



Decision time

The ASB is consulting on its plans to end UK GAAP for large and medium-sized businesses by 2012. Isobel Sharp says it is time to stop the dithering and act

There is an accountancy world and there is the real world.

So what does that sentence have to do with the recent consultation paper from the UK Accounting Standards Board (ASB), proposing a new three-tier regime for UK companies from 2012? Small companies will continue to be able to use the Financial Reporting Standard for Smaller Entities. Listed companies and others which are publicly accountable will be required to use International Financial Reporting Standards (IFRS) in all their full glory. The middle tier, being large and medium-sized entities, will move from existing UK GAAP to use either the new, and sadly misnamed, IFRS for SMEs or, if they have masochistic tendencies, full IFRS.

In the accountancy world, particularly those parts inhabited by techies and anoraks, there are serious issues to consider. Is the

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IFRS for SMEs compatible with the provisions of the European Union's Fourth and Seventh Directives? The deferred tax rules in the IFRS for SMEs are not based on the existing IAS 12 on income taxes but are based on what is intended to be a more principled approach set out in an exposure draft

IFRS v IFRS for SMEs		
	Full IFRS	IFRS for SMEs
Pages (approx.)	3,000	300
Disclosure points	3,000	300
Updated	Monthly	Every two or three years

to replace IAS 12. Is it right that deferred tax numbers under the IFRS for SMEs are different from full IFRS? UK GAAP presently does not require most subsidiaries to prepare and publish cash flow statements. The IFRS for SMEs does. Will preparing a cash flow statement be the end of civilisation?

The list goes on. But readers from the real world are about to give up on this article.

While it is brave and foolish for someone who represents the puffed jacket of all anoraks to suggest what business might want, ventures into the real world have produced the following list:

- While change is never particularly welcomed, it is recognised that UK GAAP has not been maintained as an independent regime since 2004. Recent standards based on IFRS equivalents do not fit in properly and the regime has become cumbersome and confusing
- International accounting standards are being used in more than 100 countries and, while that regime is not without its stresses, it is the way forward
- The IFRS for SMEs, while not sweet, is relatively short and produces reasonable financial statements
- The ASB has been consulting on this matter for five years already. Some would just like to make the change now and be done with it.

That last point above is motivated by a number of factors, including the requirement for companies to provide from 2011 their

financial statements in the XBRL electronic format to HMRC. Companies would like to avoid having to tag UK GAAP accounts one year and then repeat the exercise in 2012 when the accounts have changed to IFRS for SMEs or full IFRS format.

Making the IFRS for SMEs available almost immediately would allow businesses to make the transition at a time convenient to them over a three year period. Perhaps only a few would change in 2010 but it would be their choice. On the ASB timetable, an exposure draft is due to be issued in 2010, with the standard following in 2011, only a matter of months before the January 2012 implementation date. Companies would all be forced to change over that year.

The ASB could issue a press notice now, inviting comments on making the IFRS for SMEs available for use early in 2010. Commentators could respond by 1 February 2010, the date that has been set for the consultation paper. The techies may be relied on to raise the tedious. But are there any real hurdles?

In short, the only question is: "What is best for business?" ■

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