

IASB'S SME ACCOUNTING STANDARD

**Recent Exposure Draft &
Related Issues**

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Goal of IASB/IFRS Foundation

- To provide the world's integrating capital markets with a common language for financial reporting
 - In fulfilling this objective, take account of the needs of:
 - Small and medium-sized entities; and
 - Emerging economies

Agenda

- IFRS for SMEs
- Exposure Draft ED/2013/9
- A Guide for Micro-sized Entities
Applying the IFRS for SMEs
(2009)

Section 1 Small and Medium-sized Entities

- Types of entities that are not automatically publicly accountable
- Clarification of the use of the IFRS for SMEs in the parent's separate financial statements

Section 2

Concepts and Pervasive Principles

- Guidance on the 'undue cost or effort' exemption

Section 4

Statement of Financial Position

- Relief from the requirement to disclose comparative information for the reconciliation of the opening and closing number of shares outstanding

Section 5

Statement of Comprehensive Income and Income Statement

- Clarification that the single amount presented for discontinued operations includes any impairment of the discontinued operation
- Requires entities to group items presented in (OCI) on the basis of whether they are potentially reclassifiable to profit or loss

Section 6

Statement of Changes in Equity and Statement of Income and Retained Earnings

- Clarification that an entity may present the required analysis for each component of OCI either in the statement of changes in equity or in the notes (See IFRS)

Section 9

Consolidated and Separate Financial Statements

- Clarification that all subsidiaries acquired with the intention of sale or disposal within one year should be excluded from consolidation
- Additional guidance on the preparation of consolidated FS if group entities have different reporting dates

Section 9

Consolidated and Separate Financial Statements

- Clarification that all cumulative exchange differences that arise from the translation of a foreign subsidiary are not recognised in profit or loss on disposal of the subsidiary

Section 9

Consolidated and Separate Financial Statements

- Amendment to the definition of 'combined financial statements' to refer to entities under common control, rather than only those under common control by a single investor

Section 11 Basic Financial Instruments

- Addition of an 'undue cost or effort' exemption from the measurement of investments in equity instruments at fair value
- Clarification of the interaction of the scope of Section 11 with other sections of the IFRS for SMEs

Section 11 Basic Financial Instruments

- Clarification that foreign currency loans and loans with standard loan covenants will usually be basic financial instruments
- Clarification in the guidance on fair value measurement in Section 11 that the best evidence of fair value may be a price in a binding sale agreement.

Section 12 Other Financial Instruments Issues

- Clarification of the interaction of the scope of Section 12 with other sections of the IFRS for SMEs
- Addition of an 'undue cost or effort' exemption from the measurement of investments in equity instruments at fair value
- Clarification of issues related to hedge accounting

Section 17

Property, Plant and Equipment

- Clarification of the classification of spare parts, stand-by equipment and servicing equipment as property, plant and equipment or inventory (See IFRS)

Section 18

Intangible Assets other than Goodwill

- Modification to require that if an entity is unable to make a reliable estimate of the useful life of an intangible asset, the useful life should not exceed 10 years, rather than be fixed at 10 years

Section 19

Business Combinations and Goodwill

- Replacement of the undefined term 'date of exchange' with 'date of acquisition'
- Clarification of the measurement requirements for employee benefit arrangements and deferred tax when allocating the cost of a business combination

Section 19

Business Combinations and Goodwill

- Guidance on the calculation of NCI
- Addition of an 'undue cost or effort' exemption to the requirement to recognise intangible assets separately in a business combination
- Modification - the useful life should not exceed 10 years

Section 20 Leases

- Inclusion of leases with an interest rate variation clause linked to market interest rates within the scope of Section 20, rather than Section 12
- Clarification that not all outsourcing arrangements, telecom contracts that provide rights to capacity and take-or-pay contracts are, in substance, leases

Section 22

Liabilities and Equity

- Additional guidance on classifying financial instruments as equity or liability
- Exemption from the initial measurement requirements for equity instruments issued as part of a business combination, including business combinations of entities or businesses under common control

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Section 22

Liabilities and Equity

- Incorporation of the conclusions of IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
- Incorporation of *Tax effect of distributions to holders of equity instruments* (IAS 32)

Section 22

Liabilities and Equity

- Amendment to require that the liability component of a compound financial instrument is accounted for in the same way as a similar standalone financial liability
- Additional guidance on accounting for the settlement of the dividend payable for a distribution of non-cash assets

Section 22

Liabilities and Equity

- 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

Section 26

Share-based Payment

- Clarify that (SBP) transactions involving equity instruments of other group entities are in the scope of Section 26 (align with IFRS 2)

Section 26

Share-based Payment

- Clarification that Section 26 applies to all SBP transactions in which the identifiable consideration appears less than the FV of the equity instruments granted or the liability incurred and not only when such SBP transactions are required by law

Section 26

Share-based Payment

- Clarification of the accounting treatment for vesting conditions
- Clarification that the simplification provided for group plans is for the measurement of the SBP expense only and does not provide relief from its recognition

Section 26

Share-based Payment

- Clarification that the requirements for modifications to grants of equity instruments apply to all SBP transactions measured by reference to the fair value of equity instruments granted, not just SBP transactions made to employees, and also that modifications may or may not be beneficial to the counterparty

Section 27

Impairment of Assets

- Clarification that Section 27 does not apply to assets arising from construction contracts

Section 28

Employee Benefits

- Clarification that only some of the accounting requirements in paragraph 28.23 are relevant to other long-term employee benefits
- Removal of the requirement to disclose the accounting policy for termination benefits

Section 29

Income Tax

- Alignment of the main principles of Section 29 with IAS 12 Income Taxes for the recognition and measurement of deferred tax, modified to be consistent with the other requirements in the IFRS for SMEs
- Addition of an 'undue cost or effort' exemption to the requirement to offset income tax assets and liabilities

Section 30

Foreign Currency Translation

- Clarification that financial instruments that derive their value from the change in a specified foreign exchange rate are excluded from Section 30, but not financial instruments denominated in a foreign currency

Section 33

Related Party Disclosures

- Alignment of the definition of 'related party' with IAS 24

Section 34

Specialised Activities

- Relief from the requirement to disclose comparative information for the reconciliation of changes in the carrying amount of biological assets
- Clarification of the accounting requirements for extractive activities

Section 35

Transition to the IFRS for SMEs

- Incorporation of Repeated application of IFRS 1
- Incorporation of the change under IFRS 1 Government Loans but to require an exception to the retrospective application of the IFRS for SMEs for government loans that exist at the date of transition

Section 35

Transition to the IFRS for SMEs

- Incorporation of Revaluation basis as deemed cost (IFRS 1) from Improvements to IFRSs
- Incorporation of Use of deemed cost for operations subject to rate regulation (IFRS 1)

Section 35

Transition to the IFRS for SMEs

- Incorporation of the change under IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Simplification of the wording used in the exemption from restatement of financial information on first-time adoption

Conclusions

- Have the needs of Caribbean SMEs been addressed?
- Next steps?

Thank You