

Welcome to the *IFRS for SMEs* Update

The IASB's *IFRS for SMEs* Update is a staff summary of news relating to the International Financial Reporting Standard for Small and Medium-sized Entities (*IFRS for SMEs*). All issues of the *IFRS for SMEs* Update are available in both HTML and PDF format on the IASB's [website](#). To subscribe use the link on the right.

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Contact us

If you have news about IFRS for SMEs activities in your jurisdiction please contact Paul Pacter and Michelle Fisher (details below)

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SME Implementation Group publishes two more draft Q&As

On 21 November 2011, the SME Implementation Group (SMEIG) published for public comment two more proposed questions and answers (Q&As) on the *IFRS for SMEs*. The SMEIG is responsible for assisting the IASB on matters relating to the implementation of the *IFRS for SMEs*. Draft Q&As are reviewed by the IASB before publication for comment. The draft Q&As are open for comment until 31 January 2012 and cover the following topics:

- whether an entity may choose to apply the recognition and measurement provisions of IFRS 9 *Financial Instruments*; and
- whether the recycling of cumulative exchange differences on disposal of a subsidiary is prohibited.

When the IASB issued the *IFRS for SMEs* in 2009, it stated that it plans to consider amendments to the *IFRS for SMEs* approximately once every three years. Moreover, the Board indicated that it intends to do an initial comprehensive review of the standard after two years' experience in implementing the standard. Because the *IFRS for SMEs* was issued in 2009, the first two years in which companies used

it were 2010 and 2011. Consequently, the Board expects the comprehensive review to get under way in 2012. The Board intends to invite public comment on issues for which amendment to the *IFRS for SMEs* should be considered. In doing so, the Board will also consider all of the Q&As for possible incorporation into the revised *IFRS for SMEs*. For that reason, the SMEIG does not expect to issue many, if any, additional Q&As before the start of the comprehensive review.

The draft Q&As can be accessed at <http://www.ifrs.org/IFRS+for+SMEs/Draft.htm>. The two new draft Q&As (excluding their Basis for Conclusions, which are available on our website) are set out below for your reference.

IFRS for SMEs Section 11, Issue 1

Fallback to IFRS 9 **Financial Instruments**

The issue: Paragraph 11.2(b) gives an entity the option of applying the recognition and measurement provisions of IAS 39 *Financial Instruments: Recognition and Measurement* to account for all of its financial instruments instead of following the recognition and measurement requirements in Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instruments Issues*. The IASB has been replacing IAS 39 with IFRS 9 *Financial Instruments* in phases. May an entity choose to apply the recognition and measurement provisions of IFRS 9?

The proposed response: No. The *IFRS for SMEs* refers specifically to IAS 39. SMEs are not permitted to apply IFRS 9.

Where to download the draft Q&A: <http://www.ifrs.org/IFRS+for+SMEs/Draft.htm>

IFRS for SMEs Section 30, Issue 1

Recycling of cumulative exchange differences on disposal of a subsidiary

The issue: Paragraph 30.13 requires exchange differences arising on translation of a monetary item that forms part of a reporting entity's net investment in a subsidiary to be recognised initially in other comprehensive income and to be reported as a component of equity in the consolidated financial statements. It specifically prohibits those cumulative exchange differences from being recognised in profit or loss (ie 'recycled') on disposal of that net investment.

Paragraph 30.18 similarly requires exchange differences arising on translation of a foreign subsidiary into the group presentation currency for consolidation purposes to be recognised in other comprehensive income. But paragraph 30.18 is silent on recycling. Are the cumulative exchange differences that arise on translation into a presentation currency also prohibited from being recognised in profit or loss on disposal of the subsidiary?

The proposed response: Yes. Paragraph 9.18 states 'The difference between the proceeds from the disposal of the subsidiary and its carrying amount as of the date of disposal, excluding the cumulative amount of any exchange differences that relate to a foreign subsidiary recognised in equity in accordance with Section 30 *Foreign Currency Translation*, is recognised in the consolidated statement of comprehensive income (or the income statement, if presented) as the gain or loss on the disposal of the subsidiary'. The word 'excluding' should be interpreted as 'not taking the exchange difference into account in measuring the gain or loss on disposal'.

Where to download the draft Q&A: <http://www.ifrs.org/IFRS+for+SMEs/Draft.htm>

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[Q&As about the **IFRS for SMEs**: status report](#)

The table below provides a status report on the Q&As that have been considered by the SMEIG so far. You will find links to each final Q&A and draft Q&A here <http://www.ifrs.org/IFRS+for+SMEs/Draft.htm>

The [Terms of Reference](#) of the SMEIG as approved by the Trustees of the IFRS Foundation establish criteria for Q&As (see paragraphs 15-17) and due process steps for issuing a Q&A (see paragraphs 18-36), including review of draft Q&As and final Q&As by the IASB before they are issued.

Q&A number / reference	Topic	Status
Final Q&As issued		
Q&A 2011/01	Use of <i>IFRS for SMEs</i> in a parent's separate financial statements	23 June 2011 final Q&A published
Draft Q&As near completion		
Section 1, Issue 2	Captive insurance subsidiaries	14 April 2011 draft Q&A published Comment period now closed Revised Q&A under consideration by the Board
Section 1, Issue 3	Interpretation of 'traded in a public market'	14 April 2011 draft Q&A published Comment period now closed Revised Q&A under consideration by the Board
Section 1, Issue 4	Investment funds with only a few participants	14 April 2011 draft Q&A published Comment period now closed Revised Q&A under consideration by the Board
Draft Q&As comment period now closed		
General, Issue 1	Application of the <i>IFRS for SMEs</i> for financial periods ending before the <i>IFRS for SMEs</i> was issued	28 September 2011: draft Q&A published. 30 November 2011: comment period closed
General, Issue 2	Interpretation of 'undue cost or effort' and 'impracticable'	28 September 2011: draft Q&A published. 30 November 2011: comment period closed
Section 3, Issue 1	Jurisdiction requires fallback to full IFRSs	28 September 2011: draft Q&A published. 30 November 2011: comment period closed
Section 3, Issue 2	Departure from a principle in the <i>IFRS for SMEs</i>	28 September 2011: draft Q&A published. 30 November 2011: comment period closed
Section 3, Issue 3	Prescription of the format of financial statements by local regulation	28 September 2011: draft Q&A published. 30 November 2011: comment period closed
Draft Q&As open for public comment		
Section 11, Issue 1	Fallback to IFRS 9 <i>Financial Instruments</i>	21 November 2011: draft Q&A published. Comment deadline 31 January 2012
Section 30, Issue 1	Recycling of cumulative exchange differences on disposal of a subsidiary	21 November 2011: draft Q&A published. Comment deadline 31 January 2012

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IFRS for SMEs translations: status report

The Serbian translation of the *IFRS for SMEs* has been completed and the Mongolian translation is now available for free download.

Here is the current status of translations of the *IFRS for SMEs* approved by the IFRS Foundation:

Completed. Albanian*, Arabic, Armenian*, Chinese (simplified)*, Czech*, French*, Italian*, Lithuanian, Macedonian*, Mongolian*, Polish*, Portuguese*, Romanian*, Russian*, Serbian, Spanish*, Turkish*

In process. Estonian, Hebrew, Japanese, Kazakh, Khmer, Ukrainian

Under discussion with the IFRS Foundation. Bosnian, Bulgarian

*Available for free download [here](#)

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Additional Spanish-language training module

The IFRS Foundation Education Initiative has posted Module 30 *Foreign Currency Translation* of the Spanish language translation of its training material.

In total, 25 Spanish-language modules are now available for download from the IFRS Foundation website (see <http://www.ifrs.org/IFRS+for+SMEs/Spanish+Modules.htm>). The IFRS Foundation is grateful to the World Bank for facilitating the translation of the training material with funding from the Spanish Trust Fund for Latin America and the Caribbean.

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Recent 'train the trainers' workshops

The IFRS Foundation is conducting workshops to train the trainers on the *IFRS for SMEs*. During November 2011 the IFRS Foundation held two workshops. These three-day workshops involve intensive study of the *IFRS for SMEs*, including several cases and quizzes. More information about the workshops, including free download of the Microsoft PowerPoint® slides used in the workshops, can be found here: <http://www.ifrs.org/IFRS+for+SMEs/SME+Workshops.htm>

Nairobi, Kenya. The IFRS Foundation and the IASB conducted the sixteenth train-the-trainers workshop on the *IFRS for SMEs* on 2-4 November 2011 in Nairobi, Kenya. The event was sponsored by the Eastern Central and South African Federation of Accountants (ECSAFA) and the Institute of Certified Public Accountants of Kenya (ICPAK). Instructors were Paul Pacter (IASB member and Chairman of the SME Implementation Group) and Michael Wells (Director, IFRS Foundation Education Initiative). Participants came from 11 countries including Kenya, Malawi, Nigeria, Rwanda, Somalia, South Africa, Uganda, Zambia, and Zimbabwe. The workshop was conducted in conjunction with the first Africa Congress of Accountants, which was held in Nairobi on 7-9 November. The Congress was attended by approximately 700 accountants from most of the African countries. Paul Pacter presented a general IFRS and *IFRS for SMEs* update workshop at the Congress.

Barbados. The IFRS Foundation and the IASB conducted the seventeenth train-the-trainers workshop on the *IFRS for SMEs* on 22-24 November 2011 in Barbados. The event was sponsored by The Institute of Chartered Accountants of Barbados (ICAB) in cooperation with the Institute of Chartered Accountants of the Caribbean (ICAC) and with support from the Caribbean Development Bank. Instructors in the Barbados workshop were Paul Pacter and Mike Wells. The 53 participants came from Antigua, Barbados, Belize, Grenada, Guyana, Jamaica, St Lucia, St Vincent, Suriname, and Trinidad and

Tobago.

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Upcoming 'train the trainers' workshops

For more details see <http://www.ifrs.org/IFRS+for+SMEs/SME+Workshops.htm>):

Latin America

Date: 6–7 December 2011

Location: Santiago, Chile

Principal instructor: Paul Pacter (IASB member and Chairman of the SME Implementation Group)

Moderators: Jan Engstrom and Amaro Gomes (IASB members)

Language: English with Spanish translation

Sponsoring organisation: Colegio de Contadores de Chile and Duoc-UC

Central Asia M

Date: 9–13 January 2012

Location: Almaty, Republic of Kazakhstan

Instructors: Andrei Busuioc (Financial Management Specialist, CFRR, World Bank) and Michael Wells (Director, IFRS Education Initiative, IASB)

Language: Russian

Sponsoring organisation: The World Bank together with the Ministry of Finance Kazakhstan.

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Where to obtain **IFRS for SMEs** materials

- [The standard online](#)
(Albanian, Armenian, Chinese (simplified), Czech, English, French, Italian, Macedonian, Mongolian, Polish, Portuguese, Romanian, Russian, Spanish and Turkish)
- [The standard in hard copy](#)
- [Information about the SME Implementation Group](#)
- [Q & As](#)
- [Presentations at train the trainers workshops](#)
- [Training materials in PDF format](#)
- [Board and staff presentations about the **IFRS for SMEs**](#)
- [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 IFRS 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.