

# Major Changes in IFRS for SMEs

August 2009

## International Reporting Framework for Small and Medium Sized Enterprises

South Africa has taken the lead by being one of the first countries in the world to approve IFRS for SMEs as an alternative framework for the preparation of Annual Financial Statements (AFS). Previously "full" IFRS was the only basis allowed for the preparation of Financial Statements of companies. On 13 August 2009, the Accounting Practices Board (APB) approved the recently issued International Accounting Standards Board's IFRS for SME.

IFRS for SMEs is a less onerous reporting framework than "full" IFRS and is available for use by any company in South Africa that does not have public accountability. Accordingly, in terms of the Corporate Laws Amendment Act all "limited interest companies" may adopt IFRS for SMEs. "Widely held" companies that are not publicly accountable would also be allowed to utilise the new framework. The scope of the new standard also allows subsidiaries of companies traded on a stock exchange to prepare their AFS under IFRS for SMEs.

Certain relief granted in IFRS for SMEs includes:

- The removal of the requirement to smooth operating leases where the annual increases are representative of general inflation.
- The removal of the requirement to annually assess useful lives and residual values for property plant and equipment and intangible assets.
- The removal of the proportionate consolidation option for Joint Ventures.
- Investment properties to be measured at fair value if determinable without undue cost and effort, otherwise at "cost-depreciation-impairment" model in line with property plant and equipment.
- Removal of revaluation option for property, plant, equipment and intangible assets.
- Amortisation of all indefinite life intangible assets, including goodwill.
- The removal of "Held-for-sale" classification and the resulting disclosure and measurement requirements.
- First time adoption guidance, incorporating all the exemptions of IFRS 1.
- Reduced disclosure requirements.

Should you have any queries regarding the application of IFRS for SMEs with regard to your company, please contact your engagement partner, who together with our IFRS Consulting division will advise you of the benefits and disadvantages.

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