

## IFRS in Focus

# IASB exposes proposals on amendments to IFRS for SMEs

### Contents

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#### Introduction and background

#### The proposals

#### Overview of the proposals

#### Key contacts

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#### The Bottom Line

The IASB has proposed 57 amendments to IFRS for SMEs of which more than 30 percent relate to minor clarifications to existing requirements of IFRS for SMEs. The amendments have been focused on simplification, additional guidance and alignment to IFRSs.

Comments on the proposals are due by 3 March 2014.

#### Introduction and background

On 3 October 2013, the International Accounting Standards Board (IASB) issued an Exposure Draft (the ED) proposing amendments to International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SMEs). The ED is the IASB's second step in its comprehensive review of IFRS for SMEs.

The publication of the ED incorporates feedback from the IASB's Request for Information and recommendations from the IASB's Small and Medium-sized Entities Implementation Group (SMEIG).

#### Observations

IFRS for SMEs was initially issued in 2009. At the time, the IASB proposed an initial comprehensive review after two years and a subsequent omnibus review every three years. Because many jurisdictions only adopted IFRS for SMEs in 2010, the IASB only commenced the initial comprehensive review of IFRS for SMEs in 2012.

#### The proposals

The IASB has proposed 57 amendments to IFRS for SMEs categorised as follows:

- 5 new exemptions.
- 5 changes to existing requirements.
- 3 amendments to introduce SMEIG Q&As into IFRS for SMEs.
- 7 amendments for new guidance.
- 13 amendments based on new and revised IFRSs.
- 3 simplified disclosures.
- 21 minor clarifications.

For more information please see the following websites:

[www.iasplus.com](http://www.iasplus.com)

[www.deloitte.com](http://www.deloitte.com)

## Observations

The IASB has proposed amendments to IFRS for SMEs which in most cases should simplify and improve the financial reporting for SMEs.

The IASB proposes not to incorporate recent amendments and significant amendments to IFRSs including the new IFRSs on group accounting to improve the stability of IFRS for SMEs during the initial comprehensive review.

## Overview of the proposals

The proposed amendments, other than minor proposed amendments and clarifications, are summarised below together with their anticipated impact on the financial statements of SMEs:

Proposed amendment	Recognition and measurement	Presentation and disclosure	Guidance or clarification only
<b>New exemptions</b>			
'Undue cost or effort' exemption for measuring equity investments at fair value	X		
'Undue cost or effort' exemption for separate recognition of intangible assets in a business combination	X		
Exemption from fair value measurement for equity instruments issued as part of a business combination	X		
Exemption from measurement requirements for distributions of non-cash assets controlled by the same parties before and after distribution	X		
'Undue cost or effort' exemption for the offset of income tax assets and liabilities		X	
<b>Change to existing guidance</b>			
Limitation of amortisation period of intangibles where the useful lives cannot be reliably measured to a period not exceeding 10 years rather than fixed at 10 years	X		
Limitation of amortisation period of goodwill where the useful life cannot be reliably measured to a period not exceeding 10 years rather than fixed at 10 years	X		
Interest rate variation clauses linked to market interest rates in leases would not be accounted for as a separate derivative	X		
Liability component of compound financial instrument should be accounted for in the same way as a similar stand-alone financial liability (currently at amortised cost)	X		
Measurement of deferred tax on the same basis as under IAS 12 (currently based on IFRS ED/2009/2 <i>Income Tax</i> which was never finalised)	X		
<b>SMEIG Q&amp;A</b>			
Guidance on use of IFRS for SMEs in the parent's separate financial statements			X
Guidance on meaning of 'undue cost or effort'			X
Cumulative exchange differences arising on the translation of a foreign subsidiary are not reclassified to profit or loss on disposal of the foreign subsidiary			X

Proposed amendment	Recognition and measurement	Presentation and disclosure	Guidance or clarification only
<b>New guidance</b>			
Where a uniform reporting date is impracticable, group entities with different reporting dates may be included in consolidated financial statements by using the most recent financial statements adjusted for significant transactions between those financial statements and the group reporting date			X
Measurement of non-controlling interests in a business combination should equal the non-controlling interest's proportionate share of the acquiree's recognised identifiable net assets	X		X
Additional guidance on debt or equity classification requiring the entity to consider substance, rather than legal form and classify the instrument as equity where the entity has an unconditional right to avoid payment	X		X
Clarification that an entity making a non-cash distribution shall, on settlement, recognise the difference between the carrying amount and fair value of the non-cash asset in profit or loss	X		X
Clarification that share-based payment requirements apply whenever the identifiable consideration appears less than the fair value of equity instruments granted or liability incurred	X		X
The extractive industries guidance has been relabelled to mineral resources and amended to require an entity to develop an accounting policy that specifies which expenditures are capitalised	X		X
Several new definitions including active market, foreign operation, minimum lease payments and transaction costs			X
<b>Amendments for new or revised IFRSs</b>			
New requirement to disaggregate items of other comprehensive income into those that will be reclassified to profit or loss separately from those that will not be reclassified to profit or loss		X	
Amended definition of financial liability to classify a rights issue as equity where the rights relate to a fixed number of equity instruments for a fixed amount of any currency and all owners of the same class of equity are treated equally			X
New requirement to measure equity instruments issued to extinguish a financial liability at fair value with the difference between the carrying amount of the financial liability and the fair value of the equity instruments recognised in profit or loss. The requirement is subject to an 'undue cost or effort' exemption. If the exemption is applied, the fair value of the financial liability is used instead of the fair value of the equity instrument	X		
Clarification of classification of servicing equipment as inventory or property, plant and equipment			X
Clarification of presentation of tax effects of distributions to shareholders		X	
Amended definition of related party to align with IAS 24		X	
Amendments to permit repeated transition to SMEs			X
<b>Clarifications</b>			
Impairment of a discontinued operation is included in the single amount presented for discontinued operations		X	X
Relief from providing comparative disclosures for the reconciliation of biological assets		X	
Relief from providing comparative disclosures for the reconciliation of number of shares outstanding		X	

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