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

Amaro Luiz de Oliveira Gomes
International Accounting Standards Board

This material has been reproduced in the language and form as it was provided. The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.
The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

Comprehensive review of 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) 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 RfI 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)
Request for Information (RfI)

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
Request for Information (RfI)

**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
Request for Information (RfI)

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 RfI

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 RfI

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 RfI

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
Limited amendments

• Few significant new issues identified by RfI
• 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