



IFRS for SMEs: Views of IFAC

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1 General Observations

- SME and SMP topping agenda
- Concerns over regulatory overload
- Standards lack relevance to SME/SMP...
- ...and SME/SMP lack ability to efficiently comply
- IFAC SMP Committee
- Ensure standards reflect SME/SMP
- Succinct, relevant, understandable guidance

2 IFRS for SMEs Introduction

- IFAC has closely tracked and input since start
- Globally applicable standard, consistently implemented
- Ease compliance burden on preparers
- Ensure benefits exceed costs
- Release of ED is milestone
- IFAC supports project & committed to assisting IASB secure optimal outcome

2 IFRS for SMEs

IFAC's Role

- Encouraging member bodies, regional accountancy organizations to contribute to debate
- Promoting conduct of field tests – more member bodies need to join
- Getting SMEs and SMPs engaged
- Responding to ED
- Pragmatic approach – focus on major things

2 IFRS for SMEs IFAC Comment Letter

- 1 Recognition & measurement simplifications:
 - Elimination of deferred tax
 - Amortization of goodwill
 - Simplified impairment tests
 - Modifications to financial assets and liabilities

2 IFRS for SMEs IFAC Comment Letter

2 Eliminate *all* cross references

- Remove altogether certain topics – *hyperinflation, segment reporting, EPS and interim reporting*
- Remove most options – *cost method only for PP&E, intangibles, investment property & when consolidating associates and joint ventures*

2 IFRS for SMEs IFAC Comment Letter

- 3 Cost-benefit overriding objective
- 4 Restructure – topics not relevant to all at back
- 5 Rationalize disclosures – focus on financial position
- 6 Post-implementation review
- 7 Exclude very small entities with few external users

3 Micro-Entity Financial Reporting Phase 1

- Concerns expressed at IFAC SMP Forums
- Project aim – to inform debate
- *Micro-Entity Financial Reporting: Perspectives of Preparers and Users, December 2006*
- Summary of existing research evidence
- Lack of research

3 Micro-Entity Financial Reporting Phase 2

- Focus group interviews of owners, financiers & preparers
- Kenya, Italy, Poland, UK & Uruguay
- Investigates whether proposed IFRS for SMEs:
 - likely to meet needs of users
 - can be easily applied by preparers
- What changes to ED *may* be necessary for it to be suitable for micro-entities?

3 Micro-Entity Financial Reporting Phase 2

1. Mixed support for international guidance for micro-entities
2. ED too complex and long for micro-entities
3. Characteristics of any new guidance:
 - Simplicity, few rules, infrequent updates, short, & applicable to all

3 Micro-Entity Financial Reporting Phase 2

4. Outline content - general support for:
 - Fixed format statements, simple disclosure checklist, clear rules for common transactions, & statement of principles
 - Précis version for owners *and* longer one for preparers
5. Internet *and* hard copy

3 Micro-Entity Financial Reporting Phase 2

- Conclusions:
 - ED appears unsuitable for micro-entities
 - Relatively minor changes to ED will not be sufficient for micro-entities
 - No clear case for separate tier of micro-entity guidance
 - Some form of assurance needed for micro-entity financial reports



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