



# Overview of IFRS for SMEs

Credibility

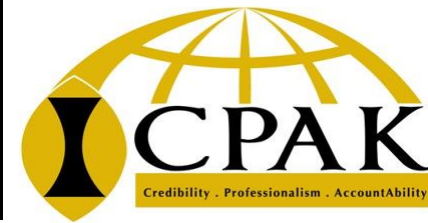
.

Professionalism

.

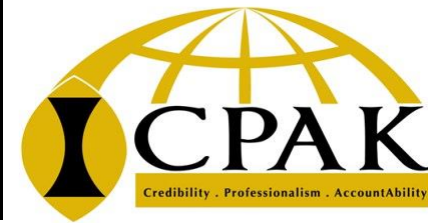
AccountAbility

# Overview of IFRS for SMEs



- Introduction
- IFRS for SMEs
  - Overview of Standards
  - Comparison with Full IFRS
- Questions and Answers

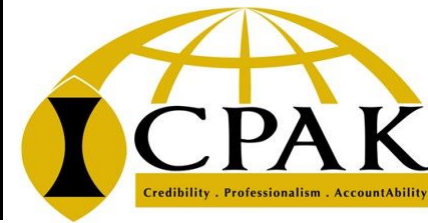
# Introduction



## IFRS for SMEs published July 2009:

- a. **Good Financial Reporting Made Simple.**
- b. **230 pages (full IFRSs has over 3,000 pages).**
- c. **Built on a full IFRS foundation. Simplifications from full IFRSs based on:**
  - 1. **User needs primarily for information about short-term cash flows, liquidity and solvency (rather than longer-term forecasts of earnings and share prices).**
  - 2. **Cost-benefits considerations.**
- d. **Completely stand-alone.**

# Scope



*IFRS for SMEs* is intended for use by small and medium-sized entities (SMEs).

## DESCRIPTION OF SMALL AND MEDIUM-SIZED ENTITIES

Small and medium-sized entities are entities that both:

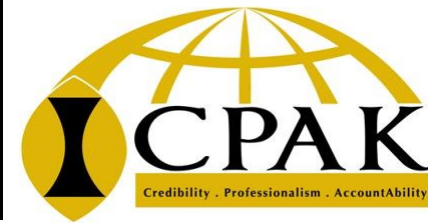
- a) Do not have 'public accountability'
- b) Publish general purpose financial statements for external users (e.g. owners who are not involved in managing the business, existing and potential creditors, and credit rating agencies).

## DEFINITION OF 'PUBLIC ACCOUNTABILITY'

An entity has 'public accountability' if either:

- a) Its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market domestic or foreign stock exchange or an over-the-counter market, including local and regional markets).
- b) It holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. Most banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks will meet this second criterion.

# Who is eligible to use it?



**Any entity that does not have public accountability...**

- securities not publicly traded
- not a financial institution

**... and is required or chooses to produce General Purpose Financial Statements (GPFS)**

# Who is the standard aimed at?



- Entities that must produce GPFS
- Choice is a public interest issue
- Decided by parliaments and regulators, not by IASB
- There is a public benefit in good financial information about companies

# Why would an SME want to adopt it?



## **Improved access to capital**

- This is the no. 1 issue with SMEs

## **Improved comparability**

## **Improved quality of reporting as compared to existing national GAAP**

**Less of a burden** for entities in jurisdictions where full IFRS or full national GAAP are now required.

# IFRS FOR SMEs AT A GLANCE



- Entities reporting under *IFRS for SMEs* are required to apply the amendments for annual periods beginning on or after 1 January 2017. Earlier application is permitted.
- The following sections were amended as part of the 2015 version of the *IFRS for SMEs*:
  - ✓ Section 1 - *Small and Medium-sized Entities*
  - ✓ Section 2 - *Concepts and Pervasive Principles*
  - ✓ Section 4 - *Statement of Financial Position*
  - ✓ Section 5 - *Statement of Comprehensive Income and Income Statement*



# IFRS FOR SMEs AT A GLANCE



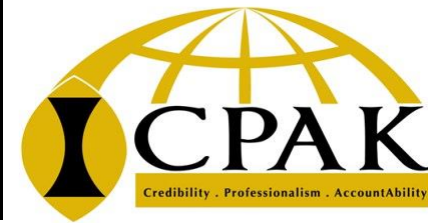
- ✓ *Section 6 - Statement of Changes in Equity and Statement of Income and Retained Earnings*
- ✓ *Section 9 - Consolidated and Separate Financial Statements*
- ✓ *Section 10 - Accounting Policies, Estimates and Errors*
- ✓ *Section 11 - Basic Financial Instruments*
- ✓ *Section 12 - Other Financial Instruments Issues*
- ✓ *Section 14 - Investments in Associates*
- ✓ *Section 15 - Investments in Joint Ventures*
- ✓ *Section 16 - Investment Property*
- ✓ *Section 17 - Property, Plant and Equipment*
- ✓ *Section 18 - Intangible Assets other than Goodwill*

# IFRS FOR SMEs AT A GLANCE



- ✓ *Section 19 - Business Combinations and Goodwill*
- ✓ *Section 20 - Leases*
- ✓ *Section 21 - Provisions and Contingencies*
- ✓ *Section 22 - Liabilities and Equity*
- ✓ *Section 26 - Share-based Payment*
- ✓ *Section 27 - Impairment of Assets*
- ✓ *Section 28 - Employee Benefits*
- ✓ *Section 29 - Income Tax*
- ✓ *Section 30 - Foreign Currency Translation*
- ✓ *Section 31 - Hyperinflation*
- ✓ *Section 33 - Related Party Disclosures*
- ✓ *Section 34 - Specialised Activities*
- ✓ *Section 35 - Transition to the IFRS for SMEs*

# Comprehensive review



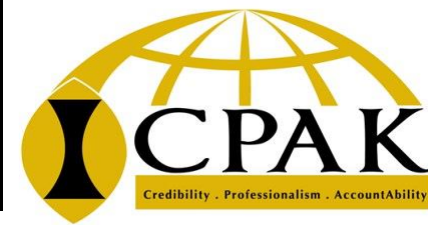
**Initial comprehensive review:** After 2 years implementation experience

- Fix errors and omissions, lack of clarity, and other implementation problems
- Also consider need for improvements based on recent changes to full IFRSs

**Thereafter:** Once every three years (approximately)

- urgent issues may be addressed more frequently

# **Types of simplifications compared to full IFRSs:**



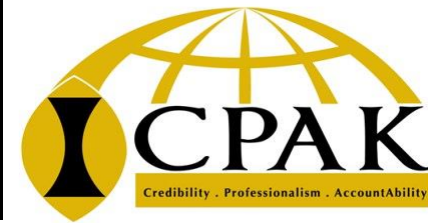
- a. Some topics in full IFRSs are omitted because they are not relevant to typical SMEs.**
- b. Some accounting policy options in full IFRSs are not allowed because a more simplified method is available to SMEs.**
- c. Simplification of many of the recognition and measurement principles in full IFRSs.**
- d. Substantially fewer disclosures.**
- e. Simplified redrafting.**

# No sections covering these topics



- Segment reporting
- Earnings per share
- Interim reporting
- Assets held for sale

# Conclusion



**The IFRS for SMEs has resulted in:**

- Better quality reporting
- Tailored for the capabilities of small companies
- Tailored for the needs of lenders and creditors
- Understandability across borders

**confidence in the financial figures, an SME's ability to obtain the capital it needs improves. Ultimately, the economy in which it operates improves.**

# Thank You

