UNCTAD-ISAR and IFRS Foundation joint workshop

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Accounting and financial reporting needs of SMEs

Workshop material:

Comprehensive review of the IFRS for SMEs

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Proposed amendments

57 in total

New and revised IFRSs (13)
Changes (5)
New exemptions (5)
Minor clarification (21)
New Guidance (7)
SMEIG Q&As (3)
Disclosure (3)
Proposed amendments

Principles for new and revised IFRSs

- Each new and revised IFRS considered individually
- New IFRSs only considered once published

Alignment with full IFRSs

Need for stable platform + suitability for SMEs
Proposed amendments

New and revised IFRSs incorporated

- IAS 1 *Presentation of Items of Other Comprehensive Income* (2011)
- IAS 32 *Classification of Rights Issues* (2009)
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
- 2 amendments to IFRS 1 *First-time Adoption of IFRSs*  
- Scope of IFRS 2 *Share-based Payment*
- Definition of related party in IAS 24 (2009)
Proposed amendments
Annual improvements incorporated

2010

• Revaluation basis as deemed cost (IFRS 1)
• Deemed cost for operations subject to rate regulation (IFRS 1)
• Clarification of statement of changes in equity (IAS 1)

2012

• Repeated application of IFRS 1 (IFRS 1)
• Classification of servicing equipment (IAS 16)
• Tax effect of distributions to equity holders (IAS 32)
Proposed amendments

New and revised IFRSs not incorporated

- Changes under IFRS 3(2008), IFRS 10, IFRS 11, IFRS 13 and IAS 19(2011)
  - Individual reasoning in Basis for Conclusions
- Current and future changes under IFRS 9 and Conceptual Framework
- Future changes under other IASB projects
Proposed amendments
Changes

Section 29 Income Tax

• Current requirements
  • Based on IASB’s 2009 Exposure Draft *Income Tax* that was never finalised

• Proposed requirements
  • Alignment of main principles for recognition and measurement of deferred tax with full IFRSs
  • Retains presentation and disclosure simplifications
Proposed amendments

Changes continued

• If **useful life of goodwill** / other intangible asset cannot be estimated reliably, must not exceed 10 years
  • previously fixed at 10 years

• **Leases with interest rate variation** clause linked to market interest rates moved to section on leases
  • previously fair value through profit or loss

• **Liability component of a compound financial instrument** treated like standalone financial liability
  • previously amortised cost
Proposed amendments

New guidance

Other guidance (based on full IFRS guidance)

• Preparation of consolidated financial statements if group entities have different reporting dates
• Calculation of non-controlling interest
• Classifying financial instruments as equity or liability
• Settlement of non-cash distribution
• Share-based payments when identifiable consideration is less than fair value of equity instruments / liability
• Extractive activities
• New definitions
Proposed amendments

New exemptions

‘Undue cost or effort’ exemptions

• Measurement of investments in equity instruments at fair value

• Recognising intangible assets separately in a business combination

•Offsetting income tax assets and liabilities

Other exemption

• Fair value requirements for distributions of non-cash assets controlled by same parties both before / after
New guidance from SMEIG Q&As (so based on existing non mandatory guidance)

• Use of IFRS for SMEs in parent’s separate financial statements

• Application of ‘undue cost or effort’ exemption

• Cumulative exchange differences are not recognised in profit or loss on disposal of subsidiary
Proposed amendments

Minor issues under proposals

Disclosure

• Relief from prior year reconciliations of balances for biological assets and share capital (for consistency)

Minor clarifications

• Not expected to result in changes in practice for majority of SMEs
  • clarifying wording/intention
  • rewriting unclear sentences
  • clarification of scope of sections
  • removing inconsistencies
No amendment proposed for the following

• Scope of the *IFRS for SMEs*

• Option to use recognition and measurement requirements in IAS 39 *Financial Instruments*

• Presentation of share subscription receivables in equity
Issues not in proposed amendments

Proposals do not add complex options

• Option to (or require) capitalisation of development or borrowing costs on a similar basis to full IFRSs

• Revaluation option for PPE
Issues not in proposed amendments

Issues raised by respondents to RfI

• 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
Thank you