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# **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:

*Developments: Accounting for SMEs & Micro Entities*

Presented by

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# DEVELOPMENTS: ACCOUNTING FOR SME's & MICRO ENTITIES

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**Senior Executive: Standards**



**SAICA**

THE SOUTH AFRICAN INSTITUTE  
OF CHARTERED ACCOUNTANTS

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# Topics



## SA Perspective

- Financial Reporting Standards in terms of SA Companies Act
- Guide on Applying IFRS for SMEs for Micro Entities
- Financial Reporting in a Micro Environment Survey

## PAFA Perspective

# Summary of financial reporting standards in terms of the SA Companies Act, 2008



## Profit Companies

Category of Companies	Financial Reporting Standard
State owned companies	IFRS, but in the case of any conflict with any requirement in terms of the PFMA, the latter prevails.
Public companies listed on an exchange	IFRS
<ul style="list-style-type: none"> <li>- Public companies not listed on an exchange</li> <li>- Profit companies, PI score is at least 350 <u>OR</u> who hold assets in excess of R5m in a fiduciary capacity</li> <li>- Profit companies, PI score is at least 100 but less than 350</li> <li>- Profit companies, PI score is less than 100, and whose statements are <u>independently</u> compiled</li> </ul>	One of – (a) IFRS; or (b) IFRS for SMEs, scoping requirements met.
Profit companies, PI score is less than 100, and whose statements are <u>internally</u> compiled.	The Financial Reporting Standard as determined by the company for as long as no Financial Reporting Standards are prescribed.

PFMA = Public Finance Management Act (Generally Recognised Accounting Practice (GRAP) based on IPSAS)

PI = Public interest score (Turnover; Employees; Shareholding & Debt)

# Summary of financial reporting standards in terms of the SA Companies Act, 2008



## Non-profit Companies

Category of Companies	Financial Reporting Standard
<p>Non profit companies that hold assets in excess of R5m in a fiduciary capacity <u>OR</u> are state of foreign controlled <u>OR</u> perform a statutory or regulatory function</p>	<p>IFRS, but in the case of any conflict with any requirements in terms of the PFMA, the latter prevails.</p>
<ul style="list-style-type: none"> <li>- Non profit companies, PI score is at least 350</li> <li>- Non profit companies, PI score is at least 100 but less than 350</li> <li>- Non profit companies, PI score is at less than 100, and whose financial statements are <u>independently</u> compiled</li> </ul>	<p>One of—</p> <ul style="list-style-type: none"> <li>(a) IFRS; or</li> <li>(b) IFRS for SMEs, scoping requirements met.</li> </ul>
<p>Non profit companies, PI score is less than 100, and whose financial statements are <u>internally</u> compiled</p>	<p>The Financial Reporting Standard as determined by the company for as long as no Financial Reporting Standards is prescribed.</p>

# Guide on Applying IFRS for SMEs for Micro Entities



Electronic toolkit that comprises user checklist, the requirements of the standard, an application guide with practical examples, illustrative financial statements, and a disclosure checklist for micro entities.



# Financial Reporting in a Micro Environment Survey



- Survey Results
- Way Forward

# 256 Respondents - Profile



Member in Practice (91%)

Between 26 and 50 (68%)



Practice in a 1, 2 – 4 or 5  
– 10 partner firm (86%)

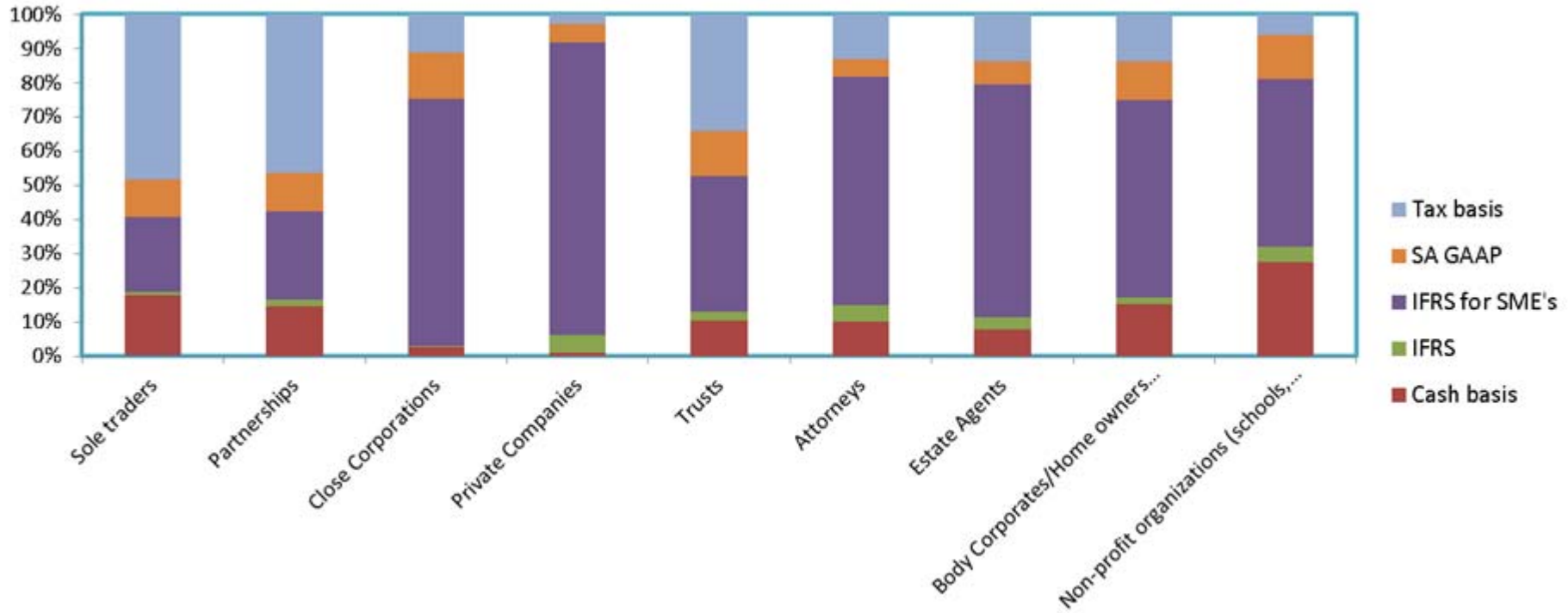
Preparer (78%) or  
Reviewer/Auditor (63%)





# Current frameworks

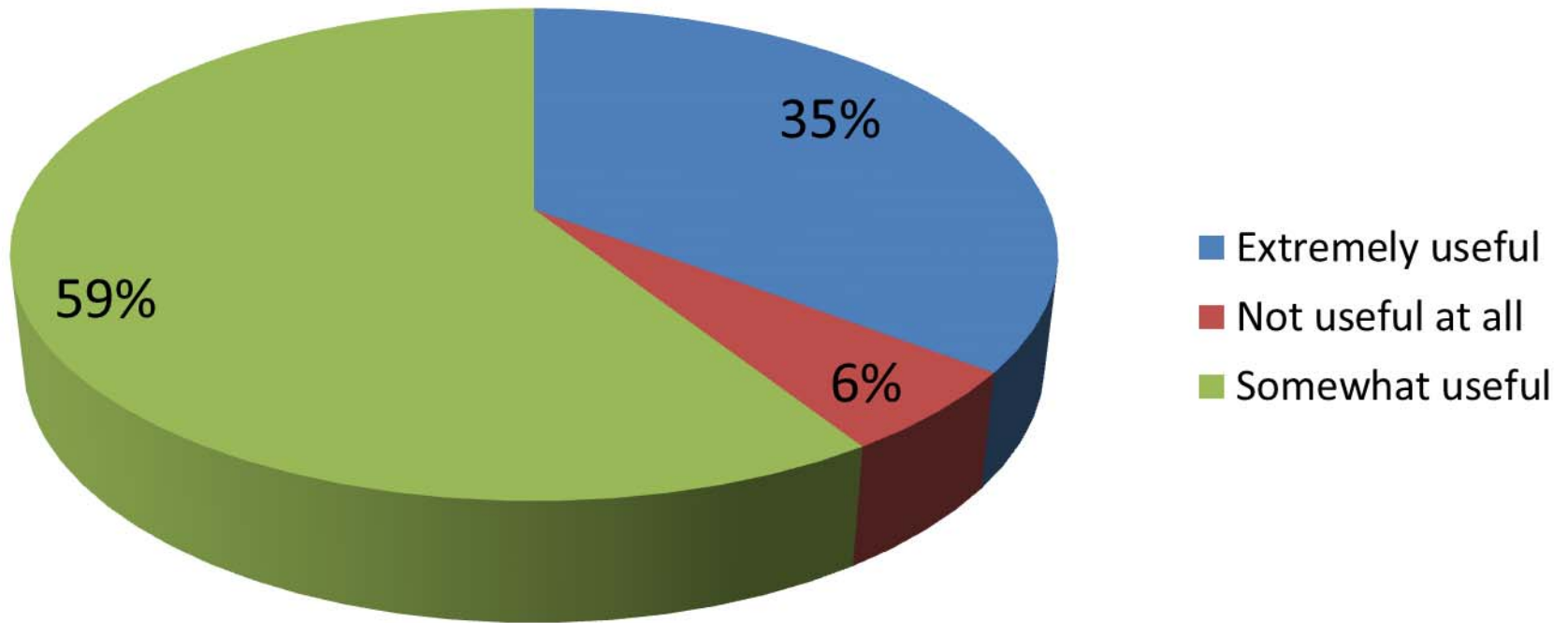
Which one of these frameworks do you most commonly use for the below types of entities?



# Financial Statements



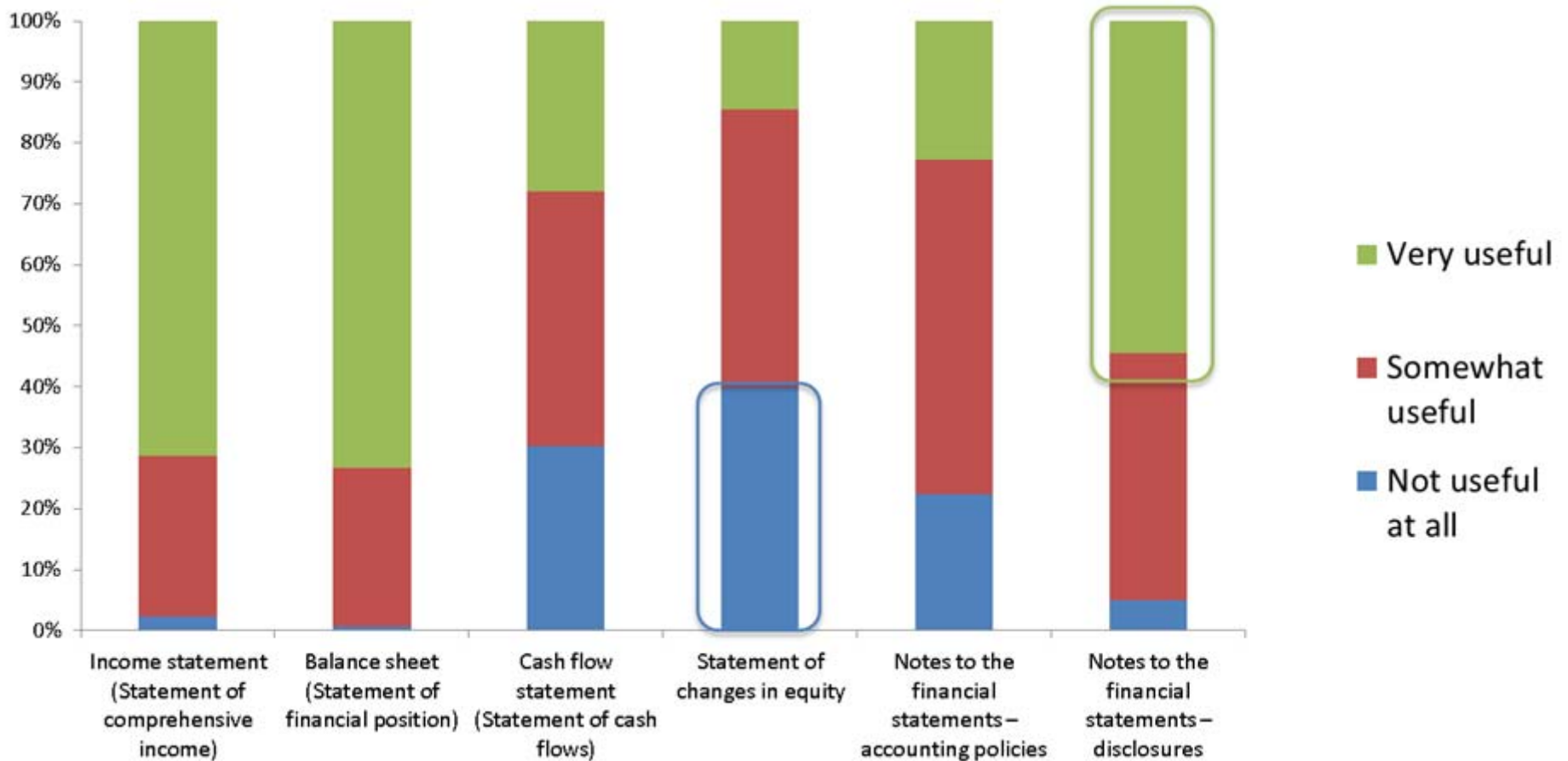
Please indicate to what extent you regard the financial statements of small and micro entities as a useful source of information.



# Financial Statements

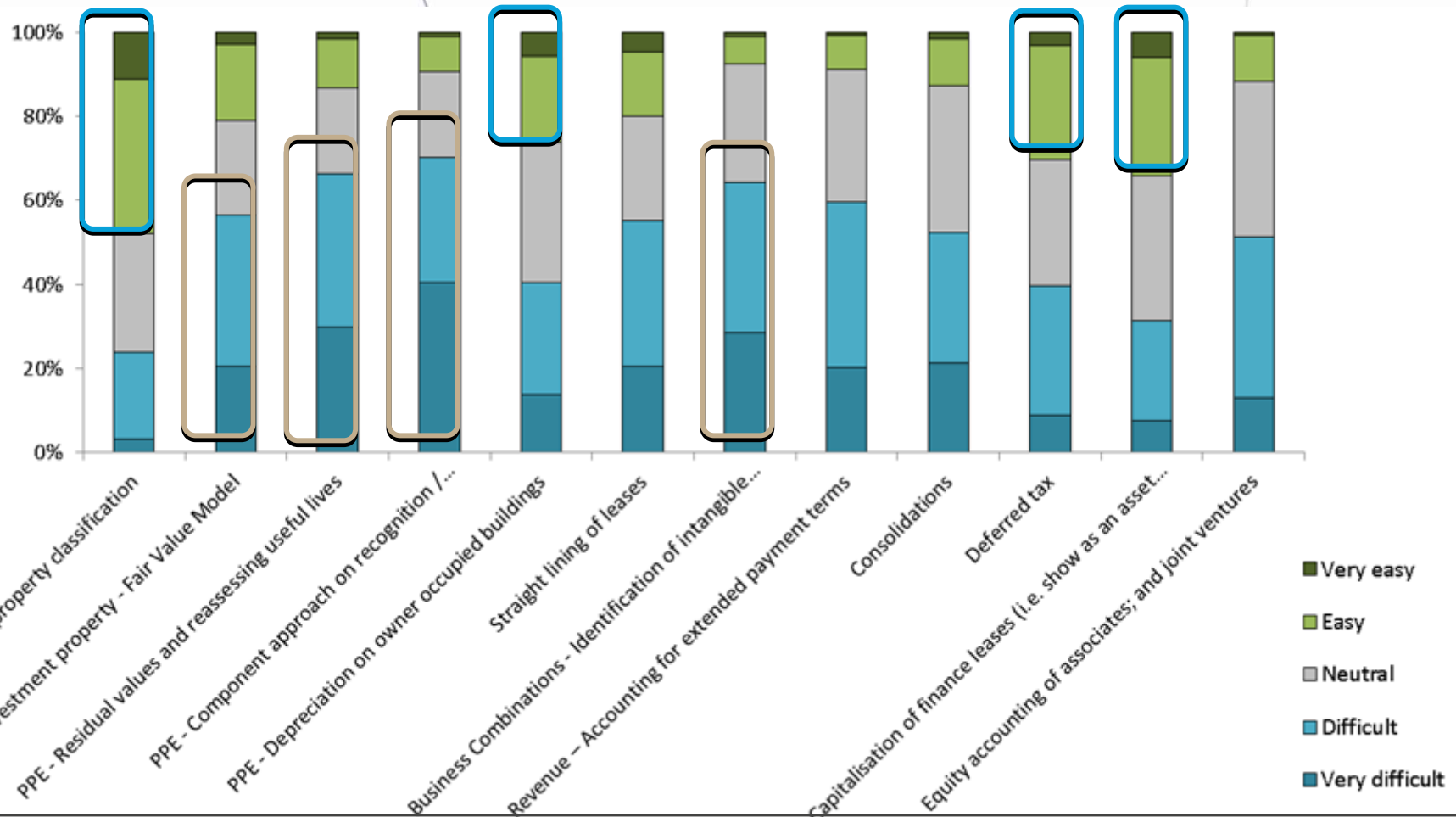


Please indicate how useful the information of the below components of financial statements are.



# Financial Statements

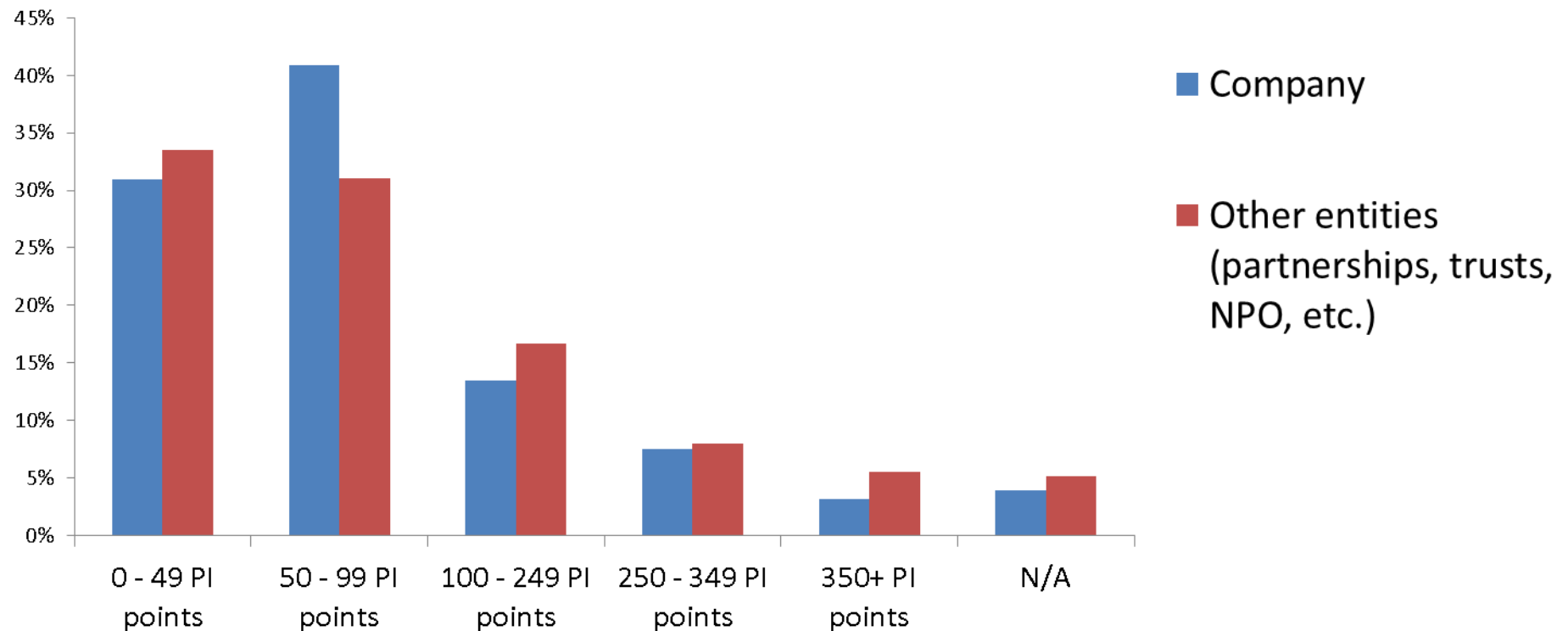
Please indicate how easy/difficult the following concepts are to apply in preparing financial statements when using the IFRS for SME's framework.



Most of the concepts are difficult to apply in preparing financial statements when using IFRS for SME's. Easier concepts to apply includes Investment Property Classification, Deferred Tax and Capitalization of Finance Leases.

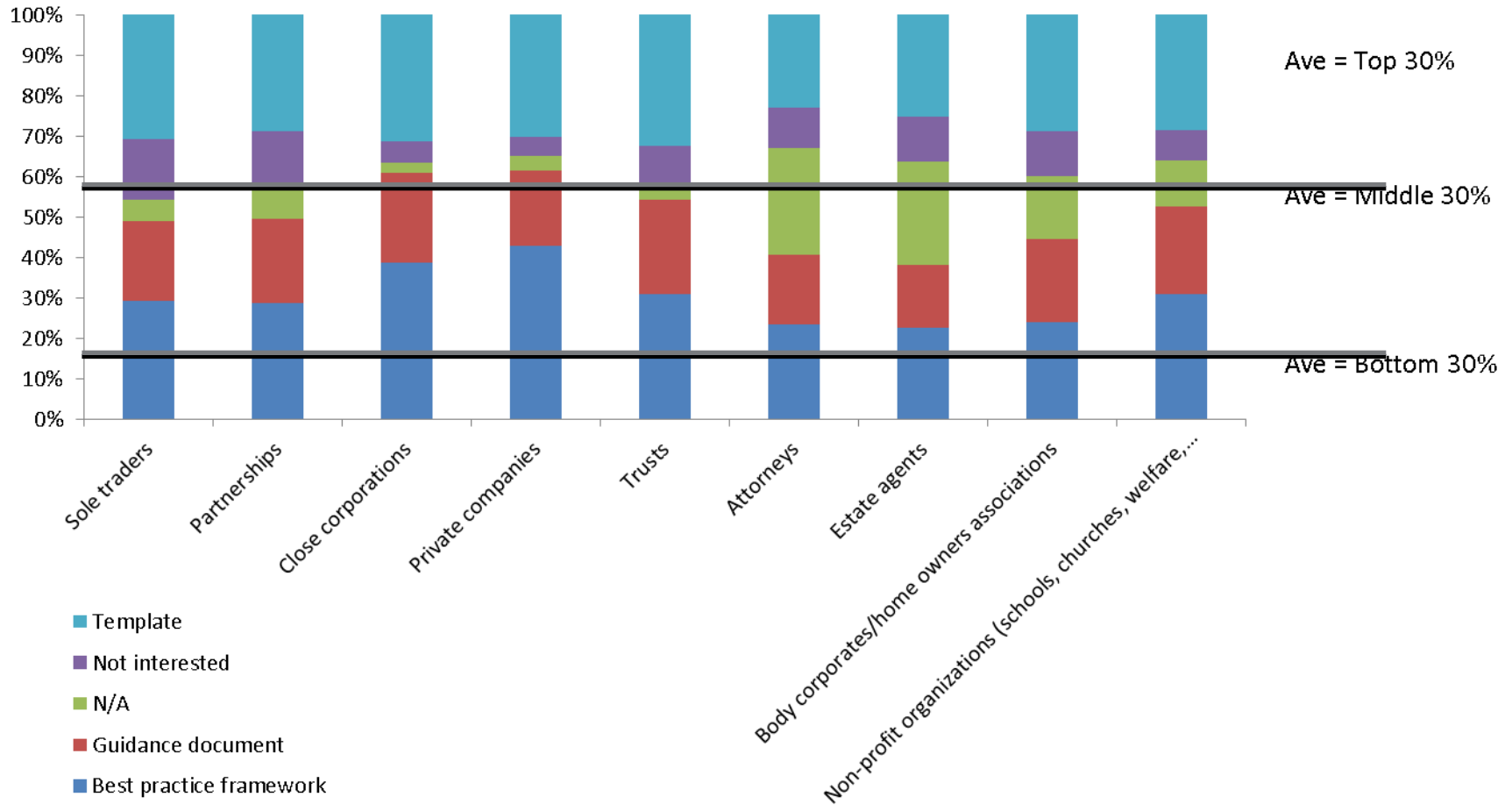
# IFRS for SME's too cumbersome to apply

For which size of company and other entities (partnerships, trusts, NPO, etc.) do you believe IFRS for SME's may be unnecessarily cumbersome to apply? Use the PI score as a guide as per the Companies Act, 2008.



# Best practice framework/ guidance document/ template

For which of the following types of entities would you be interested in using a best practice framework/guidance document/template?



# Way forward



- Comment on ED 337 to influence changes at an international level
- Education and training
- Development of simplified IFRS for SMEs financial statements templates
- Guidance on entity specific accounting policies where compliance with IFRS/ IFRS for SMEs not required

## PAFA perspective



- Capacity building programme to increase the uptake of international best practice for financial reporting standards in all African countries
- Forward thinking to adoption of IFRS & IFRS for SME's
- Mixed uptake – IFRS for SME's
- Held training on IFRS for SME's in May 2013 in Zambia attended 12 countries
- Countries that have adopted IFRS more willing to adopt IFRS for SME's
- Countries that have not adopted IFRS are less willing to adapt to IFRS for SME's
- Countries that have pushed back are where the official language is French
- A number of African countries that have introduced a third tier reporting framework





Thank You