UNCTAD-ISAR and IFRS Foundation joint workshop

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Room XVIII, Palais des Nations, Geneva

Accounting and financial reporting needs of SMEs

Workshop material:

*Lessons Learned from the implementations of the IFRS for SMEs*

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Lessons learned from the implementation of the *IFRS for SMEs*

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Joint Forum: Accounting for SMEs
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SMP Committee

Agenda

• Challenges Facing SMEs
• Statement of Membership Obligation (SMO) 7
• Experiences from Member Bodies
• References
Challenges Facing SMEs – IFAC SMP Quick Poll I

• What is the biggest challenge faced by your small- and medium-sized entity (SME) clients?

- Burden of regulation: 23%
- Economic uncertainty: 17%
- Pressure to lower prices of their products and services: 16%
- Difficulties accessing finance: 13%
- Rising costs: 11%
- Lack of demand for their products and services: 8%
- Competition: 7%
- Attracting and retaining staff: 5%
Challenges Facing SMEs – IFAC SMP Quick Poll II

- What is the biggest challenge your practice is facing right now?

![Pie chart showing the distribution of challenges faced by SMEs](chart.png)

- Keeping up with new regulations and standards: 25%
- Pressure to lower fees: 2%
- Attracting and retaining clients: 4%
- Work-life balance: 6%
- Attracting and retaining staff: 6%
- Competition: 7%
- Rising costs: 20%
- Ability to adapt to changing client needs: 2%
- Keeping up with new technology: 23%
- Succession planning: 2%
Challenges Facing SMEs – IFAC SMP Quick Poll III

• Other insights
  – Pace of change is aspect of standards and regulation posing greatest challenge for SMEs and SMPs
  – Tax is type of standards and regulation posing greatest challenge for SMEs & SMPs (financial reporting 3rd)
  – Micro-entity financial reporting ranking 20th of 22 most pressing issues facing the profession in 2013

• Conclusion
  – SMEs and SMPs struggle to efficiently implement standards
Statement of Membership Obligation (SMO) 7

• *Requires* IFAC member bodies to adopt and implement the IFRSs for at least public interest entities

• *Encourages* responsible parties to consider the use of *IFRS for SMEs* for non-public interest entities

• Rationale
  – Variation in nature of economies and accounting tradition
  – Flexibility to do what is best suited to particular jurisdiction
SMEs place much reliance on their accounting firm
• Biggest challenge is human capital constraints
  – Education and training is key
  – Software can mitigate
• IFRS Foundation material and workshops well received
• SME financial statements often not subject to assurance
  – Unable to determine extent and quality of implementation
• Need for stable platform
• Options facilitate easier adoption
References

- IFAC SMP Committee website: http://www.ifac.org/smp
- IFAC SMP Twitter: https://www.twitter.com/IFAC_SMP (please follow us)
- IFAC SMP eNews: https://www.ifac.org/login?register (please subscribe)
- IFAC SMP Community: http://www.linkedin.com/groups?home=&gid=4542841&trk=anet_ug_hm (please join us)
- IFACnet: http://ifacnet.com/
- Resources and tools (all) at http://www.ifac.org/about-ifac/small-and-medium-practices-committee/smp-resources-and-tools and links to implementation resources at https://delicious.com/#ifacsmpcommittee/Implementation
- IFAC Translations and Permissions: http://www.ifac.org/about-ifac/translations-permissions
- SMOs 1-7 (Revised): http://www.ifac.org/publications-resources/statements-membership-obligations-smos-1-7-revised
- IFAC Response to IFRS for SMEs Request for Information: http://www.ifac.org/publications-resources/ifac-response-ifrs-smes