UNCTAD-ISAR and **IFRS** Foundation joint workshop

Tuesday, 5th October 2013 Room XVIII, Palais des Nations, Geneva

Accounting and financial reporting needs of SMEs

Workshop material:

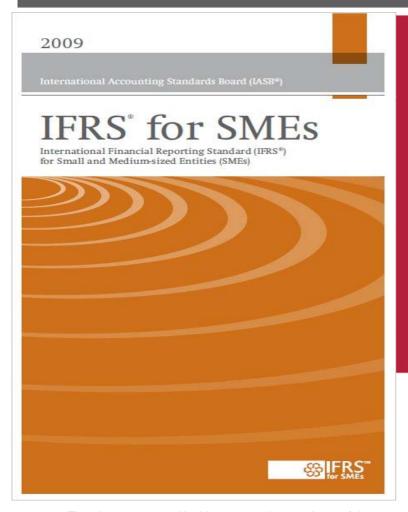
Comprehensive review of the IFRS for SMEs

Presented by

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International Financial Reporting Standards



Comprehensive review of the *IFRS* for *SMEs*

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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) omnibus exposure draft of updates

Urgent issues may be addressed more frequently



Comprehensive review

Request for Information (RfI) issued June 2012

Comments were due 30 November 2012

SME Implementation Group (SMEIG) meeting February 2013

- •Developed recommendations for the IASB on possible amendments to the *IFRS for SMEs*
 - separate report published on IASB website in March 2013
 - also included in IASB agenda papers for March-May
 2013 meetings

Comprehensive review

IASB deliberations March—June 2013

- Issues identified during the Rfl process March—May 2013
- Additional issues identified by staff / other outreach activities June 2013

Exposure Draft 3 October 2013

Comment deadline 3 March 2014 (150 days)



The IASB received 89 comment letters on the Rfl. Posted on IASB website

- Africa (10)
- •Asia (13)
- •Europe (38)
- •Global (11)
- Latin America (8)
- North America (5)
- Oceania (4)



Objective

•Seek public views on whether / how to amend *IFRS for SMEs*

Content

- •19 questions on specific issues
 - matters frequently raised with IASB
 - changes to full IFRSs since IFRS for SMEs published
- 5 general questions
- Plus encouraged respondents to raise their own issues

Specific questions

- Use by small publicly traded entities / small financial institutions
- Use by not-for-profit entities
- Fair value measurement guidance
- Revaluation of property, plant and equipment
- Capitalisation of borrowing / development costs
- Optional fallback to full IFRSs for recognition and measurement of financial instruments
- Recognition of deferred income taxes



Specific questions ctd

- Questions on recent changes to full IFRSs
- Useful life of goodwill / other intangible assets
- Presentation of share subscription receivables

General questions

- How to deal with minor improvements to IFRSs
- Whether SMEIG Q&A programme should continue
- How to deal with existing Q&As
- Gathering of information



Main issues raised by respondents to Rfl

More guidance

- Use of 'undue cost or effort' exemption
- Use of different reporting dates in preparation of consolidated financial statements
- Extractive activities

Clarification

- Accounting for foreign currency loans / standard loan covenants
- Definition of related party



Main issues raised by respondents to Rfl

Exemptions from fair value requirements

- Measurement of investments in equity instruments
- Recognition of intangible assets in a business combination
- Allocation of cost of a business combination to defined benefit obligations / deferred tax
- Issue of equity instruments in business combinations under common control
- Distributions of non-cash assets controlled by same parties before / after distribution



Main issues raised by respondents to Rfl

Other issues

- •Eliminate other comprehensive income (OCI) altogether
- Permit other hedging instruments eg options, cash instruments and swaps
- Allow fair value or cost model for investment property
- Permit cost model for biological assets
- Develop reduced disclosure framework for subsidiaries
- Allow size-dependent reliefs
- Reconsider the title of the Standard



Exposure Draft of proposed amendments

Limited amendments

- Few significant new issues identified by Rfl
- •IFRS for SMEs is still a new Standard
- Primary aim for a standalone, simplified set of accounting principles for entities
 - that do not have public accountability
 - typically have less complex transactions
 - limited resources to apply full IFRSs
 - comparability with listed peers not key consideration



Guidance booklet on micro SMEs

IASB staff issued guidance to help micro-sized SMEs apply *IFRS for SMEs*

- Tiny companies
- Not a new standard
- Extracts relevant principles from IFRS for SMEs
- •Guidance booklet contains cross-references to *IFRS for SMEs* for matters omitted in micro booklet
- •Issued in June 2013



Thank you



