

# The *IFRS for SMEs* Standard

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# Introduction

# Goal of IASB/IFRS Foundation

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- 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*

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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?

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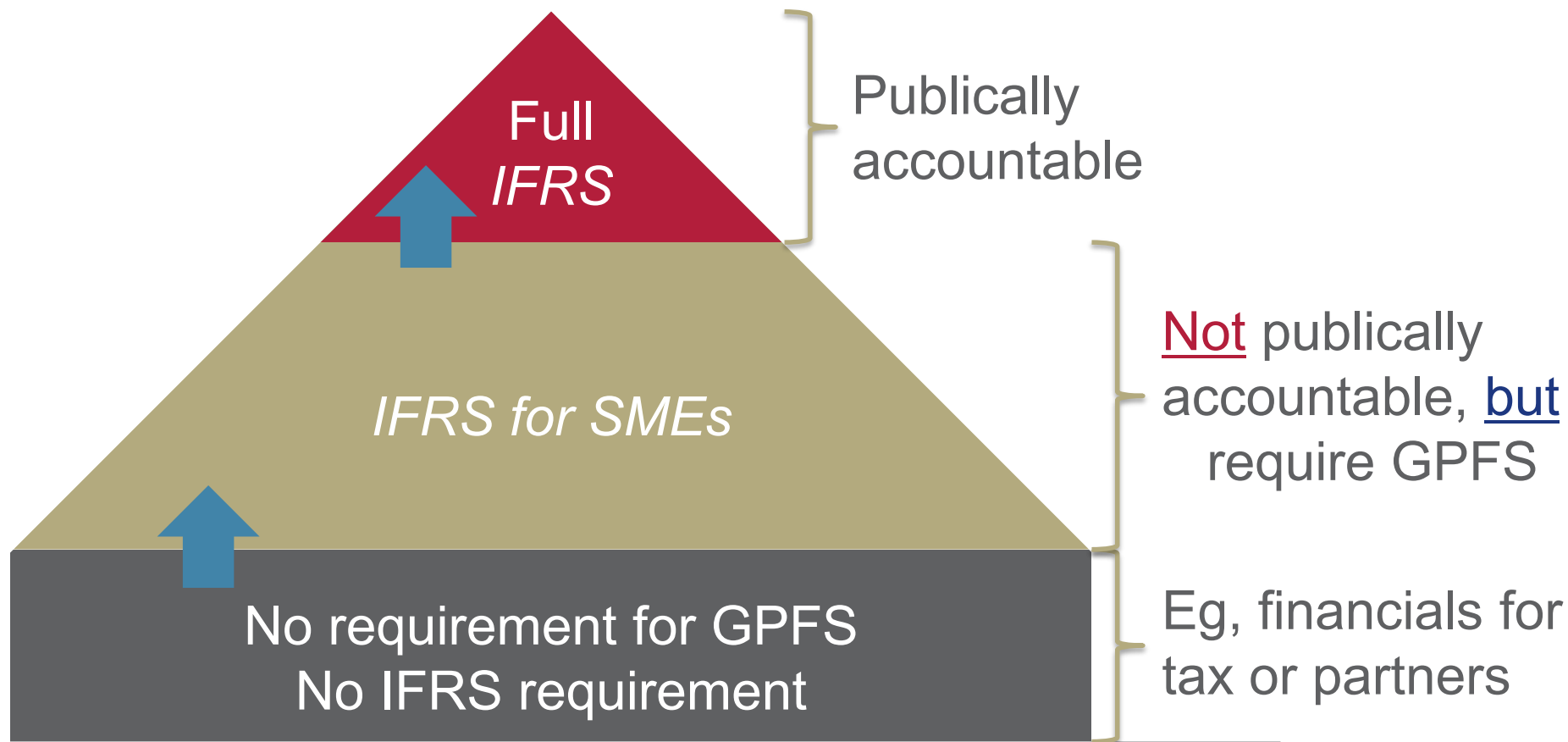
- Any entity that does not have public accountability...
  - securities not publicly traded
  - not a financial institution
- ... and is required or chooses to produce General Purpose Financial Statements (GPFS)

# 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?





# Is it completely stand-alone?

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- 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?

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- 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

- 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?

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- 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?

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- 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

### 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



## 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



# Q&As

- 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

- 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

- **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**

- 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



# Future reviews of the Standard

## *Comprehensive review*

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### **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*

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### **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

# Future reviews of the Standard

## *Stable Platform, but responsive*

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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

## 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

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

- 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



- 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

- 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 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

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- 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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