

International Financial Reporting Standards

2009

International Accounting Standards Board (IASB®)

IFRS® for SMEs

International Financial Reporting Standard (IFRS®)
for Small and Medium-sized Entities (SMEs)



IFRS for SMEs

Congress of the Romanian Accountancy Profession Bucharest, 4 Sept 2010

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“Good Financial Reporting Made Simple”

- 230 pages
- Simplified IFRSs, but built on an IFRS foundation
- Completely stand-alone
- Designed specifically for SMEs
 - User needs for information about cash flows, liquidity, and solvency
 - Costs and SME capabilities
- Final standard issued July 2009

Who is the standard aimed at?

Millions of companies (over 99%)!

- The 52 largest stock exchanges in the world together have only 45,000 listed companies
- Europe has roughly 25 million private sector enterprises
- USA has roughly 20 million private sector enterprises
- UK alone has 4.7 million private sector enterprises
 - 99.6% have fewer than 100 employees

Simplifications from full IFRSs

1. Some topics in IFRSs omitted if irrelevant to private entities
2. Where IFRSs have options, include only simpler option
3. Recognition and measurement simplifications
4. Reduced disclosures
5. Simplified drafting

64 jurisdictions have adopted or stated a plan to adopt. Some examples:

- **South America:** Argentina, Brazil, Venezuela, Guyana, Suriname
- **Caribbean:** Dominican Republic, Barbados, Trinidad, Bahamas, etc
- **Central America:** Belize, Costa Rica, El Salvador, Panama, Nicaragua
- **Africa:** South Africa, Botswana, Egypt (proposal), Namibia, Tanzania, Uganda, Ethiopia, Sierra Leone

Adoption examples, continued:

- **Asia:** Cambodia, Philippines, Hong Kong, Malaysia (proposal), Singapore, Sri Lanka.
- **Europe:** United Kingdom (proposed), Ireland (proposed), Turkey. Others studying. Note that European Commission is currently consulting on the IFRS for SMEs. See next slide.
- **Available for use:** United States

Europe:

- **Nov. 2009:** EC consultations on IFRS for SMEs, Directives, Micro exemptions
- **Question:** Do you think adoption of the IFRS for SMEs should be provided for within the EU accounting legal framework?
- **Response:**
 - Yes – 19 Member States:** BG, CY, CZ, DK, EE, EL, ES, HU, IE, LT, LU, MT, NL, PL, PT, RO, SE, SL, UK, EU Org and Registered Lobbyists
 - No – 6 Member States:** AT, BE, DE, FR, IT, SK

Consistent with EU Directives?

EFRAG: Compared thousands of requirements in Directives with thousands in IFRS for SMEs.

Found only six differences:

1. No income or expense called 'extraordinary'
2. Measurement of some financial liabilities at FV
3. Goodwill amortisation 10 years if life is not known
4. Receivable for unpaid shares is offset to equity
5. Reversal of goodwill impairment is not permitted
6. Optional fallback to IAS 39 may result in differences

- **Completed:**
 - Chinese, Spanish, Italian, Portuguese, Romanian, Arabic, Czech, Armenian
- **In process:**
 - French, Serbian, Turkish, Japanese, Khmer
- **Proposed or in discussion:**
 - Macedonian, Polish, Russian, Ukrainian, Mongolian

Being developed by IASC Foundation

- One module per Section. To illustrate:

- Section 17 PP&E is 7 A5 pages long
- Training module is 32 A4 pages, full text of IFRS for SMEs with commentary on each paragraph, many examples, cases, quiz, comparison with full IFRSs, judgements

- 20 modules now posted.
- English. Other languages (Spanish first).
- Free of charge – download

“Train the trainers”

- Regional 3-day intensive workshops
- Covers most sections of IFRS for SMEs
- IASCF/IASB provides trainers and materials (no charge, just pay travel expenses)
- Participants must commit to study the training materials and do training in their home country
- So far in: Kuala Lumpur, Hyderabad, Dar es Salaam, Cairo, Rio (also televised), Helsinki
- Scheduled: Panama, Mozambique, Singapore

Two responsibilities:

- Develop non-mandatory guidance on IFRS for SMEs in the form of Q&As
- Make recommendations to the IASB on, the need to amend the IFRS for SMEs:
 - For implementation issues that cannot be addressed by Q&As; and
 - For new and amended IFRSs that have been adopted since the IFRS for SMEs was issued

Free downloads from IASB

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IFRS for SMEs (full standard, multiple languages):

<http://go.ifrs.org/IFRSforSMEs>

Training materials: <http://go.ifrs.org/smetraining>

PowerPoint Training Modules:

<http://www.ifrs.org> Then click “Get Involved” then “Conferences and Training”

Update Newsletter:

<http://www.ifrs.org/IFRS+for+SMEs/>

Implementation Group Q&As and proposals:

<http://www.ifrs.org/IFRS+for+SMEs/SME+Implementation+Group/SME+Implementation+Group.htm>

Questions or comments?

After all speakers have presented.

Expressions of individual views by members of the IASB and its staff are encouraged.

The views expressed in this presentation are those of the presenter.

Official positions of the IASB on accounting matters are determined only after extensive due process and deliberation.

