

IFRS for SMEs Section 11

Fallback to IFRS 9 *Financial Instruments*

Q&As are published by the SME Implementation Group (SMEIG), which assists the IASB¹ in supporting the implementation of the *International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)*. The Q&As are intended to provide non-mandatory and timely guidance on specific accounting questions that are being raised with the SME Implementation Group by users implementing the *IFRS for SMEs*.

A draft of this Q&A was issued for public comment on 21 November 2011. The comment deadline was 31 January 2012.

Draft and final Q&As, and comments on draft Q&As, may be downloaded without charge from the IASB's website at <http://go.ifrs.org/IFRS+for+SMEs+QandA>.

Issue

- 1 Paragraph 11.2(b) gives an entity the option of applying the recognition and measurement provisions of IAS 39 *Financial Instruments: Recognition and Measurement* to account for all of its financial instruments instead of following the recognition and measurement requirements in Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instruments Issues*. The IASB has been replacing IAS 39 with IFRS 9 *Financial Instruments* in phases. May an entity choose to apply the recognition and measurement provisions of IFRS 9?

Response

- 2 No. The *IFRS for SMEs* refers specifically to IAS 39. SMEs are not permitted to apply IFRS 9.

Basis for Conclusions

- BC1 Allowing the use of IFRS 9 by SMEs would require a change to the *IFRS for SMEs*. Paragraph BC106 of the Basis for Conclusions issued with the *IFRS for SMEs* explains that one reason for allowing this fallback to full IFRSs, (the only one permitted in the *IFRS for SMEs*), was that “The Board is currently reconsidering IAS 39 in its entirety and concluded that SMEs should be permitted to have the same accounting policy options as in IAS 39 pending completion of the comprehensive IAS 39 project”.
- BC2 The IASB intends to undertake a thorough review of the *IFRS for SMEs* when two years of financial statements using the *IFRS for SMEs* have been published by a broad range of entities. At that time, the Board will also consider new and amended IFRSs that have been issued since the *IFRS for SMEs* was published, including the requirements of IFRS 9. That review will get under way in 2012 and is expected to be completed in 2014. This means that the amendments to the *IFRS for SMEs* would most probably be effective at a similar time to the revised effective date of IFRS 9.
- BC3 An SME that elects to follow the recognition and measurement principles of IAS 39, rather than those in Sections 11 and 12, would apply the version of IAS 39 that is in effect at the entity’s reporting date². This is consistent with the Board’s approach in full IFRSs to cross references to other IFRSs.

² IAS 39 is available for download without charge from the IASB’s website: <http://www.ifrs.org/IFRSs/IFRS.htm>

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