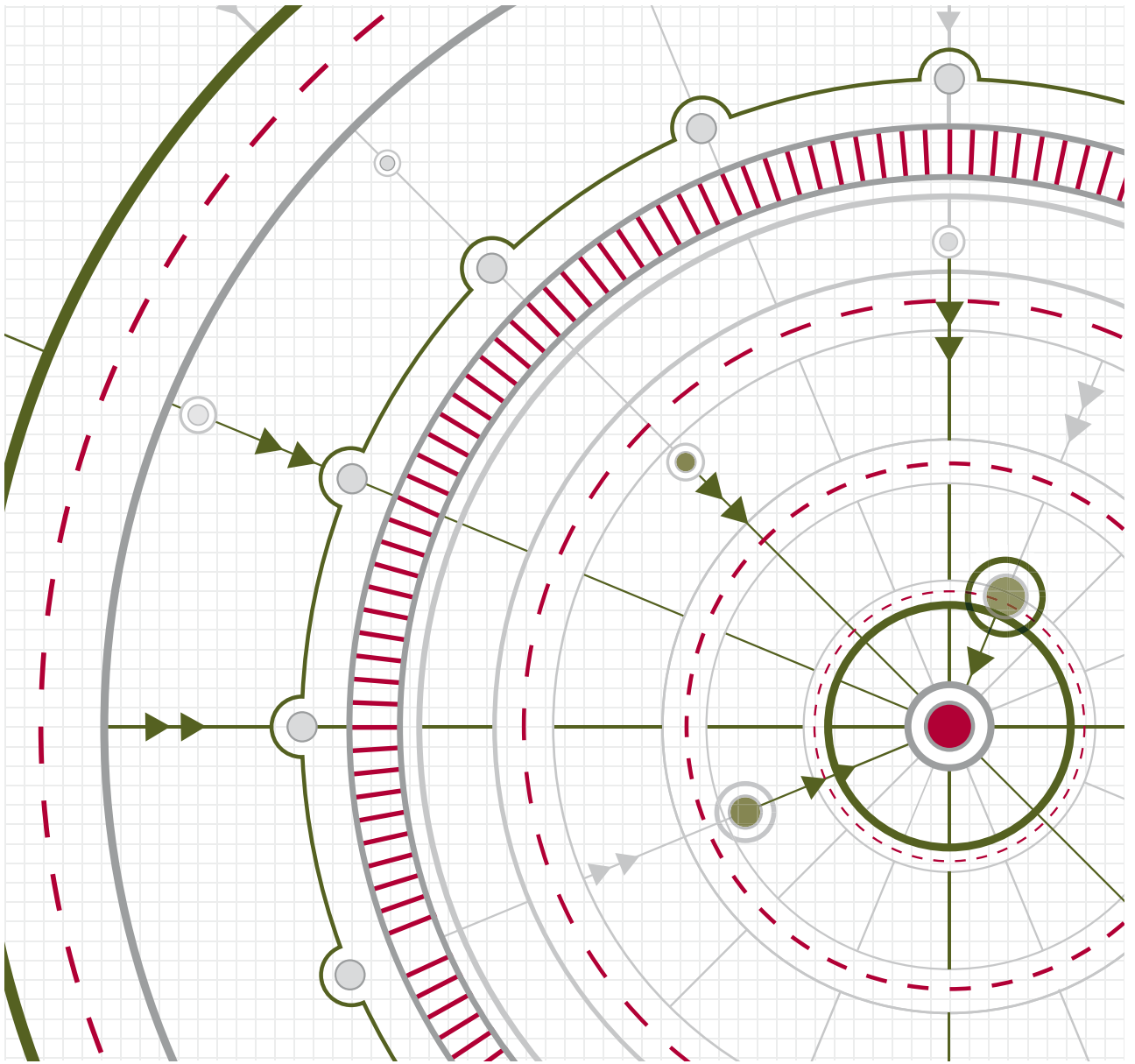


Monday 28 and Tuesday 29 September 2015
The Grange City Hotel (London, UK)

Meeting documentation: *IFRS for SMEs*

2015 World Standard-setters Meeting



World Standard-setters Meeting

Monday 28 and Tuesday 29 September 2015

Education session:

IFRS for SMEs

Michelle Fisher

Senior Technical Manager

IASB

International Financial Reporting Standards

2009
International Accounting Standards Board (IASB)
IFRS[®] for SMEs
International Financial Reporting Standards (IFRS)
for Small and Medium-Sized Entities (SMEs)

IFRS for SMEs
September 2015
WSS update

Michelle Fisher

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

© IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org

The IFRS for SMEs

2

Good Financial Reporting Made Simple

- About 250 pages
 - issued July 2009
 - updated May 2015
- Simplified IFRS, but built on a full IFRS foundation
- Modifications** based on 2 criteria:
 - needs of users of SME financial statements
 - cost-benefit considerations
- Completely stand-alone

© 2014 IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org

Who is eligible to use it?

3

Any entity that does not have public accountability

- Securities not publicly traded
- Does not hold assets in a **fiduciary capacity** for a broad group of outsiders as a primary businesses, eg not a financial institution

© 2014 IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org

Who is the IFRS for SMEs aimed at?

4

Entities that are required or choose to produce general purpose financial statements

- directed to the general needs of a **wide range** of users
- who are not able to demand reports tailored to their particular information needs

© 2014 IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org

General purpose financial statements

5

- GPFS are not financial statements prepared for a **single purpose** (eg for taxation)
- The *IFRS for SMEs* is generally not 'efficient' when used for such special purposes
- Who applies the *IFRS for SMEs* is **decided by authorities** and standard setters in individual jurisdictions, not by IASB

© 2014 IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org

Who is the IFRS for SMEs aimed at?

Choice is a public interest issue

6

Full IFRS

Publicly accountable entities

IFRS for SMEs

Non publicly accountable entities but require GPFS

No requirement for GPFS
No IFRS requirement

Eg, financials for tax or partners

© 2014 IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org

Use around the world

7

140 jurisdictions profiles posted

- IFRS Foundation is developing profiles of application of full IFRSs and the *IFRS for SMEs*
 - **73 of the 140** jurisdictions require or permit the *IFRS for SMEs*
 - **14** are **currently considering** requiring or permitting the *IFRS for SMEs*

Source: *IFRS as global standards* (updated July 2015, ongoing)
© 2014 IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org



International Financial Reporting Standards

SME Implementation Group SMEIG

The views expressed in this presentation are those of the presenter,
not necessarily those of the IASB or IFRS Foundation



SMEIG

9

Objective

- **Support international adoption** of the *IFRS for SMEs* and monitor its implementation

Main responsibilities

- **Develop non-mandatory guidance** on the *IFRS for SMEs* in the form of Q&As
- **Make recommendations** to the IASB on the need to amend the *IFRS for SMEs*

© IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org



Membership

10

- Appointed in **September 2010**
- On 30 June 2014 second term of existing 22 SMEIG members ended
- **Expansion** to a maximum of 30 members
 - 11 existing members reappointed for continuity
 - 16 new members
- **3 vacancies**, in case suitable candidates are identified at a later date
- On 30 June 2016, 11 will retire
 - Nominations/applications for new members in early 2016

© IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org



International Financial Reporting Standards

2015 Amendments

The views expressed in this presentation are those of the presenter,
not necessarily those of the IASB or IFRS Foundation



Initial comprehensive review Main steps

12

- **Request for Information (RfI)** issued June 2012
- **SMEIG** developed recommendations for IASB on possible amendments to the *IFRS for SMEs* 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** issued May 2015

© IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org



Overview of 2015 Amendments Strategy

13

Limited Amendments

- Few significant issues identified
- *IFRS for SMEs* 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 IFRSs only considered once published

© IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org



Overview of 2015 Amendments Main amendments

14

- 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
 - apply to 'non-typical' SME transactions

© IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org



2015 Amendments Scope

15

Existing requirements

- Intended for SMEs which:
 - Do not have public accountability
 - Publish general purpose financial statements
- Publicly accountable entities prevented from stating compliance with the *IFRS for SMEs*

© IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org



2015 Amendments Scope

16

No change to intended scope

- But IASB clarified primary aim in developing the *IFRS for SMEs*
- A standalone, simplified set of accounting principles for entities that do not have public accountability and typically
 - have less complex transactions
 - limited resources to apply full IFRSs
 - comparability with their publicly accountable peers is not an important consideration

© IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org



2015 Amendments Revaluation of PPE

17

Existing requirements

- SMEs are not permitted to use a revaluation model for property, plant and equipment (PPE)
- Inconsistent with full IFRS (which allows an option) BUT
- Consistent with intent to limit options for SMEs (as a simplification both for preparers and users)

© IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org



2015 Amendments Revaluation of PPE

18

Introduced option of revaluation model for PPE

- Strongly held view that this option provides relevant information
- Considered on balance that current value of PPE can be important for SME users, weighed up:
 - additional complexity, against
 - usefulness
- Consistent with full IFRS
- Introduced in a format very similar to IAS 16
- No other policy options added

© IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org



2015 Amendments *Undue cost or effort*

19

Existing exemptions

- Measurement of fair value of:
 - investment property
 - biological assets
 - associates / jointly-controlled entities under fair value model
- Projected unit credit method for defined benefit plans
- Disclosure of financial effect for contingent assets
- Recognition of deferred tax assets/liabilities on first-time adoption

© IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org



2015 Amendments *Undue cost or effort*

20

Guidance, exemptions and disclosure added

- Additional guidance from SMEIG Q&A 2012/01
- New exemptions:
 - Fair value measurement for investments in equity instruments
 - Measurement of fair value of non-cash dividend payable
 - Recognising intangible assets in business combination
 - Offsetting income tax assets and liabilities
- SMEs required to disclose when they use 'undue cost or effort' exemption and reasoning

© IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org



2015 Amendments *Income Tax*

21

Existing requirements

- Based on IASB's 2009 Exposure Draft Income Tax that was never finalised

Aligned with IAS 12

- Alignment of main principles for recognition and measurement of deferred tax with full IFRSs
- Retains presentation and disclosure simplifications

© IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org



2015 Amendments *Extractive Industries*

22

Existing requirements

- No specific requirements
- Concerns raised that accounting is unclear

Staff recommendation

- SMEs exempt from paragraph 10.5 for policies for recognition and measurement of exploration and evaluation assets like IFRS 6
- Impairment made not more onerous than IFRS 6
- Included specific requirements based on IFRS 6

© IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org



2015 Amendments *Main other changes*

23

- Change to the definition of a basic financial instrument
 - to ensure all simple loans at amortised cost
- If useful life of goodwill/other intangible asset cannot be estimated reliably, must not exceed 10 years
 - previously fixed at 10 years
- Leases with interest rate variation clause linked to market interest rates moved to section on leases
 - previously fair value through profit or loss
- Liability component of a compound financial instrument treated like standalone financial liability
 - previously amortised cost

© IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org



2015 Amendments *Provide supporting guidance or clarification*

24

- Expected to improve understanding, without a significant effect on SME's reporting practices/financial statements
- A few examples:
 - new glossary items
 - classifying financial instruments
 - allocating cost of a business combination
 - preparing consolidated financial statements if group entities have different reporting dates
 - accounting for subsidiaries acquired/held for sale
 - accounting for vesting conditions

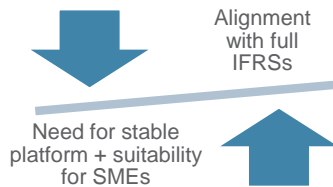
© IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org



2015 Amendments Principles for new and revised IFRSs

25

- Each new and revised IFRS **considered individually**
- New IFRSs only considered **once published**



© IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org

2015 Amendments Principles for new and revised IFRSs

26

Incorporated

- Mostly **minor amendments** to IFRSs
- provide **additional clarity** or a simplification
- fix **problems or diversity** in practice

Not incorporated

- Changes under IAS 19(2011), IFRS 3(2008), IFRS 9-15
- Current and future changes to **Conceptual Framework**
- **Future changes** in other IASB projects



© IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org

International Financial Reporting Standards

Future reviews of the IFRS for SMEs

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation



Future reviews of the IFRS for SMEs Comprehensive review: revisit

28

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 **2019** and include:
 - **Consequences** of 2017 changes
 - **New** application issues
 - **New IFRSs**
- Effective **2022/2023**



© IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org

Future reviews of the IFRS for SMEs Interim review: Maintenance

29

Proposal

- **Interim review** to consider new and revised IFRS not yet incorporated
- Consider any **urgent changes**
- Includes Exposure Draft (but not Request for Information)

Effect in current cycle

- Start an internal review process in late **2015**
- Considering Financial Instruments, Revenue, Leases, Control and Rate Regulated (IFRS 9 through 16)
- Revised Conceptual Framework?
- Effective **2019/2020**



© IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org

Future reviews of the IFRS for SMEs Stable Platform, but responsive

30

We think:

- A '**mandatory**' **change** every 5 to 6 years,
together with
- An '**optional**' **interim change** to reflect big IFRS changes or urgent issues in between
with
- Updates expected to be **no more frequently** than approx. once every three years
means
- **Stable platform that is still responsive to a changing environment**



© IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org

Future reviews of the *IFRS for SMEs* What do you think?

31

Are planned comprehensive reviews too far apart?

- 5 to 6 years is a long time
- IFRS changes frequently, the *IFRS for SMEs* needs to keep up
- But does the *IFRS for SMEs* really need to be similar?

Do we need an interim review?

- Several new and revised IFRS to consider
- Some really important changes to full IFRS
- Possible concerns that “we’ve just gone through this and now you want to start again.....”

© IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org



Thank you

32



International Financial Reporting Standards

Appendix For information only

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation

© 2013 IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org



Useful links and downloads (1 of 2)

34

- *IFRS for SMEs* (full standard, translations)
<http://go.ifrs.org/IFRSforSMEs>
- Training materials (one module per section)
<http://go.ifrs.org/smetraining>
- PowerPoint training modules (20 PPTs)
<http://go.ifrs.org/trainingppts>
- Update newsletter
<http://go.ifrs.org/smeupdate>

© IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org



Useful links and downloads (2 of 2)

35

- Use around the world
<http://go.ifrs.org/Analysis-of-SME-profiles>
- SMEIG Q&As
<http://go.ifrs.org/SMEs-Q-and-A>
- Comprehensive review
<http://go.ifrs.org/Comprehensive-Review-SMEs>

© IFRS Foundation, 30 Cannon Street | London EC4M 6D1 | UK, www.ifrs.org



World Standard-setters Meeting

Monday 29 and Tuesday 30 September 2014
The Grange City Hotel (London)

NOTES