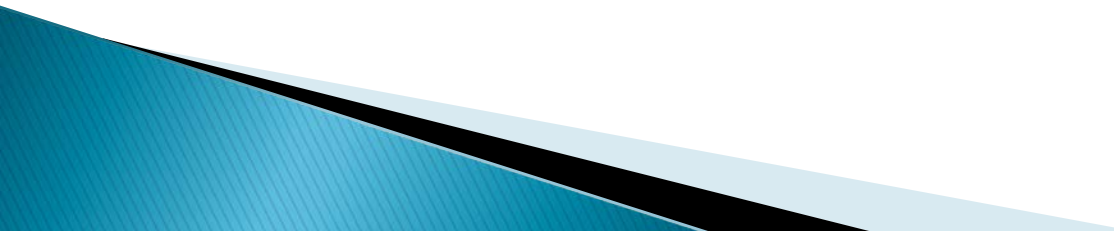


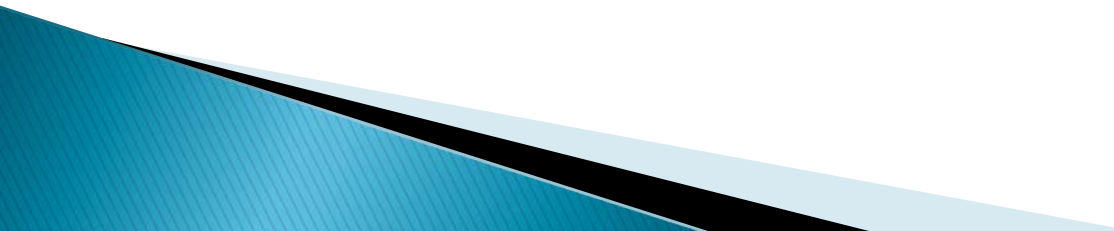
# IFRS for SMEs – Where are we headed?

Andrew F. Brathwaite  
June 2012

# Outline

- ▶ Current status of IFRS for SMEs
  - ▶ Draft timetable for review of Standard
  - ▶ Some issues to be considered
  - ▶ Financial reporting standards for micros?
- 

# Current Status

- ▶ Standard issued by IASB July 2009
  - ▶ At May 2012, over 80 jurisdictions had either adopted the standard or plan to do so within next few years
  - ▶ 13 translations completed and 9 in progress
  - ▶ Review of standard to begin 2012
- 

# Review of IFRS for SMEs

- ▶ Request for information (RFI)
- ▶ Comment deadline for RFI
- ▶ SMEIG review of responses
- ▶ IASB issues exposure draft
- ▶ SMEIG review of responses
- ▶ IASB agrees revisions
- ▶ Effective date of revisions
- ▶ June 2012
- ▶ Nov 2012
- ▶ Q1 /2, 2013
- ▶ Q1 /2, 2013
- ▶ Q3 /4, 2013
- ▶ Q3 /4, 2013
- ▶ 2015

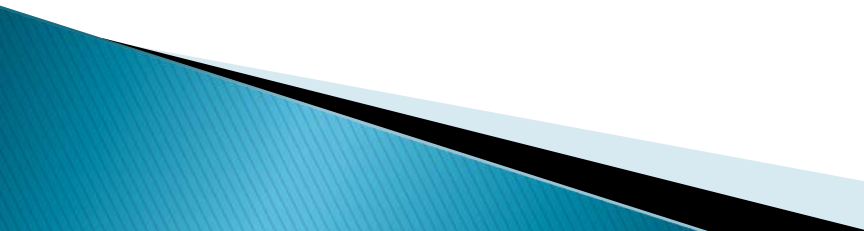
# Which entities may use standard?

- Securities not publicly traded
- Not a financial institution
- Not publicly accountable

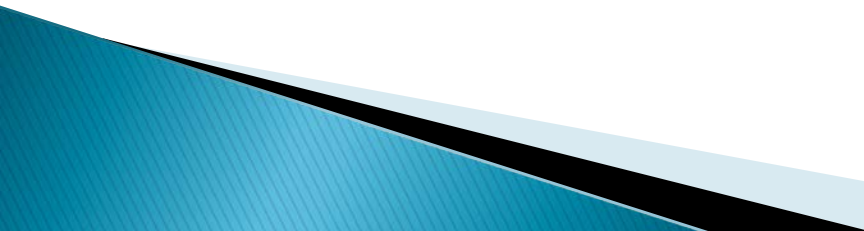
**(assets held in fiduciary capacity for broad group of outsiders as one of primary businesses)**

**Over 99% of private entities around the world are eligible to use the standard**

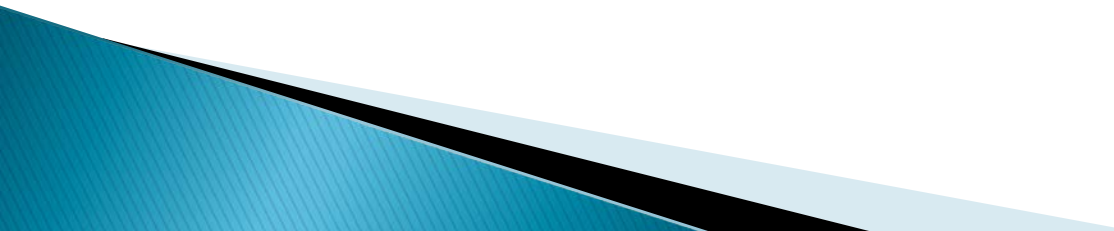
# Some issues to be considered

- ▶ Revaluation of property, plant and equipment
  - ▶ Cost method for investment property
  - ▶ Accounting for deferred taxes
  - ▶ Use of IFRS for SMEs by
    - public companies
    - financial institutions
    - not-for-profit entities
- 

# Some issues to be considered

- ▶ Optional use of recognition and measurement provisions of IAS 39
  - ▶ Guidance on fair value
  - ▶ Capitalization of development costs and borrowing costs on qualifying assets
  - ▶ Presentation of actuarial gains and losses
  - ▶ Minor improvements to full IFRS
  - ▶ Further need for Q&As
- 

# Financial Reporting Standards for Micros

- ▶ Definition of micros
  - ▶ Requirement to prepare general purpose financial statements
  - ▶ Possible simplifications
- 



# Definition of Micros

## ▶ Quantitative

- Assets, turnover, employees

## ▶ Qualitative

- Owner involvement
- Level of sophistication
  - Entity
  - Users of financials
  - Economy and markets

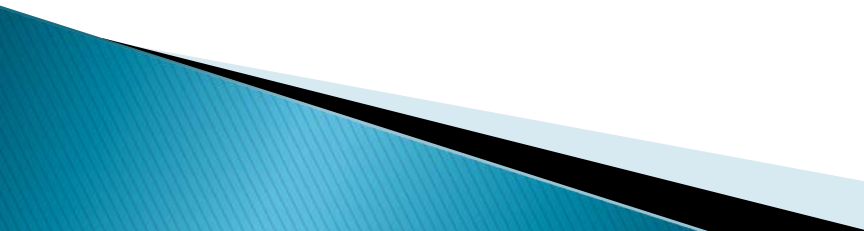
# Do SMEs need general purpose financials?

Financials directed to general financial information needs of a wide range of users who are not in a position to demand reports tailored to meet their particular information needs.

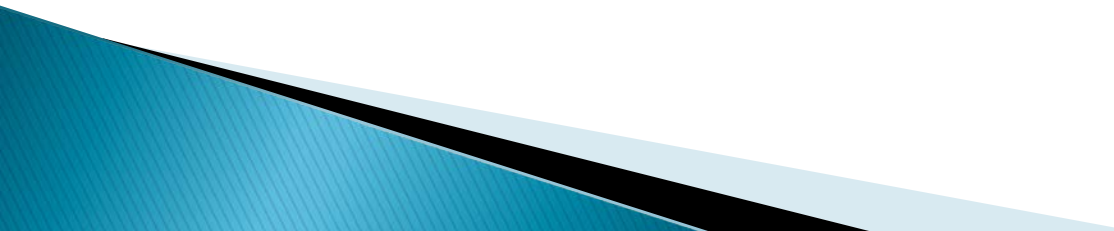
Does not necessarily include financials solely for:

- owner–manager
- tax authorities
- bank

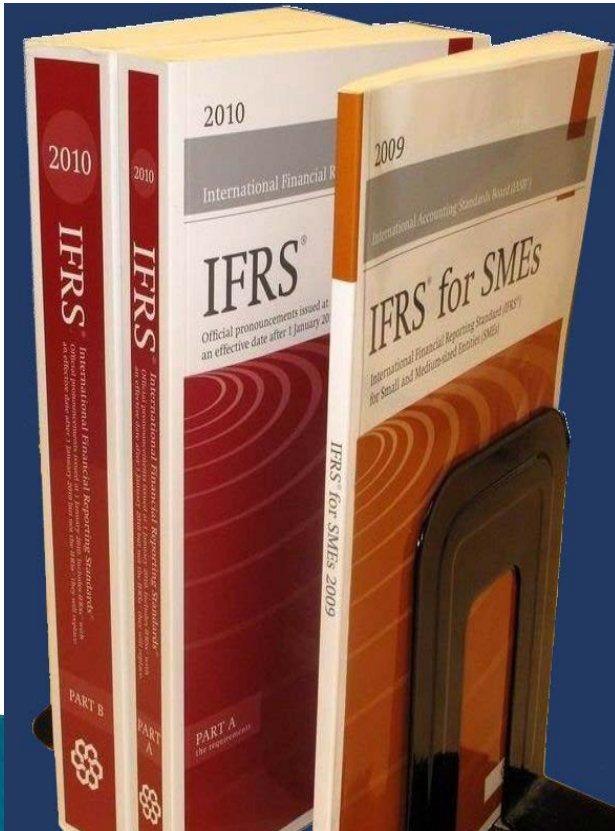
# Possible Micro Simplifications

- ▶ Financial instruments
  - ▶ Measurements for impairments
  - ▶ Measurement for finance leases
  - ▶ Deferred income taxes
  - ▶ Consolidated financials
  - ▶ Statement of cash flows and comprehensive income
- 

# IASB Response

- ▶ approach might result in relatively low costs of preparing financials
  - ▶ statements would omit important info and NOT be useful to a wide range of users for decision making
  - ▶ statements would not help micros attract capital
  - ▶ IFRS for SME's is suitable for micros
- 

# ICAC SURVEY



IFRS FOR SMES – where  
are we headed?

QUESTIONS?