

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*). 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.

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Contact us

If you have news about *IFRS for SMEs* activities in your jurisdiction please contact Paul Pacter and Michelle Fisher (details below)

Content of the *IFRS for SMEs*, implementation and adoption issues:

Paul Pacter
IASB Board Member and
Chairman of SME
Implementation Group
ppacter@ifrs.org

Michelle Fisher
Practice Fellow – *IFRS for SMEs*
mfisher@ifrs.org



Training material, conferences, and workshops:

Michael Wells
Director, IFRS Education
Initiative
mwells@ifrs.org

Copyright and translation issues:

Nicole Johnson
Content Services Principal
njohnson@ifrs.org

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SME Implementation Group publishes two final Q&As

The SME Implementation Group (SMEIG) has published two final question and answers (Q&As) on the *IFRS for SMEs*. The Q&As are:

- Q&A 2011/02 *Entities that typically have public accountability*
- Q&A 2011/03 *Interpretation of 'traded in a public market' in applying the IFRS for SMEs*

These two Q&As contain guidance to help entities assess whether they have public accountability and, therefore, whether they meet the scope requirements in Section 1 of the *IFRS for SMEs*. Q&As published by the SMEIG are non-mandatory guidance that will help those who use the *IFRS for SMEs* to think about specific accounting questions. They are not intended to modify in any way the application of full IFRSs. The final Q&As reflect the input that the SMEIG received on the publication of three draft Q&As in April 2011 on these topics.

When the International Accounting Standards Board (IASB) issued the *IFRS for SMEs* in 2009, it stated

that it plans to consider amendments to the *IFRS for SMEs* approximately once every three years. Moreover, the Board indicated that it intends to do an initial comprehensive review of the standard after two years' experience in implementing the standard. The Board expects the comprehensive review to get under way in 2012. The Board intends to invite public comment on issues for which amendment to the *IFRS for SMEs* should be considered. In doing so, the Board will also consider all of the Q&As for possible incorporation into the revised *IFRS for SMEs*. For that reason, the SMEIG does not expect to issue many, if any, additional Q&As before the start of the comprehensive review.

The final Q&As can be accessed at <http://www.ifrs.org/IFRS+for+SMEs/QAsSMEs.htm>. The two Q&As (excluding their Basis for Conclusions, which are available on our website) are set out below for your reference.

***IFRS for SMEs* Section 1**

Entities that typically have public accountability

The issue: Entities with public accountability are not eligible to use the *IFRS for SMEs*. An entity has public accountability if it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. Paragraph 1.3(b) identifies banks, credit unions, insurance companies, securities brokers/ dealers, mutual funds and investment banks as examples of the type of entity that 'typically' holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. Does that mean that all entities of those types should automatically be assumed to have public accountability?

The response: No. Judgement is required to assess whether entities of those types have public accountability. The *IFRS for SMEs* defines public accountability as 'accountability to those existing and potential resource providers and others external to the entity who make economic decisions but are not in a position to demand reports tailored to meet their particular information needs'. Typically, depositors in banks and credit unions, insurance policyholders, holders of shares in mutual funds and unit trusts, and those who have accounts with securities brokers and dealers are not in a position to demand reports tailored to meet their particular information needs. In those cases, the entity is presumed to have public accountability. This is true even if the entity only holds the assets in a fiduciary capacity for a relatively short period of time, for example short term deposits held by a bank and short duration insurance contracts, such as some casualty or property insurance provided by an insurance company.

There may be some circumstances, however, in which an entity of this type does not have public accountability. For example:

- Captive insurance subsidiaries. A captive insurance company is typically an insurance company that insures only the risks of a single entity (often its parent company) or only the risks of entities within the same group of entities as the captive insurance company (such as fellow subsidiaries or parent entities). Where this is the case, the captive insurance company holds assets in a fiduciary capacity only for other group entities, which would not be considered a broad group of outsiders. Consequently, the captive insurance subsidiary is not publicly accountable, and the group will not be publicly accountable solely as a result of the captive insurance subsidiary.
- Investment funds with only a few participants. Mutual funds and similar institutions, such as unit trusts, undertakings for collective investments in transferable securities (UCITS), and other professionally managed collective investment programmes, typically take investment funds from the general public. Doing so makes those entities publicly accountable. However, if an entity holds and manages financial resources for only a few investors, or only for investors that are not considered to be outsiders (for example, the investors all participate in the investment decisions), then this would not constitute a broad group of outsiders. Examples of entities that are not holding assets in a fiduciary capacity for a broad group of outsiders include:
 - a venture capital fund with a few investors all of whom are directly involved in the fund's investment and management decisions;
 - a pooled investment fund whose participants are limited to a parent, its subsidiaries and a few of its associates/joint venture; and

- a pooled investment fund, closed to the general public and with only a few specifically selected participants.

IFRS for SMEs Section 1

Interpretation of 'traded in a public market' in applying the **IFRS for SMEs**

The issue: An entity has public accountability 'if its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market' (paragraph 1.3). How broadly should 'traded in a public market' be interpreted in the definition of public accountability? For example, in Europe does it include only those markets that are defined as 'regulated markets' for the purpose of EU accounting regulations or does it also include other markets such as growth share markets and over-the-counter markets? In addition, would a listing of convenience, ie a market in which a 'net asset value' price is published but no trading occurs in that market, make an entity publicly accountable?

The response: 'Public market' is defined in paragraph 1.3 as 'a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets'. A 'public market' is not restricted to recognised and/or regulated stock exchanges. It includes all markets that bring together entities that seek capital and investors who are not involved in managing the entity. For a market to be public it must be accessible by a broad group of outsiders. If the instruments can only be exchanged between parties involved in the management of the entity, such as key management personnel or shareholders, the instruments are not traded in a public market.

In some jurisdictions, a shareholder of a small or medium-sized entity is permitted by law to publicly advertise those shares for sale, for example, on a website or in a newspaper, without any active involvement (or sometimes without even the knowledge) of the entity issuing those shares. Because the entity did not take an affirmative step to permit public trading of shares (such as, but not limited to, share registration), such advertising by a shareholder does not, by itself, create an over-the-counter public market and would not prevent an entity that otherwise meets the criteria in Section 1 from using the *IFRS for SMEs*.

Furthermore, the availability of a published price does not necessarily mean that an entity's debt or equity instruments are traded in a public market. For example, in some countries over-the-counter shares have a quoted price, but the market has no facility for trading and so buyers and sellers deal with each other directly. This would not constitute trading in a public market. However, if trading occurs only occasionally in a public market, even only a few times a year, this would constitute trading.

The assessment of whether an entity's debt or equity instruments are traded in a public market, or are in the process of being issued for trading in a public market, should be an ongoing one.

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Q&As about the **IFRS for SMEs**: status report

The table below provides a status report on the Q&As that have been considered by the SMEIG so far. You will find links to each final Q&A and draft Q&A here <http://www.ifrs.org/IFRS+for+SMEs/Draft.htm>

The [Terms of Reference](#) of the SMEIG as approved by the Trustees of the IFRS Foundation establish criteria for Q&As (see paragraphs 15-17) and due process steps for issuing a Q&A (see paragraphs 18-36), including review of draft Q&As and final Q&As by the IASB before they are issued.

Q&A number / reference	Topic	Status
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Final Q&As issued		
Q&A 2011/01	Use of <i>IFRS for SMEs</i> in a parent's separate financial statements	23 June 2011 final Q&A published
Q&A 2011/02	Entities that typically have public accountability	7 December 2011 final Q&A published
Q&A 2011/03	Interpretation of 'traded in a public market' in applying the <i>IFRS for SMEs</i>	7 December 2011 final Q&A published
Draft Q&As comment period now closed		
General, Issue 1	Application of the <i>IFRS for SMEs</i> for financial periods ending before the <i>IFRS for SMEs</i> was issued	28 September 2011: draft Q&A published. 30 November 2011: comment period closed
General, Issue 2	Interpretation of 'undue cost or effort' and 'impracticable'	28 September 2011: draft Q&A published. 30 November 2011: comment period closed
Section 3, Issue 1	Jurisdiction requires fallback to full IFRSs	28 September 2011: draft Q&A published. 30 November 2011: comment period closed
Section 3, Issue 2	Departure from a principle in the <i>IFRS for SMEs</i>	28 September 2011: draft Q&A published. 30 November 2011: comment period closed
Section 3, Issue 3	Prescription of the format of financial statements by local regulation	28 September 2011: draft Q&A published. 30 November 2011: comment period closed
Draft Q&As open for public comment		
Section 11, Issue 1	Fallback to IFRS 9 <i>Financial Instruments</i>	21 November 2011: draft Q&A published. Comment deadline 31 January 2012
Section 30, Issue 1	Recycling of cumulative exchange differences on disposal of a subsidiary	21 November 2011: draft Q&A published. Comment deadline 31 January 2012

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News about adoptions of the *IFRS for SMEs*: Chile

The *IFRS for SMEs* will be required for all non-publicly accountable entities in Chile starting in 2013. It will apply to both consolidated financial statements and separate company financial statements. SMEs may also choose to use the standard for earlier years. Currently SMEs in Chile use Chilean national GAAP. Listed companies in Chile began using full IFRSs in 2009.

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IFRS for SMEs translations: status report

The Japanese translation of the *IFRS for SMEs* has been completed and published online. Here is the current status of translations of the *IFRS for SMEs* approved by the IFRS Foundation:

Completed. Albanian*, Arabic, Armenian*, Chinese (simplified)*, Czech*, French*, Italian*, Japanese*, Lithuanian, Macedonian*, Mongolian*, Polish*, Portuguese*, Romanian*, Russian*, Serbian, Spanish*,

Turkish*

In process. Estonian, Hebrew, Kazakh, Khmer, Ukrainian

Under discussion with the IFRS Foundation. Bosnian, Bulgarian

*Available for free download [here](#)

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New training module: Section 33 Related Party Disclosures'

The IFRS Foundation Education Initiative has now posted the English-language version of Module 33 *Related Party Disclosures*. Module 33 is designed to assist users of the *IFRS for SMEs* to identify related parties and to disclose information about related party relationships and related party transactions in financial statements that conform to the *IFRS for SMEs*.

Ultimately, the *IFRS for SMEs* training material will include 35 stand-alone modules—one for each section of the *IFRS for SMEs*. You are free to print the training materials, distribute them in training programmes, and post them on your own website in accordance with IFRS Foundation copyright and terms of use. A total of 27 modules have now been posted. Translations of many of the modules are also available for free download in the Arabic, Russian, Spanish and Turkish languages. All of the available English-language modules and translated modules are available here:

<http://go.ifrs.org/smetraining>.

Each module includes:

- Introduction. An overview of the module, including learning objectives and an overview of the requirements that are the subject of that module.
- Requirements. The full text of the section of the *IFRS for SMEs* with added notes and worked examples. The notes and examples are designed to clarify and illustrate the requirements.
- Significant estimates and other judgements. A discussion of significant estimates and other judgements in accounting for transactions and events in accordance with that section of the *IFRS for SMEs*.
- Comparison with full IFRSs. A summary of the main differences between this section of the *IFRS for SMEs* and the corresponding full IFRS.
- Test your knowledge. A collection of multiple-choice questions (with answers) designed to test the learner's knowledge of the requirements.
- Apply your knowledge. Several case studies (with solutions) designed to develop the learner's ability to account for transactions and events in accordance with that section of the *IFRS for SMEs*.

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Additional Spanish- and Arabic-language training modules

The IFRS Foundation Education Initiative has posted Module 7 *Statement of Cash Flows* of the Spanish-language translation of its training material. In total 26 Spanish-language modules are now available for download from the IFRS website (see <http://www.ifrs.org/IFRS+for+SMEs/Spanish+Modules.htm>). The IFRS Foundation is grateful to the World Bank for facilitating the translation of the training material with funding from the Spanish Trust Fund for Latin America and the Caribbean.

The IFRS Foundation Education Initiative has also posted Module 2 *Concepts and Pervasive Principles* of the Arabic-language translation of its training material. In total 24 Arabic-language modules are now available for download from the IFRS website see <http://www.ifrs.org/IFRS+for+SMEs/ArabicModules.htm>). The IFRS Foundation is grateful to the Arab Society of Certified Accountants (ASCA) Jordan for facilitating and funding the translation of the training material.

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IFRS for SMEs 'train the trainers' workshop and conference in Chile

A two-day *IFRS for SMEs* train the trainers workshop was held in Santiago, Chile on 6–7 December 2011. There were 140 participants, mainly from Chile but also from Ecuador. Paul Pacter (IASB member and Chairman of the SMEIG) was the instructor. The workshop was conducted in English with simultaneous translation into Spanish. Sponsors of the workshop were the Colegio de Contadores de Chile (the national professional organisation of professional accountants in Chile) and DuocUC (part of one of the largest universities in Chile).

On 5 December 2011, the day preceding the training workshop, the Colegio and DuocUC sponsored two half-day seminars about IFRSs and the *IFRS for SMEs*:

- The morning seminar was aimed at accounting practitioners. Approximately 150 auditors and business executives participated. IASB Members Jan Engstrom and Amaro Luiz de Oliveira Gomes spoke on recent and upcoming changes to IFRSs. IASB Member Paul Pacter's presentation was on '*IFRS for SMEs: Good Financial Reporting Made Simple*'. Other speakers included Mario Muñoz, chairman of the IFRS Implementation Committee of the Colegio de Contadores de Chile,
- The afternoon seminar was aimed at accounting educators. Approximately 150 educators from throughout Chile participated. The programme was similar to the morning seminar except that Paul Pacter's presentation was on '*IFRS for SMEs: A Resource for Accounting Educators*'. That presentation has been posted on the *IFRS for SMEs* Presentations page on the IASB's website: <http://www.ifrs.org/IFRS+for+SMEs/Presentations.htm>.

Details of the events over the three days may be found here (in Spanish): <http://www.duoc.cl/IFRS/programa.htmlm>.

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Upcoming 'train the trainers' workshops

For more details see <http://www.ifrs.org/IFRS+for+SMEs/SME+Workshops.htm>:

Central Asia

Date: 9–13 January 2012

Location: Almaty, Republic of Kazakhstan

Instructors: Andrei Busuioc (Financial Management Specialist, CFRR, World Bank) and Michael Wells (Director, IFRS Education Initiative, IASB)

Language: Russian

Sponsoring organisation: The World Bank together with the Ministry of Finance Kazakhstan.

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Where to obtain **IFRS for SMEs** materials

- [The standard online](#)
(Albanian, Armenian, Chinese (simplified), Czech, English, French, Italian, Japanese, Macedonian, Mongolian, Polish, Portuguese, Romanian, Russian, Spanish and Turkish)
- [The standard in hard copy](#)
- [Information about the SME Implementation Group](#)
- [Q & As](#)
- [Presentations at train the trainers workshops](#)
- [Training materials in PDF format](#)
- [Board and staff presentations about the **IFRS for SMEs**](#)

- [Past issues of the *IFRS for SMEs* Update](#)

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