

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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Nomination period closed for SMEIG members

The Trustees of the IASC Foundation (IASCF) have received 87 nominations of candidates for membership of the IFRS for SMEs Implementation Group (SMEIG). The SMEIG will have between approximately 12 and 20 members appointed by the IASCF Trustees. Members serve on a voluntary, non-compensated basis. The SMEIG will conduct its work via email correspondence.

The SMEIG will have two main responsibilities:

- To consider implementation questions raised by users of the IFRS for SMEs, decide which ones merit published implementation guidance, reach a consensus on what that guidance should be, develop proposed guidance in the form of questions and answers (Q&As) that would be made publicly available to interested parties on a timely basis, and request the IASB to review the Q&As before issuance. The Q&As are intended to be non-mandatory guidance that will help those who use the IFRS for SMEs to think about specific accounting questions.
- To consider, and make recommendations to the IASB on, the need to amend the IFRS for SMEs:
 - i. for implementation issues that cannot be addressed by Q&As; and
 - ii. for new and amended IFRSs that have been adopted since the IFRS for SMEs was issued or last amended.

The Trustees expect to appoint the members of the SMEIG shortly. For further details see <http://go.iasb.org/SMEIG>.

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Is national guidance on applying the IFRS for SMEs appropriate?

As companies start applying the IFRS for SMEs in a jurisdiction, it is inevitable that implementation questions will arise. Several jurisdictions have asked about the possibility of national guidance on the IFRS for SMEs. Here are the personal comments of the IASB's Director of Standards for SMEs.

- The Trustees of the IASC Foundation have formed an SME Implementation Group that will consider implementation questions raised by users of the IFRS for SMEs, decide which ones merit published implementation guidance, and develop and publish that guidance in the form of questions and answers (Q&As). The criteria for the Q&As will be:
 - a. The issue should be pervasive, that is, it has arisen or is likely to arise in financial reporting by a broad group of SMEs in multiple jurisdictions
 - b. Due to a lack of clarity in the IFRS for SMEs, unintended or inconsistent implementation has occurred or is likely to occur in the absence of a Q&A
 - c. The SMEIG can reach a consensus on the appropriate treatment on a timely basis
- National standard setters have a key role in "filtering" the questions that arise in their jurisdiction. For a pervasive question that is likely to have a significant impact in more than just a few countries, global consistency is more likely to be achieved if the SMEIG addresses it in a Q&A. National standard setters are encouraged to transmit these to SMEIG.
- For a question that arises in only a single jurisdiction – perhaps due to local laws and regulations, taxes, or business practices – then local guidance may be appropriate. That may also be true for a question that arises only regionally (eg due to EU laws/regulations).
- National guidance may be appropriate where the IFRS for SMEs allows an accounting policy choice – to achieve consistent application in a jurisdiction.
- National guidance may be appropriate for the format and presentation of financial statements, such as guidance for reporting by an industry in which many SMEs operate, as well as guidance on disclosures. Some jurisdictions may conclude that local charts of accounts are useful.

Two overarching considerations are relevant in deciding whether to publish guidance (whether it is an SMEIG Q&A or local guidance):

1. We must be careful not to create an extensive rule-oriented environment, which is inconsistent with the goal of a simplified standard for simple companies.
2. We must be careful not to create conflicting local guidance for implementing a global standard.

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Additional training modules posted

The IASC Foundation Education Initiative has posted two additional modules of the IFRS for SMEs training materials to support the adoption and consistent application of the IFRS for SMEs. The training material will include 35 stand-alone modules—one for each section of the IFRS for SMEs. You are free to print the training material, distribute it in training programmes, and post them on your own website for non-commercial purposes in accordance with IASC Foundation copyright and terms of use.

The newly posted training modules are:

- Module 11 Basic Financial Instruments
- Module 28 Employee Benefits

Seventeen other modules were previously posted. All are available here:

<http://go.iasb.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 of this section of the IFRS for SMEs.
- **Apply your knowledge.** Several case studies (with solutions) designed to develop the learner's ability to account for transactions and events in accordance with this section of the IFRS for SMEs.

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Train the trainers workshop in Tanzania

On 11-13 May 2010, the IASB and IASCF conducted their third three-day workshop to 'train the trainers' on the IFRS for Small and Medium-sized Entities. The workshop was sponsored by the Eastern, Central and Southern African Federation of Accountants (ECSAFA) and hosted in Dar es Salaam, Tanzania, by the National Board of Accountants and Auditors of Tanzania. It was funded, in part, by The World Bank. 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 100 participants from 10 countries: Democratic Republic of Congo, Ethiopia, Kenya, Malawi, Rwanda, South Africa, Swaziland, Tanzania, Uganda, and Zimbabwe. All participants have committed to organise similar IFRS for SMEs training workshops in their own country. The IASB will provide the training materials and PowerPoint presentations (totalling 24 contact hours) for those workshops. Similar IASB/IASCF workshops are scheduled for Cairo (June 2010, limited to World Bank staff) and Panama (October 2010). For more information contact Michael Wells at mwells@iasb.org.

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Recent adoptions of the IFRS for SMEs

We try to keep track of jurisdictions that have adopted, or are planning to adopt, the IFRS for SMEs. Our list currently includes 60 jurisdictions. In a future Update we will include a summary. Meanwhile, in the past few weeks we have become aware of the following adoptions:

Egypt. The Egyptian Society of Accountants and Auditors is presently developing an exposure draft of a proposed Egyptian Accounting Standard for SMEs. The exposure draft is based on the IFRS for SMEs but is expected to propose several differences, including differences in the areas of leases and distributions of profits to employees. The Board of the Egyptian Society of Accountants and Auditors expects to release the proposed EAS for SMEs in 2010. However, the effective date for implementation has not yet been decided.

Hong Kong. On 30 April 2010 the Hong Kong Institute of Certified Public Accountants (HKICPA) issued the Hong Kong Financial Reporting Standard for Private Entities (HKFRS for Private Entities). This new standard is identical to the IFRS for SMEs except for a modification relating to the income tax requirements. The HKICPA has replaced the recognition and measurement principles contained in Section 29 Income Tax of the IFRS for SMEs with those contained in IAS 12 *Income Taxes* while retaining the relevant disclosures in the IFRS for SMEs. In addition, the HKICPA has restricted the amount of deferred tax recognised in relation to the revaluation gain for investment properties to the amount that would be payable upon its sale to an unrelated market participant at fair value at the end of the reporting period. The HKFRS for Private Entities is effective immediately as an option for SMEs in Hong Kong. Eligible entities are permitted to use the standard to prepare their financial statements for prior periods where the relevant financial statements have not been finalised and approved.

Malaysia. The Malaysian Accounting Standards Board (MASB) has issued an exposure draft (ED 72

Financial Reporting Standard for Small and Medium-sized Entities) that is identical to the IFRS for SMEs. MASB's objectives in adopting the *IFRS for SMEs* are:

- provide improved comparability for users of accounts
- enhance the overall confidence in the accounts of SMEs
- reduce the significant costs involved of maintaining standards on a national basis
- provide a platform for growing businesses that are preparing to enter public capital markets, where application of full Malaysian FRSs (soon to be fully converged with IFRSs) is required.

Comment deadline is 30 September 2010.

Tanzania. Since 2004, all business entities in Tanzania have been required to use IFRSs except for government business entities, which have been required to use International Public Sector Accounting Standards (IPSASs). The National Board of Accountants and Auditors of Tanzania has clarified which of those entities are now permitted to use the IFRSs for SMEs, as follows:

- Publicly accountable entities are required to use full IFRSs. These include:
 - i. entities that offer shares to the public;
 - ii. financial institutions such as banks, insurance, pension funds, mutual funds, securities brokers/dealers;
 - iii. entities that have essential public responsibility or provide essential public service such as utilities; and
 - iv. all entities including government business entities with 100 or more employees or with capital investment in non-current assets above TShs.800,000,000 (approximately US\$600,000).
- Non-publicly accountable entities are permitted to use the IFRS for SMEs. These include private business entities and government business entities with less than 100 employees and capital investment of less than TShs.800,000,000 (approximately US\$600,000). Such entities may, alternatively, use full IFRSs.
- Public sector entities may use IPSASs provided that they do not qualify as publicly accountable (see above).

Entities using IFRSs or the IFRS for SMEs must apply those pronouncements as issued by the IASB in full and without modification. For Resolution of Tanzania National Board of Accountants and Auditors, [click here](#) (PDF 68k).

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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.