

# Update on the IFRS for SMEs

By Paul Pacter, Board Member, IASB

For EFRAG SME Working Group

20 January 2012

## 1. Published: July 2009

- a. 'Good Financial Reporting Made Simple'
- b. 230 pages (full IFRSs are 3,000+)
- c. Simplified IFRSs. Built on an IFRS foundation. Simplifications based on:
  1. User needs for information about short-term cash flows, liquidity, and solvency (rather than longer-term forecasts of earnings and share prices)
  2. Costs and SME capabilities
- d. Completely stand-alone
- e. Final standard was issued July 2009

## 2. Adoptions: Over 70 countries have adopted or announced plans to do so

- a. **South America:** Argentina, Brazil, Chile, Guyana, Peru, Suriname, Venezuela
- b. **Caribbean:** Antigua & Barbuda, Aruba, Bermuda, Bahamas, Barbados, Cayman, Dominica, Dominican Republic, Guadeloupe, Jamaica, Montserrat, St Kitts-Nevis, St Lucia, Trinidad
- c. **Central America:** Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama
- d. **Africa:** South Africa, Botswana, Egypt, Ethiopia, Ghana, Kenya, Lesotho, Malawi, Mauritius, Namibia, Nigeria, Sierra Leone, Tanzania, Swaziland, Uganda, Zambia, Zimbabwe
- e. **Asia:** Cambodia, Fiji, Hong Kong, Malaysia, Myanmar, Nepal, Philippines, Singapore, Sri Lanka
- f. **Middle East:** Jordan, Lebanon, Palestine, Qatar
- g. **Eurasia:** Azerbaijan, Kyrgyzstan, Moldova, Turkey
- h. **Europe:** Bosnia, Macedonia. Available for use in Switzerland. Planned: United Kingdom, Ireland. Others studying. Note that European Commission has consulted on the IFRS for SMEs (19 Member States favour MS option, 6 oppose). EC comparisons with Directives have identified just two substantive (and minor) differences.
- i. **North America:** Available for use in United States, Canada (limited use so far)

## 3. Translations

- a. **Completed:** Albanian, Arabic, Armenian, Chinese (simplified), Czech, French, Italian, Japanese, Lithuanian, Macedonian, Mongolian, Polish, Portuguese, Romanian, Russian, Serbian, Spanish, Turkish\*
- b. **In process:** Estonian, Hebrew, Kazakh, Khmer, Ukrainian
- c. **Proposed or in discussion:** Bosnian, Bulgarian

## 4. Free training materials

- a. One module per Section of the IFRS for SMEs. Already available in English, Spanish, Turkish, Russian, Arabic, with more translations to come.
- b. Each module has the complete text of the Section, with each paragraph annotated with commentary and numerical examples. At the end of the module are a comparison with full IFRSs, discussion of significant estimates and judgements required in applying the section, a quiz (with answers), and two case studies (with solutions).
- c. Self-study. Free download in PDF format.
- d. At this point 27 modules are finished and posted in English. The remainder are drafted and at various stages of final review.

## 5. Free training workshops

- a. **Regional:** 3 days x 8 classroom hours per day, 20 PowerPoint sets, 1,100 slides, two IASB instructors, local organiser/sponsor (often World Bank or regional development bank)
- b. **To date:** In Malaysia, India, Tanzania, Egypt, Brazil, Panama, Nordic countries, Caribbean, Singapore, Kazakhstan, Turkey, Gambia, Argentina, Myanmar, Dubai, Kenya, Barbados, Bosnia, Chile
- c. **Upcoming:** Bangladesh, several others under discussion

## 6. SME Implementation Group

- a. Created by IFRS Foundation Trustees, public call for nominations, 21 members appointed Sept 2010
- b. Provide guidance on implementing the IFRS for SMEs via non-mandatory Q&As
  1. Terms of Reference and Operating Procedures approved by Trustees
  2. Due process: SMEIG develop consensus, draft Q&A negative clearance by IASB, exposure for public comment, revisions by SMEIG, negative clearance by IASB, final Q&A posted
  3. Q&A status:
    - i. 50+ issues identified by constituents.
    - ii. 3 final Q&A are now completed (all deal with eligibility to use IFRS for SMEs):
      1. Interpretation of 'traded in a public market'
      2. Entities that typically have public accountability
      3. Use of IFRS for SMEs in a parent's separate financial statements
    - iii. 11 additional drafts have been exposed for public comment. Of those 11:
      1. Comment deadline is 31 Jan 2012 on two:
        - Recycling of cumulative exchange differences on disposal of a subsidiary
        - Fallback to IFRS 9 Financial Instruments
      2. Staff plans to recommend not adopting final Q&A on four
      3. Staff are currently studying the other five and is likely to recommend only two final Q&As.
    - iv. No additional Q&As under development by SMEIG. We already say on the IASB website:

“When the International Accounting Standards Board (IASB) issued the IFRS for SMEs in 2009, it made a commitment to undertake a post-implementation review of the standard. The IASB expects to initiate the comprehensive review in 2012. The review is expected to include a request for public comments on amendments that should be considered for the IFRS for SMEs. As part of the review, the IASB will also consider incorporating Q&As into the revised IFRS for SMEs. For that reason, the SMEIG does not expect that it will issue many, if any, additional draft Q&As before the start of the comprehensive review.”
- c. Recommend to IASB needed modifications to IFRS for SMEs via comprehensive reviews every three years
  1. First review will get underway 2H 2012 (timing has been affected by progress on several major projects on full IFRSs including revenue, leases, and financial instruments)
  2. Due process steps:
    - i. Invitation to comment (publication planned 4Q 2012)
    - ii. Exposure draft (target 3Q 2013)
    - iii. Final revised IFRS for SMEs (target 1Q 2014)
    - iv. Effective date of any changes earliest 2015
  3. Two reasons for possible modifications:
    - i. Whether any new or revised IFRSs should be reflected in the IFRS for SMEs
    - ii. Implementation questions that have arisen
  4. SMEIG is in charge of the review. Board will approve ED and final revised IFRS for SMEs.

- d. SMEIG operates entirely by email, though when comprehensive review of IFRS for SMEs gets underway may need to meet once or twice (particularly to review responses to the invitation to comment).

## **7. Free monthly IFRS for SMEs Update newsletter and Alerts**

- a. Free. Prepared by IASB staff
- b. News about adoptions, training programmes and materials, Q&As and draft Q&As, translations, with hyperlinks to download materials
- c. 10,000 email subscribers
- d. Subscribers also receive periodic email Alerts about other IFRS for SMEs news, such as new Q&As and draft Q&As

## **8. Executive briefing booklet published**

- a. Written for lenders, creditors, owner-managers, and others who use SME financial statements
- b. 8 pages: What is the IFRS for SMEs? Who is it aimed at? How does it differ from full IFRSs? Who is planning to use it? Implementation support available from the IASB.
- c. Download here: <http://www.ifrs.org/IFRS+for+SMEs/IFRS+for+SMEs.htm>
- d. Also in printed form

## **9. IFRS for SMEs section of IASB website**

- a. Main IFRS for SMEs page: <http://www.ifrs.org/IFRS+for+SMEs/IFRS+for+SMEs.htm>
- b. Major enhancements earlier this year. Reorganised into the following sections:
  - 1. About the IFRS for SMEs
  - 2. Access the IFRS for SMEs
  - 3. SME Implementation Group
  - 4. Q&As
  - 5. Training material
  - 6. Train the Trainers Workshops
  - 7. Update Newsletter
  - 8. Presentations about the IFRS for SMEs
  - 9. Webcasts
  - 10. Project History
  - 11. Non-English Resources

## **10. Free Downloads from IASB**

- a. IFRS for SMEs (full standard, translations): <http://go.ifrs.org/IFRSforSMEs>
- b. Training materials (35 modules, multiple languages): <http://go.ifrs.org/smetraining>
- c. PowerPoint training modules (20 PPTs, multiple languages): <http://go.ifrs.org/trainingppts>
- d. Board and staff presentations (multiple languages): <http://go.ifrs.org/presentations>
- e. Update newsletter: <http://go.ifrs.org/smeupdate>
- f. SME Implementation Group members and terms of reference: <http://go.ifrs.org/smeig>
- g. Q&As: <http://www.ifrs.org/IFRS+for+SMEs/Q+and+A+IFRS+for+SMEs.htm>

## **11. IFRS Foundation resources**

- a. IASB member Paul Pacter chairs SMEIG and oversees IFRS for SMEs implementation activities
- b. We have half-time staff person now (Michelle Fisher, seconded from Deloitte under the IASB Practice Fellow programme). She will become full-time IASB Project Manager starting March 2012.