

## *IFRS for Private Companies Issued*

On July 9, 2009, the International Accounting Standards Board (IASB) published a 230-page condensed version of International Financial Reporting Standards (IFRS) for small to medium-sized companies: *IFRS for SMEs*. *IFRS for SMEs* was developed for *private*\* companies and their financial statement users as a simplification of the full IFRS. The IASB defines small to medium-sized entities (“SMEs”) as businesses that publish general-purpose financial statements for external users and do not have public accountability.

As *IFRS for SMEs* is acceptable for non-public U.S. entities, private companies may be interested as to what the impact, benefits and detriments to changing to IFRS for SMEs would be for them.

\* **Note:** With the American Institute of Certified Public Accountants (AICPA) governing Council’s May 2008 decision to recognize the IASB as an international accounting standard setter, auditors may report on general purpose financial statements presented in conformity with IFRS, including *IFRS for SMEs*, without modification to the opinion as an alternative to U.S. GAAP.

### **Highlights**

*IFRS for SMEs* is built on the foundation of full IFRS, however, many of the principles for recognizing and measuring assets, liabilities, income and expenses have been simplified, topics not relevant to SMEs have been omitted, and the number of required disclosures has been significantly reduced. The IASB plans to limit revisions to the *IFRS for SMEs* to approximately once every three years, after an initial implementation review.

The *IFRS for SMEs* is contained in a stand-alone document and is separate from full IFRS. Since it is separate, it is therefore available for any jurisdiction to adopt whether or not it has adopted the full IFRS. It is also for each jurisdiction to determine which entities should use the standard. It is effective immediately upon issuance.

Simplification of IFRS focuses on several areas:

- Omission of certain topics in IFRS as not being relevant to typical SMEs - Including:
  - Earnings per share
  - Interim financial reporting
  - Segment reporting
  - Special accounting for assets held for sale
  
- Eliminating certain accounting policy options available in full IFRS because a more simplified method is available to SMEs – Examples include:
  - Financial instrument options, including elimination of the available-for-sale and held-to-maturity categories and the fair value option
  - The revaluation model for property, plant and equipment, and for intangible assets

- Proportionate consolidation for investments in jointly-controlled entities
  - For investment property, measurement is driven by circumstances rather than allowing an accounting policy choice between the cost and fair value models
  - Various options for government grants.
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- Simplification of many of the recognition and measurement principles that are in full IFRS – Several of the more significant simplifications to the recognition and measurement principles in full IFRS include specific guidance for financial instruments; amortizing goodwill; carrying investments in associates and joint ventures at cost; expensing research and development costs; expensing borrowing costs; immediately recognizing past service costs and actuarial gains and losses for defined benefit plans; recording deferred income tax assets in full and then deducting an allowance if necessary; and property, plant and equipment that is held for sale is not classified separately but would trigger impairment consideration;
  
  - Substantial reduction of required disclosures

**Available Resources:**

***IASB Resources***

The final *IFRS for SMEs* (together with the basis for conclusions, illustrative financial statements, and a presentation and disclosure checklist) can be obtained via free online access from the IASB Web site at: [go.iasb.org/SME](http://go.iasb.org/SME).

To support the implementation of IFRS for smaller businesses, the International Accounting Standards Committee (IASC) Foundation is developing comprehensive training material. The Foundation is also working with international development agencies to provide instructors for regional workshops to ‘train the trainers’ in the use of the training material, particularly within developing and emerging economies. The training material will be published in a number of languages. The English language material will be downloadable free of charge from the IASB’s website in late 2009.

***AICPA Resources***

The AICPA has also made several resources available on its [www.ifrs.com](http://www.ifrs.com) website including:

- AICPA Q&A for SMEs practice aid:  
[http://www.ifrs.com/overview/IFRS\\_SMES/IFRS\\_SMES\\_FAQ.html](http://www.ifrs.com/overview/IFRS_SMES/IFRS_SMES_FAQ.html)
- Journal of Accountancy Article on *IFRS for SMEs*:  
<http://www.journalofaccountancy.com/Web/20091891.htm>
- Brief AICPA Video Clip:  
<http://www.ifrs.com/video.html?bcpid=1529569170&bclid=1493222124&bctid=28866285001>

The AICPA is also planning additional training to be made available in the future on its website.

***BDO Seidman, LLP Resources***

Within the [BDO IFRS Resource Center – Practice Aids](#), we have further posted an ***IFRS for Private Companies – Frequently Asked Questions*** document for your consideration that we will continue to update.

For additional BDO Seidman, LLP IFRS thought leadership and educational materials, including links to free CPE-worthy upcoming and archived webcasts on IFRS, please visit: [www.bdo.com/ifrs](http://www.bdo.com/ifrs).

In addition, the BDO International website at: <http://www.bdointernational.com/> has numerous publications that can assist BDO's clients and contacts in learning more about IFRS.