The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board (the Board) or IFRS Foundation.

Copyright © IFRS Foundation. All rights reserved

The IFRS for SMEs Standard

Matt Tilling
IASB – Director of Education
Introduction
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**: Eg, financials for tax or partners

No requirement for GPFS
No IFRS requirement
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
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
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** (Rfl) 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
Future reviews of the Standard
Comprehensive review

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 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/
Q & A Session
Contact us

Keep up to date

@IFRSFoundation

IFRS Foundation

www.ifrs.org

Comment on our work

go.ifrs.org/comment