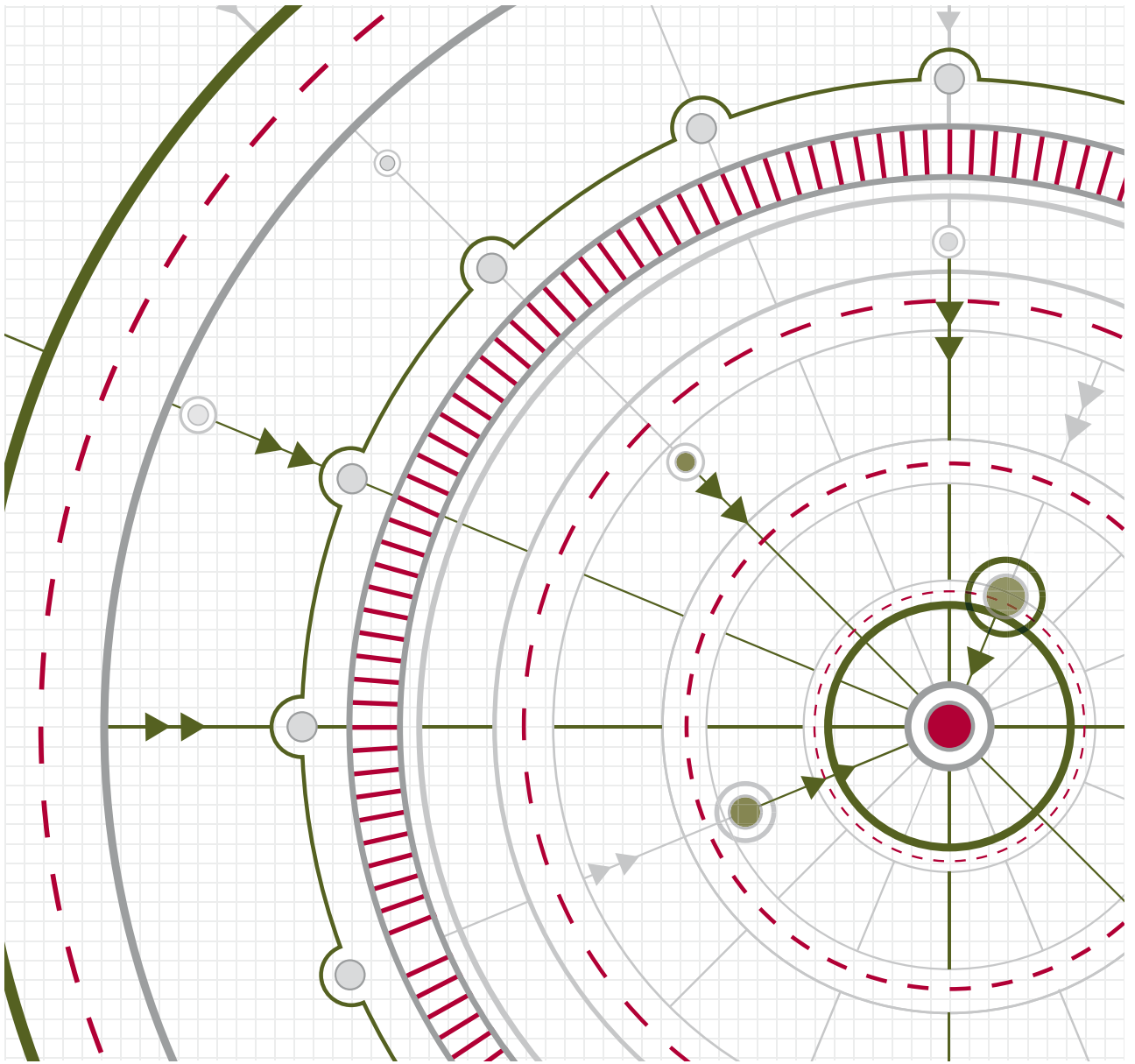


Monday 26 September 2016
The Grange City Hotel (London, UK)

Conference documentation: *IFRS for SMEs* Standard

2016 World Standard-Setters Conference



World Standard-Setters Conference

Monday 26 and Tuesday 27 September 2016

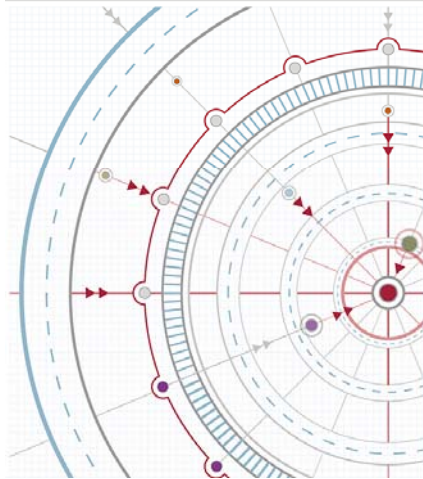
Education session:

IFRS for SMEs Standard

Michelle Fisher

Senior Technical Manager

IASB



The *IFRS for SMEs*® Standard Update and way forward

Michelle Fisher
September 2016
WSS Update

The views expressed in this presentation are those of the presenter,
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The *IFRS for SMEs* Standard

2

Good Financial Reporting Made Simple

- Less than 250 pages
 - issued July 2009
 - updated May 2015
- Simplified IFRS Standards, 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



Who is eligible to use it

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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

Who is the *IFRS for SMEs* Standard 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

General purpose financial statements

5

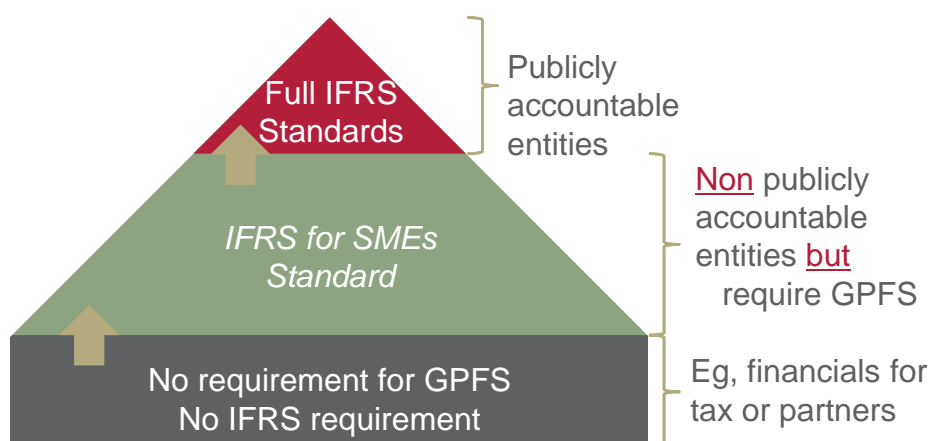
- GPFS are not financial statements prepared for a single purpose (eg for taxation)
- The *IFRS for SMEs* Standard is generally not 'efficient' when used for such special purposes
- Who applies the *IFRS for SMEs* Standard is **decided by authorities** and standard setters in individual jurisdictions,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



Who is the IFRS for SMEs Standard aimed at?

Choice is a public interest issue

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Use around the world

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147 jurisdictions profiles posted (September 2016)

- IFRS Foundation is developing profiles of application of full IFRS Standards and the *IFRS for SMEs* Standard
 - 83 of the 147 jurisdictions require or permit the *IFRS for SMEs* Standard
 - 11 are currently considering requiring or permitting the *IFRS for SMEs* Standard



2015 Amendments



Overview of 2015 Amendments Strategy

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Limited Amendments

- **Few** significant issues identified
- *IFRS for SMEs* Standard is **still a new Standard**
- Remember the principle:
 - Keep it **simple**
 - **Alignment** with full IFRS Standards useful, not essential
 - **SMEs** (users, preparers, regulators)



Overview of 2015 Amendments Main amendments

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- Permitting **revaluation model** for PPE
- Aligning recognition and measurement requirements for **income tax** with full IFRS Standards
- A few more targeted **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

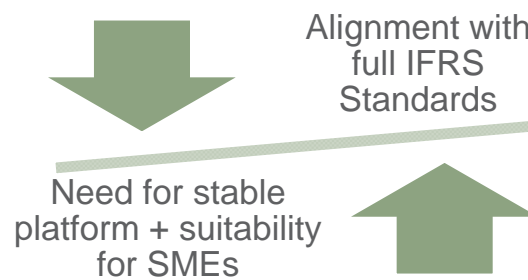


2015 amendments

Principles for new and revised full IFRS Standards

11

- Each one **considered individually**
- Only considered **once published**
- Assess if **implementation experience** important
- Possible modifications based on **users' needs and cost-benefits** considerations



2015 Amendments

Principles for new and revised full IFRS Standards

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Incorporated

- Mostly **minor amendments** to full IFRS Standards
- 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



Plan for future reviews of the *IFRS for SMEs* Standard

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Future reviews of the *IFRS for SMEs* Standard Comprehensive review: revisit

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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 2015 changes (effective from 1 January 2017)
 - **New** application issues
 - **New IFRS Standards**
- Amendments 2021, effective 2023



Proposal

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

Effect in current cycle

- Seek input from SMEIG on whether to start internal review in **2016**
- Amendments 2018, effective 2020

We think:

- A '**mandatory**' **change** every 5 to 6 years,
together with
- An '**optional**' **interim change** to reflect big full 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

Those considered but not incorporated at last review

- IFRS 3 (2008) *Business Combinations*
- IFRS 10–12 Consolidation suite of Standards (and changes to IAS 27 and IAS 28);
- IFRS 13 *Fair Value Measurement*
- IAS 19 (2011) *Employee Benefits*

Those recently or not yet effective

- IFRS 9 *Financial Instruments*
- IFRS 14 *Regulatory Deferral Accounts*
- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 16 *Leases*
- Amendments to IAS 16/41 *Agriculture: Bearer Plants*

Do we need an interim review 2016-2018?

Fallback to IAS 39

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In recent comprehensive review, it was retained

- Fallback to IFRS Standards not desirable
- But insufficient evidence on how frequently used
- If removed, or replaced with fallback to IFRS 9 entities applying IAS 39 would need to reassess accounting policies twice within short period
 - firstly to apply either IFRS 9 or Section 11/12 (first review)
 - then once again if/when Sections 11/12 are modified to incorporate IFRS 9, and fallback is removed (next review)



Do we need an interim review 2016-2018?

Fallback to IAS 39

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Removal before next comprehensive review?

- Classification and measurement is based on a similar approach to IFRS 9, but simplified
- Changes to hedging and impairment in IFRS 9 could introduce complexity
 - May benefit from implementation experience. IFRS 9 is effective 1 January 2018
- Board proposed to defer IFRS 9 for some insurers, meaning some full IFRS entities may also apply IAS 39 after effective date of IFRS 9



Do we need an interim review 2016-2018? Feedback from the SMEIG

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Most SMEIG members do not think an interim review should take place before next comprehensive review

- Prioritise stability over alignment with full IFRS Standards
- Significance of changes in IFRS 9, 15 and 16 may benefit from implementation experience before assessed for SMEs
- No urgent need to remove fallback to IAS 39
- No urgent issues identified



Do we need an interim review 2016-2018? Feedback from the SMEIG

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Suggested research phase preceding the next comprehensive review

- some significant changes to full IFRS Standards are in the pipeline
- consider how those changes might affect SMEs
- plan if/how changes should be incorporated in the *IFRS for SMEs* Standard
- will help to ensure we are well prepared for the next comprehensive review



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

23

Are planned comprehensive reviews too far apart?

- 5 to 6 years is a long time
- IFRS Standards change frequently, does the *IFRS for SMEs* Standard need to keep up?

Do we need an interim review before the next comprehensive review?

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




Contact us

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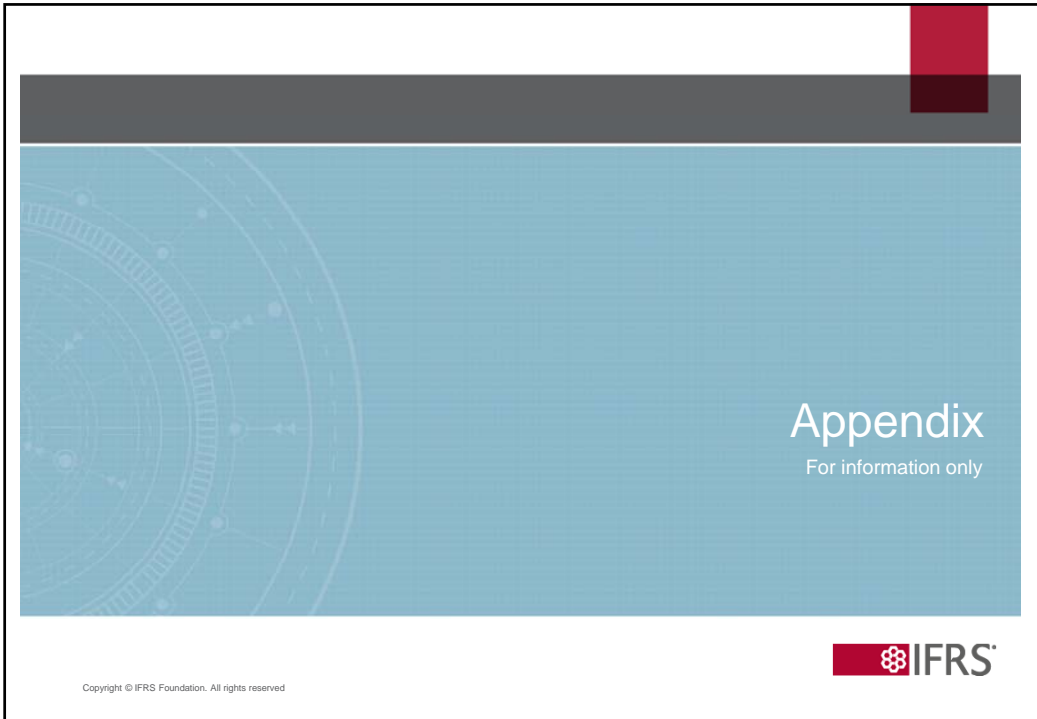
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Comment on our work

-  go.ifrs.org/comment





Useful links and downloads (1 of 2)

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- *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

This slide has a white background with a red square in the top right corner. The title 'Useful links and downloads (1 of 2)' is underlined. The page number '26' is in the red square. The IFRS logo is in the bottom right.

Useful links and downloads (2 of 2)

27

- 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>