



# Overview of Accounting Standards; IASs/IFRS, IPSAS and IFRS for SMEs

IFRS WEEK– Nairobi  
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Uphold public interest

# Session Outlook



- Introduction
- IAS/IFRS
- IPSAS
- IFRS for SMEs
- Conclusion

# Standards



The evolution of International Accounting Standards dates back in 1966.

IASs - issued by the IASC from 1973 to 2000.  
The IASB replaced the IASC in 2001.

Since then, the IASB has amended some IASs and has proposed to amend others, has replaced some IASs with new IFRSs, and has adopted or proposed certain new IFRSs on topics for which there was no previous IAS.

# IAS 1 Presentation of Financial Statements

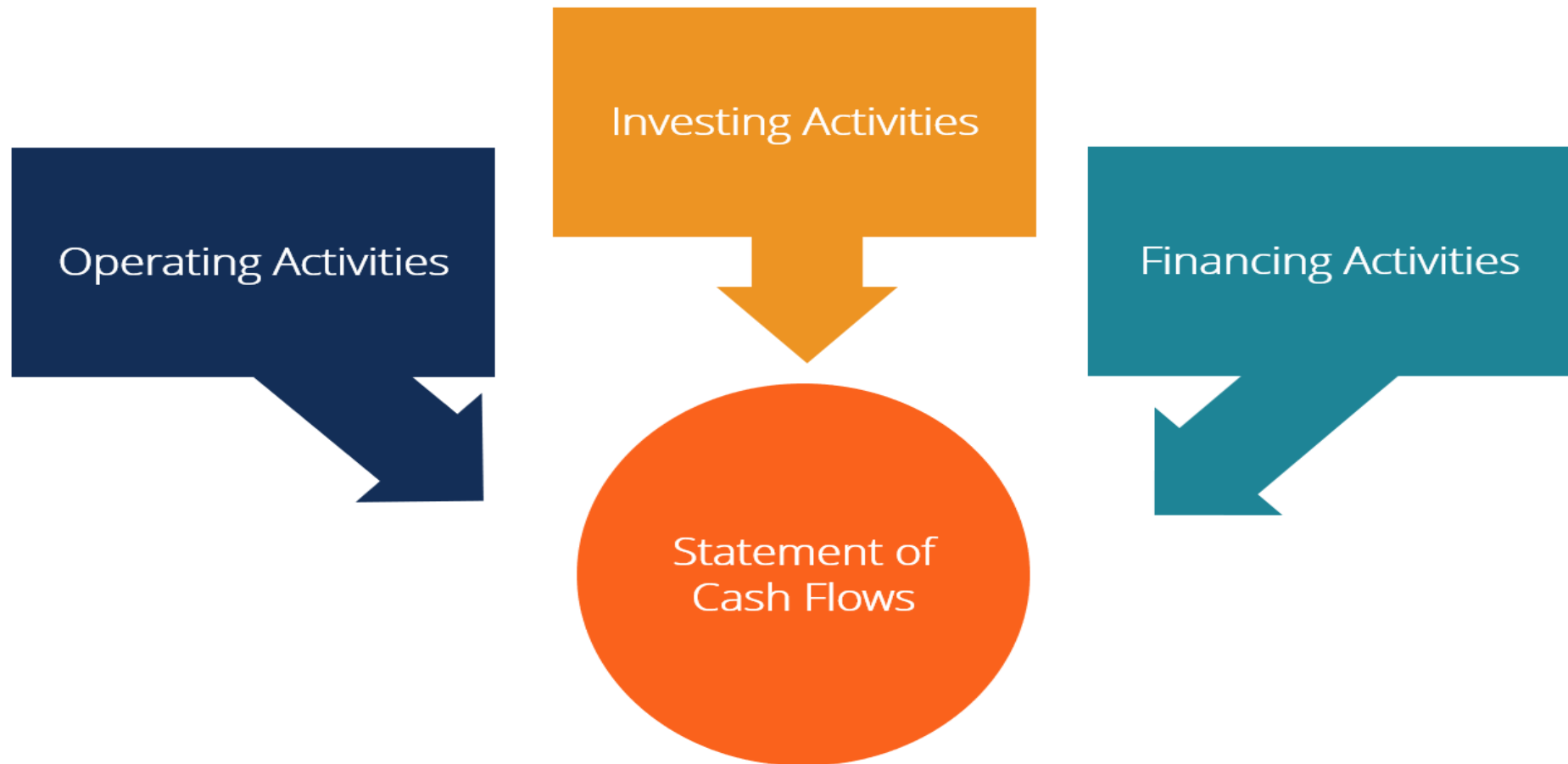


Sets out the overall framework for presenting general purpose financial statements, including guidelines for their structure and the minimum content.

**A complete set of financial statements comprises:**

- ☐ A statement of financial position
- ☐ A statement of profit or loss and other comprehensive income
- ☐ A statement of changes in equity
- ☐ A statement of cash flows
- ☐ Notes

# IAS 7 Statement of Cash Flows



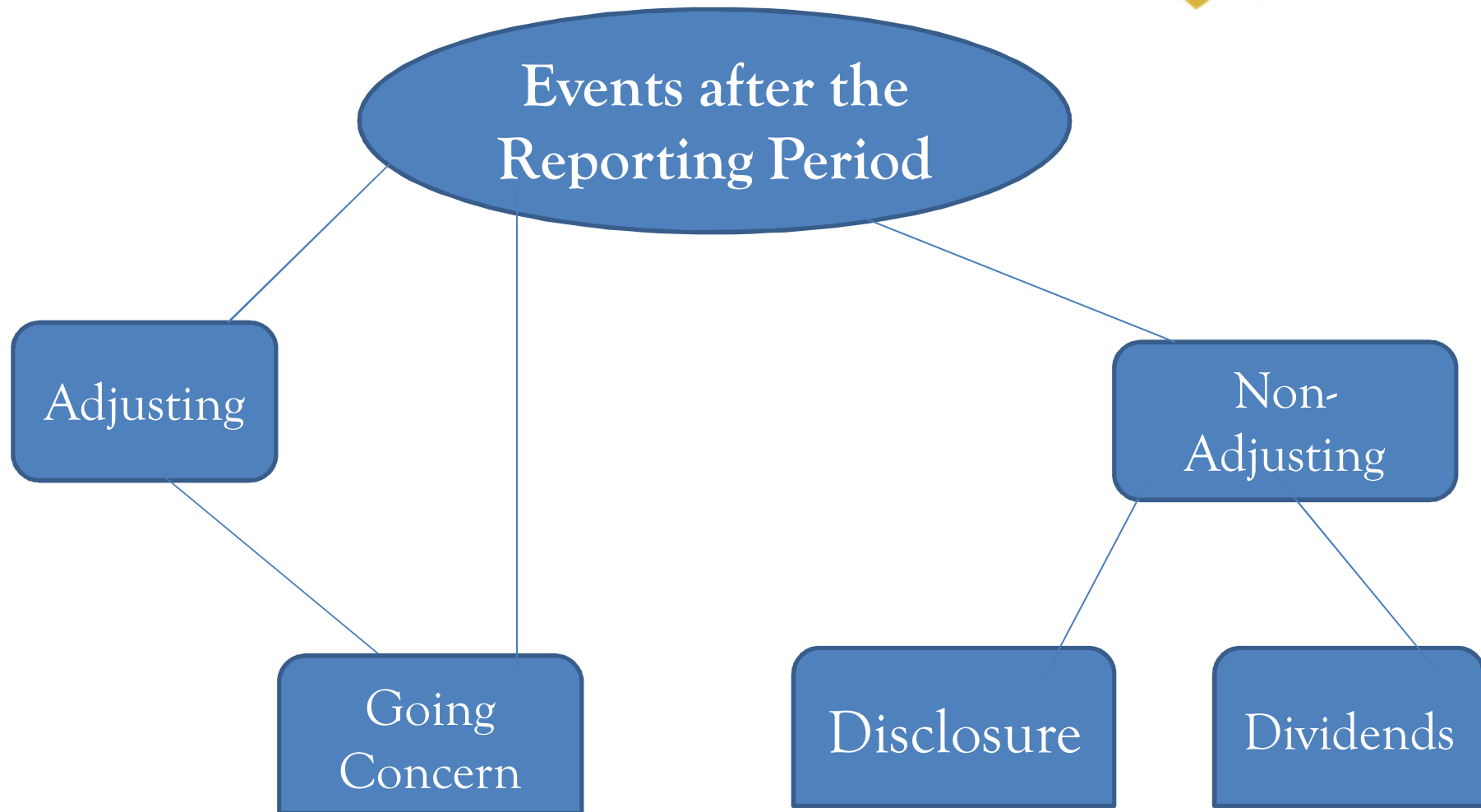
# IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors



Prescribes the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in estimates and correction of errors.



# IAS 10 Events after the Reporting Period



# IAS 16 Property, Plant and Equipment



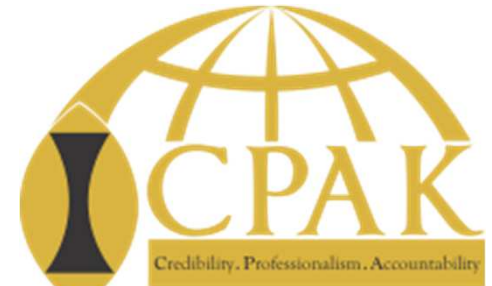
Sets out the principles for accounting for property, plant and equipment (PP&E).

Initial recognition and measurement – Cost

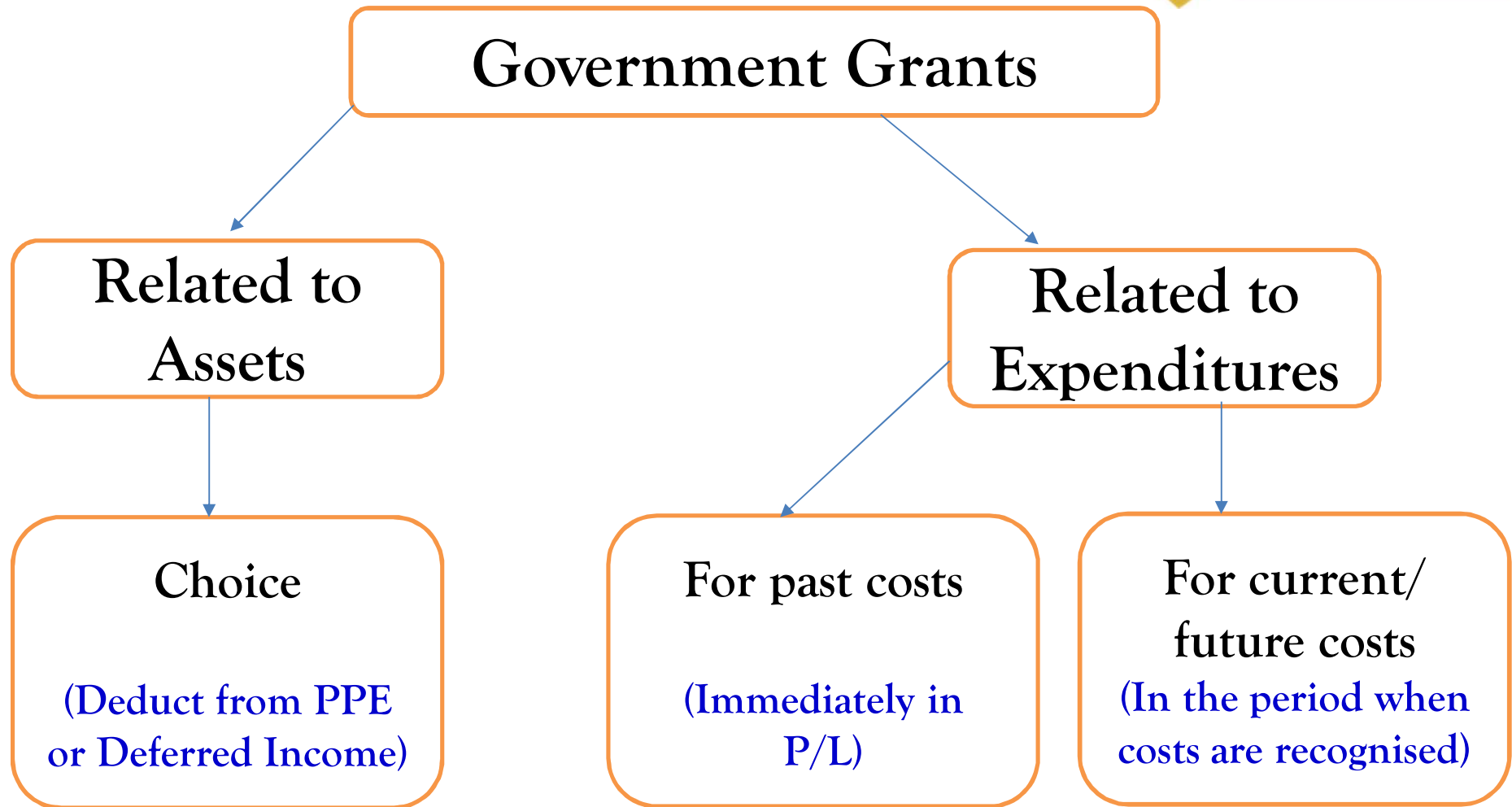
Subsequent measurement  
– Cost or revaluation model



# IAS 19 Employee Benefits



# IAS 20 Accounting for Government Grants and Disclosure of Government Assistance



# IAS 21 The Effects of Changes in Foreign Exchange Rates



09/09/09 US DOLLAR	76.0133	09/09/09 SA RAND	10.0964
09/09/09 STG POUND	125.797	09/09/09 KES/USHS	26.3671
09/09/09 EURO	110.258	09/09/09 KES/TSHS	17.3232

# IAS 21 The Effects of Changes in Foreign Exchange Rates...



21  
DAYS  
to  
30.09.2019

# IAS 23 Borrowing Costs



## Capitalization of borrowing Costs

Specific  
Borrowing

Actual Cost  
Incurred

General  
borrowings

Use  
Capitalization  
Rate



# IAS 24 Related Party Disclosures



Sets out disclosure requirements to make investors aware that the financial position and results of operations may have been affected by the existence of related parties.

Related parties?

# IAS 24 Related Party Disclosures...



Kes 256 million - 2017



Kes 707 million – CEO Exit

# IAS 28 Investments in Associates and Joint Ventures





# IAS 36 Impairment of Assets



Sets out requirements to ensure that assets are carried at no more than their recoverable amount and to prescribe how recoverable amount and an impairment loss or its reversal are calculated.

# IAS 40 Investment Property



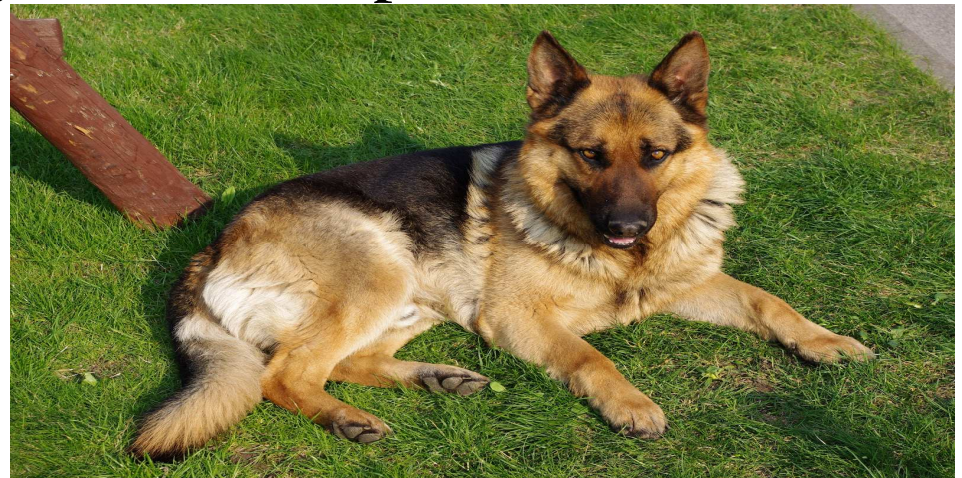
Prescribes the accounting when **property** is held to **earn rentals** or for **capital appreciation** rather than being occupied by the owner for the production or supply of goods or services or for administrative purposes.

# IAS 41 Agriculture



Prescribes the accounting for agricultural activity.

Agricultural activity is the management of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets.



# IFRS 15 Revenue from Contracts with Customers



Prescribes the accounting for revenue from sales of goods and rendering of services to a customer.

The Standard applies only to revenue that arises from a contract with a customer.

Other revenue such as from dividends received would be recognised in accordance with other Standards.

Effective – January 2018

# IFRS 16 Leases



Sets out the recognition, measurement, presentation and disclosure requirements for leases.

A lessee recognises a leased asset and lease obligation for all leases.

Lessors continue to distinguish between operating and finance leases.

Effective – January 2019

# IFRS 17 Insurance Contracts



Establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.

Effective date – 1 January 2021



# IPSAS



International Public Sector Accounting Standards (IPSAS) are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

These standards are based on International Financial Reporting Standards (IFRS) as issued by IASB.

There is 1 Standard on Cash Basis IPSAS  
40 Standards Accrual Basis IPSAS

# IFRS for SMEs



Small and medium-sized entities are entities that:

(a) do not have public accountability, and  
(b) publish general purpose financial statements for external users.

- ❖ The *IFRS for SMEs* is designed to meet the needs and capabilities of small and medium-sized entities (SMEs).
- ❖ SMEs account for over 95% of all companies around the world.



# IFRS for SMEs...



- ❖ The standard does not contain a limit on the size of an entity that may use the IFRS for SMEs provided that it does not have public accountability
- ❖ There is no restriction on its use by a public utility, not-for-profit entity, or public sector entity
- ❖ A subsidiary whose parent or group uses full IFRSs may use the IFRS for SMEs if the subsidiary itself does not have public accountability.
- ❖ **Listed companies, no matter how small, may not use the IFRS for SMEs**

# IFRS for SMEs...



IFRS for SMEs is less complex in a number of ways:

- ☐ Topics not relevant for SMEs are omitted eg EPS, Segment Acc
- ☐ Many principles for recognising and measuring assets, liabilities, income and expenses in full IFRS are simplified.
- ☐ Fewer disclosures are required (roughly a 90% reduction).
- ☐ The Standard has been written in clear, easily translatable language.
- ☐ Revisions are expected to be limited to once every three years. 2009, 2015...

# Conclusion



Globally comparative accounting standards are necessary in attempts to promote **transparency, accountability, and efficiency** in financial markets around the world.

This enables **investors and other market participants** to make informed economic decisions about investment opportunities and risks, and improve capital allocation.

*The End*



Q & A





**Thank  
you !**