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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:

*Comprehensive review of the IFRS for SMEs*

Presented by

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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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# IFRS™

# 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

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## **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)

# Request for Information (Rfi)

The IASB received 89 comment letters on the Rfi.  
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



## 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

## 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

## 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

## 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

## 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

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