

# IFRS for SMEs Update

From the IFRS Foundation



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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)*. 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.

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### Contact us

If you have news about *IFRS for SMEs* activities in your jurisdiction please contact Darrel Scott and Michelle Fisher (details below)

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## Summary of proposed amendments to the *IFRS for SMEs*

In October 2013 the International Accounting Standards Board (IASB) issued for public comment an [Exposure Draft](#) of proposed amendments to the *IFRS for SMEs*, which it developed based on its initial comprehensive review of the *IFRS for SMEs* (see related news story in the [October](#) edition of *IFRS for SMEs Update*).

What is the IASB proposing?

After considering the feedback it received, and taking into consideration the fact that the *IFRS for SMEs* is still a new Standard, the IASB proposes to only make limited amendments to the *IFRS for SMEs*.

In total the IASB has proposed 57 amendments. These are summarised in a list at the start of the Exposure Draft. With the exception of the proposed amendments to Section 29 *Income Tax*, each individual amendment only affects a few sentences and in many cases only a few words in the *IFRS for SMEs*.

Amendments can be classified as one of seven types:

Amendments that change requirements in the *IFRS for SMEs* (5 amendments): The IASB is proposing to make the following changes to requirements in the *IFRS for SMEs*:

- align the recognition and measurement principles for deferred tax in Section 29 with IAS 12 *Income Taxes* but retain the existing presentation and disclosure simplifications.
- require that if an entity is unable to make a reliable estimate of the useful life of goodwill it should not exceed ten years. A similar amendment is also proposed for other intangible assets.
- account for leases with an interest rate variation clause linked to market interest rates under the requirements for leases in Section 20 *Leases*.
- require that the liability component of a compound financial instrument is accounted for in the same way as a similar stand-alone financial liability.

Amendments to incorporate new and revised IFRSs (13 amendments): The IASB is proposing to make a few minor changes to the *IFRS for SMEs* to incorporate changes under new and revised IFRSs because they are particularly relevant to SMEs, and/or provide additional clarity or a simplification, and/or fix problems or diversity in practice. Many of these amendments are taken from the 2010 and 2012 annual improvement cycles for full IFRSs. However, the IASB proposes not to include many of the most recent and significant changes to full IFRSs, including those under IFRS 3 (2008) *Business Combinations*, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 13 *Fair Value Measurement* and IAS 19 (2011) *Employee Benefits*.

Amendments that introduce new guidance (7 amendments): The IASB is proposing to add guidance in the following areas based on full IFRS guidance:

- preparation of consolidated financial statements if group entities have different reporting dates.
- calculation of non-controlling interest.
- classifying financial instruments as equity or liability.
- accounting for the settlement of the dividend payable for a distribution of non-cash assets.
- new definitions, including active market, foreign operation, minimum lease payments and transaction costs.

Amendments that introduce new exemptions (5 amendments): The IASB is proposing to add new exemptions as follows:

- 'undue cost or effort' exemptions from the measurement of investments in equity instruments at fair value in the two sections on financial instruments (Sections 11 and 12).
- an 'undue cost or effort' exemption from recognising intangible assets separately in a business combination.
- exemption from the requirements in paragraph 22.18 for distributions of non-cash assets ultimately controlled by the same parties before and after the distribution.
- an 'undue cost or effort' exemption from the requirement to offset income tax assets and liabilities.

Amendments that reproduce guidance from SMEIG Q & As (3 amendments): The IASB is proposing to add some of the guidance from the Q & As developed by the SME Implementation Group (SMEIG) and published on the IASB website. The result of incorporating guidance from the non-mandatory SMEIG Q & As is that it will become mandatory. Guidance from the Q & As that has not been incorporated will remain non-mandatory.

Amendments that make minor simplifications to disclosures requirements (3 amendments): The IASB is proposing to add relief from the need to prepare prior year reconciliations of balances in all sections for consistency within the *IFRS for SMEs*.

Amendments that provide minor clarifications (21 amendments): The remaining proposed amendments are minor and are not expected to result in changes in practice or to affect the financial statements for the vast majority of SMEs. Such amendments fall into one or more of the following types:

- clarifying wording/IASB's intention;
- rewriting unclear sentences;
- clarification of the scope of sections; and
- removing inconsistencies.

If you have any comments on the proposed amendments in the Exposure Draft, we encourage you to submit a comment letter via the [open for comment](#) section of the IASB website before 3 March 2014.

More information on the initial comprehensive review is available on the [SME webpages](#) of the IASB website ([www.ifrs.org](http://www.ifrs.org)).

## UNCTAD-ISAR and IFRS Foundation joint workshop on accounting and financial reporting needs of SMEs

On 5 November 2013, United Nations Conference on Trade and Development (UNCTAD) and the IFRS Foundation jointly hosted a one-day workshop in Geneva, Switzerland on the day before the annual meeting of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR). The workshop was attended by 180 delegates from approximately 80 countries. Panellists and delegates discussed the recent developments in accounting for SMEs and the lessons learned from the implementation of the *IFRS for SMEs*. Amaro Gomes (IASB member) and Guillermo Braunbeck (Project Manager, IFRS Education Initiative, IASB) presented an update on SME activities, which included details about the Exposure Draft of proposed amendments to the *IFRS for SMEs*.

More information about the workshop, including links to the presentations used in the workshop, is available on the [UNCTAD website](#).

## **IFRS for SMEs** translations: status report

Here is the current status of the *IFRS for SMEs* translations that have been approved by the IFRS Foundation:

Completed: Albanian\*, Arabic, Armenian\*, Bosnian\*, Chinese (simplified)\*, Croatian\*, Czech\*, Estonian\*, French\*, German, Hebrew\*, Italian\*, Japanese\*, Kazakh\*, Khmer\*, Lithuanian\*, Macedonian\*, Mongolian\*, Polish\*, Portuguese\*, Romanian\*, Russian\*, Serbian, Spanish\*, Turkish\* and Ukrainian\*.

In progress: Turkmen.

Under discussion with the IFRS Foundation: Afrikaans, Georgian and Kyrgyz.

\*Available for free download [here](#) (for translations not marked with an \* please see our [webshop](#) for details on how to purchase a hard copy).

## Where to obtain **IFRS for SMEs** materials

- [The Standard online](#) (available in multiple languages)
- [The Standard in hard copy](#)
- [Information about the SME Implementation Group](#)
- [Information about the Request for Information: \*\*Comprehensive Review of the IFRS for SMEs\*\*](#)

- Information about guidance for micro-sized entities applying the **IFRS for SMEs**
- Q & As
- 'Train the trainers' workshops and presentation slides
- Training materials in PDF format
- IASB and staff presentations about the **IFRS for SMEs**
- Past copies of the **IFRS for SMEs Update**

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