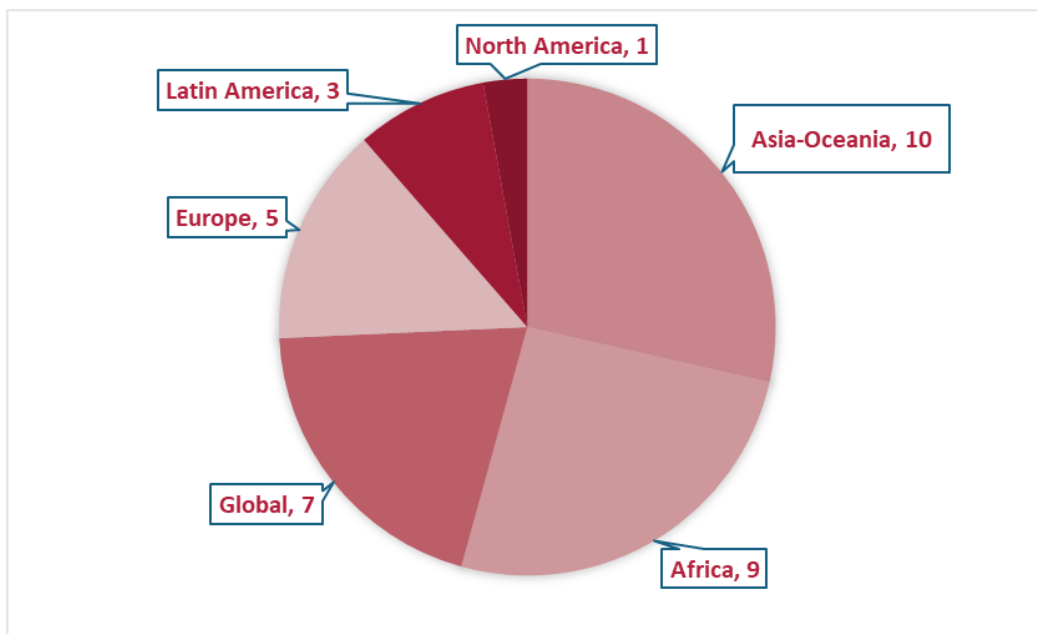
Overview of respondents

8. We raised awareness about the Addendum Exposure Draft through:
 - (a) social media posts (one about [the proposed amendments relating to supplier finance arrangements](#) and the other about [the proposed amendments relating to lack of exchangeability](#));

- (b) targeted email to some SMEIG members¹ to obtain further evidence about the prevalence of supplier finance arrangements among SMEs in their jurisdictions;
 - (c) [December 2023](#), [April 2024](#) and [June 2024 IFRS for SMEs Accounting Standard Updates](#);
 - (d) emails to the 93 individuals who expressed interest in participating in the [fieldwork on the impairment of SMEs’ financial assets](#);
 - (e) a session at the [May 2024 meeting of the Islamic Finance Consultative Group](#); and
 - (f) a session at the [May 2024 meeting of the Emerging Economies Group](#).
9. The IASB received 35 comment letters on the Addendum Exposure Draft. Responses were received from national standard-setters, accountancy bodies, accounting firms and individuals. All comment letters are available on the IFRS Foundation [website](#).

10. The following chart presents the analysis of comment letters by region:

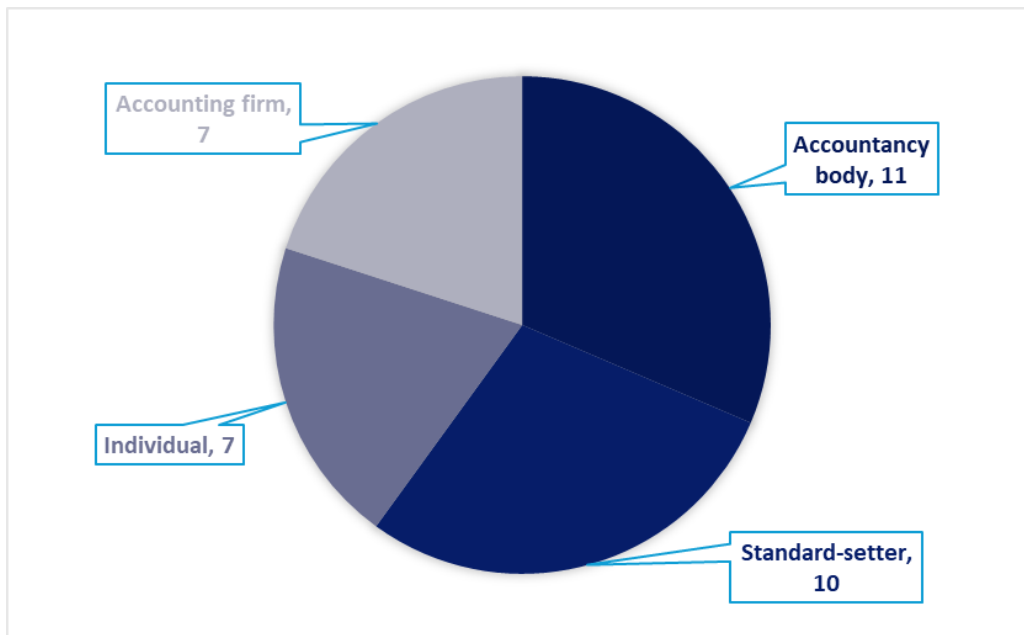
Figure 1—Analysis of comment letters by region



¹ Members of accounting firms and consulting services firms.

11. The following chart presents the analysis of comment letters by stakeholder type. Of the 10 standard-setters, many (almost all from Latin America and Asia-Oceania) require or permit the use of the *IFRS for SMEs* Accounting Standard.

Figure 2—Analysis of comment letters by stakeholder type



12. In this paper the staff use the following terms to quantify the feedback:

Term	Extent of response among respondents
Almost all	All except a very small minority
Most	A large majority, with more than a few exceptions
Many	A small majority or large minority
Some	A small minority, but more than a few
A few	A very small minority

13. The IASB received feedback on all aspects of the proposals. However, respondents did not always comment on all questions (or sub-questions) in the Invitation to Comment on the Addendum Exposure Draft. Consequently, we have used the terms listed in paragraph 12 of this paper to describe the proportion of the respondents based on those respondents that commented on a particular question. Therefore, this is not necessarily a proportion of all respondents.

Supplier finance arrangements

14. This section summarises feedback on Questions 1–2 in the Invitation to Comment on the Addendum Exposure Draft. This section includes staff analysis of comments on:
- (a) scope of disclosure requirements as described in proposed paragraph 7.19B (paragraphs 15–21); and
 - (b) disclosure requirements, analysing separately feedback on proposed new:
 - (i) paragraph 7.19C(a) (paragraphs 22–30);
 - (ii) paragraph 7.19C(b)(i)–(ii) (paragraphs 31–45);
 - (iii) paragraph 7.19C(b)(iii) (paragraphs 46–52); and
 - (iv) paragraph 7.19C(c) (paragraphs 53–56).

Scope of disclosure requirements (paragraph 7.19B)

15. Proposed new paragraph 7.19B describes the characteristics of supplier finance arrangements within the scope of the proposed new disclosure requirements and states:

Supplier finance arrangements are characterised by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. These arrangements provide the entity with extended payment terms, or the entity's suppliers with early payment terms, compared to the related invoice payment due date. Supplier finance arrangements are often referred to as supply chain finance, payables finance or reverse factoring arrangements.

Feedback from respondents

16. Almost all respondents agreed, or did not disagree, with the proposed paragraph 7.19B for the reasons explained in the Basis for Conclusions on the Addendum Exposure Draft. Some respondents suggested improvements to the proposed paragraph, including:
- (a) a few respondents said the last sentence of equivalent paragraph 44G of IAS 7 provides examples of arrangements that are *not* supplier finance arrangements. In these respondents' view, this sentence is also relevant to SMEs because financial guarantees and corporate credit cards are common among SMEs. Without that sentence an SME might conclude that, or spend unnecessary time considering whether, those arrangements have the characteristics of a supplier finance arrangement. The respondents noted that paragraph BC6 of the Basis for Conclusions on the Addendum Exposure Draft includes examples of arrangements that are *not* supplier finance arrangements and suggested the IASB include these examples in proposed paragraph 7.19B because that would:
 - (i) be consistent with full IFRS Accounting Standards and the IASB's objective to align Section 7 of the Standard with IAS 7;
 - (ii) improve accessibility of the requirements because they would be included in a single location; and
 - (iii) improve understandability of the requirements because the description would include a list of examples of arrangements frequently used by SMEs that would and would *not* fall within the scope of the proposed new disclosure requirements.
 - (b) a few accountancy bodies said a key feature of a supplier finance arrangement (that is, the entity pays the finance providers instead of the supplier) should be made clear in the Standard.

- (c) an individual and an accountancy body said the term ‘supplier finance arrangements’ should be clearly defined to ensure ease of application and translation.
- (d) a few accountancy bodies suggested including (for example, in educational material that accompanies the Standard) more examples of arrangements that are supplier finance arrangements.

Staff analysis

17. We agree with the respondents who suggested including in proposed new paragraph 7.19B examples of arrangements that are *not* supplier finance arrangements. Additional clarity in the main body of the Standard will improve understandability and consistent application of the prospective requirements. Therefore, we recommend including paragraph BC6 of the Basis for Conclusions on the Addendum Exposure Draft in prospective new paragraph 7.19B of the Standard (see Appendix A to this paper).
18. We agree that one of the characteristics of supplier finance arrangements is that the entity pays the finance providers instead of the supplier. This is clearly stated in paragraph BC4(a) of the Basis for Conclusions on the Addendum Exposure Draft. However, we note that in some arrangements (that are *not* supplier finance arrangements within the meaning of the proposed new requirements) entities may also pay their finance providers instead of the suppliers. For example, as explained in paragraph BC6(b) of the Basis for Conclusions on the Addendum Exposure Draft, instruments used by an SME to settle directly with a supplier the amounts owed (such as a situation in which an SME uses a credit card to settle the amount owed to a supplier and then has an obligation to pay the issuing bank instead), are *not* supplier finance arrangements within the meaning of the proposed new requirements. Therefore, we recommend no changes to the proposals.
19. In our view the characteristics described in proposed paragraph 7.19B are sufficient for an SME to appropriately identify supplier finance arrangements for which the

SME would be required to disclose the information described in proposed new paragraph 7.19C. As some respondents acknowledged, the proposed principles-based description of supplier finance arrangements will help ensure the Standard stands the test of time as possible new types of arrangements emerge.

20. Consequently, we recommend that the IASB should finalise its proposals in paragraph 7.19B including the revisions described in paragraph 17 of this paper (see also Appendix A).
21. We think the IASB can consider including additional examples of supplier finance arrangements within the meaning of the proposed new requirements when it updates the *IFRS for SMEs* educational modules to support the third edition of the Standard.

Disclosure requirements—terms and conditions (paragraph 7.19C(a))

22. Proposed new paragraph 7.19C(a) states:

7.19C An entity shall disclose in aggregate for its supplier finance arrangements:

- (a) the terms and conditions of the arrangements (for example, extended payment terms and security or guarantees provided). However, an entity shall disclose separately the terms and conditions of arrangements that have dissimilar terms and conditions.

Feedback from respondents

23. Almost all respondents agreed, or did not disagree, with the proposed paragraph 7.19C(a) for the reasons explained in the Basis for Conclusions on the Addendum Exposure Draft. Some respondents suggested simplifications, including:
 - (a) a standard-setter and two accountancy bodies suggested only the disclosure of *key terms and conditions of supplier finance arrangements* (such as interest

- charges) be required, because it would be a suitable simplification that would help ensure the requirements are proportionate. [emphasis added]
- (b) a standard-setter said criteria for aggregation should be clearly defined to prevent material information from being obscured.
- (c) a standard-setter said it is unclear whether SMEs would be required to disclose information about *all* its supplier finance arrangements or only those that are [individually] material. In this respondent's view, the requirement for an SME to disclose information in aggregate for all its supplier finance arrangements might not be a relief for an SME. This might happen when, for example, the SME has several supplier finance arrangements, and the amounts are immaterial for each. An accountancy body said individually immaterial supplier finance arrangements should be excluded from the scope of the proposed disclosure requirements. So, an SME would disclose (in aggregate) information about its individually material supplier finance arrangements only. [emphasis added]
- (d) an accountancy body suggested including in education materials examples of the types of dissimilar terms and conditions that would require separate disclosure. In this respondent's view, supplier finance arrangements are prevalent among SMEs and the terms and conditions of these arrangements might differ significantly. To enhance consistent application of the prospective requirements, an individual suggested developing a reporting template for entities to help them determine which terms and conditions are dissimilar.

Staff analysis

24. We agree with the suggestion in paragraph 23(a) of this paper to require only the disclosure of key terms and conditions of the arrangements. In our view, this would provide an adequate basis for an SME to determine which information to disclose to

inform users of its financial statements that supplier finance arrangements are in place and explain their nature.²

25. In addition, we agree with the suggestion summarised in paragraph 23(a) of this paper to include interest charged by a finance provider as one example of a key term and condition, because this will improve the understandability of the requirements and make their application easier for SMEs. This will also ensure that users receive information that helps them better understand the cost of supplier finance arrangements and compare it with the cost of other financing arrangements used by the entity.
26. We also think, the IASB could extend the list of examples in proposed paragraph 7.19C(a) by including fees charged by finance providers. Including fees as an example was not suggested by any respondent, however, one of the respondents noted that these fees would be disclosed applying proposed paragraph 7.19C(a). We agree with this observation. We generally expect:
- (a) interest charges to be one of the key terms and conditions of the types of supplier finance arrangements described in paragraph BC4(a) of the Basis for Conclusions on the Addendum Exposure Draft.
 - (b) fees to be one of the key terms and conditions of the types of supplier finance arrangements described in paragraph BC4(b) of the Basis for Conclusions on the Addendum Exposure Draft. In these types of supplier finance arrangements, the early payment to the supplier does not impact the timing or amount of the payment by the entity, but the entity pays the finance provider fees for entering into and making the supplier finance arrangement available to the entity for a contractually specified period.
27. We do not think it would be possible to provide a uniform set of criteria for aggregation that would fit all entities because terms and conditions of supplier finance

² We note that the notion of key terms and conditions is already applied in full IFRS Accounting Standards—for example, in paragraph B52 of IFRS 16 *Leases*.

arrangements differ across jurisdictions and finance providers. Entities will need to apply materiality judgement to decide when (key) terms and conditions of supplier finance arrangements would require separate disclosure to avoid material information from being omitted or obscured. As the IASB explained in paragraph BC10 of the Basis for Conclusions on the Addendum Exposure Draft, ‘supplier finance arrangements share the characteristics described in proposed paragraph 7.19B, and it is those characteristics that give rise to the information needs of users of financial statements. Therefore, users of an SME’s financial statements do not need information about each individual supplier finance arrangement’.

28. In response to the comment summarised in paragraph 23(c) of this paper we note that materiality relates to an item of information about a supplier finance arrangement, not necessarily the amount. In other words, information about (key) terms and conditions of supplier finance arrangements may be material because of the nature of these transactions, even if the amounts are immaterial.
29. Consequently, we recommend that the IASB should finalise its proposals in paragraph 7.19C(a) including the revisions described in paragraphs 24–26 of this paper (see also Appendix A).
30. We recommend the IASB consider requests for additional guidance when it updates the *IFRS for SMEs* educational modules to support the third edition of the Standard. This guidance could include, for instance, examples of the types of dissimilar terms and conditions that might require separate disclosure.

Disclosure requirements—carrying amounts (paragraph 7.19C(b)(i)–(ii))

31. Proposed new paragraph 7.19C(b)(i)–(ii) states:

An entity shall disclose in aggregate for its supplier finance arrangements:

...

- (b) as at the beginning and end of the reporting period:

- (i) the carrying amounts, and associated line items presented in the entity's statement of financial position, of the financial liabilities that are part of a supplier finance arrangement.
- (ii) the carrying amounts, and associated line items, of the financial liabilities disclosed in accordance with (i) for which suppliers have already received payment from the finance providers.

Feedback from respondents

32. Some respondents commented specifically on the proposed paragraph 7.19C(b)(i). Of those respondents, all agreed with the proposal. A standard-setter and an accountancy body suggested simplifications. They said paragraph 3.14 of the Standard already requires presentation and disclosure of comparative information and there is no need to repeat this requirement in the proposed paragraph 7.19C(b)(i)–(iii).³
33. Almost all respondents commented on the proposed paragraph 7.19C(b)(ii). Of those respondents, many agreed, and some disagreed with the proposal.
34. The many respondents who agreed with the proposals said the benefits for users of the SME's financial statements will likely outweigh the costs of applying proposed new paragraph 7.19C(b)(ii) as explained in the Basis for Conclusions on the Addendum Exposure Draft. The respondents' other comments included:
- (a) cost cannot be a reason for exemption.
 - (b) the information would be readily available either from internal sources or from the finance providers, because when a finance provider pays a supplier, the

³ Paragraph 3.14 of the *IFRS for SMEs Accounting Standard* states: Except when this Standard permits or requires otherwise, an entity shall disclose comparative information in respect of the previous comparable period for all amounts presented in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

finance provider informs the SME about the amount the SME owes the finance provider.

- (c) SMEs entering into supplier finance arrangements should develop or modify their accounting processes, internal controls and financial reporting systems to ensure they make timely and accurate payments to the appropriate counterparty (that is, to avoid paying the finance provider and the supplier for the same invoice). These modifications might require some costs, but they are essential to ensure sound financial management.
 - (d) the purpose of the proposed suite of disclosure requirements about supplier finance arrangements would be fundamentally undermined without the information about amounts settled by the finance providers. Users' information needs would not be met, because they would receive incomplete information and would not be able to analyse the SME's liabilities and the effect that supplier financing arrangements have on the SME's operating and financing cash flows. Also, users would not fully understand the SME's exposure to liquidity risk and how the liquidity position would change if the arrangements were no longer available.
35. Two accounting firms and an accountancy body who agreed with the proposal questioned the practical ability of SMEs to access the information required and suggested the disclosure requirement be subject to the undue cost or effort exemption.⁴
36. Some respondents disagreed with the proposals because in their view disclosing that information would be onerous and costly for SMEs, in particular smaller entities, and those costs will outweigh the benefits for users. Their comments included:
- (a) an accountancy body said external users of SMEs' financial statements are particularly interested in information about the overall liquidity and debt levels rather than more detailed information in proposed paragraph 7.19C(b)(ii). This

⁴ See paragraphs 2.14A–2.14D of the *IFRS for SMEs Accounting Standard*.

respondent suggested instead the IASB ‘encourage, but not require’ SMEs to disclose the information if it is readily available and if the SME believes that information significantly impacts its financial transparency.

- (b) two accounting firms and a standard-setter said SMEs are unlikely to have access readily to the information that would be required by the proposed new paragraph 7.19C(b)(ii). SMEs would need to obtain this information from their finance provider(s). SMEs (i) might not have the practical ability to obtain this information from the finance provider or (ii) might not be entitled to obtain this information because it may be subject to a separate agreement between the finance provider and the supplier(s). SMEs may not have the same negotiating power as entities applying full IFRS Accounting Standards to obtain this additional information from the finance providers at a reasonable price.
- (c) a few respondents (including a standard-setter and an accountancy body) said the *IFRS for SMEs* Accounting Standard does not include any reduced disclosure options. Requiring micro-SMEs or owner-managed SMEs to disclose the information in proposed paragraph 7.19C(b)(ii) would not be proportional to the size of these entities—such SMEs might not have capacity to apply the proposed requirements. An individual suggested implementing a ‘tiered disclosure requirement based on the size of the liabilities involved or the significance of the finance arrangements to the SME's operations’.
- (d) an accounting firm said the IASB’s rationale in paragraph BC9(c)(ii) of the Basis for Conclusions on the Addendum Exposure Draft is relevant for entities applying full IFRS Accounting Standards. This is because paragraph 44H(b)(ii) of IAS 7⁵ together with paragraph 39 of IFRS 7 *Financial Instruments: Disclosures* provides holistic information to users on liquidity risk.⁶ In the absence of the equivalent requirement to that in paragraph 39 of

⁵ Equivalent to the proposed new paragraph 7.19C(b)(ii) of the *IFRS for SMEs* Accounting Standard

⁶ Paragraph 39 of IFRS 7 states: An entity shall disclose: (a) a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities. (b) a maturity analysis for derivative financial liabilities. [...] (c) a description of how it manages the liquidity risk inherent in (a) and (b).

IFRS 7, an SME would not provide meaningful insight into its exposure to liquidity risk and effects on its cash flows.

- (e) a standard-setter said information about the amounts settled by the finance providers would be of limited value because banks that make loans to SMEs are one of the main groups of external users of SMEs' financial statements and these banks might be the same as the finance providers in supplier finance arrangements. This respondent also said the carrying amounts of the liabilities that are part of the supplier finance arrangement and the carrying amounts of the liabilities for which suppliers have already received payment from the finance providers are generally not materially different due to the short-term nature of these liabilities. Therefore, information required by proposed new paragraph 7.19C(b)(i) would meet the user information needs.

Staff analysis

37. We disagree with the respondents' suggested simplification in paragraph 32 of this paper to remove from proposed new paragraph 7.19C(b)(i)–(iii) the requirement for an SME to disclose information as at the beginning of the reporting period. Even though paragraph 3.14 requires the disclosure of comparative information, we think that repeating that requirement specifically in the context of supplier finance arrangements would ensure that this information is not omitted from the financial statements and that users receive complete information every year. We understand that there would be no incremental costs for SMEs to keep the proposals unchanged. However, in response to some respondents' concerns about lack of transition reliefs, we recommend some simplified disclosure requirements in the first year of application of the third edition of the Standard (see paragraph 76 of this paper).
38. Consequently, we recommend that the IASB finalise with no changes its proposal in paragraph 7.19C(b)(i) of the Addendum Exposure Draft.
39. Based on the feedback, we also recommend the IASB finalise (with some changes) its proposal in paragraph 7.19C(b)(ii). We considered the suggestion for the IASB to

require disclosure of information about the amounts settled by finance providers (proposed new paragraph 7.19C(b)(ii)), subject to the undue cost or effort exemption (see paragraph 35 of this paper). In our view, this exemption would not be operable for the proposed disclosure requirement because using supplier finance arrangements will inevitably require SMEs to design new processes and internal controls. As many respondents acknowledged, many SMEs might not have the required information readily available. Therefore, we think that in practice the undue cost or effort exemption would be available for the wrong reason. It might be used too often or applied as a de facto ‘blanket’ exception, which would not be consistent with the IASB’s rationale or would not reflect the respondents’ objective. For similar reasons, we do not think an alternative approach as we summarised in paragraph 36(a) of this paper would be operable.

40. Feedback summarised in paragraph 36(b) of this paper suggests that most SMEs would need to obtain the information required by proposed paragraph 7.19C(b)(ii) from the finance providers, but (i) SMEs might not have the practical ability to obtain this information from the finance provider or (ii) might not have the power to request this information from the finance provider. To address these two cases we suggest that SMEs are required to disclose the information in proposed paragraph 7.19C(b)(ii) unless it is impracticable to do so.⁷ See Appendix A to this paper for our recommendation on how to revise the proposals in paragraph 7.19C(b)(ii) to include an impracticable exemption.
41. We think including the impracticable exemption would alleviate some of the concerns summarised in paragraph 36(c) of this paper about the proposed disclosure requirements not being proportional to the size or complexity of some SMEs.
42. In response to the comment summarised in paragraph 36(d) of this paper, we agree that a maturity analysis of financial liabilities provides information about another aspect of an entity’s liquidity risk. We note that at its meeting in [May 2024](#), the IASB

⁷ Appendix B—Glossary of terms to the *IFRS for SMEs Accounting Standard* defines impracticable as: Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.

tentatively decided to add a requirement to Section 11 *Financial Instruments* for an SME to disclose a maturity analysis for financial liabilities (based on paragraph 39 of IFRS 7).⁸

43. We disagree with the comment summarised in paragraph 36(e) of this paper that carrying amounts disclosed applying proposed paragraph 7.19C(b)(i) are generally not materially different from carrying amounts that would be disclosed applying proposed paragraph 7.19C(b)(ii) due to the short-term nature of trade liabilities. This statement would only be true in a narrow set of circumstances. For example, 100% of an SME's trade payables are part of a supplier finance arrangement, and the SME's suppliers choose to be paid a discounted amount by the finance provider as soon as they issue an invoice to the SME. In other, more realistic and complex scenarios, without the information about the amounts settled by the finance provider, users would receive incomplete information.
44. In addition, we think that in some jurisdictions SMEs enter into supplier finance arrangements with the same finance providers as entities applying full IFRS Accounting Standards. So, finance providers will be familiar with what information is needed for entities to prepare the required disclosure.
45. Consequently, we recommend the IASB finalise the proposals in paragraph 7.19C(b)(i)–(ii) as illustrated in Appendix A to this paper (subject to drafting comments and editorial corrections).

Disclosure requirements—range of payment due dates (paragraph 7.19C(b)(iii))

46. Proposed new paragraph 7.19C(b)(i)–(ii) states:

An entity shall disclose in aggregate for its supplier finance arrangements:

⁸ See Agenda [Paper 30D Disclosure requirements: IFRS for SMEs Accounting Standard and IFRS 19 Subsidiaries without Public Accountability: Disclosures](#) and [IASB Update](#) of the May 2024 IASB meeting.

...

- (b) as at the beginning and end of the reporting period:
 - (i) the carrying amounts, and associated line items presented in the entity's statement of financial position, of the financial liabilities that are part of a supplier finance arrangement.

...

- (iii) the range of payment due dates (for example, 30–40 days after the invoice date) for both the financial liabilities disclosed in accordance with (i) and comparable trade payables that are not part of the supplier finance arrangement. Comparable trade payables are, for example, trade payables of the entity within the same line of business or jurisdiction as the financial liabilities disclosed in accordance with (i). If ranges of payment due dates are wide, an entity shall disclose explanatory information about those ranges or divide them into narrower ranges.

Feedback from respondents

47. Only some respondents commented specifically on the proposed paragraph 7.19C(b)(iii). Of these respondents, a few agreed with the proposal:
- (a) a standard-setter said it would be useful if the IASB clarified whether SMEs should disclose weighted average payment terms or the shortest and longest payment terms; and
 - (b) an accountancy body said it would be more practical to only report the range of payment due dates for financial liabilities that are part of supplier finance arrangements.

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48. A few respondents disagreed with the proposal:
- (a) a few accountancy bodies (two from Europe and one global) shared similar comments and said it is unnecessary to compare (i) payment due dates of financial liabilities that are part of supplier finance arrangements with (ii) payment due dates of trade payables that are *not* part of supplier finance arrangements, given short-term nature of trade payables. In these respondents' view, disclosing the range of payment due dates for financial liabilities that are part of supplier finance arrangements should be sufficient to meet the information needs of most users of SME financial statements, and these respondents suggested removing the requirement to compare the ranges of payment due dates that are not part of the supplier finance arrangement. The respondents said an SME might already disclose payment due dates of trade payables that are *not* part of supplier finance arrangements applying paragraph 11.42 of the Standard.⁹
 - (b) conversely, an accounting firm expressed concerns about the undue cost to access the required information from third parties and suggested the IASB remove the proposal to disclose payment due dates of financial liabilities that are part of supplier finance arrangements. In this respondent's view, the proposal would not provide useful information without the requirements in the *IFRS for SMEs Accounting Standard* equivalent to those in paragraph 39 of IFRS 7.¹⁰

Staff analysis

49. Considering that almost all respondents in general agreed, or did not disagree, with the proposal, or did not express any specific concerns about the proposed new paragraph 7.19C(b)(iii), we recommend that the IASB finalise the proposals without

⁹ Paragraph 11.42 of the *IFRS for SMEs Accounting Standard* states: An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance. For example, for long-term debt such information would normally include the terms and conditions of the debt instrument (such as interest rate, maturity, repayment schedule, and restrictions that the debt instrument imposes on the entity).

¹⁰ See footnote 6.

any changes. We have also considered a SMEIG member's comment summarised in Appendix B to this paper.

50. In our view, SMEs would not need to do any complex calculations, such as weighted average payment due date, to comply with the prospective requirements. We expect SMEs to apply the requirements as written, disclosing the shortest and the longest payment due date within the range. As the IASB already clarified in the proposed paragraph, 'if ranges of payments due dates are wide, an entity shall disclose explanatory information about those ranges *or divide them into narrower ranges*'. [emphasis added]
51. Paragraph 11.42 of the Standard does not explicitly require SMEs to disclose the range of payment due dates for trade payables that are not part of supplier finance arrangements. In our view this specific disclosure requirement in prospective paragraph 7.19C(b)(iii) of the Standard is essential to enable users of the SME's financial statements to assess how supplier finance arrangements affect the SME's cash flows (paragraph BC9(d) of the Basis for Conclusions on the Addendum Exposure Draft).
52. We disagree with the respondent's comment summarised in paragraph 48(b) of this paper that the proposal would not provide useful information without the requirements in the Standard equivalent to those in paragraph 39 of IFRS 7 (maturity analysis for financial liabilities). We have explained in paragraph 42 of this paper that at its meeting [in May 2024](#), the IASB tentatively decided to add a requirement to Section 11 for an SME to disclose a maturity analysis for financial liabilities.

Disclosure requirements—non-cash changes (paragraph 7.19C(c))

53. Proposed new paragraph 7.19C(c) states:

An entity shall disclose in aggregate for its supplier finance arrangements:

...

- (b) as at the beginning and end of the reporting period:
 - (i) the carrying amounts, and associated line items presented in the entity's statement of financial position, of the financial liabilities that are part of a supplier finance arrangement.
 - ...
- (c) the type and effect of non-cash changes in the carrying amounts of the financial liabilities disclosed in accordance with (b)(i). Examples of non-cash changes include the effect of business combinations, exchange differences and other transactions that do not require the use of cash or cash equivalents (see paragraph 7.18).

Feedback from respondents

- 54. Some respondents commented specifically on the proposal in paragraph 7.19C(c). Of these respondents, almost all agreed with the proposal. A standard-setter from Latin America disagreed with it because SMEs might need to incur undue cost or effort to comply with it.
- 55. Respondents who agreed suggested including in prospective paragraph 7.19C(c) examples to help SMEs better understand how and why the nature of cash flows changes from operating cash flows to financing cash flows. An accounting firm suggested including in prospective paragraph 7.19C(c) the examples of non-cash changes described in paragraph BC9(f) of the Basis for Conclusions on the Addendum Exposure Draft.

Staff analysis

- 56. Considering that almost all respondents in general agreed, or did not disagree, with the proposal, or did not express any specific concerns about proposed new paragraph 7.19C(c), we recommend the IASB finalise the proposals with one change. We agree

that it would be useful to expand the examples of non-cash changes in prospective paragraph 7.19C(c) based on paragraph BC9(f) of the Basis for Conclusions on the Addendum Exposure Draft (which is based on paragraph BC37 of the Basis for Conclusions on IAS 7). See Appendix A to this paper for our recommendations on how to revise the proposals in paragraph 7.19C(c).

Lack of exchangeability

57. This section analyses feedback on Question 3 in the Invitation to Comment on the Addendum Exposure Draft.

Question 3—Lack of exchangeability (proposed new paragraphs 30.5A, 30.28–30.29 and 30A.1–30A.18)

Section 30 of the *IFRS for SMEs* Accounting Standard generally requires the use of a spot exchange rate when an SME reports foreign currency transactions or a foreign operation’s results and financial position in its financial statements. However, it does not specify the exchange rate to use when there is a lack of exchangeability between two currencies. To address this deficiency, the IASB proposes to amend Section 30 of the Standard:

- (a) to specify when a currency is exchangeable into another currency;
- (b) to set out the factors an SME is required to consider in assessing exchangeability and to specify how those factors affect the assessment;
- (c) to specify how an SME determines the spot exchange rate when a currency is not exchangeable into another currency; and
- (d) to require an SME to disclose information that would enable users of its financial statements to understand how a lack of exchangeability between two currencies affects, or is expected to affect, its financial performance, financial position and cash flows.

Paragraphs 30A.1–30A.11 of [draft] Appendix A to Section 30 of the Standard set out the factors an SME would be required to consider in assessing exchangeability and specify how those factors would affect the assessment.

Paragraphs 30A.12–30A.18 of [draft] Appendix A to Section 30 of the Standard provide application guidance that would help an SME estimate the spot exchange rate when a currency is not exchangeable into another currency.

Paragraphs BC18–BC39 of the Basis for Conclusions explain the IASB’s rationale for these proposals.

Do you have comments or suggestions on the proposed amendments to Section 30? Please explain the reasons for your suggestions.

Do you agree that the proposals in paragraphs 30A.1–30A.18 of [draft] Appendix A to Section 30 would provide sufficient application guidance for SMEs? If you disagree with these proposals, please explain what you would suggest instead and why.

Feedback from respondents

58. All respondents agreed or did not disagree with the IASB's proposed amendments to Section 30 of the Standard for the reasons explained in the Basis of Conclusions on the Addendum Exposure Draft. In particular, a few respondents acknowledged that lack of exchangeability might arise relatively infrequently and is likely to be relevant only to a limited number of jurisdictions. Some respondents said proposed new paragraphs 30A.1–30A.18 would provide sufficient application guidance for SMEs. Many other respondents suggested the IASB consider providing additional guidance through illustrative examples, decisions trees, flowcharts or other educational materials. A few respondents requested additional guidance specifically on:
- (a) normal administrative delay. A few accountancy bodies said if the IASB is unable to provide examples of circumstances that constitute a 'normal administrative delay', the IASB could consider providing examples of circumstances that are unacceptable and therefore would not constitute normal administrative delay in proposed new paragraph 30A.5. In these respondents' view, the circumstances might include delays that are avoidable or within the entity's control, such as delays caused by incomplete documentation.
 - (b) estimation techniques. A few respondents suggested the IASB provide further guidance on how to adjust the relevant exchange rate and what factors to consider. A few respondents suggested the IASB could also provide examples of acceptable estimation techniques, such as the use of economic models.
59. Some respondents commented specifically on the disclosure requirements in proposed new paragraphs 30.28–30.29:
- (a) an accounting firm said the disclosure requirements should be limited to why the currency is not exchangeable and what the impact is.
 - (b) another accounting firm suggested developing educational material to help SMEs better understand what disclosures are required (and why) and to help them apply correct judgement, thus reducing the likelihood of disclosure

- deficiencies. In this respondent's view the guidance should state the nature of inputs that the SME preparer would consider in calculating the exchange rate.
- (c) a standard-setter said proposed paragraph 30.28(d) could be simplified further to require only disclosure of the spot exchange rates used because the information provided in applying proposed paragraph 30.28(e) would give users sufficient information about the nature of estimated spot exchange rates.
 - (d) an accountancy body suggested the IASB consider developing a framework or template for disclosures to assist SMEs prepare the required disclosures without incurring excessive costs.
 - (e) another accountancy body suggested simplifying the disclosure requirements to focus on the most critical elements that influence financial decisions, such as the spot exchange rates used.
60. A few respondents provided drafting suggestions or comments about the location of the application guidance:
- (a) a standard-setter and an accountancy body said it would be more consistent with the rest of the Standard if the term 'exchangeable' was defined in the Glossary of terms.
 - (b) an accountancy body suggested replacing:
 - (i) the phrase 'another estimation technique (see paragraph 30A.18)' in proposed paragraph 30A.12(b) with 'an observable exchange rate in a related country (see paragraph 30A.18)'; and
 - (ii) proposed paragraph 30A.18 with 'the entity may use an observable exchange rate in a country that is similar in terms of its inflation rate, adopted monetary policies and policy stability, including rates derived from foreign exchange transactions in markets or exchange rate mechanisms that do not create enforceable rights and obligations, and adjust that rate, as necessary, to achieve the objective described in paragraph 30.5A'.

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- (c) a standard-setter said it is not necessary to include detailed application guidance as Appendix A to Section 30. The respondent noted that the IASB has decided not to include appendices to other sections of the Standard that are being amended in the second comprehensive review (for example, Section 23 *Revenue from Contracts with Customers* and Section 12 *Fair Value Measurement*) and instead to develop educational material. In this respondent's view a similar approach would be appropriate for the proposed application guidance.
- (d) an accountancy body suggested streamlining the application guidance to focus on essential elements only. This approach could include developing complementary educational materials rather than extensive appendices. In this respondent's view, such an approach would help maintain the balance between providing necessary guidance and ensuring that the guidance does not become overly burdensome for SMEs.
61. A few respondents (a standard-setter and two accountancy bodies) commented on potential simplifications—for example, to set out the factors an SME is required to consider in assessing exchangeability in a checklist format. Conversely, an accounting firm said there is insufficient evidence in practice to propose simplifications for SMEs.

Staff analysis

62. Based on the feedback, we recommend the IASB finalise its proposals for Section 30 in the Addendum Exposure Draft.
63. We also recommend the IASB consider requests for additional guidance when it updates the *IFRS for SMEs* educational modules that support the third edition of the Standard. Educational materials could include, for example, illustrative examples (accompanying IAS 21) and the diagram in paragraph A1 of IAS 21.

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64. The proposed disclosure requirements already include simplifications compared to disclosure requirements in IAS 21. In our view, further simplifications would risk providing users with incomplete information. We have considered a standard-setter's suggestion summarised in paragraph 59(c) of this paper. In our view, disclosing the spot exchange rates used *and whether they are observable exchange rates without adjustment* would not be costly for preparers, but would provide useful information.
65. At early drafting stage of the Addendum Exposure Draft we included the term 'exchangeable' in the Glossary of terms (see [Appendix B to Agenda Paper 29 for the December 2023 IASB meeting](#)). However, feedback received subsequently, indicated, that including the term in the main section of the Standard would improve understandability of the requirements.
66. We disagree with the drafting suggestions in paragraph 60(b) of this paper because they would be inconsistent with the IASB's rationale in paragraph BC34 of the Basis for Conclusions on the Addendum Exposure Draft. In particular, the IASB decided not to prescribe one particular estimation technique or approach because any one technique or approach would be unlikely to capture all relevant factors for all possible situations without being overly burdensome. In addition, the flexible approach in estimating spot exchange rates would allow SMEs to use economic models that best suit their specific circumstances.
67. We disagree with the suggestions to include parts of the application guidance in educational modules. In our view, proposed new paragraphs 30A.1–30A.18 provide useful and sufficient guidance when read together as a set. Moving some of the guidance to educational modules would negatively affect the operability of the guidance. We have also considered including the *entire* application guidance in educational modules. However, doing so would result in application guidance being non-mandatory. This would be inconsistent with full IFRS Accounting Standards, because application guidance for lack of exchangeability is an integral part of IAS 21. In addition, the IASB will update the *IFRS for SMEs* educational modules after it has

issued the third edition of the Standard. Including (parts of) application guidance in educational modules would delay SMEs’ access to the guidance.

68. Including application guidance for lack of exchangeability in an appendix to Section 30 of the Standard would be consistent with the IASB’s approach to other sections of the Standard being amended during the second comprehensive review of the Standard. For example, at its February 2024 meeting, the IASB tentatively decided to proceed with the proposed amendments to Section 19 *Business Combinations and Goodwill* of the 2022 Exposure Draft. This section would be accompanied by Appendix A *Application guidance* that would be integral, and therefore have the same authority as Section 19 (consistent with Appendix B *Application guidance* to IFRS 3 *Business Combinations*).
69. Consequently, we recommend the IASB finalise the proposed amendments as drafted in the Addendum Exposure Draft without any changes.

Effective date and transition

70. This section analyses feedback on Question 4 in the Invitation to Comment on the Addendum Exposure Draft.

Question 4—Effective date and transition (proposed new paragraph A37A)	
The IASB proposes:	
(a)	that the amended Section 7 and Section 30 of the <i>IFRS for SMEs</i> Accounting Standard have the same effective date as that of the third edition of the Standard; ¹¹
(b)	no transition relief in relation to the amendments to Section 7 of the Standard; and
(c)	specific transition requirements in relation to the amendments to Section 30 of the Standard.
Proposed new paragraph A37A of Appendix A to the Standard sets out transition requirements for the amendments to Section 30 of the Standard.	
Paragraphs BC16–BC17 and paragraphs BC40–BC44 of the Basis for Conclusions explain the IASB’s rationale for these proposals.	
Do you agree with these proposals? Why or why not? If you disagree with these proposals, please explain what you would suggest instead and why.	

¹¹ At its July 2024 meeting, the IASB tentatively decided to set an effective date of 1 January 2027 for the third edition of the Standard.

Effective date

71. Almost all respondents agreed or did not disagree that the amended Section 7 of the Standard should have the same effective date as that of the third edition of the Standard for the reasons explained in the Addendum Exposure Draft. A standard-setter suggested a transition relief (no comparative information in the first year of application) and an earlier effective date of the amended Section 7 than the effective date of the third edition of the Standard, so users have access to information about supplier finance arrangements as soon as possible. Another standard-setter suggested the IASB consider a staggered implementation. However, an accountancy body said using the same effective date as that of the third edition of the Standard would simplify implementation for SMEs by allowing them to adopt all changes concurrently, facilitating better planning and resource allocation. Unified implementation helps SMEs manage changes more effectively, reducing the administrative burden and potential confusion that staggered updates might introduce.
72. All respondents agreed or did not disagree that the amended Section 30 of the Standard should have the same effective date as that of the third edition of the Standard for the reasons explained in the Addendum Exposure Draft.
73. Consequently, we recommend that the amendments to Section 7 and Section 30 of the Standard should have the same effective date as that of the third edition of the Standard.

Transition

74. Most respondents agreed or did not disagree with having no specific transition reliefs in relation to the amendments to Section 7 of the Standard. However, some respondents suggested the IASB consider including the same transition reliefs as for entities applying full IFRS Accounting Standards, even if SMEs would have more time (between the issue of the third edition of the Standard and the effective date of the Standard) to provide the required information for comparative periods.
- Respondents said:

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- (a) given that SMEs generally have fewer resources and systems, and there are concerns about the availability of information in proposed paragraph 7.19C(b)(ii), the IASB should provide relief from providing comparative information for SMEs.
 - (b) entities applying full IFRS Accounting Standards are generally larger and more sophisticated entities than SMEs, yet they are not required to provide comparative information in the first year of application.
 - (c) given the purpose of the Standard is simplified accounting and disclosure requirements, SME preparers would benefit from these transition reliefs.
75. All respondents agreed or did not disagree with the specific transition requirements in relation to the amendments to Section 30 of the Standard.
76. Based on the feedback, we recommend the IASB develop the same transition relief for the proposed disclosure requirements in paragraph 7.19C as for *Supplier Finance Arrangements* that amended IAS 7. In our view, this approach would not only respond to some respondents' concerns about the requirements in the Standard being costly to apply, but it would also alleviate the concerns of the many respondents about the availability of data to disclose the information required by proposed new paragraph 7.19C(b)(ii) (amounts settled by finance providers).
77. We also recommend the IASB finalise with no changes the proposed transition reliefs for amendments to Section 30 of the Standard.

Due process steps and permission for balloting

Re-exposure

78. If the IASB agrees with our recommendations in this paper, the proposals in the Addendum Exposure Draft will be finalised with some simplifications and reliefs for SME preparers.

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79. We considered the requirements in paragraphs 6.25–6.29 of the *Handbook* (see Appendix E to this paper) to assess whether the IASB should re-expose the amendments. In our view, the IASB should not re-expose the amendments because:
- (a) the IASB has undertaken the steps described in paragraph 6.25 of the *Handbook*;
 - (b) the revised proposals respond to the feedback, do not include any fundamental changes on which respondents have not had the opportunity to comment and it is unlikely that re-exposure would reveal any new information or feedback not already considered by the IASB (see paragraph 6.26);
 - (c) the staff consulted on its draft recommendations to the IASB with the SMEIG and considered SMEIG members' advice in preparing the recommendations in this paper (see paragraph 6.27); and
 - (d) the limited changes relate only to the disclosure proposals—the IASB did not propose any changes to the requirements on recognition or measurement (see paragraph 6.28).
80. Therefore, we recommend finalising these amendments to Section 7 and Section 30 of the Standard without re-exposure.

Intention to dissent

81. In accordance with paragraph 6.23 of the *Handbook*, we are asking whether any IASB member intends to dissent from these amendments to Section 7 or Section 30 of the Standard.

Confirmation of due process steps

82. In our view, the IASB has undertaken all the due process activities identified as being required in the *Handbook* and, thus, is able to finalise these amendments to Section 7 and Section 30 of the Standard. Appendix F summarises the due process steps taken in

developing these amendments—the applicable due process steps to date for issuing the amendments have been completed.

83. We request permission to add these amendments to Section 7 and Section 30 to the third edition of the Standard, thereby continuing the balloting process if the IASB is satisfied that:
- (a) it has been provided with sufficient analysis; and
 - (b) it has undertaken appropriate consultation and due process to support issuing the amendments.

Proposed timetable for balloting and publication

84. The IASB plans to include any final amendments resulting from the Addendum Exposure Draft in the third edition of the Standard. The balloting process for the third edition of the Standard will commence in the near term. The IASB expects to issue the third edition of the Standard in the first half of 2025.

Staff recommendations and questions to the IASB

85. Subject to drafting comments and editorial corrections in relation to the Addendum Exposure Draft, the staff recommends the IASB:
- (a) finalise the proposed amendments to Section 7 of the Standard with some changes as set out in Appendix A to this paper;
 - (b) finalise the proposed amendments to Section 30 of the Standard with no changes (see Appendix B to this paper);
 - (c) confirm the amended sections have the same effective date as the effective date of the third edition of the Standard (1 January 2027);
 - (d) include the same transition reliefs for amendments to Section 7 of the Standard as for amendments to IAS 7 (see Appendix C to this paper); and

- (e) finalise the proposed transition reliefs for amendments to Section 30 of the Standard.

Questions to the IASB

Feedback summary

1. Do you have any comments on the feedback summarised in this paper?

Final amendments

2. Does the IASB agree with the staff recommendation:
- (a) to finalise the proposed amendments to Section 7 of the Standard with some changes as set out in Appendix A to this paper;
 - (b) to finalise the proposed amendments to Section 30 of the Standard with no changes;
 - (c) to confirm the amended sections have the same effective date as the third edition of the Standard (1 January 2027);
 - (d) to include the same transition reliefs for amendments to Section 7 of the Standard as for amendments to IAS 7 (see Appendix C to this paper); and
 - (e) to finalise the proposed transition reliefs for amendments to Section 30 of the Standard?

Due process

3. Is the IASB satisfied that all the mandatory due process steps have been met (see Appendix F to this paper)?
4. Does any IASB member intend to dissent from the amendments to Section 7 or Section 30 of the Standard? If so, on what grounds?
5. Does the IASB agree with the staff recommendation not to re-expose the proposals in the Addendum Exposure Draft?
6. Does the IASB grant staff permission to include the amendments to Section 7 and Section 30 in the balloting process for the third edition of the *IFRS for SMEs Accounting Standard*?

Appendix A—staff recommended revisions to the proposed amendments to Section 7 of the Standard

- A1. This Appendix includes our recommendations to the IASB on how to respond to feedback on the proposed amendments to Section 7 of the Standard.
- A2. Text added since the Addendum Exposure Draft is underlined; text deleted since the Addendum Exposure Draft is struck through.

Section 7 *Statement of Cash Flows*

Paragraphs 7.19B–7.19D (including their related heading) are added.

Supplier finance arrangements

- 7.19B Supplier finance arrangements are characterised by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. These arrangements provide the entity with extended payment terms, or the entity's suppliers with early payment terms, compared to the related invoice payment due date. Supplier finance arrangements are often referred to as supply chain finance, payables finance or reverse factoring arrangements. Examples of arrangements that are not supplier finance arrangements include:
- (a) arrangements that are solely credit enhancements for an entity (such as financial guarantees including letters of credit used as guarantees); and
 - (b) instruments used by an entity to settle directly with a supplier the amounts owed (such as a situation in which an entity uses a credit card to settle the amount owed to a supplier and then has an obligation to pay the issuing bank instead).
- 7.19C An entity shall disclose in aggregate for its supplier finance arrangements:
- (a) the key terms and conditions of the arrangements (for example, interest rate, fees charged, extended payment terms and security or guarantees provided). However, an entity shall disclose separately the key terms and conditions of arrangements that have dissimilar key terms and conditions.
 - (b) as at the beginning and end of the reporting period:
 - (i) the carrying amounts, and associated line items presented in the entity's statement of financial position, of the financial liabilities that are part of a supplier finance arrangement.

-
- (ii) the carrying amounts, and associated line items, of the financial liabilities disclosed in accordance with (i) for which suppliers have already received payment from the finance providers, unless it is impracticable to do so. If it is impracticable to make this disclosure, that fact shall be stated.
- (iii) the range of payment due dates (for example, 30–40 days after the invoice date) for both the financial liabilities disclosed in accordance with (i) and comparable trade payables that are not part of the supplier finance arrangement. Comparable trade payables are, for example, trade payables of the entity within the same line of business or jurisdiction as the financial liabilities disclosed in accordance with (i). If ranges of payment due dates are wide, an entity shall disclose explanatory information about those ranges or divide them into narrower ranges.
- (c) the type and effect of non-cash changes in the carrying amounts of the financial liabilities disclosed in accordance with (b)(i). ~~Examples of These~~ non-cash changes include the effect of business combinations, exchange differences and other transactions that do not require the use of cash or cash equivalents (see paragraph 7.18). For example, an entity that buys goods and services from suppliers would typically classify the cash outflows to settle amounts owed to its suppliers as cash outflows from operating activities. If the entity owes its suppliers an amount that becomes part of a supplier finance arrangement, the entity—having considered the terms and conditions of the arrangement—might classify the cash outflow to settle the amount owed as a cash flow from financing activities. In such a circumstance, the entity might not have reported any cash inflow from financing activities, in which case the outcome is a non-cash change in liabilities arising from financing activities.

Appendix B—SMEIG members' comments and advice¹²

- B1. The SME Implementation Group (SMEIG) met on 3 September 2024. SMEIG members were provided with a summary of the feedback on the Addendum Exposure Draft and asked for their views on the staff's preliminary recommendations to the IASB. This Appendix summarises SMEIG members' comments and advice that we considered when preparing our recommendations in this paper.
- B2. A few SMEIG members commented on our recommendations relating to paragraph 7.19C(b)(ii). They agreed with our analysis that the undue cost or effort exemption would not be operable and suggested the IASB either remove the proposed disclosure requirement entirely or permit the disclosure but not require it. SMEIG members observed that the impracticable exemption would be a higher hurdle for SME preparers than an undue cost or effort exemption. However, they agreed it would strike an appropriate balance between meeting user information needs and providing appropriate relief for SME preparers.
- B3. A SMEIG member said that users of SMEs' financial statements find information about the overall liquidity (which would be provided by the maturity analysis of financial liabilities) more useful than detailed information to be disclosed by proposed new paragraph 7.19C(b)(iii). This SMEIG member suggested including the undue cost or effort exemption for this requirement, because otherwise it would be onerous for some smaller SMEs.
- B4. We disagree with the suggestion, because without the specific requirement in prospective paragraph 7.19C(b)(iii), users would be unable to assess how maturity of financial liabilities would differ if supplier finance arrangements were not in place. We think that the undue cost or effort exemption would not be appropriate for the proposed disclosure requirement for the same reasons as explained in paragraphs 39–40 of this paper.

¹² This is a staff draft summary of the September 2024 SMEIG meeting. The meeting summary has not yet been reviewed by SMEIG members. The final meeting summary will be posted to our website once it has been reviewed by SMEIG members.

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- B5. A SMEIG member suggested the IASB consider including the entire application guidance for lack of exchangeability in the main body of Section 30 rather than in an appendix to this Section.
- B6. In our view, this would create unnecessary inconsistency with the structure of equivalent requirements in full IFRS Accounting Standards without any benefits of brevity or greater accessibility.

Appendix C— staff recommended revisions to the proposed transition requirements

- C1. This Appendix includes our recommendations to the IASB on how to respond to feedback relating to transition requirements.
- C2. This Appendix includes our recommended revisions to the proposed amendments to Appendix A *Effective date and transition* of the *IFRS for SMEs Accounting Standard*.
- C3. Text added since the Addendum Exposure Draft is underlined.

Appendix A Effective date and transition

This appendix is an integral part of the Standard.

Paragraphs A2A and A37A are added. New text since the Addendum Exposure Draft is underlined.

Effective date

...

Transition

...

Supplier finance arrangements

A2A In applying paragraphs 7.19B–7.19C, an entity is not required to disclose:

- (a) comparative information for any reporting periods presented before the beginning of the annual reporting period in which the entity first applies those paragraphs.
- (b) the information otherwise required by paragraph 7.19C(b)(ii)–(iii) as at the beginning of the annual reporting period in which the entity first applies that paragraph.

Foreign currency translation

...

A37A In applying paragraph 30.5A, an entity shall not restate comparative information. Instead:

- (a) when the entity reports foreign currency transactions in its functional currency, and, at the date of initial application, concludes that its functional currency is not exchangeable into the foreign currency or, if applicable, the

foreign currency is not exchangeable into its functional currency, the entity shall at the date of initial application:

- (i) translate affected foreign currency monetary items, and non-monetary items measured at fair value in a foreign currency, using the estimated spot exchange rate at that date; and
 - (ii) recognise any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings.
- (b) when the entity uses a presentation currency other than its functional currency, or translates the results and financial position of a **foreign operation**, and, at the date of initial application, concludes that its functional currency (or the foreign operation's functional currency) is not exchangeable into its presentation currency or, if applicable, its presentation currency is not exchangeable into its functional currency (or the foreign operation's functional currency), the entity shall at the date of initial application:
- (i) translate affected assets and liabilities using the estimated spot exchange rate at that date;
 - (ii) translate affected equity items using the estimated spot exchange rate at that date if the entity's functional currency is hyperinflationary; and
 - (iii) recognise any effect of initially applying the amendments as an adjustment to the cumulative amount of translation differences—accumulated in a separate component of equity.

...

Appendix D—analysis of other comments

D1. The following table summarises respondents’ other comments together with our analysis and conclusions.

Respondents’ comments and suggestions	Staff analysis and conclusions
To require the presentation of cash flows from operating activities using both direct and indirect method.	<i>We recommend no action.</i> This suggestion is outside the scope of the Addendum Exposure Draft.
In a respondent’s view, the term ‘monetary item’ is defined in Section 30 of the Standard, but there is no commentary on the concept of non-monetary items in the Standard. The respondent recommends that the IASB elaborate on the term in the educational material based on paragraph 16 of IAS 21.	<i>We recommend no action.</i> Further guidance and examples of monetary and non-monetary items are already provided in pages 16–17 of Module 30 Foreign Currency Translation of the <i>IFRS for SMEs</i> educational material. The IASB has also discussed guidance on determining when an item is monetary or non-monetary in paragraphs 6–16 in Agenda Paper 30C for the March 2024 IASB meeting .
The IASB should ensure that there is another stakeholder engagement to assess the effects of	<i>We recommend no action</i> See paragraphs 8–9 of this paper for outreach undertaken.

<p>any amendments resulting from the Addendum Exposure Draft.</p>	
<p>The disclosures required by paragraph 7.19 relate to financial instruments. It would be more intuitive to find these disclosure requirements in Section 11 <i>Basic Financial Instruments</i> rather than in Section 7 of the Standard.</p>	<p><i>We recommend no action.</i></p> <p>We think including prospective requirements in Section 7 of the Standard would be consistent with the location of <i>Supplier Finance Arrangements</i> in full IFRS Accounting Standards (see IAS 7). This might help users of the Standard navigate and compare requirements in the Standard with the requirements in IAS 7.</p>
<p>Align the wording of prospective requirements with the wording in full IFRS Accounting Standards.</p>	<p><i>We recommend no action</i></p> <p>Based on the feedback, we think the proposals are understandable and the simplified wording is unlikely to result in inconsistent application between entities applying full IFRS Accounting Standards and those applying the Standard.</p>

Appendix E—extracts from the *Handbook*

E1. We reproduced below the paragraphs from the [Handbook](#) that include the requirements the IASB applies in considering re-exposure:

6.25 In considering whether there is a need for re-exposure, the [IASB]:

- (a) identifies substantial issues that emerged during the comment period on the exposure draft and that it had not previously considered;
- (b) assesses the evidence that it has considered;
- (c) determines whether it has sufficiently understood the issues, implications and likely effects of the new requirements and actively sought the views of interested parties; and
- (d) considers whether the various viewpoints were appropriately aired in the exposure draft and adequately discussed and reviewed in the basis for conclusions.

6.26 It is inevitable that the final proposals will include changes from those originally proposed. The fact that there are changes does not compel the [IASB] to re-expose the proposals. The [IASB] needs to consider whether the revised proposals include any fundamental changes on which respondents have not had the opportunity to comment because they were not contemplated or discussed in the basis for conclusions accompanying the exposure draft. The [IASB] also needs to consider whether it will learn anything new by re-exposing the proposals. If the [IASB] is satisfied that the revised proposals respond to the feedback received and that it is unlikely that re-exposure will reveal any new concerns, it should proceed to finalise the proposed requirements.

- 6.27 The more extensive and fundamental the changes from the exposure draft and current practice the more likely the proposals should be re-exposed. However, the [IASB] needs to weigh the cost of delaying improvements to financial reporting against the relative urgency for the need to change and what additional steps it has taken to consult since the exposure draft was published. The use of consultative groups or targeted consultation can give the [IASB] information to support a decision to finalise a proposal without the need for re-exposure.
- 6.28 The [IASB] should give more weight to changes in recognition and measurement than disclosure when considering whether re-exposure is necessary.
- 6.29 The [IASB]'s decision on whether to publish its revised proposals for another round of comment is made in a [IASB] meeting. If the [IASB] decides that re-exposure is necessary, the due process to be followed is the same as for the first exposure draft. However, because it is not the first exposure of the proposed IFRS [Accounting] Standard, it may be appropriate to have a shortened comment period, particularly if the [IASB] is seeking comments on only specific aspects of the revised exposure draft, while recognising that respondents may not limit their comments to these aspects. The public comment period for such documents will normally be at least 90 days.

Appendix F—actions taken to meet the due process requirements for the Addendum Exposure Draft

F1. The following table summarises the actions taken to meet the due process requirements:

Step	Required / Optional	Actions
Consideration of information gathered during consultation		
The IASB posts all of the comment letters that are received in relation to the Exposure Draft on the project pages.	Required	All comment letters received by the IASB (35) have been posted on the project website here .
IASB meetings are held in public, with papers being available for observers. All decisions are made in public sessions.	Required	The IASB is discussing our analysis and recommendations on the matters identified in the feedback to the Addendum Exposure Draft at this meeting. This staff paper is publicly available. The project webpage has up-to-date information about all technical papers related to the project.
Analysis of likely effects of the forthcoming Standard or major amendment, for example, costs or ongoing associated costs.	Required	The IASB considered the likely effects of the amendments at each stage of their development. The IASB will include in the Project Summary and Feedback Statement an expected effects of each major amendments in the third edition of the

		Standard. The IASB will review this analysis as part of the balloting process (see paragraphs 46-47 of July 2024 Agenda Paper 30F). .
Outreach meetings to promote debate and hear views on proposals that are published for public comment.	Optional	See paragraphs 8–9 of this paper for outreach undertaken.
Finalisation		
Due process steps are reviewed by the IASB.	Required	This paper asks the IASB to review the due process steps taken for the Addendum Exposure Draft and whether the IASB is satisfied that it has complied with all the applicable requirements.
Need for re-exposure is considered.	Required	Paragraphs 78–80 of this paper discuss re-exposure. We recommend not re-exposing the amendments.
The IASB sets an effective date for the Standard, considering the need for effective implementation.	Required	This agenda paper discusses the effective date.
Drafting—this section was reported to the IASB at its July 2024 meeting		
Publication—this section was reported to the IASB at its July 2024 meeting		