

# IFRS for SMEs® Standard

## Background to the IFRS for SMEs Standard

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- Development of the *IFRS for SMEs* Standard
- Why the Board developed the *IFRS for SMEs* Standard
- Scope of the *IFRS for SMEs* Standard
- Maintenance of the *IFRS for SMEs* Standard
- Supporting the *IFRS for SMEs* Standard
- Global adoption of the *IFRS for SMEs* Standard

# Development of the *IFRS for SMEs* Standard

# Development of the *IFRS for SMEs* Standard

2000

- International Accounting Standards Committee observed that a demand for special version of accounting standards for small enterprises

2001

- International Accounting Standards Board (Board) commences a project to develop an accounting standard for Small and Medium-sized Entities (SMEs)

2002

- Standards Advisory Council (predecessor to the IFRS Advisory Council) supports project to create an SMEs standard

# Development of the *IFRS for SMEs* Standard

June  
2004

- The Board publishes Discussion Paper *Preliminary views on accounting standards for SMEs*
  - invites comments on Board's approach to project
  - receives 120 comment letters

Discussion  
Paper  
Feedback

- Stakeholders support development of the *IFRS for SMEs* Standard
- The stakeholders prefer adopting the *IFRS for SMEs* Standard as developed by Board rather than locally or regionally developed standards

February  
2007

- Board published Exposure Draft examining a proposed stand-alone standard for small and medium-sized entities
- receives 162 comment letters

# Development of the *IFRS for SMEs* Standard

March  
2008

- Board begins deliberations of feedback on the Exposure Draft

July 2009

- Board issues the *IFRS for SMEs* Standard

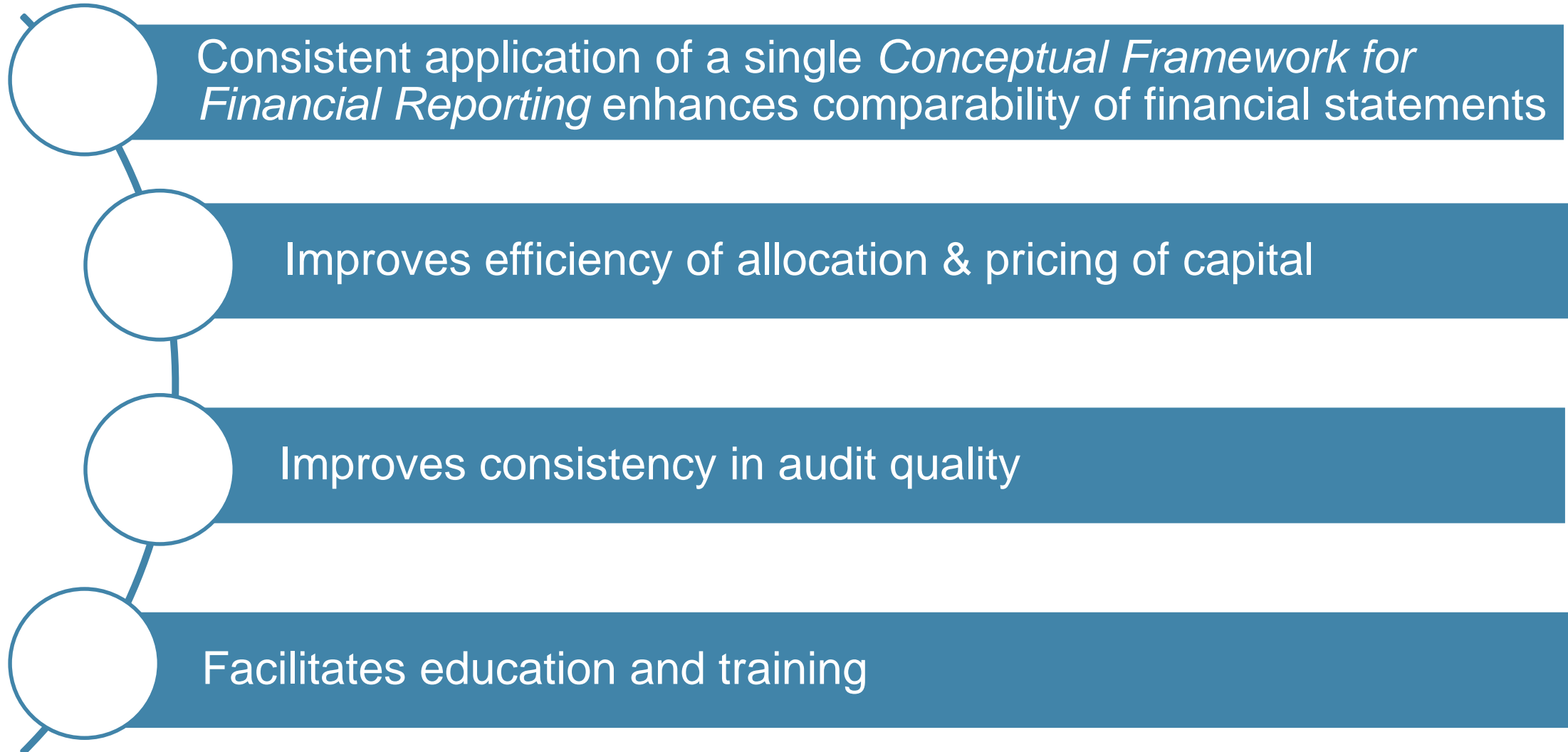
2010

- The SME Implementation Group (SMEIG) established

# Why the Board developed the *IFRS for SMEs* Standard



# Why a global standard for Small and Medium Entities (SMEs)?





# Considerations in developing an *IFRS for SMEs* Standard?

Is developing an *IFRS for SMEs* Standard consistent with Board's mission?

- The IFRS Foundation *Constitution*<sup>1</sup> states that fulfilling objectives takes into account, as appropriate, the needs of a range of entity sizes and types in diverse economic settings

Should Standards for SMEs be developed by others?

- The Board considered whether an SMEs standard should be developed country-by-country, at a regional level, or by the Board
- The Board decided that by developing an SMEs standard itself, it would bring global consistency & comparability to financial statements

Do national standard-setters support the Board developing an *IFRS for SMEs* Standard?

- National standard-setters support the Board developing a standard for SMEs

<sup>1</sup> IFRS *Constitution* para 2(c), as at 29 November 2018.

# Scope of the *IFRS for SMEs* Standard

- The *IFRS for SMEs* Standard is intended for non-publicly accountable entities that publish general purpose financial statements for external users
- Main users of the financial statements are:
  - banks
  - shareholders that are not managers
  - customers of SMEs
  - vendors that sell to SMEs in making pricing and credit decisions
  - credit-rating agencies that use financial statements to rate SMEs

# Considerations on the scope of the *IFRS for SMEs* Standard

In defining the scope for the *IFRS for SMEs* Standard the Board considered the application of the Standard to various entities, including:

- those whose securities are traded in public markets;
- financial institutions that have public accountability;
- SMEs providing essential public services; and
- SMEs that are economically significant in home jurisdictions.

- The *IFRS for SMEs* Standard describes small and medium-sized entities as those that:
  - do not have public accountability; and
  - publish general purpose financial statements for external users

An entity's debt  
or equity  
instruments are  
traded on a  
public market

OR

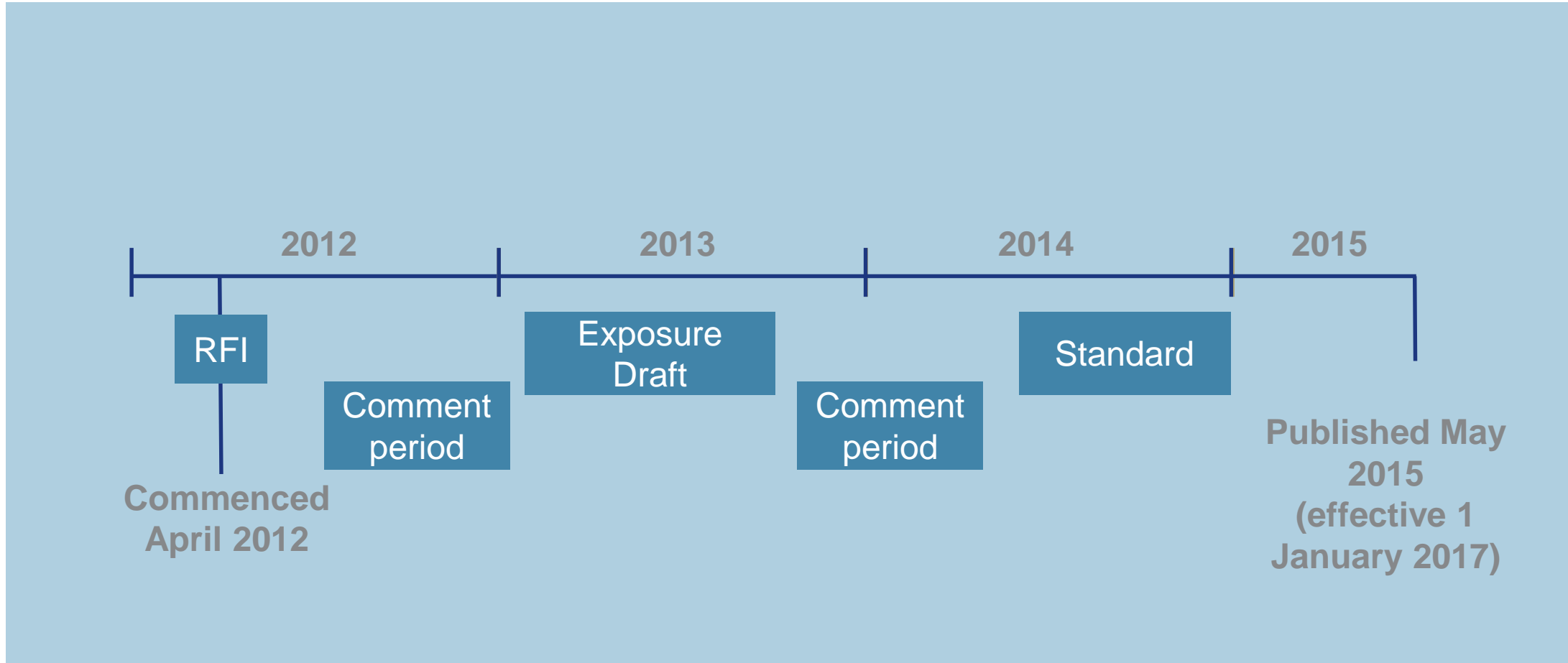
An entity holds  
assets in a  
fiduciary capacity  
for a broad group  
of outsiders as  
one of its primary  
businesses

# Maintenance of the *IFRS for SMEs* Standard



# Initial comprehensive review of the *IFRS for SMEs* Standard

- Timeline:



# Scope of the initial Request for Information

Use by publicly traded entities

- Should some publicly traded entities be permitted to apply the *IFRS for SMEs* Standard?

Use by financial institutions & similar entities

- Should some financial institutions be permitted to apply *IFRS for SMEs* Standard?

Clarification of use by not-for-profit entities

- Should the *IFRS for SMEs* Standard be revised to clarify if not-for-profit entities are eligible to apply it?

# Scope of the initial Request for Information

Consider new & revised Standards

- Should *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 of applying *IFRS for SMEs* Standard?
- Should income tax recognition and measurement requirements be aligned to IAS 12?

- The Board received feedback on all questions in the Request for Information
- The Board decided, because the *IFRS for SMEs* Standard was still newly adopted in many jurisdiction, to focus on:
  - maintaining stability;
  - amending for implementation challenges only; and
  - supporting current practice.
- The Board decided that a subsequent review would be more comprehensive and revisit matters from the 2012 Review

## Key amendments:

- permitted **revaluation model** for property, plant and equipment
- aligned recognition and measurement requirements for **income tax** with IFRS Standards; and
- included further targeted **undue cost or effort exemptions**, plus
  - guidance on **application** of the exemption; and
  - required **disclosure** of reasoning.

## Most other amendments:

- clarified or added guidance; and
- applied to ‘non-typical’ SME transactions.

# Recommendations for future review of the *IFRS for SMEs* Standard

- The Board recommended that for future reviews:
  - Each new and revised IFRS Standard was **considered individually**
  - Considered only once published
  - Assessed based on implementation experience
- Possible modifications would be based on **users' needs and cost-benefit** considerations



# 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 28 member accountants from countries from 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.

# Supporting *IFRS for SMEs* Standard—modules

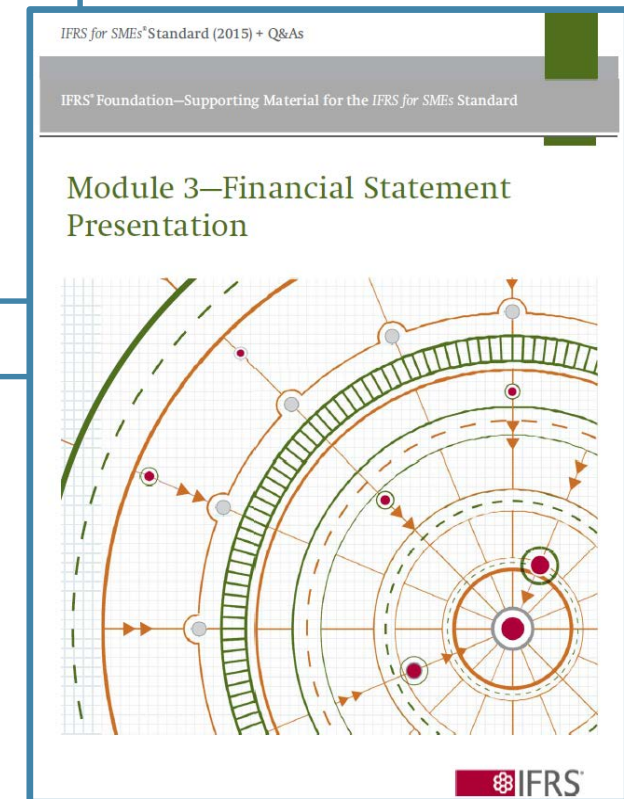
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## Purpose

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

## A module for each section of the Standard includes

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

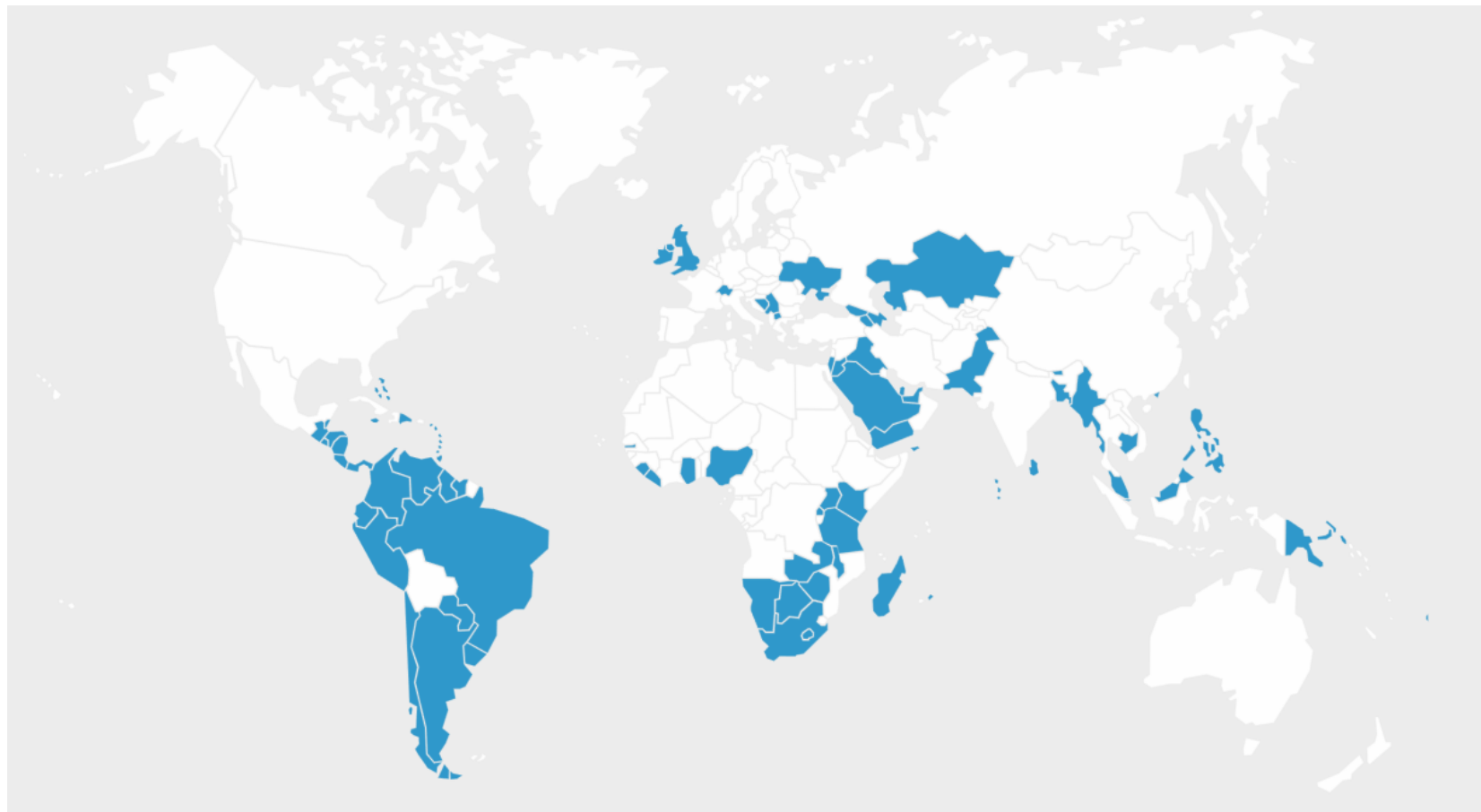


# Supporting *IFRS for SMEs* Standard— stakeholder engagement

- As part of outreach initiatives, the Board has discussed the *IFRS for SMEs* Standard following groups:
  - World Standard-setters;
  - Emerging Economies Group; and
  - Asian-Oceanian Standard-Setters Group (AOSSG).
- Questions from the groups focused on:
  - issues for the Board to consider in the next review;
  - the scope of the Request for Information; and
  - feedback from an AOSSG survey.

# Global adoption of the *IFRS for SMEs* Standard

# Adoption of the *IFRS for SMEs* Standard



**86 of 166**  
jurisdictions  
require or  
permit use of  
the *IFRS for*  
*SMEs* Standard

■ = the *IFRS for SMEs*  
Standard is required or  
permitted

- Good financial reporting made simple:
  - less than 250 pages;
  - **simplified IFRS Standard** built on a foundation of IFRS Standards;
  - **stand-alone**;
  - designed **specifically for SMEs**; and
  - internationally recognised.



# Get involved

Find out more: [www.ifrs.org](http://www.ifrs.org)

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