

IFRS for SMEs Update

From the International Accounting Standards Board



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Welcome to the IFRS for SMEs Update

The IASB's IFRS for SMEs Update is a staff summary of news relating to the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs). We intend to publish this Update at least monthly. All issues of the IFRS for SMEs Update are available in both HTML and PDF format on the IASB's [website](#). To subscribe use the link on the right, see on the right hand side for more information about how to do so.

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Trustees will consider SMEIG membership in July

The Trustees of the IASC Foundation (IASCF) expect to review the 87 nominations of candidates for membership of the IFRS for SMEs Implementation Group (SMEIG) at their meeting in Washington 6-7 July 2010. The SMEIG will have between approximately 12 and 20 members appointed by the Trustees. Members serve on a voluntary basis without remuneration. The SMEIG will conduct its work via email correspondence.

The SMEIG will have two main responsibilities:

- To develop and publish, after clearance by the IASB, non-mandatory guidance in the form of Q&As on a limited number of pervasive implementation issues identified by those who use the IFRS for SMEs
- To consider, and make recommendations to the IASB on, the need to amend the IFRS for SMEs

For further details see <http://go.iasb.org/SMEIG>.

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Adoption and translation of the IFRS for SMEs

To enable the adoption of the IFRS for SMEs, many jurisdictions need to reprint the standards as law in the local language. The IASC Foundation's Content Services team is ready to support local jurisdictions with the translation and adoption of the standard.

Translation

The Foundation recognises the central role of translation in international standard setting. Translation is a necessary and vital part of achieving the Foundation's mission to develop high-quality global accounting standards for use around the world. Therefore, the Foundation seeks the close co-operation of jurisdictions and organisations with translation needs. It is in the interest of any country adopting or using the standards that translations be of a high quality. Countries adopting or permitting the use of the IFRS for SMEs will only be compliant, and benefit from the global consistency and comparability of the standard, when the Foundation's translation policies are followed.

The cornerstones of the IASC Foundation translation policies:

- Official translation process involving expert review of translations

To ensure the best technical translation possible, all translations of IFRSs are reviewed by a committee of accounting experts who are native speakers with proven knowledge and expertise in the area of the IFRSs.

- The IASC Foundation maintains control of the translation process

Multiple translations of IFRSs into the same language would endanger comparability, transparency, and the long-term sustainability of high-quality IFRS translations. The IASC Foundation therefore supports only one translation per language. For this reason it is vital the IASC Foundation is contacted before a translation is begun.

Adoption and Copyright

When a country adopts the IFRS for SMEs, it is often necessary to officially publish the standard and allow it to be freely accessed. Therefore, the IASC Foundation will grant permission for official reproduction, without charge, ensuring copyright restrictions on the material do not prevent the adoption of the IFRS for SMEs. It is not permissible to reproduce the content without permission from the IASC Foundation. Once permission has been granted, the requirements may be distributed freely within that jurisdiction, without copyright restriction. If you need a translation, or permission to reproduce the content, please contact:

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Spanish translation sold out, being reprinted

The original print run of 2,000 copies of the printed version of the Spanish translation of the IFRS for SMEs has completely sold out. Another 2,000 copies are being printed. You can order a copy from the [web shop](#).

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Train the trainers workshop in Cairo

On 15-17 June 2010, the IASB and IASCF conducted their fourth three-day workshop to 'train the trainers'

on the IFRS for Small and Medium-sized Entities. The workshop was sponsored by the World Bank and held in Cairo, Egypt. Instructors were Paul Pacter, the IASB's Director of Standards for SMEs (and Board Member-designate), and Michael Wells, Director of the IASCF's IFRS Education Initiative.

There were approximately 30 participants from Algeria, Colombia, Egypt, Italy, Jordan, Lebanon, Morocco, Palestine, Tunisia, and Yemen. Many were World Bank staff who work in the area of small business financing. Some participants were practicing accountants and government officials. The IASB provides the training materials and PowerPoint presentations (totalling 24 contact hours) for the workshops. Similar IASB/IASCF workshops are scheduled for Rio de Janeiro (2-4 August 2010) and Panama (October 2010). For more information contact Michael Wells at mwells@iasb.org.

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Webcast of overview of IFRS for SMEs available on-line

The World Bank has made available for viewing on their website a two-part webcast presentation by Paul Pacter. An Overview of the IFRS for SMEs. Each part is approximately one hour long. The presentation reviews the requirements in each of the 35 sections of the IFRS for SMEs and highlights differences with full IFRSs. To view the presentations:

Part 1: <http://siteresources.worldbank.org/EXTCENFINREPREF/Resources/4152117-1276630882791/ifrs-webcast1.html>

Part 2: <http://siteresources.worldbank.org/EXTCENFINREPREF/Resources/4152117-1276630882791/ifrs-webcast2.html>

These presentations together represent one of the 20 training modules used in the train-the-trainers workshops. The IASB is grateful to the World Bank for making the presentations publicly available. We hope to make webcasts of the other modules available in the near future.

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Upcoming train-the-trainers workshop in Rio de Janeiro

On 2-4 August 2010, the IASB and IASCF will conduct their fifth three-day workshop in Rio de Janeiro, Brazil, to 'train the trainers' on the IFRS for SMEs. Instructors will be Paul Pacter, IASB Board Member (Designate), and Ricardo Lopes Cardoso, IASB Practice Fellow from Brazil. Paul will present in English and Ricardo in Portuguese. All 20 PowerPoint presentations for the three days will be available in Portuguese.

The workshop will be sponsored by BNDES, the Brazilian Development Bank. BNDES is a federal public company, linked to Brazil's Ministry of Development, Industry and Foreign Trade. Since 1952, its goal has been to provide long-term financing aimed at enhancing Brazil's development, and, therefore, improving the competitiveness of the Brazilian economy and the standard of living of the Brazilian population. In 2008, BNDES' disbursements were around US\$49 billion, 25 per cent of which was financing for micro-sized and small and medium-sized companies. BNDES's website is here: <http://inter.bndes.gov.br/english/>

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Report on EC consultation on the IFRS for SMEs

In November 2009, the European Commission launched a consultation to gain an understanding of EU stakeholders' views about the IFRS for SMEs. The consultation period ended 12 March 2010. The Commission has published a summary report of the 210 responses received, and has posted all of the responses on its website:

- The individual responses are here:
http://circa.europa.eu/Public/irc/markt/markt_consultations/library?l=/accounting/2010_consultation&vm=detailed&sb=Title

- The Commission's summary report is here (see document dated 31.05.2010):
http://ec.europa.eu/internal_market/accounting/sme_accounting/review_directives_en.htm

The Commission's November 2009 consultation document can also be found at the above link.

In addition, on 25 May 2010 the Commission held a stakeholders meeting on the review of the Accounting Directives and the IFRS for SMEs. The agenda paper for that meeting included an overview of the responses to the IFRS for SMEs consultation presented by Mr Jeroen Hooijer, Head of Financial Reporting Unit in the EC Internal Market Directorate. That paper summarised responses to several key questions, including the following:

Question: Do you think adoption of the IFRS for SMEs should be provided for within the EU accounting legal framework?

Response:

1. Supported by majority of Respondents from 19 Member States: BG, CY, CZ, DK, EE, EL, ES, HU, IE, LT, LU, MT, NL, PL, PT, RO, SE, SL, UK, EU Org and Registered Lobbyists
2. Opposed by majority of Respondents from 6 Member States: AT, BE, DE, FR, IT, SK

- The agenda paper and minutes of the stakeholder meeting are available here:
http://ec.europa.eu/internal_market/accounting/sme_accounting/review_directives_en.htm

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EFRAG conclusions on the IFRS for SMEs

The European Financial Reporting Advisory Group (EFRAG) has submitted to the European Commission its analysis of the IFRS for SMEs' compatibility with the EU Accounting Directives. The EFRAG's 256-page assessment of all the requirements of the IFRS for SME (the Working Paper) reviews the IFRS for SMEs paragraph by paragraph.

Paul Pacter, the IASB's Director of Standards for SMEs, noted that "EFRAG's study compared several thousand principles in the IFRS for SMEs and a similar volume of provisions in the Directives. They identified only six potential differences. I am hopeful that the Commission will eventually conclude that the IFRS for SMEs is suitable for use in Europe."

The six differences identified by the EFRAG are:

- The prohibition to present or describe any items of income and expense as 'extraordinary items' in the statement of comprehensive income (or in the income statement, if presented) or in the notes (IFRS for SMEs par. 5.10)
- The requirement to measure financial instruments within the scope of section 12 of the IFRS for SMEs (non-basic financial instruments) at fair value (IFRS for SMEs par. 12.7 and 12.8) (see Appendix par. 8 - 18). (Par. 11.2 of the IFRS for SMEs includes an option for entities to choose to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement. As the option does not refer to a specific version of IAS 39, EFRAG has not been able to assess whether this option would be compatible with the EU Accounting Directives or not. Accordingly, EFRAG has disregarded the option when assessing whether or not the requirements of the IFRS for SMEs regarding financial instruments are compatible with the EU Accounting Directives or not.)
- The requirement to presume the useful life of goodwill to be ten years if an entity is unable to make a reliable estimate of the useful life (IFRS for SMEs par. 19.23)
- The requirement to recognise immediately in profit or loss any negative goodwill (IFRS for SMEs par. 19.24)
- The requirement to present the amount receivable from equity instruments issued before the entity receives the cash or other resources, as an offset to equity and not as an asset (IFRS for SMEs par. 22.7(a))
- The prohibition to reverse an impairment loss recognised for goodwill (IFRS for SMEs par. 27.28)

The full EFRAG report is available on: www.efrag.org.

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Where to obtain IFRS for SMEs materials

- **The standard online**
(English, Spanish, Italian and Romanian)
- **The standard in hard copy**
- **Information about the SME Implementation Group**
- **Presentations at 'Train the Trainers' Workshops**
- **Training materials in PDF format**
- **Past issues of the IFRS for SMEs Update**

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Disclaimer: The content of this Update does not represent the views of the IASB or the IASC Foundation and is not an official endorsement of any of the information provided. The information published in this newsletter originates from various sources and is accurate to the best of our knowledge.

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