



IFRS for SMEs

World Standard-
Setters Meeting
London
21 September 2010

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The IFRS for SMEs

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Adoption Update

Paul Pacter
Board Member
International Accounting
Standards Board



The IFRS for SMEs

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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



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Who is the standard aimed at?

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Millions of companies (over 99%)!

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



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How does it differ from full IFRSs?

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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



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Jurisdiction plans for adoption

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

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



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Jurisdiction plans for adoption

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Adoption examples, continued:

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



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Adoption in Europe

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- **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



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Consistent with EU Directives?

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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



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Implementation Support

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- Released with the *IFRS for SMEs*
 - Illustrative financial statements
 - Presentation and disclosure checklist
- IFRS Foundation training material
- Facilitate regional 'train the trainers' workshops organised by others
- IFRS for SMEs Update newsletter
- SME Implementation Group to address questions



IFRS Foundation Training Material and Regional Train-the-Trainer Workshops

Michael Wells
Director
IFRS Foundation Education Initiative



- IFRS Foundation does not certify accountants
- Training material developed for use by others
 - developed by IFRS Foundation education staff
 - multi-level peer review
 - not IASB approved
- 35 standalone modules (1 for each section of the *IFRS for SMEs*)
- Training material = ±2,000 A4 pages



Access to training material

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- **Free to download (PDF files of modules)**
www.ifrs.org/IFRS+for+SMEs/Training+modules.htm
- Self study
- You can incorporate the modules (PDF files) into your *IFRS for SMEs* education and training programmes
- Translations underway
 - Russian-language (funded by USAID)
 - Spanish-language (funded by Spanish government facilitated by World Bank)



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Content of training material

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- **Each module includes**
 - Introductory material
 - Explanation of the requirements
 - full text of the requirements
 - ‘how to’ examples
 - other explanations
 - Discussion of important judgements
 - Comparison with full IFRSs
 - Test your knowledge – multiple choice
 - Apply your knowledge – case studies



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Train-the-trainers workshops

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- **3-day regional workshops**

- Organised and funded by development agencies (World Bank, Asian Development Bank, etc) and regional professional associations (CAPA, ECSAFA, etc)
- IFRS Foundation/IASB provides:
 - workshop material
 - workshop facilitators (usually Paul Pacter and Michael Wells)



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IFRS Foundation 3-day training workshops

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Where	Participants
Kuala Lumpur (Jan 2010)	Asia – 11 jurisdictions
Hyderabad (Jan.)	Asia – 11 jurisdictions
Dar es Salaam (May)	Africa – 10 jurisdictions
Cairo (June)	Egypt, Lebanon, others
Rio de Janeiro (August)	Brazil (Portuguese)
Helsinki (Sept. 1½ days)	Nordic/Baltic Countries
Vienna (Sept. 1 day)	REPARIS countries
Panama (October 3½ days)	Latin America (Spanish)
Maputo (December)	Africa (Portuguese)
Singapore (Jan 2011)	Asia

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- **Three-day regional workshops**
 - 20 PowerPoint presentations covering 24 hours (8 hours a day)
 - English, Portuguese and Spanish (other languages to follow)
 - Covers most sections of *IFRS for SMEs*
 - Includes quizzes and several case studies
 - Free to download from the IFRS Foundation website
<http://www.ifrs.org/Conferences+and+Workshops/IFRS+for+SMEs+Train+the+trainer+workshops.htm>



Implementation

Paul Pacter
Board Member
International Accounting
Standards Board



Translations

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- **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



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Newsletter

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- **Monthly IFRS for SMEs Update newsletter**
 - Free subscription delivered by email
 - 4,000 subscribers
 - Topics typically covered:
 - New adoptions and translations
 - SMEIG activity
 - All draft and final Q&As
 - Training materials
 - Train the trainers workshops
 - Staff commentaries
 - Links to resources



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SME Implementation Group (SMEIG)

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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



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SME Implementation Group (SMEIG)

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Membership

- Nearly 90 applications
- Trustees selected 21 people
- From 16 jurisdictions
- Paul Pacter will chair
- **Initially focus on resolving pervasive implementation issues by developing unofficial guidance in the form of Q&As**
- Initially work via email rather than meetings



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SME Implementation Group (SMEIG)

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Membership by region

Africa	3
Asia/Oceania	3
Europe	5 + EC + EFRAG
North America	4
Latin America/Caribbean	6

Of those from public accounting

Big 4	5 (2 from developing countries)
Not Big-4	8



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SME Implementation Group (SMEIG)

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Criteria for Q&As

- Pervasive issue (affects broad group of SMEs in many jurisdictions)
- Due to lack of clarity, unintended or inconsistent implementation is likely to result
- SMEIG can reach consensus on timely basis
- Q&A will not change or conflict with the IFRS for SMEs



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SME Implementation Group (SMEIG)

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Due process for developing Q&As (1 of 2)

- Identify the issue
- Decide if Q&A needed and, if yes, proposed answer
- Tentative consensus by simple majority
- Negative clearance by IASB. Draft Q&A released for public comment unless 4 or more IASB members object.
- Invite public comment on draft Q&A – minimum 30 day exposure period



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SME Implementation Group (SMEIG)

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Due process for developing Q&As (2 of 2)

- Responses will be public
- Staff summary of responses
- Redeliberation by SMEIG
- Final Q&A (simple majority vote) sent to IASB
- Negative clearance by IASB. Q&A adopted and published unless 4 or more IASB members object.
- Q&A published on IASB website and in newsletter



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SME Implementation Group (SMEIG)

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What kinds of issues in Q&As?

- Without yet soliciting, we have received about 40 technical enquiries
 - Many are about eligibility to use IFRS for SMEs
- We plan to have a formal solicitation of issues



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SME Implementation Group (SMEIG)

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What kinds of issues in Q&As?

- Examples – eligibility to use IFRS for SMEs
 - Group uses full IFRS. Can parent use SMEs?
 - Captive insurance company?
 - Property/casualty insurance company?
 - Venture capital fund with just a few investors?
 - Balance sheet (only) submitted to government agency?
 - Unlisted parent with a listed subsidiary?
 - Not-for-profit entity? Governmental entity?



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What kinds of issues in Q&As?

- Examples – other issues
 - What if a company makes a single departure (eg revalues PP&E)?
 - Can we follow government-prescribed formats for financial statements?
 - Could my country require use of full IFRS if an issue is not addressed in IFRS for SMEs?
 - Does the allowed use of IAS 39 now also allow use of IFRS 9?



What kinds of issues in Q&As?

- A few more examples of other issues
 - If I use equity method for associates, do I have to use FVTPL for quoted associates?
 - Meaning of 'undue cost or effort'?
 - Must investment property treated as PP&E be disclosed separately from other PP&E?
 - Initial measurement of NCI include goodwill?
 - In measuring value in use, discount using the incremental borrowing rate or the weighted average cost of capital?



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://go.ifrs.org/trainingppts>

Update Newsletter:

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

Implementation Group Q&As and proposals:

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



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IFRS for SMEs

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Jurisdiction plans and approaches:

- **South Africa:** Alex Watson
- **Sierra Leone:** Dele Jones
- **UK and Ireland:** Ian Mackintosh

Then others from the floor:

Albania	Denmark	Jordan	Russia
Arab Society	DR Congo	Lebanon	Singapore
Argentina	ECSAFA	Nigeria	Tanzania
Austria	Hong Kong	Norway	Turkey
Bulgaria	India	Poland	Brazil
Czech Rep.	Japan	Romania	Bahamas

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Questions or comments?

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Thank you to all.

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.

