

IFRS as a trusted language for private firm credit decisions

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Introduction

- Thanks to the authors for the paper
- A lot of the focus in IFRS world tends to be on publicly accountable entities in developed 1st world economies
 - Focus in this paper on private entities applying both IFRS and IFRS for SMEs
- Regional reach in developing regions:
 - Africa, Asia-Pacific and Latin America
 - Over 100 bankers interviewed across these regions



Comments on findings

IFRS vs IFRS for SMEs

- Confirmed that IFRS/IFRS for SMEs superior to local non-IFRS based GAAP
- Further analysis into:
 - In countries where both are available, what percentage use SMEs
 - At what point bankers see more value in IFRS than IFRS for SMEs
 - Impact of one framework vs another when assessing cost of borrowings

Gap analysis

Gold Standard (RP1)

- IFRS
- Regulation
- Audit



More feedback on the impact of each component on trust –
Roadmap based on figure 1



Challenges

- Local GAAP
- Weak informal regulation
- Unreliable/untrusted audit

Additional information

- Use of additional information in lending decisions
 - Information on owners, directors and managers cited as an example. Are there other aspects included in Management Commentary that would be considered in making assessments
 - Is the tax information that is used based on IFRS or IFRS for SMEs reporting

Auditing

- High quality auditing is cited as a major factor in the acceptance of financial reports.
 - What is a low quality auditor?
 - Reasons for the low quality audit (linked to financial reporting):
 - Are the standards too complex
 - Education in the market

Adoption

- One of the challenges on the adoption of IFRS for SMEs in Zimbabwe was that there was no strong regulation of private company reporting
 - Does this challenge also impact private companies reporting under IFRS?
- Education of the market was also seen as a challenge with the adoption of the SME standard.
 - Do you believe the foundation has a role to play

Conclusion

- Positive to hear that IFRS is seen as the gold standard for company reporting
 - Accepting the limitations imposed in the local market
- Positive to hear that some countries see IFRS for SMEs as an improvement from local GAAP (where this was applied)
- Is value in exploring some of the issues
- Thanks again to the authors!

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