



IFRS FOR SMEs

Presentation by:

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Presentation agenda



□ Introduction to the IFRS for SMEs

- ✓ Brief history, updates and effective dates
- ✓ Transition to the IFRS for SMEs
- ✓ First time adoption of the IFRS for SMEs
- ✓ A summary of Key differences between the IFRS for SMEs and full IFRS
- ✓ Applicability of the IFRS for SMEs

History of IFRS for SMEs



- ❑ The IFRS standards had needs of large listed companies in mind with elaborate disclosure requirements.
- ❑ Discussions on need for IFRS for SMEs led to the first International Accounting Standards Board Exposure Draft in **February 2007**.

History of IFRS for SMEs



- ❑ The Exposure Draft was subjected to global stakeholder participation and by **July 2009** the Final Standard was published.
- ❑ The Standard has **35 Chapters (Sections)** which includes a Chapter on Transition to IFRS for SMEs (Chapter 35).

History of IFRS for SMEs contd



- ❑ Review of IFRS for SMEs is limited to once every three (3) years.
- ❑ A major review of the IFRS for SMEs was completed in **May 2015** and were incorporated and given an effective date of **1st January 2017** with early application permitted.
- ❑ Amendments affected at least 25 out of 35 Sections and listed in Appendix A to IFRS for SMEs 2015.

History of IFRS for SMEs - Need



- ❑ IFRS for SMES were necessitated by;
 - a. the burden posed to SMEs for reporting under Full IFRS – Cost-benefit consideration.
 - b. User needs are narrower – Short term cash flows, liquidity and solvency.

SMEs - Defined



- ❑ What is are Small and Medium-sized Entities according to IASB – in **Paragraph 1.2** of IFRS for SMEs?
 - a. Do not have public accountability; and
 - b. Publish general purpose financial statements for external users - such as tax authorities, lenders and credit rating agencies (Credit Reference Bureaus).
- ❑ It is estimated that 95% of companies in the world are SMEs.



Meaning of Public Accountability – Paragraph 1.3

- ❑ An entity is said to have Public Accountability if;
 - a. Its debt or equity instruments (Shares are traded in a public market (Domestic or foreign market);
or
 - b. It holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (e.g banks, insurance companies, securities brokers, mutual funds & investment banks)

Transition to IFRS for SMES



- ❑ IFRS for SMES Standard Section 35 in its 15 paragraphs; Paragraph 35.1 – 35.15 details the transitional requirements.
- ❑ Section 35 provides;
 - a. Scope of the Section (35.1 -35.2)
 - b. First-time adoption (35.3 – 35.11)
 - c. Explanations of transition to IFRS for SMEs (35.12)
 - d. Reconciliations (35.13 – 35.15)

Explanations of Transition to IFRS for SMES –Para 35.12



- ❑ An entity shall explain how the transition from its previous financial reporting frameworks to this standard affected its reported **financial position, financial performance** and **cash flows**.
- ❑ Had an entity transitioned previously and stopped applying IFRS for SMEs it need to explain why it stopped, reason for resumption and whether it has applied this section or **Sec 10** (retrospective application)

First-time adoption



First-time adoption (Paragraph 35.3 – 35.11)

An entity's first financial statements that conform to the standard are;

“the first annual statements in which the entity makes **explicit** and **unreserved** statement in those financial statements of compliance with the IFRS for SMEs” (Paragraph 35.4)

First-time adoption Paragraph 35.4



- FS prepared in accordance with the standard are entity's first if, the entity;
- a. Did not present FS for previous periods
 - b. Presented its recent previous FS under national requirements that are not consistent with this standard in all respects; or
 - c. Presented its recent previous FS in conformity with **full IFRS (Paragraph 35.4)**

Reconciliations

Paragraph 35.13 – 35.15



An entity's first FS prepared using this standard shall include;

- a. A description of the nature of each change in accounting policy
- b. Reconciliation of its equity determined in accordance with its previous financial reporting framework to its equity determined in line with this standard
- c. Reconciliation of profit or loss determined as in (b) above.

Difference between IFRS for SMEs & Full IFRS



The two standards have many broad differences:

	No Full IFRS	IFRS for SMEs
1	There are 41 IAS' and 17 IFRS' – Total of 58 Standards	There are only 35 simplified Sections (Standards)
2	Elaborate Disclosure requirements	Fewer Disclosures (estimated at 90% reduction)
3	Constant review	Limited to once every 3 years

Difference between IFRS for SMEs & Full IFRS Contd



The two standards have many broad differences:

No Full IFRS		IFRS for SMEs
4	Complicated Interpretation requirements	Simple English used
5	Adopted by listed Companies – in over 120 countries	Application limited to Entities with No Public Accountability – in about 80 Countries

Applicability of IFRS for SMEs



- ❑ The Standard has adopted in various jurisdictions with local regulatory bodies mandated to oversight and regulate its adoption, compliance and enforcement.
- ❑ Adopted in about 80 countries around the world.
- ❑ Some of the jurisdictions have not fully complied. They regulators are enforcing on entities an “Optional adoption” status.

THE END



THANK YOU