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Goal of IASB/IFRS Foundation

- To provide the world’s integrating capital markets with a common language for financial reporting
- In fulfilling this objective, take account of the needs of:
  - Small and medium-sized entities; and
  - Emerging economies.
Use of IASB’s standards

- Full IFRS Standards
  - Required or permitted for all or some listed companies in 138 jurisdictions (of 150 analysed)*
- The IFRS for SMEs Standard
  - Issued in July 2009
  - 85 jurisdictions already permit or require its use and
  - It is under consideration in a further 11 countries

* from an analysis of jurisdictional profiles completed by the IFRS Foundation, correct at 31 March 2017
Overview of the *IFRS for SMEs*
The *IFRS for SMEs Standard*

Good Financial Reporting Made Simple.

- +-250 pages
- Simplified Standard, but built on an IFRS foundation
- Completely stand-alone
- Designed specifically for SMEs
- Internationally recognised
- Final standard issued 2009, revised in 2015
Who will be eligible to use it?

- Any entity that does not have public accountability...
  - securities not publicly traded
  - not a financial institution
- ... and is required or chooses to produce General Purpose Financial Statements (GPFS)
Who is the Standard aimed at?

- Entities that are **not publicly accountable**
- Entities which **must produce** GPFS
- Ultimately choice is a **public interest issue**
  - Decided by parliaments and regulators, not by IASB
  - There is a public benefit in good financial information about companies
Who is the Standard aimed at?

- **Full IFRS**
  - Publically accountable

- **IFRS for SMEs**
  - Not publically accountable, but require GPFS

- No requirement for GPFS
  - No IFRS requirement
  - Eg, financials for tax or partners
Is it completely stand-alone?

- The only ‘fallback’ to full IFRS is the **option** to use IAS 39 instead of the financial instruments sections of *IFRS for SMEs*
How does it differ from full IFRS Standards?

- Tailored for SMEs
  - User needs for information about cash flows, liquidity, and solvency
  - Costs and SME capabilities
- Much smaller
  - 250 pages vs 3,000 in full IFRS Standards
- Organised by topic
- Simplifications from full IFRS Standards
How did we simplify?

• Some topics in IFRS Standards omitted if irrelevant to private entities
• Where IFRS Standards have options, generally include only simpler option
• Recognition and measurement simplifications
• Reduced disclosures
• Simplified drafting
Disclosure simplifications

• Big reduction in disclosures:
  • Full IFRS Standards – more than 3,000 items in the disclosure checklist
  • IFRS for SMEs Standard – roughly 300 disclosures

• **Kept**: Disclosures about short-term cash flow, liquidity, solvency, measurement uncertainties, accounting policy choices

• **Dropped**: Disaggregations, public capital market disclosures
Why would an SME want to adopt it?

• Improved access to capital
  • This is the #1 issue with SMEs
• Improved comparability
• Improved quality of reporting as compared to existing national GAAP
  • World Bank ROSC reports
• Less of a burden for entities in jurisdictions where full IFRS Standards or full national GAAP are now required.
Why would an SME want to adopt it?

• Other benefits:
  • Implementation Q&As – SME Implementation Group
  • Special newsletter for SMEs and auditors using the *IFRS for SMEs Standard*
  • Textbooks available
  • Software available
  • IASB training materials
  • Commercial training programmes
Implementation support
IASB

Free training workshops

>1,100 slides in >20 PowerPoint presentations

• Freely available on request

• We encourage others to use our PowerPoints in training programmes they organise
SME implementation Group (SMEIG)

Objective

• Support international adoption of the IFRS for SMEs Standard and to monitor its implementation

Main responsibilities

• Develop non-mandatory guidance on IFRS for SMEs Standard in the form of Q&As

• Make recommendations to the IASB on the need to amend the IFRS for SMEs Standard
Membership

• **SMEIG consists of** a maximum of 30 members
  – Appointed for up to 2 terms of 3 years each
  – Broad geographical and functional spread

• **3 vacancies**, in case suitable candidates are identified at a later date

• **Staggered appointment** dates to facilitate continuity
• 7 Q&As developed to prior to the issue for the 2015 amendments
• Q&As developed where considered during the review process, and adopted into the revised standard
• Consequently, the Q&As were withdrawn as no longer relevant
• SMEIG now considering several new topics which have been raised
2015 Amendments
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 IFRS Standards and amendments
- Thereafter: Once every three years (approximately) omnibus exposure draft of updates
Process

• **Request for Information** (RfI) issued June 2012
• **SMEIG** developed recommendations for IASB on possible amendments to the IFRS for SMEs Standard February-March 2013
• **IASB** deliberations April–June 2013
• **Exposure Draft** issued October 2013
• **SMEIG** recommendations ongoing July to September 2014
• **IASB** deliberations from October 2014
• **Final amendments** in 2015
Limited Amendments

• Few significant issues identified
• IFRS for SMEs Standard is still a new Standard
• Remember the principle:
  – Keep it simple
  – Alignment with full IFRS useful, not essential
  – SMEs (users, preparers, regulators)
• Each new and revised IFRS considered individually
• New IFRS Standards only considered once published
Main amendments

• Permitting revaluation model for PPE
• Aligning recognition and measurement requirements for income tax with full IFRS
• A few additional undue cost or effort exemptions, plus
  – guidance on application
  – required disclosure of reasoning
• Most other amendments clarify or add guidance
  – rather than change underlying requirements
Future reviews of the Standard
Proposal

• To start two years after effective date of amendments from the last comprehensive review
• Includes Request for Information and exposure draft

Probable effect in current cycle

• Review would start January 2019
• Include:
  – Consequences of 2017 changes
  – New application issues
  – New IFRS Standards

• Effective 2022/2023
Future reviews of the Standard
Interim review: Maintenance

Proposal
• To consider new and revised IFRS not yet incorporated
• Consider any urgent changes
• Includes exposure draft (but not RFI)

Effect in current cycle
• Considered by the Board in late 2016
• Concluded that there was no requirement for an interim review
We consider:

• A ‘Mandatory’ change every 5 to 6 years,

Together with

• An Interim change in between

With

• Updates no more frequently than every 3 years

Means

• Stable platform that is still responsive to a changing environment
Available support and guidance material
Self-study training materials

Training material

• Developed by IFRS Foundation staff
• Multi-level peer review but not Board approved
• 35 standalone modules (1 for each section of the IFRS for SMEs Standard)
• Training material = +2,000 A4 pages
• Self study
Self-study training materials

Each module includes

• Explanation of the requirements
  • Full text of the requirements
  • ‘How to’ numerical examples
  • Other explanations
• Discussion of important judgements
• Comparison with full IFRS Standards
• Test your knowledge – multiple choice quiz
• Apply your knowledge – case studies
SME Update newsletter

- Free subscription delivered by email
  - 15,000 subscribers
- Topics typically covered:
  - New adoptions and translations
  - SMEIG activity
  - All draft and final Q&As
  - Training materials
  - Train the trainers workshops
  - Links to resources
Executive briefing booklet

• Written for lenders, creditors, owner-managers and others who use SME financial statements
  • 8 pages
  • What is the IFRS for SMEs Standard? Who is it aimed at? Who uses it? Differences with full IFRS Standards
  • Revised 2012
  • Free download
Guidance for Micro SMEs

• IASB staff have developed guidance to help micro-sized SMEs apply *IFRS for SMEs Standard*
  • Tiny companies
  • Not a new standard
  • Extract relevant principles from *IFRS for SMEs Standard*
  • SMEIG review, Board review
  • Guidance booklet contains cross-references to *IFRS for SMEs Standard* for matters omitted in micro booklet
Guidance for Micro SMEs  *Continued*

- Guidance booklet not been updated for the 2015 Amendments to *IFRS for SMEs Standard*
- IASB staff looking at an electronic equivalent, which would permit user flexibility to tailor to own requirements
IFRS for SMEs Standard on the IASB website

- Download standard and translations
- Comprehensive review
- SME Implementation Group
- Q&As
- Update newsletter
- Presentations, webcasts, resources
- Project history

http://www.ifrs.org/issued-standards/ifrs-for-smes/
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Comment on our work
- go.ifrs.org/comment