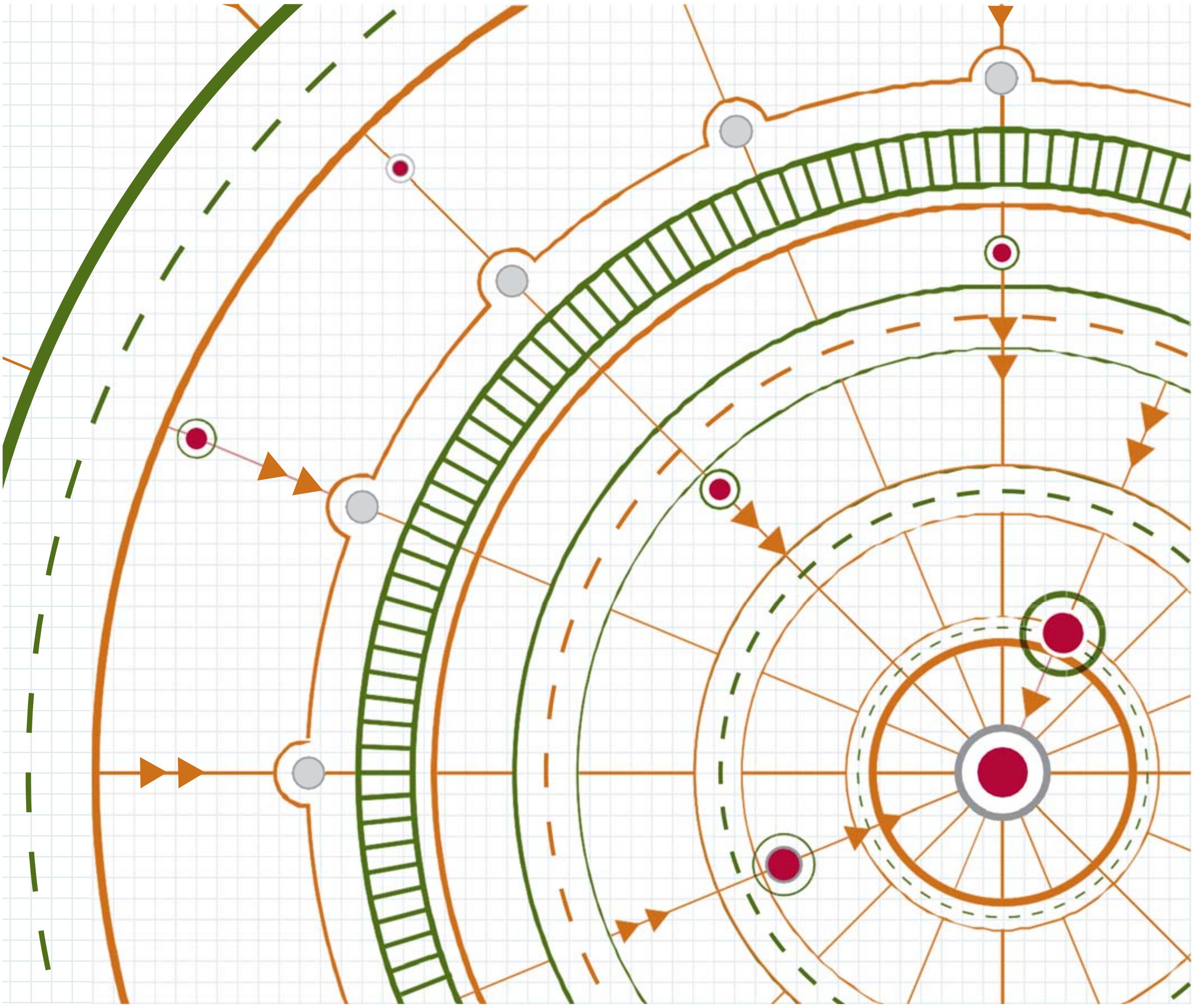
IFRS for SMEs® Standard (2015) + Q&As

IFRS® Foundation—Supporting Material for the *IFRS for SMEs* Standard

Module 4—Statement of Financial Position



IFRS® Foundation
Supporting Material
for the *IFRS for SMEs®* Standard

including the full text of
Section 4 *Statement of Financial Position*
of the *IFRS for SMEs* Standard
issued by the International Accounting Standards Board in October 2015

with extensive explanations, self-assessment questions and case studies

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Contents

Module 4—Statement of Financial Position

The accounting requirements applicable to small and medium-sized entities (SMEs) discussed in this module are set out in the *IFRS for SMEs* Standard, issued by the International Accounting Standards Board (Board) in October 2015.
This module has been prepared by IFRS Foundation education staff.
The contents of Section 4 *Statement of Financial Position* of the *IFRS for SMEs* Standard are set out in this module and shaded grey. The Glossary of terms of the *IFRS for SMEs* Standard (Glossary) is also part of the requirements. Terms defined in the Glossary are reproduced in **bold type** the first time they appear in the text of Section 4. The notes and examples inserted by the education staff are not shaded. These notes and examples do not form part of the *IFRS for SMEs* Standard and have not been approved by the Board.

INTRODUCTION

Which version of the *IFRS for SMEs*® Standard?

When the *IFRS for SMEs* Standard was first issued in July 2009, the Board said it would undertake an initial comprehensive review of the Standard to assess entities' experience of the first two years of its application and to consider the need for any amendments. To this end, in June 2012, the Board issued a Request for Information: *Comprehensive Review of the IFRS for SMEs*. An Exposure Draft proposing amendments to the *IFRS for SMEs* Standard was subsequently published in 2013, and in May 2015 the Board issued *2015 Amendments to the IFRS for SMEs* Standard.

The document published in May 2015 only included amended text, but in October 2015, the Board issued a fully revised edition of the Standard, which incorporated additional minor editorial amendments as well as the substantive May 2015 revisions. This module is based on that version.

The *IFRS for SMEs* Standard issued in October 2015 is effective for annual periods beginning on or after 1 January 2017. Earlier application was permitted, but an entity that did so was required to disclose the fact.

Any reference in this module to the *IFRS for SMEs* Standard refers to the version issued in October 2015.

This module

This module focuses on the presentation of the statement of financial position applying Section 4 *Statement of Financial Position* of the *IFRS for SMEs* Standard. It introduces the subject and reproduces the official text along with explanatory notes and examples designed to enhance understanding of the requirements. The module identifies the significant judgements required in presenting a statement of financial position. In addition, the module includes questions designed to test your understanding of the requirements and case studies that provide a practical opportunity to present a statement of financial position applying the *IFRS for SMEs* Standard.

Module 4—Statement of Financial Position

Upon successful completion of this module, you should, within the context of the *IFRS for SMEs* Standard, be able to:

- present a statement of financial position;
- identify the minimum items to be presented in the statement of financial position;
- classify assets and liabilities as current or non-current; and
- identify the information that may be presented either in the statement of financial position or in the notes.

IFRS for SMEs Standard

The *IFRS for SMEs* Standard is intended to apply to the general purpose financial statements of entities that do not have public accountability (see Section 1 *Small and Medium-sized Entities*).

The *IFRS for SMEs* Standard is comprised of mandatory requirements and other non-mandatory material.

The non-mandatory material includes:

- a preface, which provides a general introduction to the *IFRS for SMEs* Standard and explains its purpose, structure and authority;
- implementation guidance, which includes illustrative financial statements and a table of presentation and disclosure requirements;
- the Basis for Conclusions, which summarises the Board's main considerations in reaching its conclusions in the *IFRS for SMEs* Standard issued in 2009 and, separately, in the 2015 Amendments; and
- the dissenting opinion of a Board member who did not agree with the issue of the *IFRS for SMEs* Standard in 2009 and the dissenting opinion of a Board member who did not agree with the 2015 Amendments.

In the *IFRS for SMEs* Standard, Appendix A: Effective date and transition, and Appendix B: Glossary of terms, are part of the mandatory requirements.

In the *IFRS for SMEs* Standard, there are appendices to Section 21 *Provisions and Contingencies*, Section 22 *Liabilities and Equity* and Section 23 *Revenue.* These appendices provide non-mandatory guidance.

The *IFRS for SMEs* Standard has been issued in two parts: Part A contains the preface, all the mandatory material and the appendices to Section 21, Section 22 and Section 23; and Part B contains the remainder of the material mentioned above.

Further, the SME Implementation Group (SMEIG), which assists the Board with supporting implementation of the *IFRS for SMEs* Standard, publishes implementation guidance as 'questions and answers' (Q&As). These Q&As provide non-mandatory, timely guidance on specific accounting questions raised with the SMEIG by entities implementing the *IFRS for SMEs* Standard and other interested parties. At the time of issue of this module (September 2018) the SMEIG has not issued any Q&As relevant to this module.

Module 4—Statement of Financial Position

Introduction to the requirements

The objective of general purpose financial statements of a small or medium-sized entity is to provide information about the entity's financial position, performance and cash flows that is useful for economic decision-making by a broad range of users who are not in a position to demand reports tailored to meet their particular information needs. Such users include, for example, owners who are not involved in managing the business, existing and potential creditors and credit rating agencies.

Section 3 *Financial Statement Presentation* prescribes general requirements for the presentation of financial statements.

Section 4 specifies line items to be presented in the statement of financial position and provides mandatory guidance on the sequencing of items and the level of aggregation. It specifies other information to be presented either in the statement of financial position or in the notes. It also determines how to distinguish current assets and current liabilities from non-current assets and non-current liabilities and it stipulates when a current or non-current distinction must be made.

What has changed since the 2009 *IFRS for SMEs* Standard

This section of the *IFRS for SMEs* Standard was unchanged by the 2015 Amendments. However, this module reproduces other editorial changes.

Module 4—Statement of Financial Position

REQUIREMENTS AND EXAMPLES

Scope of this section

4.1 This section sets out the information that is to be presented in a **statement of financial position** and how to present it. The statement of financial position (sometimes called the balance sheet) presents an entity's **assets, liabilities** and **equity** as of a specific date—the end of the **reporting period**.

Notes

The objective of general purpose financial statements of a small or medium-sized entity is to provide information about the entity's financial position, performance and cash flows that is useful for economic decision-making by a broad range of users who are not in a position to demand reports tailored to meet their particular information needs (see paragraph 2.2). In meeting that objective, financial statements also show the results of management's stewardship of the resources entrusted to it (see paragraph 2.3).

The elements of financial statements directly related to the measurement of financial position are assets, liabilities and equity.

Some items that meet the definition of an asset or a liability may not be recognised as assets or liabilities in the statement of financial position because they do not satisfy the criteria for recognition. The recognition and measurement of assets, liabilities and equity items are determined by other sections of the *IFRS for SMEs* Standard. Section 4 specifies how transactions and events recognised and measured applying other sections of the Standard are presented in the statement of financial position.

Section 4 does not require a small or medium-sized entity to present a statement of financial position as at the beginning of the preceding period. By contrast, full IFRS Standards requires the presentation of a statement of financial position as at the beginning of the preceding period if:

a) it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and

b) the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.

The financial statement that presents an entity's assets, liabilities and equity at a point in time could be titled the statement of financial position, the balance sheet or any other title that is not misleading (see paragraph 3.22).

Information to be presented in the statement of financial position

4.2 As a minimum, the statement of financial position shall include line items that present the following amounts:

(a) **cash** and **cash equivalents;**

(b) trade and other receivables;

(c) **financial assets** (excluding amounts shown under (a), (b), (j) and (k));

(d) **inventories;**

(e) **property, plant and equipment;**

(ea) **investment property** carried at cost less accumulated **depreciation** and **impairment;**

(f) investment property carried at **fair value** through **profit or loss;**

(g) **intangible assets;**

(h) **biological assets** carried at cost less accumulated depreciation and impairment;

(i) biological assets carried at fair value through profit or loss;

(j) investments in **associates;**

(k) investments in **jointly controlled entities;**

(l) trade and other payables;

(m) **financial liabilities** (excluding amounts shown under (l) and (p));

(n) liabilities and assets for **current tax;**

(o) **deferred tax liabilities** and **deferred tax assets** (these shall always be classified as non-current);

(p) **provisions;**

(q) **non-controlling interest,** presented within equity separately from the equity attributable to the **owners** of the **parent;** and

(r) equity attributable to the owners of the parent.

Notes

When applicable, the entity shall also refer to other sections of the *IFRS for SMEs* Standard for presentation and disclosure requirements to be presented in the notes for specific account balances and transactions.

Despite the line items requirement in paragraph 4.2, an entity considers materiality to decide if separate line presentation is warranted. If a line item is not individually material, it is aggregated with other items in the statement of financial position.

4.3 An entity shall present additional line items, headings and subtotals in the statement of financial position when such presentation is relevant to an understanding of the entity's **financial position**.

Example— presentation of a statement of financial position

Ex 1 SME A prepares its consolidated financial statements applying the *IFRS for SMEs* Standard. The consolidated statement of financial position is set out below.

SME A's consolidated statement of financial position at 31 December 20X7
(in currency units[1])

	20X7	*20X7*	*20X6*	*20X6*
ASSETS				
Current assets				
Cash and cash equivalents [(a)]		312,400		322,900
Trade receivables [(a)]		91,600		110,800
Other financial assets—derivative hedging instruments		2,000		1,100
Inventories [(a)]		135,230		132,500
Prepayments		23,650		11,350
Total current assets		564,880		578,650
Non-current assets				
Financial assets—investments in shares [(a)]		100,150		110,770
Investments in associates [(a)]				
– carried at fair value	60,000		71,000	
– carried at cost less impairment	40,500		50,000	
		100,500		121,000
Investments in jointly controlled entities[(a)]				
– carried at fair value	20,000		13,000	
– carried at cost less impairment	22,000		22,000	
		42,000		35,000
Investment property				
– carried at fair value [(a)]	102,000		70,000	
– carried at cost less accumulated depreciation and impairment [(a)]	48,000		50,000	
		150,000		120,000
Property, plant and equipment—carried at cost less accumulated depreciation [(a)]		200,700		240,020
Biological assets				
– carried at fair value less costs to sell [(a)]	30,000		25,000	
– carried at cost less accumulated depreciation and impairment [(a)]	40,000		50,000	
		70,000		75,000
Goodwill		80,800		91,200
Other intangible assets [(a)]		107,070		127,560
Deferred tax assets [(a)]		50,400		25,000
Total non-current assets		901,620		945,550
Total assets		**1,466,500**		**1,524,200**

Continued …

[1] In this example, and in all other examples in this module, monetary amounts are denominated in 'currency units (CU)'.

	20X7	20X6
LIABILITIES AND EQUITY		
Current liabilities		
Bank overdrafts	10,000	17,000
Trade and other payables [(a)]	90,100	160,620
Short-term borrowings	150,000	200,000
Current portion of bank loans	20,000	20,000
Current portion of obligations under finance leases	1,500	1,200
Current portion of employee benefit obligations	15,000	10,000
Current tax payable [(a)]	23,500	40,800
Short-term provisions [(a)]	5,000	4,800
Total current liabilities	315,100	454,420
Non-current liabilities		
Bank loans	65,000	85,000
Obligations under finance leases	2,300	3,800
Environmental restoration provision[(a)]	26,550	48,440
Long-term employee benefit obligations	78,000	75,000
Deferred tax liabilities[(a)]	5,800	26,040
Total non-current liabilities	177,650	238,280
Total liabilities	**492,750**	**692,700**
Equity		
Share capital	650,000	600,000
Retained earnings	251,700	181,800
Gains on hedges of foreign exchange risks on firm commitments	2,000	1,100
Total equity attributable to owners of the parent [(a)]	903,700	782,900
Non-controlling interests [(a)]	70,050	48,600
Total equity	**973,750**	**831,500**
Total equity and liabilities	**1,466,500**	**1,524,200**

(a) These line items are required by paragraph 4.2. The other line items are provided as its presentation is relevant to an understanding of the entity's financial position.

Note: The *IFRS for SMEs* Standard does not prescribe the sequence in which items are to be presented (see paragraph 4.9). In this example, the statement of financial position presents current assets followed by non-current assets, and presents current liabilities followed by non-current liabilities and then by equity (ie most liquid items first). In some jurisdictions, the sequencing is typically reversed (most liquid items last), and that is also permitted by the *IFRS for SMEs* Standard.

The illustrative statement of financial position included in Part B, the accompanying documents of the *IFRS for SMEs* Standard, is a simplified format and should not be regarded as a template appropriate for all entities. The statement of financial position in this example provides additional line items for illustration. However, the illustrative statement of financial position in this example is not intended to illustrate all aspects of the *IFRS for SMEs* Standard.

Current/non-current distinction

4.4 An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position in accordance with paragraphs 4.5–4.8, except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, all assets and liabilities shall be presented in order of approximate liquidity (ascending or descending).

Notes

For some entities, a presentation of assets and liabilities in increasing or decreasing order of liquidity might provide information that is reliable and more relevant than a current/non-current presentation, for example, if the entity does not supply goods or services within a clearly identifiable operating cycle.

Example—current/non-current distinction

Ex 2 **SME A in Example 1 presents current and non-current assets and current and non-current liabilities separately. SME B in this example presents assets and liabilities in order of approximate liquidity.**

SME B's statement of financial position at 31 December 20X8
(in thousands of currency units)

	20X8	*20X7*
Assets		
Cash and cash equivalents	230	160
Investments in equity instruments	1,900	1,200
Portfolio investments cost	3,500	4,450
Property, plant and equipment	2,280	850
Total assets	**7,910**	**6,660**
Liabilities		
Interest payable	230	100
Income taxes payable	400	1,000
Long-term debt	2,550	2,930
Total liabilities	**3,180**	**4,030**
Shareholders' equity		
Share capital	1,500	1,250
Retained earnings	3,230	1,380
Total shareholders' equity	**4,730**	**2,630**
Total equity and liabilities	**7,910**	**6,660**

Current assets

4.5 An entity shall classify an asset as current when:

(a) it expects to realise the asset, or intends to sell or consume it, in the entity's normal operating cycle;

(b) it holds the asset primarily for the purpose of trading;

(c) it expects to realise the asset within twelve months after the **reporting date;** or

(d) the asset is cash or a cash equivalent, unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Notes

Current assets include assets such as inventories (eg, consumables, raw materials, work in progress and finished goods) and trade receivables that are sold, consumed or realised as part of the normal operating cycle. These will be classified as current assets even if they are not realised within 12 months of the reporting period.

Cash and cash equivalents are also classified as current assets unless there is a restriction in place resulting in the entity being unable to exchange it or use it to settle a liability for at least twelve months after the reporting date.

Other non-cash assets that are not part of the entity's normal operating cycle and are not involved in the production process are current assets only if the entity holds the asset primarily for the purpose of trading, or if it expects to realise the asset within 12 months after the end of the reporting period.

Examples—current assets

Ex 3 **An entity produces whisky from barley, water and yeast in a 24-month distillation process.**

At the end of the reporting period, the entity has one month's supply of barley and yeast (raw materials), 600 barrels of partly distilled whisky and 100 barrels of distilled whisky.

All the raw materials (barley and yeast), work in process (partly distilled whisky) and finished goods (distilled whisky) are inventories. All three (raw materials, partly distilled whisky and barrels of distilled whisky) are expected to be realised (ie turned into cash after being processed into whisky) as part of the entity's normal operating cycle. Therefore, even though realisation, for at least some of them, is expected to take place more than 12 months after the end of the reporting period, the raw materials, work in progress and finished goods are classified as classified as current assets.

Ex 4 **At the end of the reporting period, a tomato grower's vines are bearing partially developed tomatoes. The life of a tomato vine is about six months.**

Applying Section 34 *Specialised Activities*, the vines and the fruit they bear are accounted for as a single biological asset until the point of harvest. Until the point of harvest, the vines and the fruit they bear are a current asset because they will be realised as part of the entity's normal operating cycle.

4.6 An entity shall classify all other assets as non-current. When the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.

Examples—non-current assets

Ex 5 **An entity owns a machine with which it manufactures goods for sale. It also owns the building in which it carries out its commercial activities.**

The machine and the building are non-current assets—they are not cash or cash equivalents; they will not be realised or consumed as part of the entity's normal operating cycle; they are not held for the purpose of trading and they are not expected to be realised within 12 months of the end of the reporting period.

Even if the machine or the building had less than one year of its useful life remaining it would still not be classified as a current asset. Paragraph 17.27 explains that once an asset has been classified as property, plant and equipment, they retain such classification until disposal or no future economic benefits are expected from use or disposal.

Ex 6 **On 31 December 20X0 an entity replaced a machine in its production line. The replaced machine was sold to a competitor for CU200,000. Payment is due 14 months after the end of the reporting period.**

The receivable is a non-current asset—it is not cash or a cash equivalent; it is not expected to be realised or consumed as part of the entity's normal operating cycle; it is not held for the purpose of trading and it is not expected to be realised within 12 months of the end of the reporting period.

Note: If payment was due within 12 months of the end of the reporting period, it would be a current asset.

Ex 7 **On 1 January 20X7 an entity invested CU900,000 surplus funds in corporate bonds that bear interest at a fixed rate of 5% per year. Interest is payable on the corporate bonds on 1 January of each year. The capital is repayable in three annual instalments of CU300,000 starting on 31 December 20X8.**

In its statement of financial position at 31 December 20X7, the entity must present the CU45,000 accrued interest and CU300,000 current portion of the non-current loan (ie the portion repayable on 31 December 20X8) as current assets—they are expected to be realised within 12 months of the end of the reporting period.

The CU600,000 due later than 12 months after the end of the reporting period is presented as a non-current asset—it is not cash or a cash equivalent; it will not be realised or consumed as part of the entity's normal operating cycle; it is not held for the purpose of trading and it is not expected to be realised within 12 months of the end of the reporting period.

Ex 8 **At the end of the reporting period, a citrus grower's fruit trees bear partially developed oranges. Citrus trees bear fruit over many years.**

Applying Section 34 *Specialised Activities*, the citrus trees and the fruit they bear are accounted for as a single biological asset until the point of harvest. The trees and the fruit they are bearing are classified as non-current assets—they are not expected to be realised within 12 months of the end of the reporting period.

Once harvested, the fruit would be classified as a current asset (inventory) because it would be realised as part of the entity's normal operating cycle.

Current liabilities

4.7 An entity shall classify a liability as current when:

(a) it expects to settle the liability in the entity's normal operating cycle;

(b) it holds the liability primarily for the purpose of trading;

(c) the liability is due to be settled within twelve months after the reporting date; or

(d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after reporting date.

Notes

Some liabilities, such as trade payables, and some accruals for employee and other operating costs, are part of an entity's working capital and are settled in the entity's normal operating cycle. An entity classifies such operating items as current liabilities even if they are due to be settled more than 12 months after the reporting period. The same normal operating cycle applies to the classification of both an entity's assets and its liabilities. When an entity's normal operating cycle is not clearly identifiable, it is assumed to be 12 months (see paragraph 4.6).

Liabilities that are not settled as part of the normal operating cycle, but are due for settlement within 12 months after the reporting period or held primarily for the purpose of trading, are also classified as current. Examples are bank overdrafts, the current portion of financial liabilities that are not wholly due to be settled within 12 months, dividends payable, and income taxes payables. Financial liabilities that provide financing on a long-term basis (ie are not part of the working capital used in the entity's normal operating cycle) and are not due for settlement within 12 months after the reporting period are non-current liabilities.

Examples—current liabilities

Ex 9 **At the end of the reporting period, a manufacturer has an obligation to its suppliers for the purchase of raw materials.**

The trade payables are current liabilities—they are part of the entity's working capital settled in its normal operating cycle.

Ex 10 **At the end of the reporting period, an entity was in breach of a loan covenant in respect of a long-term loan from a bank that is otherwise repayable three years after the end of the reporting period. Because of the breach, the bank is entitled (but not obliged) to require the immediate repayment of the loan.**

The loan will not be settled as part of the entity's normal operating cycle and it is not held for trading. However, at the end of the reporting period the entity does not have an unconditional right to defer settlement of the liability for at least 12 months from the end of the reporting period and so the loan is a current liability.

Ex 11 **The facts are the same as in Example 10. However, in this example, after the end of the reporting period and before the financial statements were approved for issue, the bank formally agreed not to demand early repayment of the loan.**

The loan is still a current liability because at the end of the reporting period the entity does not have an unconditional right to defer settlement of the liability for at least 12 months from the end of the reporting period. The subsequent agreement is a non-adjusting event (see Section 32 *Events after the End of the Reporting Period*).

4.8 An entity shall classify all other liabilities as non-current.

Examples—non-current liabilities

Ex 12 **On 1 January 20X1 an entity issued 100,000 CU10 bonds for CU1,000,000 in a private transaction. On 1 January each year, interest at the fixed rate of 5% per year is payable on the outstanding capital amount of the bonds (ie the first payment will be made on 1 January 20X2).**

On 31 December each year (from 31 December 20X2), the entity has a contractual obligation to redeem 10,000 of the bonds at CU10 per bond.

In its statement of financial position at 31 December 20X1, the entity must present CU50,000 (accrued interest) and CU100,000 (current portion of the non-current bond (ie the portion repayable on 31 December 20X2) as current liabilities. Although they are not held for trading and will not be settled as part of the normal operating cycle, they are still presented as current liabilities because they are due to be settled within 12 months after the reporting date.

The CU900,000 due later than 12 months after the end of the reporting period is required to be presented as a non-current liability.

Ex 13 **At the end of the reporting period, the carrying amount of an entity's unfunded obligation for long-service leave was CU100,000, CU40,000 of which employees are entitled to take as leave in the 12 months following the end of the reporting period. The balance of CU60,000 is in respect of leave that employees are entitled to take only after the end of the next annual reporting period.**

The entity anticipates that only 75% of its employees will take the leave due to them during the next annual reporting period (ie approximately CU10,000 (of the CU40,000) is expected to be carried forward.

CU40,000 of the provision for long-service leave is a current liability because employees can decide whether to take the leave to which they are entitled during the next annual reporting period. The entity does not therefore have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

The remaining CU60,000 of the provision for long-service leave is a non-current liability because the employees are not entitled to take the leave until after the end of the next annual reporting period. The entity, therefore, has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Also, it is not held for trading and will not be settled as part of the entity's normal operating cycle.

Sequencing of items and format of items in the statement of financial position

4.9 This Standard does not prescribe the sequence or format in which items are to be presented. Paragraph 4.2 simply provides a list of items that are sufficiently different in nature or function to warrant separate presentation in the statement of financial position. In addition:

(a) line items are included when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of the entity's financial position; and

(b) the descriptions used and the sequencing of items or aggregation of similar items may be amended according to the nature of the entity and its transactions, to provide information that is relevant to an understanding of the entity's financial position.

4.10 The judgement on whether additional items are presented separately is based on an assessment of all of the following:

(a) the amounts, nature and liquidity of assets;

(b) the function of assets within the entity; and

(c) the amounts, nature and timing of liabilities.

Notes

Applying the *IFRS for SMEs* Standard, assets and liabilities are generally classified by nature and function and each major classification is presented separately. For example, an entity owns two buildings—one houses the entity's manufacturing operations and the other is held with a view to recovering its carrying amount through rental income. Applying the *IFRS for SMEs* Standard, the factory building is classified as property, plant and equipment (see Section 17 *Property, Plant and Equipment*) and the other building is classified as an investment property (see Section 16 *Investment Property*). The entity is required to present property, plant and equipment separately from its investment property (see paragraph 4.2 (e), (ea) and (f)) as they are sufficiently different in nature to warrant separate presentation in the statement of financial position.

Paragraph 4.2 lists minimum line items that are required to be presented in the statement of financial position. This list in not intended to be prescriptive. Therefore, an entity present's additional line items when their presentation is relevant to an understanding of the entity's financial position.

An example is where an entity presents share capital gains on hedges of foreign exchange risks on firm commitments, revaluation surplus and retained earnings separately in the equity section of the statement of financial position as this presentation is relevant to understanding the equity attributable to owners of the parent.

An entity should exercise judgement regarding the presentation of additional line items in the statement of financial position taking into consideration all the criteria outlined in paragraph 4.10.

The *IFRS for SMEs* Standard permits an entity to vary the sequence of items from that in paragraph 4.2 when this provides information that is relevant to an understanding of the entity's financial position. In Example 1, the statement of financial position presents current assets followed by non-current assets, and presents current liabilities followed by non-current liabilities and then by equity (ie most liquid items first). In some jurisdictions, the sequencing is typically reversed (most liquid items last), and that is also permitted by the *IFRS for SMEs* Standard.

Information to be presented either in the statement of financial position or in the notes

4.11 An entity shall disclose, either in the statement of financial position or in the **notes**, the following subclassifications of the line items presented:

(a) property, plant and equipment in classifications appropriate to the entity;

Notes

A class of property, plant and equipment is a grouping of assets of a similar nature and use in an entity's operations (see the Glossary). Judgement must be exercised to determine the subclassifications that are appropriate to a particular entity.

Example—subclassifications of property, plant and equipment

Ex 14 An entity could present separate classes of property, plant and equipment as follows:

Extract from an entity's statement of financial position at 31 December 20X2

	Note	*20X2*	*20X1*
		CU	*CU*
ASSETS			
…			
Non-current assets			
Vacant land		900	1,100
Land and buildings		8,470	5,600
Machinery		12,300	9,800
Motor vehicles		2,550	2,100
Office equipment		1,850	2,000
Property, plant and equipment	9	26,070	20,600

Alternatively, the entity may present in the statement of financial position the total amount of property, plant and equipment. In this case, information about each subclassification of property, plant and equipment would be presented in the notes.

(b) trade and other receivables showing separately amounts due from related parties, amounts due from other parties and receivables arising from accrued **income** not yet billed;

Example—presenting trade and other receivables

Ex 15 A parent entity could present trade and other receivables in respect of its consolidated financial statements as follows:

Extract from a consolidated statement of financial position at 31 December 20X2

	Note	*20X2*	*20X1*
		CU	*CU*
ASSETS			
Current assets			
…			
Trade and other receivables	10	19,100	16,900
…			

Extract from the notes to the consolidated financial statements

Note 10. Trade and other receivables

	20X2	*20X1*
	CU	*CU*
Trade receivables	9,000	8,100
Receivables from related parties	7,000	3,500
Accrued income not yet billed	1,000	1,500
Prepaid expenses	2,100	3,800
Trade and other receivables	19,100	16,900

Alternatively, the group may present each of the line items in note 10 in its consolidated statement of financial position.

(c) inventories, showing separately amounts of inventories:

(i) held for sale in the ordinary course of business;

(ii) in the process of production for such sale; and

(iii) in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Example—presenting inventories

Ex 16 An entity could present inventories as follows:

Extract from an entity's statement of financial position at 31 December 20X2

	Note	20X2	20X1
		CU	CU
ASSETS			
Current assets			
…			
Raw materials		5,900	8,700
Work in progress		28,400	25,500
Finished goods		232,500	220,100
Inventories	11	266,800	254,300

Alternatively, the entity may present a single line item for inventories in its statement of financial position showing the total amount of inventories. In this case, information about each subclassification of inventories would be presented in the notes.

(d) trade and other payables, showing separately amounts payable to trade suppliers, payable to related parties, deferred income and accruals;

Example—presenting trade and other payables

Ex 17 A group could present trade and other payables as follows:

Extract from a consolidated statement of financial position at 31 December 20X4

	Note	20X4	20X3
		CU	CU
LIABILITIES			
…			
Current liabilities			
Bank overdrafts	10	5,600	4,800
Trade and other payables	11	135,200	112,500
Interest payable	12	3,500	3,250
Current tax liability	13	3,500	3,000
…			

Extract from the notes to the consolidated financial statements

Note 11. Trade and other payables

	20X4	*20X3*
	CU	*CU*
Trade suppliers	85,000	79,800
Amount due to associate	47,300	30,500
Utilities suppliers	2,900	2,200
TOTAL	135,200	112,500

Alternatively, each of the line items in note 11 could be presented in the consolidated statement of financial position.

(e) provisions for **employee benefits** and other provisions; and

Example—presenting provisions

Ex 18 An entity could present provisions as follows:

Extract from an entity's statement of financial position at 31 December 20X2

	Note	*20X2*	*20X1*
		CU	*CU*
LIABILITIES			
...			
Non-current liabilities			
Provisions	12	6,000	3,000
Current liabilities			
Provisions	12	31,500	33,000

Extract from the entity's notes

Note 12. Provisions

	20X2	*20X1*
	CU	*CU*
Short-term employee benefits	9,500	9,000
Long-term employee benefits	8,000	5,000
Total provision for employee benefits	17,500	14,000
Product warranties	20,000	22,000
TOTAL	37,500	36,000
Less: non-current portion of provision for long-term employee benefits and product warranties	(6,000)	(3,000)
Current portion of provisions	31,500	33,000

Alternatively, the entity may present each of the line items in note 12 in its statement of financial position as follows.

Extract from the entity's statement of financial position at 31 December 20X2

	20X2	20X1
LIABILITIES		
Non-current liabilities		
....		
Long-term employee benefit obligations	2,500	500
Product warranties	3,500	2,500
Current liabilities		
...		
Short term employee benefits	9,500	9,000
Current portion of long-term employee benefit obligations	5,500	4,500
Current portion of product warranties	16,500	19,500

(f) classes of equity, such as paid-in capital, share premium, retained earnings and items of income and **expense** that, as required by this Standard, are recognised in **other comprehensive income** and presented separately in equity.

Example—presenting equity

Ex 19 A parent entity presents equity in its consolidated financial statements as follows:

Extract from an entity's consolidated statement of financial position at 31 December 20X2

	Note	20X2	20X1
		CU	CU
EQUITY			
Share capital	20	22,000	20,000
Revaluation surplus	10	3,000	2,000
Retained earnings		12,100	10,900
Equity attributable to owners of the parent		37,100	32,900
Non-controlling interest		7,900	6,100
Total equity		45,000	39,000

Alternatively, the entity may present in the statement of financial position the total amount of equity. In this case, information about each class of equity is presented in the notes.

4.12 An entity with share capital shall disclose the following, either in the statement of financial position or in the notes:

(a) for each class of share capital:

(i) the number of shares authorised.

(ii) the number of shares issued and fully paid, and issued but not fully paid.

(iii) par value per share or that the shares have no par value.

(iv) a reconciliation of the number of shares outstanding at the beginning and at the end of the period. This reconciliation need not be presented for prior periods.

(v) the rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital.

(vi) shares in the entity held by the entity or by its **subsidiaries** or associates.

(vii) shares reserved for issue under options and contracts for the sale of shares, including the terms and amounts.

(b) a description of each reserve within equity.

Notes

Comparative information is required in respect of all the items mentioned in 4.12(a) except for the reconciliation of the number of shares outstanding at the beginning and at the end of the period.

Example—presentation for an entity with share capital

Ex 20 **The information about share capital required by paragraph 4.12(a) could be presented as follows:**

Extract from the entity's notes

Note 20 Share capital

The authorised share capital comprises of 4,000 shares (20X1: 4,000 shares) of which 3,000 shares (20X1: 2,800 shares) are fully paid-up ordinary shares with no par value.

Reconciliation of the number of ordinary shares in issue:

	20X2
At 1 January	2,800
Issued during the year	200
At 31 December	3,000

A covenant arising from the long-term loan from Bank A prevents the distribution of dividends when the entity's current ratio (current assets ÷ current liabilities) is less than 3:1.

4.13 An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that required by paragraph 4.12(a), showing changes during the period in each category of equity, and the rights, preferences and restrictions attaching to each category of equity.

Example—presentation for an entity without share capital

Ex 21 The 'capital' of an entity without share capital could be presented as follows:

Extract from a partnership's notes

Note 5—Equity (extract)

In accordance with the legislation of Jurisdiction A, the partnership is required to hold 10% of its earnings as a 'statutory reserve'. In accordance with the partnership agreement, the partnership holds a further 15% of its earnings in a 'constitutional reserve'. Except in the event of liquidation, the partnership cannot distribute the statutory reserve and the constitutional reserve to its partners. The determination of the percentage allocated to the appropriate constitutional reserve can only be changed by a unanimous decision of all the partners. The Bank Loan (see note x) is conditional on the partnership maintaining a reserve ratio of at least 15%.

The remaining 75% of earnings is distributed to the partners' loan accounts on confirmation by the partners of the earnings for the period.

Reconciliation of the statutory reserves and the constitutional reserves:

(in currency units)

Statutory reserves

	20X2	*20X1*
At 1 January	1,290	1,200
10% of earnings	120	90
At 31 December	1,410	1,290

Constitutional reserves

	20X2	*20X1*
At 1 January	1,935	1,800
15% of earnings	180	135
At 31 December	2,115	1,935

4.14 If, at the reporting date, an entity has a binding sale agreement for a major disposal of assets, or a group of assets and liabilities, the entity shall disclose the following information:

(a) a description of the asset(s) or the group of assets and liabilities;

(b) a description of the facts and circumstances of the sale or plan; and

(c) the **carrying amount** of the assets or, if the disposal involves a group of assets and liabilities, the carrying amounts of those assets and liabilities.

Ex 22 **An entity that has entered into a binding sale agreement to dispose of a group of its assets at a future date could make the following disclosures:**

Extract from an entity's notes

Note 25 Commitment to dispose of assets

In December 20X2 the entity entered into a binding agreement for the sale of its box-manufacturing plant to an independent third party for CU15,000. This follows from its decision in September 20X2 to cease manufacturing boxes and instead to concentrate on its bottle manufacturing activities. The entity will continue to operate the plant until it is transferred to the buyer on 31 March 20X3.

At 31 December 20X2 the carrying amount of the assets to be disposed is:

	CU
Factory building	10,000
Machinery	3,000
Total	13,000

SIGNIFICANT ESTIMATES AND OTHER JUDGEMENTS

Applying the requirements of the *IFRS for SMEs* Standard to transactions and events often requires the exercise of judgement, including making estimates. Information about significant judgements made by an entity's management and key sources of estimation uncertainty are useful when assessing an entity's financial position, performance and cash flows. Consequently, in accordance with paragraph 8.6, an entity must disclose the judgements—apart from those involving estimates—that its management has made when applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.
Furthermore, applying paragraph 8.7, an entity must disclose information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Other sections of the *IFRS for SMEs* Standard require disclosure of information about particular judgements and estimation uncertainties.

In many cases, little difficulty is encountered when presenting an entity's statement of financial position applying the *IFRS for SMEs* Standard. However, in some cases significant judgement is required.

Examples of situations that might require significant judgements include:

- making the current/non-current distinction;
- assessing which additional line items, headings and subtotals are relevant to an understanding of the entity's financial position; and
- deciding whether the presentation of assets and liabilities in order of approximate liquidity is more relevant and reliable than the current/non-current classification.

COMPARISON WITH FULL IFRS STANDARDS

When presenting a statement of financial position for periods beginning on 1 January 2017, the main differences between the requirements of full IFRS Standards (see IAS 1 *Presentation of Financial Statements*) and the *IFRS for SMEs* Standard (see Section 4 *Statement of Financial Position)* are:

- The *IFRS for SMEs* Standard is drafted in simpler language than that used in full IFRS Standards.
- Full IFRS Standards contain more detailed guidance regarding the presentation of subtotals than is in the *IFRS for SMEs* Standard.
- When financial statements are restated retrospectively, full IFRS Standards requires presentation of a statement of financial position at the beginning of the earliest comparative period. The *IFRS for SMEs* Standard does not require this additional statement of financial position to be presented.
- Full IFRS Standards (see IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*) requires non-current assets held for sale, including the non-current assets of a discontinued operation, to be carried at the lower of their carrying amount and fair value less estimated costs to sell the assets. The *IFRS for SMEs* Standard does not have a 'held for sale' classification and does not require separate presentation in the statement of financial position of 'non-current assets held for sale'. However, paragraph 27.9 of the *IFRS for SMEs* Standard identifies 'plans to discontinue or restructure the operation to which an asset belongs' and 'plans to dispose of an asset before the previously expected date' as internal sources of information that indicate that an asset may be impaired. The existence of such indicators compels an entity to perform an impairment test on the asset (ie estimate its recoverable amount) (see paragraph 27.7). Paragraph 4.14 of the *IFRS for SMEs* Standard specifies disclosure requirements when, at the reporting date, an entity has a binding sale agreement for a major disposal of assets or a group of assets and liabilities.
- Full IFRS Standards require comparative disclosure for the reconciliation of the number of shares outstanding at the beginning and at the end of the period for each class of share capital. The *IFRS for SMEs* Standard does not require this reconciliation for prior periods.
- Full IFRS Standards permit an entity to present some of its assets and liabilities using a current/non-current classification and others in order of liquidity when this provides information that is reliable and more relevant. The *IFRS for SMEs* Standard does not permit such a mixed basis of presentation.
- Full IFRS Standards allow entities to choose the subclassifications of the line items in a manner appropriate to the entity's operations, with illustrative examples. The *IFRS for SMEs* Standard requires disclosure of specific subclassifications as set out in paragraph 4.11.
- Full IFRS Standards do not require separate presentation of investment property carried at cost and investment property carried at fair value, and biological assets carried at cost and biological assets carried at fair value. The *IFRS for SMEs* Standard does. The difference arises because full IFRS Standards provides no exemption for undue cost and effort, so a single measurement model is generally used for all of an entity's investment property and all of its biological assets.
- Full IFRS Standards requires disclosure of the amount expected to be recovered or settled more than twelve months after the reporting period for each asset and liability line that combines such amounts with amounts expected to be recovered or settled in a shorter time. The *IFRS for SMEs* Standard does not require such disclosure.

Module 4—Statement of Financial Position

TEST YOUR KNOWLEDGE

Test your knowledge of the requirements for presenting a statement of financial position applying the *IFRS for SMEs* Standard by answering the questions provided.

Once you have completed the test, check your answers against those set out beneath it.

Mark the box next to the most correct statement.

Question 1

Section 4 *Statement of Financial Position* of the *IFRS for SMEs* Standard:

☐ (a) prescribes information to be presented in a statement of financial position.

☐ (b) prescribes the sequence or format in which items are to be presented in the statement of financial position.

☐ (c) does not permit the presentation of additional line items, headings and subtotals in the statement of financial position in addition to those set out in paragraph 4.2.

Question 2

Applying the *IFRS for SMEs* Standard, an entity must present additional line items in a statement of financial position when:

☐ (a) such presentation is relevant to an understanding of the entity's financial position.

☐ (b) such presentation is a generally accepted practice in the sector in which the entity operates.

☐ (c) such presentation is required by the tax authorities of the jurisdiction in which the entity operates.

Question 3

Applying the *IFRS for SMEs* Standard, in presenting a statement of financial position, an entity:

☐ (a) must make the current/non-current presentation distinction.

☐ (b) must present assets and liabilities in order of liquidity.

☐ (c) must choose between the current/non-current and the liquidity presentation formats (ie it has a 'free' choice of presentation format).

☐ (d) must make the current/non-current presentation distinction except when a presentation based on liquidity provides information that is reliable and more relevant.

Question 4

Assets to be sold, consumed or realised as part of an entity's normal operating cycle are:

☐ (a) current assets.

☐ (b) non-current assets.

☐ (c) classified as current or non-current in accordance with other criteria.

Module 4—Statement of Financial Position

Question 5

When an entity's normal operating cycle is not clearly identifiable, the operating cycle is measured at:

- ☐ (a) its mean value.
- ☐ (b) its median value.
- ☐ (c) 12 months.
- ☐ (d) three years.

Question 6

Liabilities that an entity expects to settle in its normal operating cycle are:

- ☐ (a) classified as non-current liabilities.
- ☐ (b) classified as current or non-current liabilities in accordance with other criteria.
- ☐ (c) classified as current liabilities.

Question 7

A dividend declared by an entity before its year-end and payable to its shareholders three months after the end of the reporting period is classified as:

- ☐ (a) a non-current liability.
- ☐ (b) a current liability.
- ☐ (c) equity.
- ☐ (d) a current asset.

Question 8

An entity must present each of the line items listed in paragraph 4.2:

- ☐ (a) even if the amount recognised for the line item is nil.
- ☐ (b) unless the amount recognised for the line item is nil.
- ☐ (c) unless the line item is immaterial.

Question 9

Applying the *IFRS for SMEs* Standard, the financial statement that presents an entity's assets, liabilities and equity at a point in time:

- ☐ (a) must be titled the statement of financial position.
- ☐ (b) must be titled the balance sheet.
- ☐ (c) could be titled the statement of financial position or the balance sheet.
- ☐ (d) could be titled the statement of financial position, the balance sheet or any other title that is not misleading.

Module 4—Statement of Financial Position

Question 10

A partnership that prepares its financial statements applying the *IFRS for SMEs* Standard:

- ☐ (a) is required to disclose information equivalent to that required by paragraph 4.12(a), showing changes during the period in each category of equity, and the rights, preferences and restrictions attaching to each category of equity.
- ☐ (b) is required to disclose information equivalent to that required by paragraph 4.12(a) if the partners' interests are classified as equity.
- ☐ (c) is not required to report information about its equity.

Question 11

The *IFRS for SMEs* Standard requires comparative information to be disclosed for the reconciliation of the number of shares outstanding at the beginning and at the end of the period for each class of share capital.

- ☐ (a) True.
- ☐ (b) False.

Module 4—Statement of Financial Position

Answers

Q1 (a)—see paragraph 4.1.
Q2 (a)—see paragraph 4.3.
Q3 (d)—see paragraph 4.4.
Q4 (a)—see paragraph 4.5.
Q5 (c)—see paragraph 4.6.
Q6 (c)—see paragraph 4.7.
Q7 (b)—see paragraph 4.7.
Q8 (c)—see paragraphs 3.15, 3.16 and 10.3.
Q9 (d)—see paragraphs 3.22 and 4.1.
Q10 (a)—see paragraph 4.13.
Q11 (b)—see paragraph 4.12(a)(iv).

APPLY YOUR KNOWLEDGE

Apply your knowledge of the requirements for presenting a statement of financial position applying the *IFRS for SMEs* Standard by completing the case studies provided.

Once you have completed a case study, check your answers against those set out beneath it.

Case study 1

SME A has a new accountant who has prepared the following draft consolidated statement of financial position at 31 December 20X1:

SME A draft statement of financial position for the year ended December 20X1 (in thousands of currency units)

	20X1	*20X0*
Cash	200	140
Cash equivalents	30	20
Non-controlling interests' share of profit for the year	120	150
Dividends declared by SME A	100	190
Trade receivable	1,900	1,200
Inventory, cost	1,000	1,950
Inventory, fair value less costs to complete and sell	180	150
Investment property, fair value	2,500	2,500
Property, plant and equipment, cost	4,324	4,818
Total assets	10,354	11,118
Long-term debt (CU500 capital due on 1 January each year)	2,300	2,800
Interest accrued on long-term debt (due in less than 12 months)	230	280
Share capital	1,500	1,250
Retained earnings at the beginning of the year	1,910	1,000
Profit for the year	1,000	1,250
Non-controlling interest	730	630
Accumulated depreciation on property, plant and equipment	1,450	1,060
Provision for doubtful receivables	200	115
Trade payables	250	1,890
Accrued expenses	3	2
Warranty provision (expires 12 months after the date of sale)	400	390
Environmental restoration provision (restoration is expected to take place in 20X9)	280	260
Provision for vacation leave (unused leave expires 12 months after the year in which it accrues)	1	1
Dividends payable	100	190
Total liabilities and equity	10,354	11,118

The draft statement of financial position above contains a number of errors. Prepare, in compliance with the *IFRS for SMEs* Standard, a consolidated statement of financial position at 31 December 20X1 distinguishing between current and non-current items.

Assume that all items have been correctly recognised and that all the errors are presentational.

Answer to case study 1

SME A—Consolidated statement of financial position at 31 December 20X1
(in thousands of currency units)

	20X1	*20X0*
ASSETS		
Non-current assets		
Property, plant and equipment[(a)]	2,874	3,758
Investment property carried at fair value through profit or loss	2,500	2,500
Total non-current assets	5,374	6,258
Current assets		
Inventories[(b)]	1,180	2,100
Trade receivables[(c)]	1,700	1,085
Cash and cash equivalents[(d)]	230	160
Total current assets	3,110	3,345
Total assets	**8,484**	**9,603**
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	1,500	1,250
Retained earnings[(e)]	2,690	1,910
	4,190	3,160
Non-controlling interests	730	630
Total equity	**4,920**	**3,790**
Non-current liabilities		
Long-term debt[(f)]	1,800	2,300
Long-term provisions (environmental restoration)	280	260
Total non-current liabilities	2,080	2,560
Current liabilities		
Trade and other payables[(g)]	254	1,893
Current portion of long-term debt[(f)]	730	780
Warranty provision	400	390
Dividends declared	100	190
Total current liabilities	1,484	3,253
Total liabilities	**3,564**	**5,813**
Total equity and liabilities	**8,484**	**9,603**

The calculations and explanatory notes below do not form part of the answer to this case study:

(a) PPE 20X1: CU4,324 less CU1,450 = CU2,874;
PPE 20X0: CU4,818 less CU1,060 = CU3,758.

(b) Inventories 20X1: CU1,000 + CU180 = CU1,180;
Inventories 20X0: CU1,950 + CU150 = CU2,100.

(c) Trade receivables 20X1: CU1,900 less CU200 = CU1,700;
Trade receivables 20X0: CU1,200 less CU115 = CU1,085.

(d) Cash and cash equivalents 20X1: CU200 + CU30 = CU230;
Cash and cash equivalents 20X0: CU140 + CU20 = CU160.

(e) Retained earnings at the end of the year = Retained earnings at the beginning of the year plus profit for the year less non-controlling interests' share of profit for the year less dividends declared.

Retained earnings 20X1: CU1,910 + CU1,000 less CU120 less CU100 = CU2,690;
Retained earnings 20X0: CU1,000 + CU1,250 less CU150 less CU190 = CU1,910.

(f) Long-term debt 20X1: CU2,300 less CU500 = CU1,800;
Long-term debt 20X0: CU2,800 less CU500 = CU2,300.

Short-term debt 20X1: CU500 + CU230=CU730;
Short-term debt 20X0: CU500 + CU280=CU780.

(g) Trade and other payables 20X1: CU250 + CU3 + CU1 = CU254;
Trade and other payables 20X0: CU1,890 + CU2 +CU1 = CU1,893.

(h) The provision for vacation is not deemed material and is presented within trade and other payables.

Note: The *IFRS for SMEs* Standard does not prescribe the sequence in which items are to be presented (see paragraph 4.9). In this case study, the statement of financial position presents non-current assets followed by current assets and presents equity and then non-current liabilities followed by current liabilities. This is one of the alternatives permitted by the *IFRS for SMEs* Standard.

Case study 2

SME B has prepared the following statement of financial position for the year ended 31 December 20X8

	20X8	*20X7*
ASSETS		
Property, plant and equipment	37,200	33,450
Vacant land	3,200	3,200
Land and buildings	9,600	9,850
Plant	4,500	4,720
Equipment	8,300	6,520
Investments in associates—carried at fair value	5,100	5,345
Investment property—carried at cost	6,500	3,815
Intangible assets	15,200	15,200
Investments in associates—carried at cost	560	560
Deferred tax assets	320	260
Inventories	15,800	10,500
Trade and other receivables	1,200	1,300
Prepayments	500	450
Cash and cash equivalents	1,298	6,858
Total assets	**72,078**	**68,578**
EQUITY AND LIABILITIES		
Issued capital	22,500	22,500
Treasury shares	(340)	(340)
Retained earnings	10,360	9,520
Other reserves	4,250	4,250
Non-controlling interests	2,380	2,260
Total equity	39,150	38,190
Non-current liabilities		
Interest-bearing loans and borrowings	9,544	8,834
Government grants	925	960
Deferred revenue	65	56
Other liabilities	2,130	1,980
Long-term provisions	1,780	1,560
Total non-current liabilities	14,444	13,390
Current liabilities		
Trade and other payables	9,630	8,292
Interest-bearing loans and borrowings	5,000	5,260
Government grants	1,260	978
Deferred revenue	589	365
Current tax payable	225	215
Short-term provisions	1,235	1,398
Deferred tax liability	545	490
Total current liabilities	18,484	16,998
Total liabilities	32,928	30,388
Total equity and liabilities	**72,078**	**68,578**

Part A: List the errors and omissions in the presentation of SME B's consolidated statement of financial position.

Part B: Prepare SME B's consolidated statement of financial position applying Section 4 of *IFRS for SMEs* Standard.

Answer to case study 2—Part A

Errors in SME B's consolidated statement of financial position include:

- The presentation currency must be disclosed, as required by paragraph 3.23.
- The word 'consolidated' is missing from the title (ie the title should read 'consolidated statement of financial position').
- The statement of financial position should be presented at 31 December 20X8 (ie it is not 'for the year ended').
- The level of rounding of the amounts presented should be disclosed.
- Investment properties, whether carried at fair value or at cost, are not property, plant and equipment. They must be presented as investment property separately from property, plant and equipment, as required by paragraph 4.2(e), (ea) and (f).
- Investments in associates carried at fair value are not property, plant and equipment. They must be presented as investments in associates, as required by paragraph 4.2(e) and (j).
- SME B must present both assets and liabilities as current/non-current classifications or present both assets and liabilities based on liquidity if it provides information that is reliable and more relevant, as required by paragraph 4.4, ie it cannot choose a presentation based on liquidity for assets and a current/non-current presentation for liabilities.
- The deferred tax liability must be classified as a non-current liability, as required by paragraph 4.2(o).
- A line item for equity attributable to owners of the parent must be disclosed, as required by paragraph 4.2(r).

Answer to case study 2—Part B

SME B —consolidated statement of financial position[a] at 31 December 20X8
(in thousands of currency units)

	20X8	*20X8*	*20X7*	*20X7*
ASSETS				
Non-current assets				
Property, plant and equipment				
Vacant land	3,200		3,200	
Land and buildings	9,600		9,850	
Plant	4,500		4,720	
Equipment	8,300		6,520	
		25,600		24,290
Investment property—carried at fair value		6,500		3,815
Intangible assets		15,200		15,200
Investments in associates				
carried at fair value	5,100		5,345	
carried at cost	560		560	
		5,660		5,905
Deferred tax assets		320		260
Total non-current assets		**53,280**		**49,470**
Current assets				
Inventories		15,800		10,500
Trade and other receivables		1,200		1,300
Prepayments		500		450
Cash and cash equivalents		1,298		6,858
Total current assets		**18,798**		**19,108**
Total assets		**72,078**		**68,578**

Continued …

… continued

	20X8	20X8	20X7	20X7
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Issued capital	22,500		22,500	
Treasury shares	(340)		(340)	
Retained earnings	10,360		9,520	
Other reserves	4,250		4,250	
		36,770		35,930
Non-controlling interests		2,380		2,260
Total equity		**39,150**		**38,190**
Non-current liabilities				
Interest-bearing loans and borrowings		9,544		8,834
Government grants		925		960
Deferred revenue		65		56
Other liabilities		2,130		1,980
Deferred tax liability		545		490
Long-term provisions		1,780		1,560
Total non-current liabilities		14,989		13,880
Current liabilities				
Trade and other payables		9,630		8,292
Interest-bearing loans and borrowings		5,000		5,260
Government grants		1,260		978
Deferred revenue		589		365
Current tax payable		225		215
Short-term provisions		1,235		1,398
Total current liabilities		17,939		16,508
Total liabilities		**32,928**		**30,388**
Total equity and liabilities		**72,078**		**68,578**

(a) It is acceptable to refer to the statement of financial position as a ‘balance sheet’.