
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:

Comprehensive review of the IFRS for SMEs

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November 2013

International Financial Reporting Standards

2009

International Accounting Standards Board (IASB®)

IFRS® for SMEs

International Financial Reporting Standard (IFRS®)
for Small and Medium-sized Entities (SMEs)



Comprehensive review of the *IFRS for SMEs*

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Proposed amendments

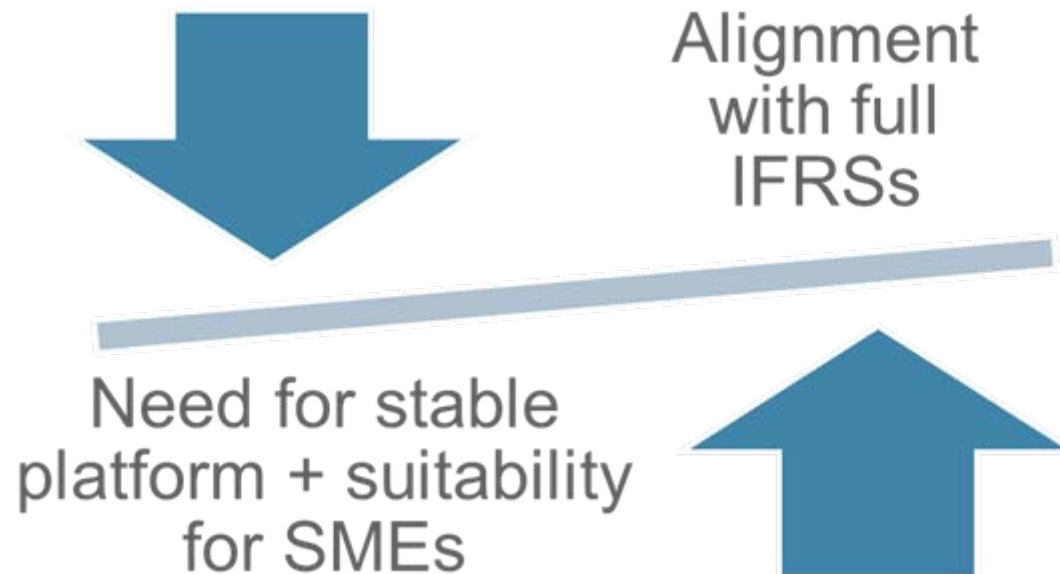
57 in total



Proposed amendments

Principles for new and revised IFRSs

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



Proposed amendments

New and revised IFRSs incorporated

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- 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*
 - *Severe Hyperinflation* (2010) & *Government Loans* (2012)
- 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

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- 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

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 IFRSs 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

‘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

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 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

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