

IFRS for SMEs Strategy and update

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The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or IFRS Foundation.

IFRS Africa Strategy

Notable IFRS projects

1. Comprehensive review of the *IFRS for SMEs* Standard
2. Subsidiaries that are SMEs
3. Extractive Activities

Going Forward

IFRS Strategy

- Not-for-profit organisation
- IFRS Standards are set by International Accounting Standards Board
- Responsibility for governance and oversight lies with the IFRS Foundation Trustees, who are accountable to a Monitoring Board of public authorities

- Develop a single set of high-quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles;
- Promote the use and rigorous application of those standards;
- Take account of the needs of varied sizes and types of entities in diverse economic settings; and
- Promote adoption of IFRS Standards.

- The Board and IFRIC follow a due process based on transparency, full and fair consultation and accountability
- That due process ensures the public can follow each stage of standard-setting and participate by sharing their views
- All papers prepared for Board and IFRIC meetings are published on our website and meetings are broadcast live and recorded
- Proposals to introduce or change IFRS Standards, for Interpretations and tentative agenda decisions are published for public consultation
- Feedback from stakeholders to these consultations is also published online

Africa analysis from IFRS profiles:

Jurisdictions	Total	Proportion
In the region	54	
Profiled	38	100%
Require IFRS for all or most	36	95%
Permit or require IFRS for at least some	1	2.5%
Neither require or permit	1	2.5%



Assign an IFRS contact person for each jurisdiction



Build and maintain relationships with local/regional standard setter and/or institutes



Provide an avenue for technical commentary, including IFRS participation in PAFA and regional events



Encourage regional and individual participation in IFRS consultation processes

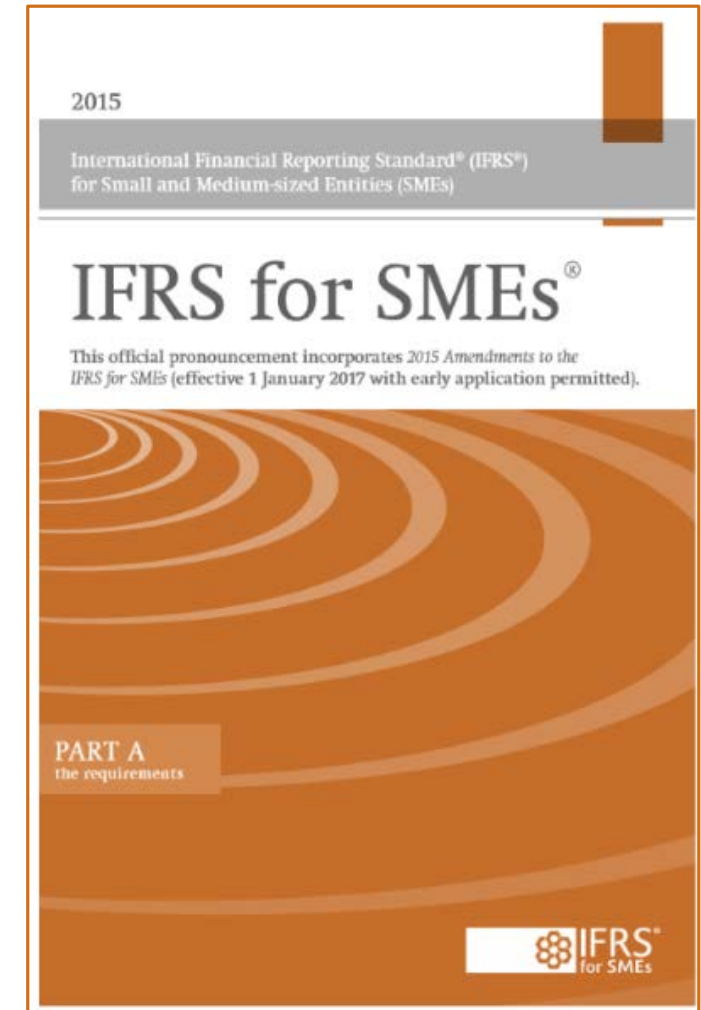


Work with local and regional regulators, global institutions and PAFA to identify and assist with compliance issues

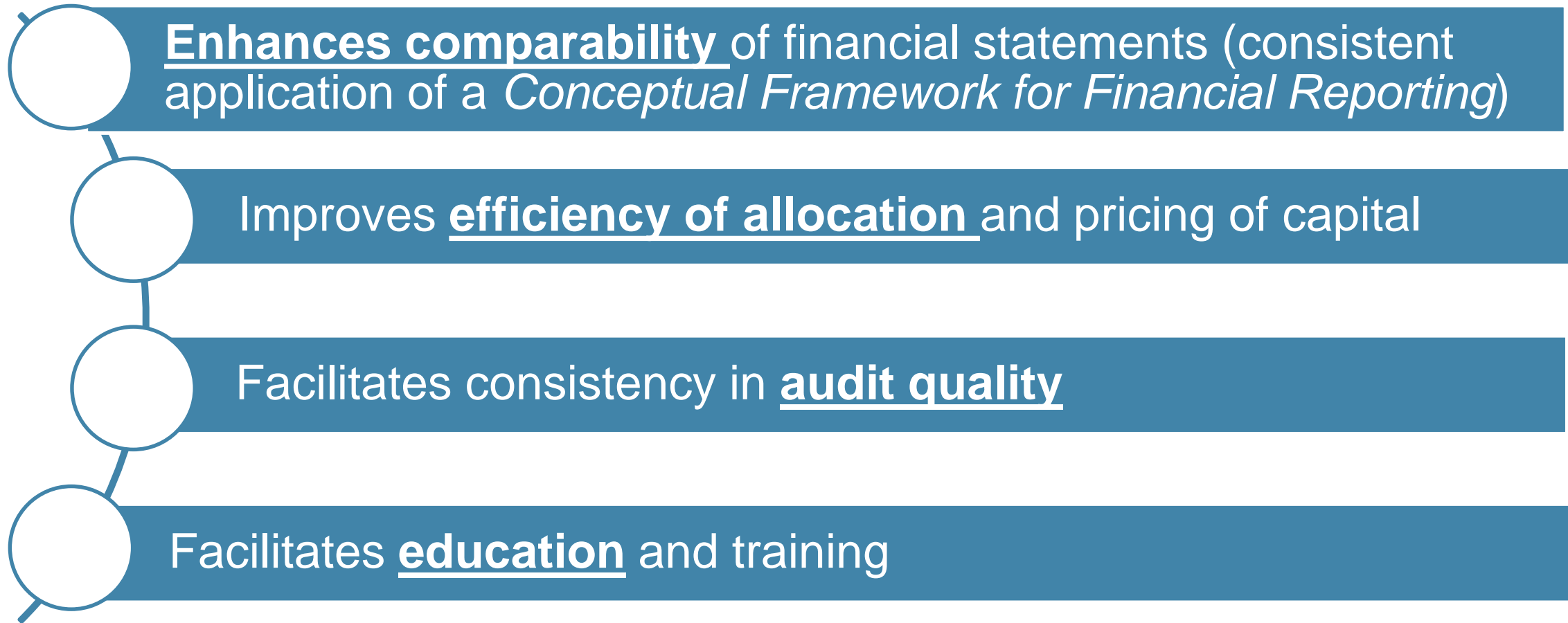
Comprehensive Review of the *IFRS for SMEs* Standard

The *IFRS for SMEs* Standard

- 250 pages long
- based on principles from IFRS Standards
- tailored for small and medium-sized entities (SMEs) that are not publicly accountable
- focuses on information needs of lenders and other users of SME financial statements



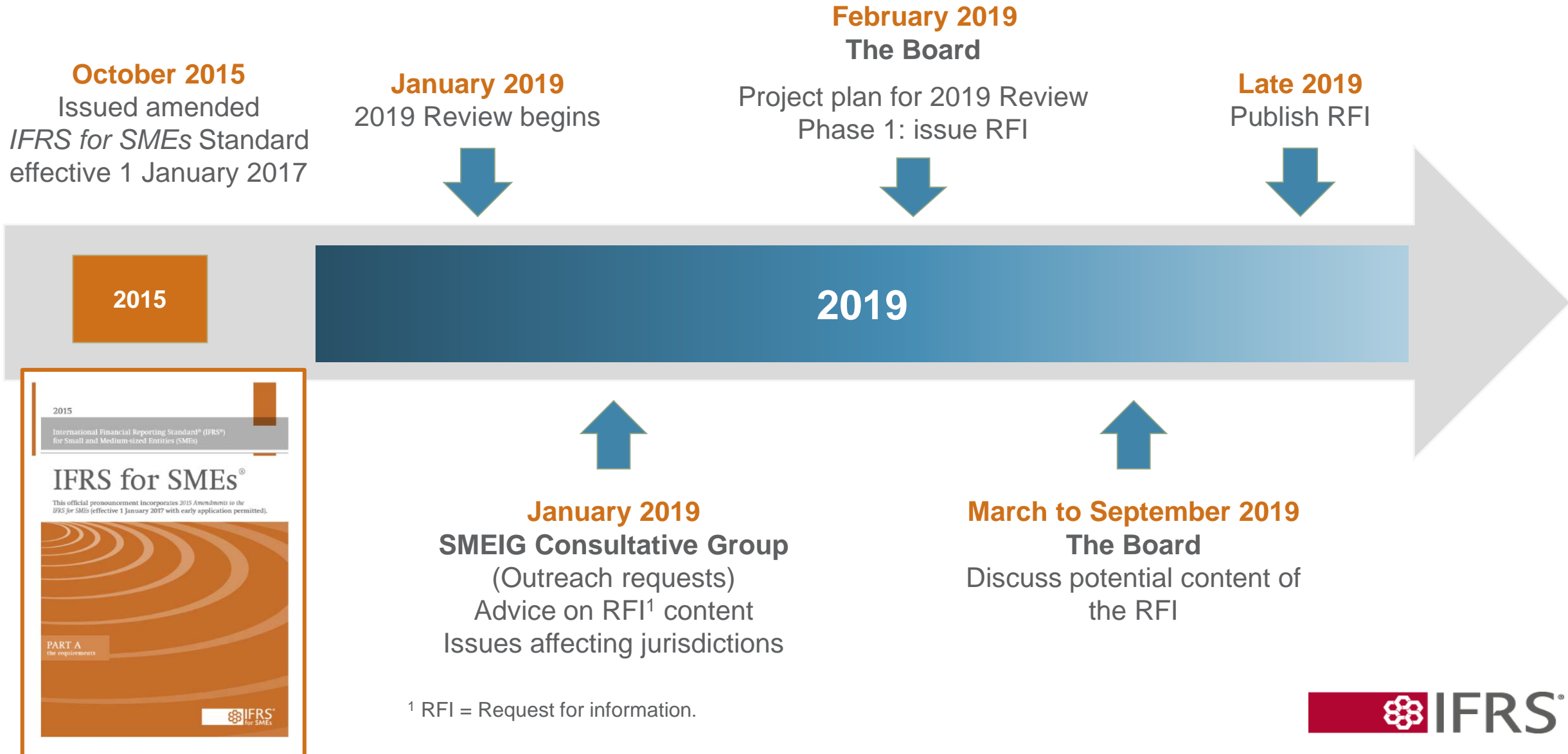
Benefits of a global standard for SMEs



¹ Paragraph BC36 of the *IFRS for SMEs* Standard.

Comprehensive Review

2019 Review status



Next Step

Request for Information

- The Request for Information (RFI) is the **first step** of the 2019 Review
- The **objective** of the RFI is:
 - to provide the Board with **evidence**
 - to enable it to **decide if, and how**, to develop an Exposure Draft
 - **what amendments** to include in the *IFRS for SMEs* Standard



Scope of Request for Information

Scope of *IFRS for SMEs*

Should the scope of the *IFRS for SMEs* standard be expanded?

Consider new and revised IFRS standards

Should the *IFRS for SMEs* Standard be amended to reflect new and amendments to IFRS Standards?

Implementation challenges identified by entities applying IFRS for SMEs Standard

Are there implementation challenges applying IFRS for SMEs Standard?

An **SME** is an entity that:

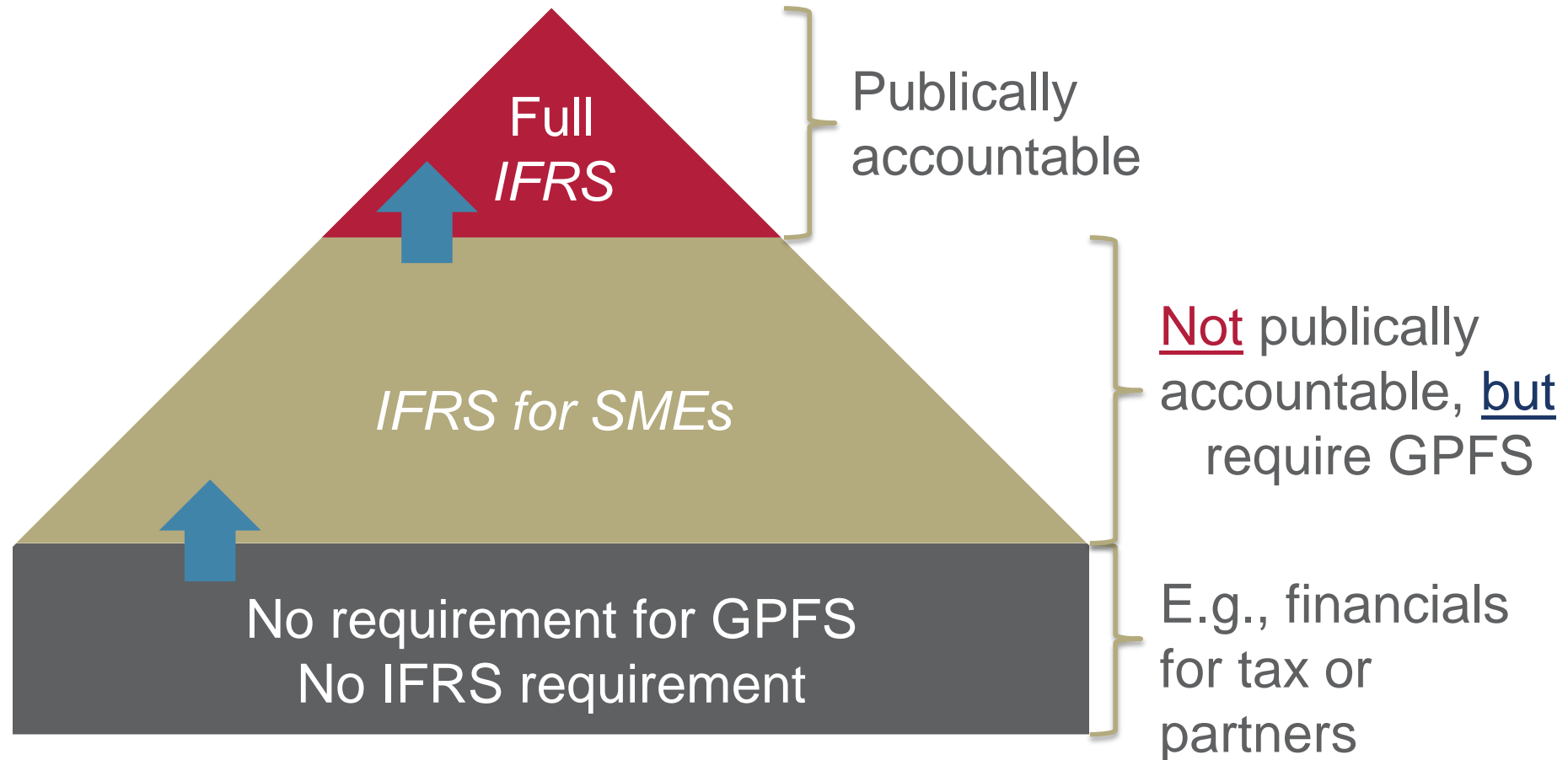
- is **not publicly accountable**; and
- publishes **general purpose financial statements** for external users

A **publicly accountable** entity is an entity that:

- has debt or equity **instruments traded** on a public market (or it is in the process of issuing such instruments for trading in a public market)
- holds **assets in a fiduciary capacity** for a broad group of outsiders as one of its primary businesses

Scope

IFRS for SMEs 2015



The Board **could consult on permitting** the following publicly accountable entities to apply the *IFRS for SMEs* Standard:

Entities whose securities are traded in public markets:

- if these entities are small or narrowly held; and
- if their securities are traded in alternative markets.

Entities holding assets in a fiduciary capacity:

- small financial institutions e.g. small credit unions, small private banks and small building societies

Scope

Possible amendments – traded in public market

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The Board could consult on permitting entities to apply the *IFRS for SMEs* standard only if:

- their shares are traded on an alternative market
- their shares are closely held
- their shares are not regularly traded
- their shareholders unanimously agree

Scope

Possible amendments – fiduciary capacity

The Board could consult on permitting entities to apply the *IFRS for SMEs* standard only if:

- they have a strictly defined and limited group of members
- they have fewer than a specified number of members
- their members unanimously agree

Alignment

Should IFRS for SMEs standard be aligned with full IFRS

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Approach 1

- the Standard should be **aligned with new and amended** IFRS Standards
- Should also be amended for **SME** 'sourced' issues

Approach 2

- the Standard should constitute a **stable platform**
- only be updated to resolve specific **SME sourced issues**

Approach 1—**simplified IFRS**

- Full IFRS changes originate consideration of changes to *IFRS for SMEs*
- Alignment principles used to determine if and how
- Structured approach to explaining deviations from full IFRS Standard
- Standard continues to evolve in line with full IFRS Standards

Approach 2—**independent Standard**

- SME constituents originate consideration of changes to IFRS for SMEs
- Would not need alignment principles
- Over time will lead to significant differences
- Represents a change in approach

- Interpretation **difficulties** *for example*
 - Meaning of **fiduciary capacity**
- **Differences** between IFRS for SMEs standard and full IFRS standards *for example*
 - Capitalisation of **development costs**
 - **Borrowing costs**
- Matters of **interest to SMEs**, but not captured in full IFRS standards *for example*
 - **Cryptocurrencies**
 - Crowd funding

- We consider that these issues are specifically relevant in emerging markets
- Working with PAFA standard setters to facilitate an Africa response to request for information (RFI):
 - At a strategic level (especially scope and alignment), and
 - At a detail level (individual issues and IFRSs)
- Would strongly encourage individual countries to respond as well especially to the strategic issues

RFI: Approximately January 2020

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that matters



working with global
accounting experts



access to network of
influential people



small organisation
with a big impact



unique development
opportunities



intellectually
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**Appendix:
Supporting the
IFRS for SMEs Standard**

- The SME Implementation Group (**SMEIG**) was formed to support implementation of the IFRS for SMEs Standard.
- The SMEIG **terms of reference** are to:
 - **consider & make recommendations** to Board on need to amend the IFRS for SMEs Standard; and
 - consider **implementation questions** raised by users of the IFRS for SMEs Standard.
- The group has **26 member accountants** from countries around the world

- Implementation questions can be **submitted at any time**:
 - referred to SME Implementation Group (SMEIG) if likely to meet criteria in paragraph 15 of SMEIG Terms of Reference and Operating Procedures; or
 - considered when **updating education materials**.
- The questions are used to **develop non-mandatory guidance** about implementing the IFRS for SMEs Standard (Q&As)

How to submit an issue

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Supporting materials for the IFRS for SMEs Standard

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<https://www.ifrs.org/supporting-implementation/supporting-materials-for-the-ifrs-for-smes/#Submit>

Small companies and other interested parties can submit implementation issues on the *IFRS for SMEs* for consideration. Submitted issues will be dealt with by staff in one of two ways:

1. Staff will refer the issue for consideration by the SME Implementation Group (SMEIG) if they think the issue is likely to meet the criteria in paragraph 15 of the Terms of Reference and Operating Procedures for the SMEIG. For these issues the SMEIG will then consider whether to develop non-mandatory implementation guidance to address the issue in the form of questions and answers (Q&As).
2. Other issues will be considered by the staff when updating our education material or held for consideration during the next periodic review of the *IFRS for SMEs*, as applicable.

The paragraph 15 criteria referred to above sets out that an issue should be pervasive, that unintended or inconsistent implementation has or is likely to occur because of lack of clarity in the Standard, and that the SMEIG can reach a consensus on the appropriate treatment on a timely basis.

Submit an issue to the **IFRS for SMEs team**

Purpose

- **designed to support** anyone learning about, applying, or reading financial statements prepared using the *IFRS for SMEs* Standard

A module for each section

- the section's requirements;
- significant estimates and other judgements;
- comparison with full IFRS Standards; and
- comprehensive examples and activities

