

IFRS for SMEs Update

From the International Accounting Standards Board



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Welcome to the IFRS for SMEs Update

This is the first issue of the IASB's IFRS for SMEs Update. It is a staff summary of news relating to the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs). We intend to publish this Update at least monthly. All issues of the IFRS for SMEs Update will be available in both HTML and PDF format on the IASB's [website](#). The IFRS for SMEs Update is part of our newly created IFRS for SMEs email alerts system. If you have not yet registered, see on the right hand side for more information about how to do so.

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Trustees approve SMEIG terms of reference and operating procedures

At their meeting on 26-27 January 2010, the Trustees of the IASC Foundation approved the Terms of Reference and Operating Procedures for a new SME Implementation Group (SMEIG). The SMEIG will have two main responsibilities:

- To consider implementation questions raised by users of the IFRS for SMEs, decide which ones merit published implementation guidance, reach a consensus on what that guidance should be, develop proposed guidance in the form of questions and answers (Q&As) that would be made publicly available to interested parties on a timely basis, and request the IASB to review the Q&As before issuance. The Q&As are intended to be non mandatory guidance that will help those who use the IFRS for SMEs to think about specific accounting questions.
- To consider, and make recommendations to the IASB on, the need to amend the IFRS for SMEs:
 - for implementation issues that cannot be addressed by Q&As; and
 - for new and amended IFRSs that have been adopted since the IFRS for SMEs was issued or last amended.

The SMEIG will have between 12 and 20 members appointed by the IASCF Trustees. Members serve on a voluntary, non-compensated basis. The Trustees have appointed Paul Pacter (the IASB's Director of Standards for SMEs) as the Chairman of the SMEIG. The SMEIG will conduct its work via email correspondence.

The SMEIG Terms of Reference and Operating Procedures will be posted shortly on the IASB's website along with an invitation for nominations for membership on the SMEIG.

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First two IFRS for SMEs 'train the trainers' workshops held

The IASC Foundation has completed the first two three-day workshops to 'train the trainers' on the IFRS for SMEs. The two workshops were organised by the Confederation of Asian and Pacific Accountants (CAPA) and funded, in part, by the Asian Development Bank. They took place on 20-22 January 2010 in Kuala Lumpur, Malaysia, and on 25-27 January 2010 in Hyderabad, India (the latter at a new residential training facility provided by the Institute of Chartered Accountants of India). The instructors were Paul Pacter, the IASB's Director of Standards for SMEs, and Michael Wells, Director of the IASC Foundation's IFRS Education Initiative. There were 85 participants from 15 jurisdictions: Bangladesh, Cambodia, Hong Kong, India, Indonesia, Malaysia, Mongolia, Nepal, North Korea, Papua New Guinea, Philippines, Samoa, Singapore, Sri Lanka and Vietnam.

The workshops involve three days of intensive study of most sections of the IFRS for SMEs. All participants have committed themselves to organise similar IFRS for SMEs training workshops in their own country. The IASB provided the instructors, training material and PowerPoint presentations for these workshops. Regional groups and development agencies that may want to organise 'teach the trainer' sessions should contact Michael Wells at: mwells@iasb.org.

Instructors' presentations at 'Train the Trainers' workshops are available

The instructors' presentations at the January 2010 'train the trainers' workshops (see above) have been posted on the IASB's website and are available [here](#). A total of 20 presentations are so far available for download in PDF format.

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IASC Foundation IFRS for SMEs training material

The IASC Foundation's education initiative is developing comprehensive training material to support the adoption and consistent application of the IFRS for SMEs. The training material will include 35 stand-alone modules—one for each section of the IFRS for SMEs. You are free to print the training material, distribute it in training programmes, and post it on your own website for non-commercial purposes in accordance with IASC Foundation copyright and terms of use. Each module includes:

- Introduction. An overview of the module, including learning objectives and an overview of the requirements that are the subject of that module.
- Requirements. The full text of the section of the IFRS for SMEs with added notes and worked examples. The notes and examples are designed to clarify and illustrate the requirements.
- Significant estimates and other judgements. A discussion of significant estimates and other judgements in accounting for transactions and events in accordance with that section of the IFRS for SMEs.
- Comparison with full IFRSs. A summary of the main differences between this section of the IFRS for SMEs and the corresponding full IFRS.
- Test your knowledge. A collection of multiple-choice questions (with answers) designed to test the learner's knowledge of the requirements of this section of the IFRS for SMEs.
- Apply your knowledge. Several case studies (with solutions) designed to develop the learner's ability to account for transactions and events in accordance with this section of the IFRS for SMEs.

The following 17 modules of the training material, in English, have been posted and are available [here](#):

| Module and Section | Title |
|--------------------|--|
| 1 | Small and Medium-sized Entities |
| 3 | Financial Statement Presentation |
| 4 | Statement of Financial Position |
| 5 | Statement of Comprehensive Income and Income Statement |
| 6 | Statement of changes in Equity and Statement of Income and Retained Earnings |
| 8 | Notes to the Financial Statements |
| 10 | Accounting Policies, Estimates and Errors |
| 13 | Inventories |
| 14 | Investments in Associates |
| 15 | Investments in Joint Ventures |
| 16 | Investment Property |
| 17 | Property, Plant and Equipment |
| 21 | Provisions and Contingencies |
| 23 | Revenue |
| 24 | Government Grants |
| 25 | Borrowing Costs |
| 32 | Events after the End of the Reporting Period |

The education initiative expects to complete the remaining training modules in the course of 2010. Towards the end of each month the IASC Foundation plans to post the newly-completed modules on the IASB's website.

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Translations of the IFRS for SMEs

Here is a status report on translations of the IFRS for SMEs:

- **Complete.** Chinese, Spanish, Italian, Romanian
- **In process.** Arabic, Czech, French, Japanese, Serbian, Turkish
- **Proposed or under discussion.** Armenian, Khmer, Macedonian, Polish, Portuguese, Russian, Ukrainian

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Recent adoptions of the IFRS for SMEs

We try to keep track of jurisdictions that have adopted, or are planning to adopt, the IFRS for SMEs. Our list currently includes over 50 jurisdictions. In a future Update we will include a summary. Meanwhile, in the past few weeks we have become aware of the following adoptions:

Botswana. The Council of the Botswana Institute of Accountants (BIA) has made the IFRS for SMEs an alternative to full IFRSs for most companies with fewer than 100 employees. The resolution states: "In July 2009, the International Accounting Standards Board (IASB) finally issued the long-awaited IFRS for SMEs. This standard takes immediate effect. Without doubt this is a welcome development in the profession in Botswana especially in view of the fact that Botswana has legislated compliance with full IFRS through the Companies Act 2003. The SMEs standard will significantly reduce the compliance burden for companies in Botswana and it is going to be the reporting framework for more than 90% of the companies in Botswana."

Cambodia. The National Accounting Council (NAC) of the Ministry of Economy and Finance of Cambodia has made the IFRS for SMEs an option for all companies in Cambodia except for 'public interest entities' (financial institutions, publicly traded entities, and large entities), which must use full IFRSs.

Ethiopia. All commodities dealers are now required to use the IFRS for SMEs.

Guyana. The Institute of Chartered Accountants of Guyana has adopted the IFRS for SMEs, as issued by the IASB, for use in Guyana for financial statements for periods ending on or after 31 December 2009. SMEs may choose either the IFRS for SMEs or full IFRSs.

Hong Kong. In January 2010, the Hong Kong Institute of CPAs proposed to adopt the IFRS for SMEs as the Hong Kong Financial Reporting Standard for Private Entities. However, the proposal includes replacing Section 29 Income Tax with a cross-reference to IAS 12 Income Taxes. The auditor's report and basis of presentation note would have to refer to conformity with the Hong Kong Financial Reporting Standard for Private Entities, not to the IFRS for SMEs.

Mauritius. The Parliament has enacted Finance Bill 2009, amending the accounting requirements in Mauritius to permit the IFRS for SMEs as an option for small state owned enterprises. Furthermore, there is currently a consultation on a proposal to extend the option to use the IFRS for SMEs to all non-state-owned companies with turnover of less than 200 million rupees (roughly US\$6 million). This will expand the scope of the IFRS for SMEs to the majority of companies based in Mauritius that are required to prepare financial statements.

Sierra Leone. On 30 December 2009, the Council for Standards of Accounting, Auditing, Corporate and Institutional Governance (CSAAG) of Sierra Leone unanimously passed a resolution adopting the IFRS for SMEs for profit-seeking entities that fall outside its conditions for the application of full IFRSs. The IFRS for SMEs is voluntary (permitted) for reporting periods commencing 1 January 2010 and mandatory for reporting periods commencing 1 January 2011. Listed companies, banks, insurance companies, and other statutorily recognised financial institutions are required to apply the full IFRSs as issued by the IASB.

Trinidad and Tobago. The Institute of Chartered Accountants of Trinidad and Tobago (ICATT) has adopted the IFRS for Small and Medium-sized Entities, as issued by the IASB, for use in Trinidad and Tobago for financial statements effective immediately, which includes 2009 and prior periods. ICATT's announcement said that "the adoption of this Standard impacts the majority of the entities in Trinidad and Tobago and would simplify the level of accounting and auditing requirements for qualifying entities choosing to implement the Standard." Prior to adoption of the IFRS for SMEs, SMEs in Trinidad and Tobago used full IFRSs. Now, SMEs may choose either the IFRS for SMEs or full IFRSs.

Please send information about adoption (and plans for adoption) of the IFRS for SMEs to Paul Pacter, IASB Director of Standards for SMEs: ppacter@iasb.org.

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Where to obtain IFRS for SMEs materials

- **The standard online**
(English, Spanish, Italian and Romanian)
- **The standard in hard copy**
- **Presentations at 'Train the Trainers' Workshops**
- **Training materials in PDF format**
- **Past issues of the IFRS for SMEs Update**

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Disclaimer: The content of this Update does not represent the views of the IASB or the IASC Foundation and is not an official endorsement of any of the information provided. The information published in this newsletter originates from various sources and is accurate to the best of our knowledge.

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