International Financial Reporting Standard for Small and Medium Sized Entities

Review of field testing results carried out by ACCA in UK in early 2008

Contents

1. Introduction

Background

The International Financial Reporting Standard (IFRS) for Small and Medium Sized-Entities (SMEs) was published as an exposure draft by the IASB in February 2007, and was designed for companies with no public accountability. Public accountability would exist where a company's shares or debt were listed on a public exchange or that the company was a financial institution with fiduciary responsibilities. Whilst it will be up to each jurisdiction to decide the scope of application, the IFRS for SMEs (IFSME) could be applied by a large range of privately held entities.

Given this huge potential number of entities to which the future standard might apply and their economic significance, the development of a future standard for SMEs is probably the most important project that IASB are currently engaged upon.

The exposure draft of IFSME is based on the full IFRS but with fewer disclosure requirements, some simplifications of measurement but few if any recognition differences.

In the UK the Accounting Standards Board (ASB) has indicated that this standard might replace the existing UK accounting standards for all such companies, that is those without public accountability, with the possible exceptions of very large (as yet undefined) private companies and of subsidiaries in groups preparing IFRS consolidated financial statements. For those companies that can use the Financial Reporting Standard for Smaller Entities (FRSSE), ASB have not decided whether to require them to use the IFSME or continue with the FRSSE as a separate system.

Objectives

As well as asking for comments on the exposure draft itself, the IASB further invited respondents to carry out surveys and field tests with regards to the potential impact of the exposure draft on preparers and users of financial statements of SMEs.

In late 2007 ACCA commissioned five members in practice based in the UK to carry out field tests on a sample of five of their clients each. This was with the aim of assessing

- the extent of restatements required as a result of transitioning to the IFSME
- problems encountered with so doing
- where more guidance in the exposure draft may be needed
- rarely occurring items or treatments which might be omitted from the standard.

The IASB questionnaires completed by respondents, along with the financial statements under both, UK GAAP, and the IFRS for SME version, have been submitted to the IASB, for use as part of their overall analysis. The answers to the questionnaires were completed by the accountants in relation to their clients. They had not asked the clients to fill them in.

Field testing method

The five members were provided with

- the IASB's field-testing questionnaire (see Appendix 1),
- the draft IFSME (including the implementation guidance of example accounts and disclosure checklist)1
- an analysis of the key differences expected between UK standards and ED of the IFSME prepared by ACCA staff (Appendix 2).

For each client a questionnaire was completed and a set of financial statements prepared using the IFSME (without comparatives), together with a copy of the original set prepared using UK standards. These were forwarded to IASB for inclusion in their global study.

As can be seen the IASB questionnaire consisted of over 100 questions which were assessing the extent to which certain items were included in the financial statements, whether certain optional treatments were used and most of all whether difficulties were encountered in trying to do the restatements.

The participating members also took part in a round-table discussion to discuss the findings and other issues arising. This provided an opportunity to clarify some of the answers that had been given to the IASB questionnaire and to ask some further questions of the practitioners which are set out in Appendix 3.

[1] See the project page of the IASB's website at
http://www.iasb.org/Current+Projects/IASB+Projects/Small+and+Medium-sized+Entities

2. The sample of entities surveyed

Summary of participating entities

The total number of entities for which completed questionnaires and financial statements were received was 25.

They constituted a reasonably representative sample of UK businesses. However their profile would not be the same as UK companies as a whole – they would on average be too large for that. The sample was drawn from companies who had their financial statements prepared and/or audited by a firm of professional accountants. The selection was made by the firms of accountants and was not at random.

All were limited liability companies, with the exception of one entity which was a limited liability partnership. An analysis of the broad business activities of the entities tested is shown in Figure 1, and clearly shows that the sample covers a wide range of business operations. There were, however, no banking, insurance or financial intermediary companies included.

Responding entities according to business activity	
	Count
Consultancy	3
Franchise	2
Manufacture	4
Marketing and supply	2
Printing	3
Recruitment	2
Refurbishment	1
Services	3
Wholesale and retail	4
Holding company	1
	25

Figure 1: responding entities according to business activity

Figures 2 and 3 show the representation of the entities by size based on turnover and net assets. Figure 4 shows the spread of entities according to number of employees.

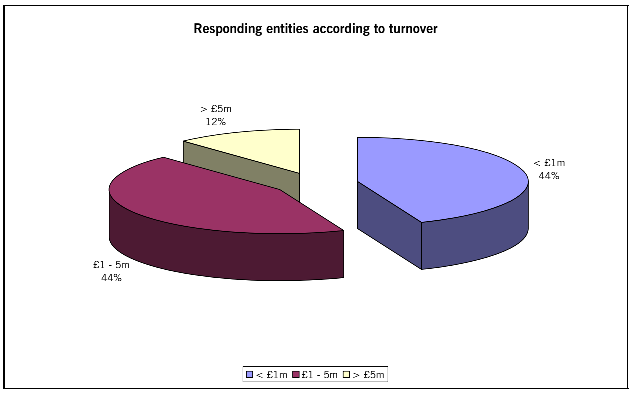

Figure 2: responding entities according to turnover

The average turnover of the entities in the sample was £2.1m, ranging from £7.9m to £0.1m.

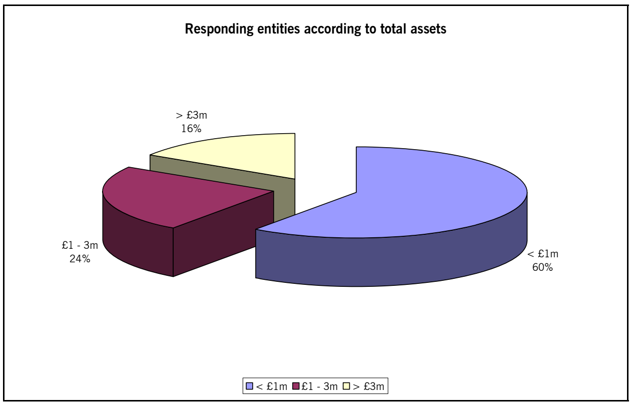

Figure 3 : responding entities according to total assets

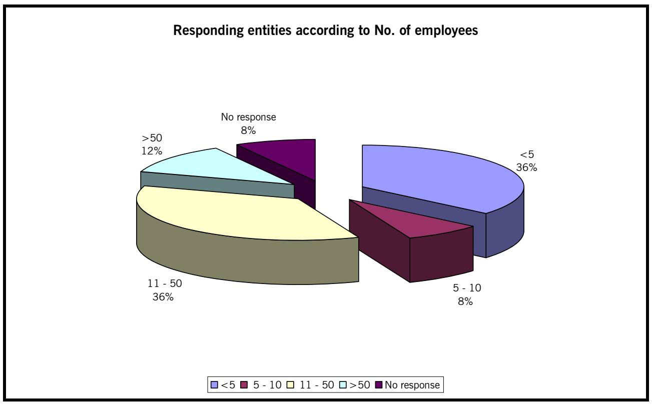

Figure 4 : responding entities according to number of employees

In terms of the average number of employees, the sample was split evenly between those above and below the 10 employee level.

The details above indicate that all but two of the sample entities could be identified as being small companies as defined by the UK Companies Act (1985). Just under half of the sample would also probably have qualified as micro enterprises under the simplification proposals of the European Commission for the Accounting Directives2.

Of the sample none of the companies currently used IFRS as the basis for their accounts. 23 prepared accounts in compliance with the FRSSE and the remaining two were in compliance with general UK standards.

Unsurprisingly the accountants considered that all the entities met the definition of an SME as outlined in the exposure draft. This hinged not around size but whether the entity had public accountability and none of the sample were listed companies (who would have been obliged in the UK to prepare IFRS consolidated statements) or were financial fiduciaries. The financial statements were considered in the majority (20) of cases to be general purpose financial statements for which the IFSME is designed. We note that in the UK all incorporated entities are required by law to prepare annual financial statements, and that all those annual financial statements were required to be submitted to the national tax authority. Furthermore all financial statements were required to be submitted to Companies House, although 23 of the entities were able to take advantage of the provisions in the UK Companies Act, to file abbreviated accounts.

[2] Companies having not more than 1million euros of income, 2 million of assets and 10 employees.

Users of financial statements

The IASB envisage the users of SME financial statements to include

- banks that make loans
- suppliers that sell to SMEs to make credit and pricing decisions
- credit rating agencies and others to rate them
- customers on deciding whether to do business
- shareholders that are not also managers.

For this sample the accountants felt there was a mixed picture here. The only clear results were that all agreed the tax authorities were highly likely to use the accounts and for about half the sample the banks were also very likely to use them. Of the other potential users' customers were the group least likely to use them.

Specifically the sample was evenly divided between companies who had some overseas business and transactions where potentially business partners might appreciate the greater international comparability which could be provided for with the IFSME.

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3. Results of the field tests

Overall results

As can be seen from Appendix 1 the vast majority of the questions in the IASB questionnaire were answered negatively or as not applicable. This means that in the great number of cases the potential accounting issue was either not encountered or proved not to be a problem. In 20 out of 25 cases the conversion of the financial statements from a UK standards basis to that on IFSME raised no or only minor problems to the accountants.

Recognition and measurement differences

There were only a few recognition and measurement differences enforced by the change of standards.

		No.
Adjustments: P&L		4
Adjustments: B/S		14

Two of the companies were required to prepare consolidated accounts as a result, because as small companies they were exempted by UK legislation from having to do so. By contrast the IFSME requires consolidation where companies have subsidiaries. In the two cases in the sample the consolidations were relatively straightforward involving few subsidiaries and not resulting from past business combinations.

Of the responding entities, five recognised assets or liabilities under the IFSME that were not recognised in their most recent financial statements. These all related to the recognition of deferred tax on the balance sheet. There were no items that had been dropped as a consequence of adopting the IFSME.

There were a number of entities that made adjustments which impacted the figures in their financial statements as a consequence of applying the SME standard. Only three companies made GAAP enforced adjustments which impacted the income statement.

- Two of these adjustments related to the reversal of amortised goodwill, which was permissible under UK GAAP.

- One other adjustment related to the restatement of fixed asset investments which had been valued at cost in the previous financial statement, but under the IFSME were valued at fair value. This was for a relatively immaterial amount.

The other adjustments that impacted the income statement were a consequence of the requirement to prepare consolidated financial statements.
Ten companies were affected by balance sheet restatements, but these were generally reclassifications within the same general balance sheet category, other than the three noted above and one that related to the net presentation of government grants for property plant and equipment.

There were a number of items on the balance sheet that had been reclassified under the IFSME as compared with the most recent financial statements. The typical types of adjustments were as follows

- Individual line items within a sub-category, for example within current liabilities, most constituents used ‘accruals and deferred income’ in the most recent financial statement, but this amount was included with other creditors in the IFRS for SME statements.

- Income tax liability shown separately on face of balance sheet in SME financial statement, whereas under UK GAAP these are shown in the notes together with taxation and other social security.

- There was only one reclassification which was a GAAP enforced adjustment. This related to the accounting treatment of capital government grants, whereby under UK GAAP these grants were credited to deferred revenue and released to the profit and loss account over the expected useful life of the assets. The entity applied IAS20 when producing its SME financial statements and consequently has deducted the value of the capital grant from the cost of the asset to which it related.

There seemed two main reasons for this low impact of the conversion on the numbers disclosed in balance sheets and profit and loss accounts. Firstly UK standards (even the FRSSE used by the majority of companies in this sample) are close to IFRS in most of the common recognition and measurement requirements. Secondly where there are differences between IFRS and UK standards these are in areas with more complex accounting treatments and the sample companies did not have many activities which give rise to accounting complexities. The sample included no companies for example with exposure to

- Defined benefit pension schemes
- Joint ventures or associates
- Investment properties
- Share based payments
- Lessor accounting
- Hyperinflationary economies
- Specialised industries (for example agriculture or insurance)

None of the companies appeared to have any hedging activities.

It would seem quite possible that the low instances of recognition and measurement differences recorded in these field tests may represent an understatement. If IFSME were to be adopted in the UK the fuller explanation of the new standards, publications and software that would accompany such a change might highlight the need for more adjustments. For example at the roundtable discussions the scope of the definition of financial instruments did not seem to be fully understood. If deferred tax provisions had not been deemed material under UK standards the same had been assumed for IFSME.

Presentational differences

The main difference in presentation between the most recently prepared financial statements under UK GAAP and those using IFSME statements was the additional requirement to prepare a cashflow statement, given that 23 of the companies qualified to use the FRSSE. The accountants did not report that the preparation of this new statement proved problematic. The indirect method was chosen in each case and the adjustments for non-cash items were presumably to hand.

Other differences were not considered significant and included changes in terminology. Most entities opted for a combined statement of income and retained earnings instead of separate profit and loss account and statement of movements on reserves in the notes. Again no problems were encountered in making the necessary changes. None of the client companies had any items that qualified to be reported separately in a statement of total recognised gains and losses for example.

The accountants had approached much of the work of conversion by using the example financial statements provided and the disclosure checklist. They had therefore all opted for the presentation which balanced total assets with total liabilities and equity. This was a change from their standard current presentation under UK GAAP which balanced net assets with equity and showed a subtotal for net current assets/liabilities. They had made this change without investigating whether their current layout would have been possible under the IFSME and were not fully aware of the flexibility of presentation that the IFSME offered – one set of prepared accounts stated this as actually being a difference between UK requirements and the IFSME.

Their existing UK practice clearly influenced some of the presentational options when they came to IFSME. This is evident in the format of the income statements used by preparers. All entities analysed expenses by 'function' rather than 'nature of expense' with ten doing so on the basis that this was the basis they were currently using under UK GAAP. In a further ten cases respondents believed this method was less burdensome and also that it provided better information.

Disclosure differences

The most common extra disclosure that they were required to make under the new standard related to lease commitments. The additional requirement of the IFSME was to disclose the full value of the commitments not just based on the rentals next year. This did require information that is not always currently readily used by preparers.

Related party disclosures were already required under UK standards and therefore presented no difficulty. In the sample 13 entities required the disclosure of related party transactions, with 15 required to show key management personnel disclosures. Again there were no problems noted in the disclosure of such information, although this is as would be expected given the disclosure requirements under the IFSME are less extensive than under UK GAAP. Indeed the participants had reduced the detail of any disclosures, given that IFSME does not require any persons to be named.

Only one set of IFSME financial statements had made any disclosure of any areas of estimation uncertainty or of judgements required in the application of accounting policies. This concerned goodwill. At the roundtable discussion it emerged that this low level of disclosure was because of unfamiliarity with this item and uncertainty over what sort of item would fall under this heading.

It was accepted that the field test results on the impact of disclosures might be understated. On a 'live' implementation of the IFSME more disclosures might emerge that needed to be added to what was currently provided under UK standards (especially where the FRSSE was being used)– for example in the areas of financial instruments and deferred tax.

IFSME as a Standalone Document

Many commentators and respondents to the IFSME exposure draft objected to the references across to full IFRS that meant that it was not a standalone document. The draft IFSME requires or permits the use of full IFRS for those options and issues that were expected to be applicable only rarely for SMEs. As noted above participants in the field testing were provided with the IFSME along with the accompanying guidance. They were not provided with the full IFRS.

The IASB questionnaire posed the question as to what extent participants looked to full IFRSs in preparing their financial statements in conformity with the SME. Only three entities did refer to full IFRS, in the following circumstances

- For the accounting of government grants (Section 23 of SME). The preparer of the accounts stated they found difficulty with applying the SME standard for the accounting for government grants, and had opted to use IAS20.

- Contract revenue – to ensure the treatment was understood

- Deferred tax assets, again to understand more fully the treatment specified in the IFSME

While no respondents stated they had any problems with the use of full IFRS when employed, the preparer who referred to IAS20 did state that they had issues with finding the standard. Four out of the five firms of accountants did however agree that they had access to a copy of the full standards if they needed it.

The options and cross-referencing to full IFRS in the IFRS for SME, assumes either knowledge of, or access to the full standards. Given that many of the practitioners who prepared the financial statements did not have other clients who prepared financial statements under IFRS and given a general unfamiliarity with full IFRS, there was a preference for a standalone document.

Rarely occurring accounting issues for SMEs

As considered above, the exposure draft deals with rarely occurring matters and options that are less likely to be taken up by cross-reference to the particular standard from full IFRS. For this sample this was a satisfactory way to incorporate such matters in the IFSME, rather than by providing guidance for rarely occurring items or rarely used options. The preparers in this sample found no difficulty in consulting the full IFRS when they needed to do so. The majority supported this as the most practical way to deal with the issue.

None of the participating entities had any such transactions in the current or previous years covered by the following sections of the draft IFSME

- Investments in associates and joint ventures (Section 13 and 14)
- Investment property (Section 15)
- Intangible assets other than goodwill (Section 17)
- Business combinations and goodwill (Section 18)
- Share based payments (Section 25)
- Defined benefit pension schemes (Section 28)
- Hyperinflationary economies (Section 29)
- Segment reporting (Section 31)
- Earnings per share (Section 34)
- Specialised industries (Section 35)
- Discontinued operations and assets held for sale (Section 36)
- Interim financial reporting (Section 37)
- Lessor accounting – in particular finance leases (within Section 19)

While the sample is relatively small and accounting standards may have to cover difficult issues that might only come up in 10% or even fewer cases, these findings call into question whether some of these sections could not be excluded entirely.

It was noted that in five cases that either the concepts or pervasive principles for guidance had been looked at in preparing their financial statements. However this was in effect just done by one of the accountants and on discussion he reported that this was briefly and just to review whether there were any other issues or potential differences in interpretation between the IFSME and their current accounting. No problems were noted, suggesting that there were no significant differences in this respect.

Areas with unexpectedly few comments from respondents

- Financial assets and liabilities – no respondents affirmed to having any issues with the accounting for financial assets and liabilities as set out in section 11 of the exposure draft. This is possibly a result of the general perception that financial instruments essentially refer to derivatives. However, it is clear that all entities in the sample did have financial assets and liabilities, including trade receivables, payables and loans. These were all accounted for using amortised costs less impairment. Participants felt that if the SME dealt first with the most common sorts of financial instruments and with the amortised cost model this would have been very helpful. It could then have gone on to cover when fair value could/should be used and the more rarely encountered derivatives and hedge accounting.

- Employee benefits – in general there were no problems noted with the application of section 27. As would be expected for SMEs, no entities had a defined benefit scheme, with 11 having a defined contribution scheme. However, only two respondents identified themselves as having to recognise short term compensation, with one of those actually having a coterminous year end, and therefore not having to make a provision. Given the number of employees in some of the entities in the sample, we would consider that more respondents would have had to recognise accruals for holiday pay.

- Impairment of non-financial assets – only one respondent had impaired such assets (inventories) in their financial statements.

- Provisions and contingencies - none were reported or indeed issues with them, but there is no significant difference between IFSME and existing UK GAAP in this area.

Influence of Accountants and Software

Many of the decisions relating to presentation of financial statements under either system are determined by the preparing accountant, and it is clear that the client company will follow their professional accountant's advice in terms of the adoption of particular formats and in the interpretation of the exposure draft and the associated guidance.

Similarly the role of software may also impact the choice of format and presentation of the financial statements delivered by entities applying the SME. All constituents who responded to the IASB's question relating to the use of software, said they used an off the shelf software package for UK GAAP financial statements. In preparing for the field testing they had first prepared a model set on software, which as noted above was very much influenced by the model accounts provided with the ED.

Cost / benefit

One of the key considerations that will face all jurisdictions when choosing to adopt a form of the SME standard is whether the burden on SMEs will outweigh the benefits. Whilst this survey does not aim to address this issue, one question posed in the field testing questionnaire by the IASB touches on this point, by asking respondents to consider whether the audit fee will change as a result of applying the SME standard.

	No.	%ge
Responding entities whose financial statement were audited	14	56%
Expecting > audit fees	15	60%

Although 14 companies had their accounts audited, only three companies had turnover equal to or greater than the £5.6m threshold for audit requirements under UK Companies Act). Some respondents felt that the fees would increase, even though they were not currently auditing the accounts.
A majority of respondents felt that there would be an increase, although nine of the 15 affirmative responses indicated that they did not expect the changes to be considerable. The main reasons outlined for these increases were the additional cash-flow statement (not previously required by FRSSE); additional / different disclosure requirements and potential issues relating to transition of software.

For two of the companies that were audited, no increase in audit fees was anticipated.

Other issues raised by respondents

- Impairment of assets other than inventories and goodwill – for five of the entities the accountants had concerns with this section, and in particular regarding the simplification proposed in the SME relating to the elimination of value in use as a possible measure when considering impairment. They felt that this would not be a helpful simplification for SMEs, where the economic reality might suggest that those assets are clearly valuable in use, despite them appearing to be overvalued if based solely on arm's length sales value. Whilst in the chosen samples, there were no instances where an impairment was indicated, preparers felt that could be problems for smaller entities if there were indications of impairment. In particular, difficulties were envisaged in obtaining fair values on certain assets with no organised market.

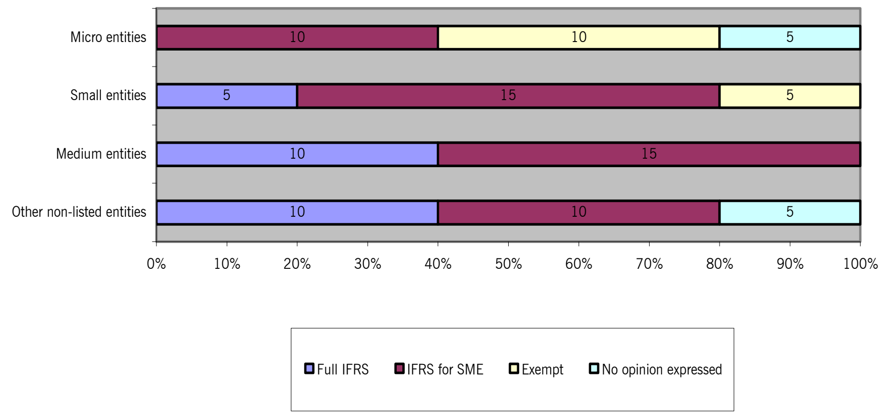
- Revenue recognition - there were no major issues with the recognition of revenue under Section 22, with eight entities where the examples provided were useful. However, in five cases additional examples would have been useful.

4. Findings concerning UK transition

Scope of application

As can be seen from the results below the respondents, having completed the field tests were split on which entities in the UK should apply the IFSME, which full IFRS and which should be exempt from both. There were majorities for applying the IFSME to small and medium sized entities but no clear result for micro entities or for large ones.

17 In the UK context, should the IFRS for SME be applied to following range of entity



	Response count
Answered question	25
No response to question	-

If adopted for small sized entities, it was universally felt that certain key exemptions should be made. These were from requirements to prepare consolidated accounts and from preparing a cash-flow statement, both of which reflect the current financial reporting position in the UK.

Time needed for transition

All agreed that the time needed for transition would not be significant, and would be made relatively smooth were an appropriate software package available from the outset.

Echoing the fact that there were relatively few problems encountered in the preparation of the accounts during the field-testing, those that felt that it would take less than a year for a successful transition, based this on a 'straightforward' entity. One respondent clearly believed that '*the real time consumption would be where the company had complication in its accounts which either needed research or maybe are grey areas needing further interpretation*'.

Those that felt that about a year was needed, did not disagree that the transition would be aided by accounting software, but believed that the additional time would be appropriate mainly for training purposes.

All respondents believed that a ‘big bang’ approach should be taken to transition. It was considered that a gradual or staged transition would be confusing for smaller entities and preparers. This would set a clear timetable for all to work towards, and also negate any confusion over effective and application dates.

Respondents were also asked to consider how they would manage the transition from current GAAP to any future IFRS for SME standard. All respondents stressed the importance of training requirements for staff, whether it be internally or through external courses. Again, the pivotal role of accounting software was stressed in the reaction to this question, all respondents were clear that this would be important to management and preparers alike.

Two respondents (representing 10 of the sampled entities), also stressed the need for disclosure checklists and detailed model financial statements being available in advance.

The sources of guidance that accountants would require varied from CPD and training courses, through to on-line resources. These could be in the form of frequently asked questions as well practical examples.

5. Implications from findings

Overall the field tests of the 25 UK entities showed that the professional accountants when asked to make the conversion from UK GAAP (predominantly the FRSSE) to IFSME were able to accomplish this without major difficulty.

There were relatively few recognition and measurement differences that had to be calculated or would require adaptation of accounting systems. The field tests may have in some areas understated these, but the absence in the sample of many of the well-recognised areas of complexity in accounting (hedging, derivatives, share-based payments, defined benefit pension obligations etc.) would indicate that for the majority of small and medium-sized companies the overall conclusion is not seriously adrift.

In terms of presentational changes the requirement for a cash flow statement for small companies will be a change, but not one that proved noticeably onerous to fulfil. The changes in format, layout and nomenclature may be rather less significant when example accounts are prepared based on existing UK practice and utilising the flexibility in the IFSME.

There will be new or amended disclosure requirements in areas such as lease and related party transactions, and again these may have been understated in these results. These do not however appear to be on such a scale with this sample that would provide a major obstacle to the adoption of IFSME in the UK.

Any such UK adoption would be helped by greater clarity on the integration of the requirements of the IFSME and the Companies Act, in terms of the formats (noted above) and disclosure requirements. There are a number of ways that IASB might improve the IFSME. For example the following would be helpful

- Some simplification of the presentation and better explanation of the accounting for financial instruments.
- Some examples or guidance on the disclosures of measurement uncertainty and areas of judgement in the application policies
- More examples of revenue recognition
- Including value in use as an alternative measure for impairment calculations
- Reducing the number of areas where specific guidance is provided in IFSME despite the issue being rarely occurring

Managing the transition in the UK is likely to be helped by a recognition of the key role played by professional accountants as either auditors and/or advisers to SMEs. The importance of the example/model sets of financial statements is hard to overstate, together with disclosure checklists and other application guidance. The transitional issues which have been highlighted by the field tests are all likely to be helped in a major way by the timely availability of these products and of appropriate UK and Ireland specific software.

In terms of the scope of application, this study would support replacing UK GAAP with IFSME for all companies and not just medium-sized and above. However when it comes to small companies a continuation of the existing derogations in the law for consolidation and for cash flow statements would be appropriate and would help to minimise the burden of preparation on these companies.

In the light of the lack of complexity for the average company and in the view of the participating accountants in this sample, the timescale for adoption would not need to be long and should be not phased but on a 'big bang' approach.

Appendix 1:
IFRS for SMEs and UK Accounting Standards

A brief guide to the most significant differences

Introduction

This guide to differences is intended simply to highlight the most likely and significant differences between UK accounts and those prepared using the exposure draft of the IFRS for Small and Medium-sized Entities (IFRS for SMEs) for the ease of carrying out the field tests.

For individual companies some differences will be more significant than others and important differences may turn out not to be on this list because of their particular circumstances. The wording of IFRS and UK standards are not the same even in areas where in general the accounting seems rather similar and those differences can become important. For example in the definition of subsidiaries or associates and therefore the question whether a particular entity is consolidated or not. In doing the field test therefore reference needs to be made to the IFRS for SMEs itself.

This guide does not refer to many of the disclosure differences – a disclosure checklist of the IFRS for SMEs is provided. In carrying out the field test you can assume that any disclosures deriving from UK company law would still be required.

Differences with full UK standards

***Financial instruments* (including all investments, loans, trade debtors and creditors, cash, overdrafts)**

Assuming that FRS26(IAS39) has not been followed, the main absolute changes are that

- Derivative contracts (e.g. swaps, forward foreign exchange contracts)
- Investments in quoted equities

must be stated at fair value.

Hedge accounting would be allowed for swaps and forward contracts.

IFRS for SMEs offers a number of other optional uses of fair value as opposed to historical cost.

For any convertible loans, the option to convert into shares in the company would have to be separated from the value of the loan.

***Business combinations* (whether with a company or an unincorporated business)**

IFRS for SMEs would require all of these to be accounted for as acquisitions and does not allow merger accounting.

In working out the goodwill more intangible assets would need to be recognised separately (such as brands, customer lists, patents, trade marks, etc.). Most of these would have definite lives over which they should be amortised.

For any goodwill (or indefinite life assets such as some brands) an impairment only approach must be followed and amortisation is not allowed. The impairment test needs only be done if triggered by some indication that impairment may have happened. Negative goodwill should be credited to P&L in the year of acquisition.

The first time application of IFRS for SMEs would not require a restatement of any past business combinations or goodwill. So the above rules would only have to apply to any combinations taking place during the year in question. Any existing goodwill can be brought forward, the amortisation stopped and it simply be subject to impairment if any.

Associates and joint ventures

IFRS for SMEs offers more options for the accounting for these, including at cost and so not using the equity method (share of profits), even in the consolidated accounts.

Deferred tax

Deferred tax would have to be provided on revaluations where no disposal is intended. No discounting of the liability is allowed.

Pension costs and other employee benefits

On defined benefit (final salary) pension costs the current treatment in FRS17 is not allowed by IFRS for SMEs which would instead require all variations in the net pension asset or liability to be accounted for in the P&L for the year.

The accounting treatment of a wider range of employee benefits such as holiday pay and bonus schemes are covered by IFRS for SMEs.

Impairment

The concept of value in use is not part of IFRS for SMEs. In calculating impairment a comparison of carrying amount would be done against the net realisable value only.

Cash flow statements

In IFRS for SMEs fewer compulsory headings for the cash flow analysis are required than in FRS1. There is no exemption for wholly-owned subsidiaries from providing a statement.

Related party disclosures

The provisions here are less extensive than in FRS8 – for example no names of parties are required, the materiality tests are less demanding.

Again there is no exemption for wholly-owned subsidiaries from disclosing transactions with group companies.

Operating leasing commitments

IFRS for SMEs requires fuller disclosure of these including the full value of these and not just based on the rentals next year.

Government grants

The may be further options available here including the full recognition in P&L when the grant is receivable.

Investment property

The treatment in SSAP19 (revaluation with changes directly to the statement of recognised gains and losses) would not be allowed by IFRS for SMEs. Instead it allows a free accounting policy choice between

- Revaluation to fair value but with all changes to P&L or
- Depreciated historical cost without the need for regular valuations

Agriculture

There is no UK accounting standard on agriculture. The IFRS for SMEs requires biological assets (all livestock, growing crops, forests) where a fair value is readily determinable to be stated accordingly. Others can be stated at cost.

Differences with the FRSSE

In addition to those above there would be further differences in accounting requirements as follows:

Consolidation requirement

FRSSE accounts do not have to include a consolidation of subsidiaries. IFRS for SMEs would require one where the effect was material. In carrying out the field test for any FRSSE clients where this would be relevant you could note this shortcoming in your IFRS accounts.

Cashflow statement

Unlike the FRSSE the IFRS for SMEs requires a cashflow statement to be prepared (using the indirect method).

Share-based payments

The FRSSE allows a disclosure–only approach for share-based payments that will be settled in shares. IFRS for SMEs requires a cost to be estimated based on the fair value of the instruments and included in the P&L during the relevant periods when earned.

Disclosure differences

There are likely to be some further disclosure differences between the FRSSE and IFRS for SMEs.

Appendix 2:
Summary of additional questionnaire

Additional questions for respondents and answers

Scope

Were abbreviated accounts filed for any of your companies? If so, please advise which ones.

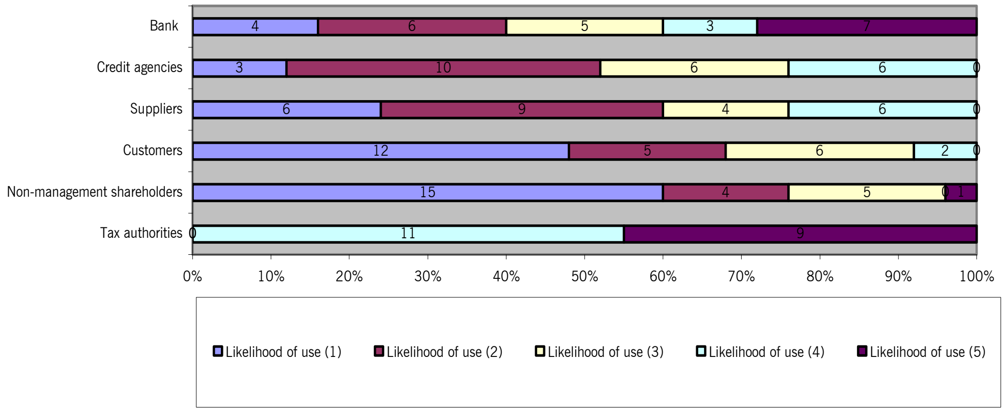
1 Were abbreviated accounts filed for your company?

	Response count
Yes	**25**
No	**-**
Answered question	**25**
No response to question	**-**

The IASB envisage the users of SME financial statements to include the following. Please rank the following from 1-5 in terms of the extent to which you think they would use the financial statements of the entities for which accounts have been prepared :

	Unlikely to use		→		***Highly likely to use***
	Entity1	**Entity2**	**Entity3**	**Entity4**	**Entity5**
Bank					
Credit rating agencies					
Suppliers					
Customers					
Non-management shareholders					
Other (please specficy)					

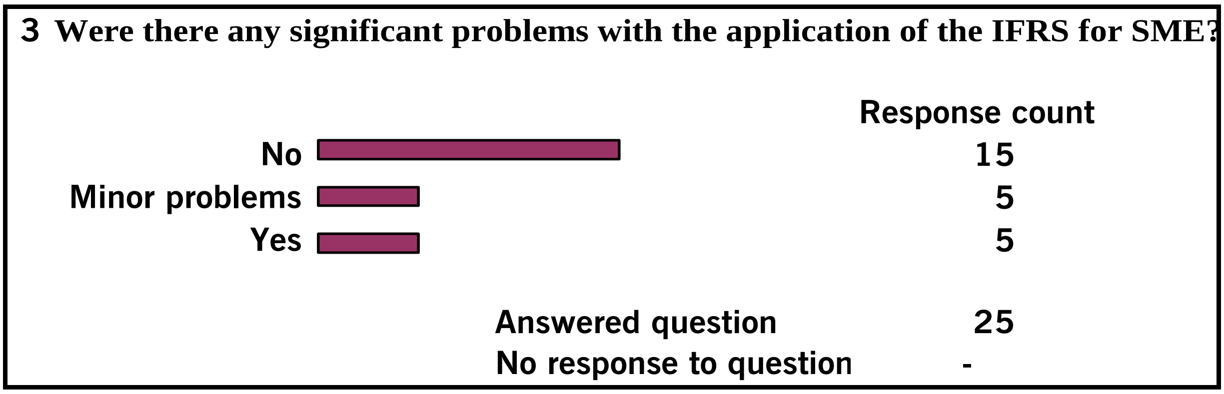
2 The IASB envisage the users of SME financial statements to include the following. Please rank the following from 1-5 in terms of the extent to which you think they would use the financial statements.



	Response count
Answered question	25
No response to question	-

Presentation and preparation

Were there any significant problems with the application of the IFRS for SME?



Please also consider how difficult the IFRS for SME financial statements were to prepare? (Please consider here if consolidated financial statements were required as a result of the IFRS for SME).

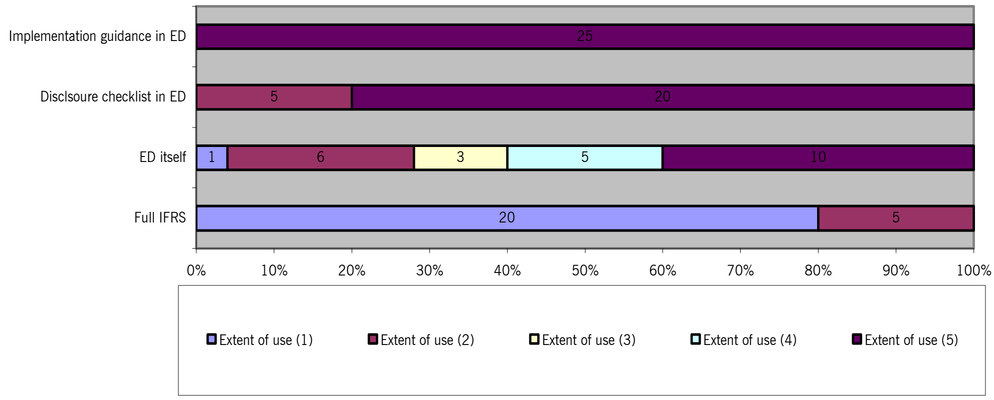
	Easy → Difficult				
	1	2	3	4	5
Difficulty of preparation					

How did you approach the preparation of the financial statements under IFRS for SME?

Which elements of the IASB material did you use and to what extent. (Please rank 1-5, with 5 being used extensively)

	Entity1	Entity2	Entity3	Entity4	Entity5
Implementation guidance: Illustrative financial statements such as balance sheet, income statement and notes					
Disclosure checklist					
Exposure draft itself					
Full IFRS?					

6 Which elements of the IASB material did you use and to what extent?
Use of the following was ranked from 1-5, with 5 being used extensively.



	Response count
Answered question	25
No response to question	-

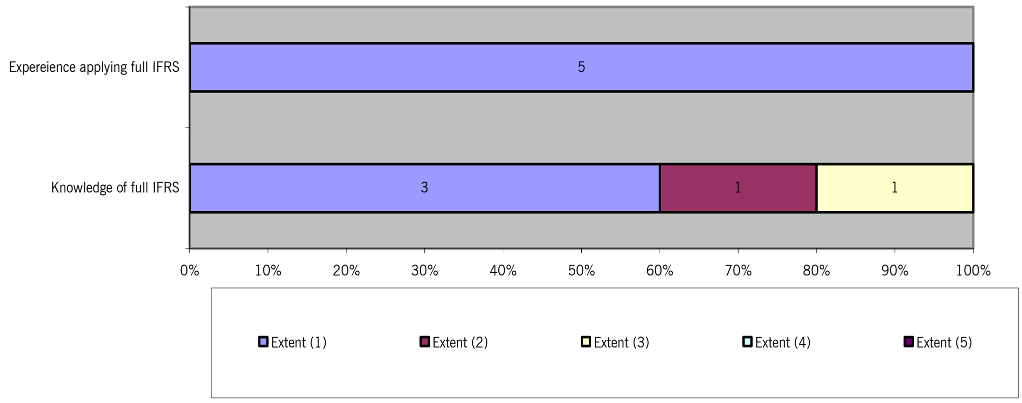
What else would have helped in the preparation and transition to the IFRS for SME?

Did you have any prior experience of applying full IFRS?

Please tick to what extent you have used full IFRS or have knowledge of full IFRS.

	Limited		→		Extensive
	1	2	3	4	5
Experience in applying full IFRS					
Knowledge of full IFRS					

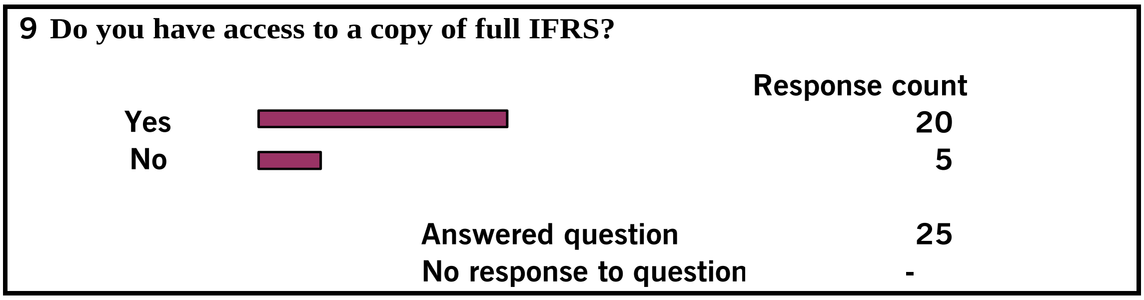
8 What level of experience and knowledge do you have of full IFRS?
The level of experience and knowledge was ranked from 1-5, with 5 being extensive.



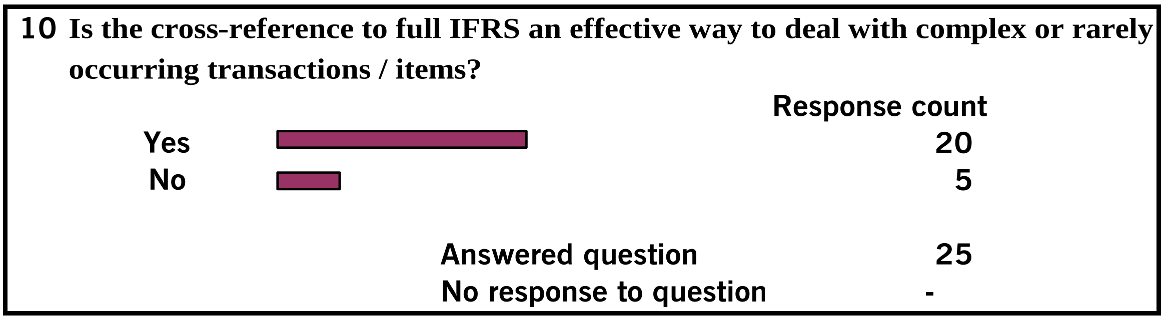
	Response count
Answered question	5
No response to question	-

Standalone document

Do you have access to a copy of full IFRS?



Is the cross-reference to full IFRS an effective way to deal with complex or rarely occurring transactions / items?



Transition

How long would you need for transition if
- Applied generally
- Used for tax purposed also

11 How long would you need for transition if the IFRS for SME financial statemen were to applied generally or used for tax purposes?

	Response count
year	10
1 year	15
year	-
Answered question	25
No response to question	-

Would you prefer a gradual transition or a 'big bang' approach.

How would you manage the transition from current GAAP to any future IFRS for SME standard? In particular, we would be interested in the potential training requirements for staff and also software considerations for implementation.

What type of guidance would you expect, and from whom?

Accounting

Financial instruments – there appeared to be few responses / comments to this section. Is this because greater clarity was required in terms of what constitutes a financial instrument?

Did your client have any forex transactions, and would they benefit from a global set of standards to assess or be assessed by their overseas trading partners?

16 Did your client have any forex transactions, and would they benefit from a global of standards to assess or be assessed by their overseas trading partners?

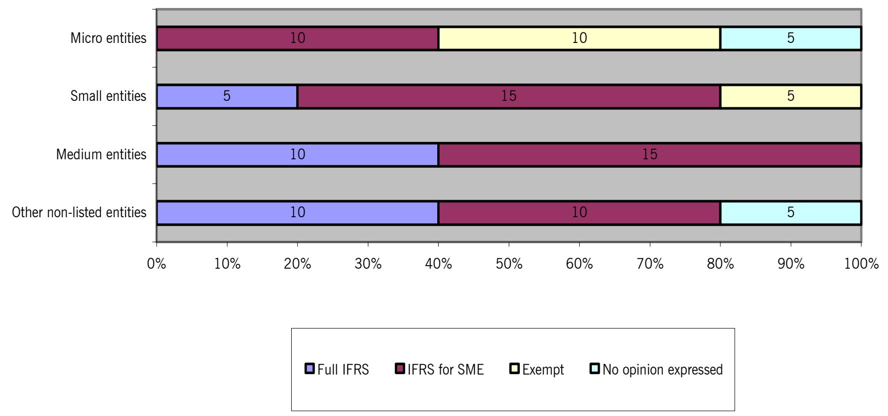
	Response count
Yes	10
No	15
Answered question	25
No response to question	-

Implications

In the UK context, do you think that the ASB should apply the IFRS for SMEs to
- Medium sized entities
- Small sized entities?

.

17 In the UK context, should the IFRS for SME be applied to following range of entity



	Response count
Answered question	25
No response to question	-

If adopted for small sized entities what adaptations do you believe should be made? Eg.

- Consolidation requirements
- Accounting for financial instruments
- Cash flow requirements
- Disclosure requirements

Appendix 3:
Field testing questionnaire for IFRS for SMEs

IASB's questions together with a summary of the answers from UK fieldtesting

ED Section	Question	Yes	
1 Scope	**SME definition.** Did you encounter a problem in determining whether you met the definition of SMEs?	0%	
	General purpose financial statements. Are your most recent financial statements 'general purpose financial statements' as defined in the glossary in the exposure draft?	80%	
	Any other problems in applying Section 1?	0%	
2 Concepts and Pervasive Principles	**Concepts.** In preparing financial statements required by the draft IFRS for SMEs, did you look to the concepts in paragraphs 2.1–2.31 for specific guidance? If yes, please explain.	20%	
	Pervasive principles. In preparing financial statements required by the draft IFRS for SMEs, did you look to the pervasive recognition and measurement principles in paragraphs 2.33–2.45 for specific guidance? If yes, please explain.	20%	
	Any other problems in applying Section 2?	0%	
3 Financial Statement Presentation	**Financial statements.** Paragraphs 3.15 and 3.16 identify the financial statements that the draft IFRS for SMEs requires. Were any of these different from the financial statements that you prepared in its most recent annual report?	48%	
	Materiality. Did you encounter a materiality problem and, if so, how did you resolve it? [paragraphs 3.13 and 3.14]	0%	
	Any other problems in applying Section 3?	0%	
4 Balance Sheet	**Line items.** Were you unable to measure any of the amounts that paragraph 4.2 requires as a separate balance sheet line item or that paragraphs 4.12 and 4.13 require to be presented separately in the balance sheet or in the notes? If yes, which items and what was the problem?	20%	
	Classification. Did you encounter any problems in classifying balance sheet items as current or non-current?	0%	

ED Section	Question	Yes	
	Any other problems in applying Section 4?	0%	
5 Income Statement	**Line items.** Were you unable to measure any of the amounts that paragraphs 5.3 and 5.4 require as a separate income statement item or that paragraph 5.7 requires to be presented separately on the income statement or in the notes? If yes, which items and what was the problem?	20%	
	Analysis of expenses. Did you analyse expenses by 'nature of expense' or by 'function' [see paragraph 5.8]? Was your choice based on (a) more meaningful information or (b) the method not used would have been burdensome?	100%	FUNCTION
	Any other problems in applying Section 5?	0%	
6 Statement of Changes in Equity and Statement of Income and Retained Earnings	**Which statement?** Did you present (a) a statement of changes in equity or (b) a statement of income and retained earnings?	80%	
	Line items. If you presented a statement of changes in equity, were you unable to measure any of the amounts that paragraph 6.3 requires as a separate disclosure? If yes, which items and what was the problem?	0%	
	Line items. If you presented a statement of changes in equity, were you unable to measure any of the amounts that paragraph 6.5 requires as a separate disclosure? If yes, which items and what was the problem?	0%	
	Any other problems in applying Section 6?	0%	
7 Cash Flow Statement	**Direct or indirect?** Did you present operating cash flows using the (a) indirect method or (b) direct method by looking to IAS 7? If direct, why?	100%	INDIRECT
	Classification. Did you encounter any problems in classifying cash flows as operating, investing, or financing?	0%	
	Translation. Did you encounter any problems in translating cash flows in foreign currencies to your functional currency?	0%	

ED Section	Question	Yes	
	Non-cash transactions. Were you required to disclose any non-cash transactions by paragraph 7.18?	0%	
	Any other problems in applying Section 7?	0%	
8 Notes to the Financial Statements	**Judgements.** Paragraph 8.6 requires disclosure of information about judgements. Which ones did you disclose? Did you encounter any problems?	4%	
	Information uncertainty. Paragraph 8.7 requires disclosure of information about key sources of information uncertainty. Which ones did you disclose? Did you encounter any problems?	0%	
	Any other problems in applying Section 8?	0%	
9 Consolidated and Separate Financial Statements	**Consolidation.** Did you prepare consolidated (group) financial statements because the field tester has subsidiaries?	8%	
	Consolidation. If yes, did you prepare consolidated financial statements for its most recent financial year under its national GAAP?	0%	
	Uniform reporting date. Did you encounter problems in applying paragraph 9.11 (uniform reporting date)?	0%	
	Uniform accounting policies. Did you encounter problems in applying paragraph 9.12 (uniform accounting policies)?	0%	
	Any other problems in applying Section 9?	0%	
10 Accounting Policies, Estimates and Errors	**Accounting policy decisions.** Did you look to paragraph 10.2 because the draft IFRS for SMEs does not specifically address a transaction or other event or condition? Describe each case in your response, and answer the next three questions separately for each case.	0%	

ED Section	Question	Yes	
	Analogy. If you were required to apply paragraph 10.2, did you determine its accounting policy under paragraph 10.3(a)—analogising from guidance and requirements in the exposure draft?	0%	
	Concepts and pervasive principles. If you were required to apply 10.2, did you determine its accounting policy under paragraph 10.3(b)—by looking to the concepts and pervasive principles in Section 2?	0%	
	Look to full IFRSs. If you were required to apply 10.2, did you elect to consider the requirements of full IFRSs under paragraph 10.4?	20%	
	Note that because you are applying the draft IFRS for SMEs for the first time, the parts of Section 10 dealing with changes in accounting policy, changes in estimate, and corrections of errors would not be expected to apply.	0%	
	Any other problems in applying Section 10?	0%	
11 Financial Assets and Financial Liabilities	**Option for IAS 39.** Did you elect to use IAS 39 rather than Section 11 (see paragraph 11.1)?	0%	
	Scope. Did you have any assets or liabilities that you were unsure about classifying as financial instruments (versus non-financial)?	0%	
	Measurement basis. Did you have any financial instruments for which the draft IFRS for SMEs was not clear as to whether they qualified to be measured at cost or amortised cost?	0%	
	Designation at cost/amortised cost. Did you choose to designate any financial instruments to be measured at cost or amortised cost?	0%	
	Measurement reliability. Did you have any financial instruments that the draft IFRS for SMEs would require to be measured at fair value but that you measured at cost or amortised cost because you could not get a reliable measure of fair value?	0%	
	Basis for fair value. For each type of financial instrument you measured at fair value, please explain how you determined fair value, whether outside valuers or assistance were required, and any concerns you have about the reliability of the fair value measurements.	0%	

ED Section	Question	Yes	
	Undue cost or effort. Did the draft IFRS for SMEs require any fair value measurements that, in your view, caused undue cost or effort?	0%	
	Impairment. Did you recognise impairment of any financial assets measured at cost or amortised cost?	0%	
	Derecognition. Did the derecognition requirements of paragraphs 11.24–11.26 cause any problems? Did they result in not derecognising items that were derecognised under your national GAAP (or vice versa)?	0%	
	Hedge accounting. Did you do any hedge accounting? If yes, for which of the four kinds of risks in paragraph 11.31 did you do hedge accounting?	0%	
	Hedged risks. Do you think the draft IFRS for SMEs should have provided for hedge accounting for types of risks in addition to those in paragraph 11.31?	0%	
	Hedge accounting. For the four types of risks in paragraph 11.31, did the draft IFRS for SMEs prevent you from doing hedge accounting in any circumstances in which you think hedge accounting would have been appropriate?	0%	
	Type of hedge accounting. If you did hedge accounting, was it (a) fair value hedge, (b) cash flow hedge, or (c) hedge of a net investment in a foreign operation?	0%	
	Measuring hedge effectiveness. If you did hedge accounting, did you encounter any problems in measuring hedge effectiveness?	0%	
	Disclosures. Did any of the disclosures required by paragraphs 11.40–11.52 involve undue cost or effort or otherwise cause problems?	0%	
	Any other problems in applying Section 11?	0%	
Appendix A—Effective interest rate	**Effective interest rate.** Did you use the guidance in Appendix A in determining an effective interest rate?	0%	

ED Section	Question	Yes	
Appendix B—Fair value measurement considerations	**Fair value guidance.** Did you use the guidance in Appendix B in determining fair values of any financial instruments?	0%	
12 Inventories	**Measurement.** Did the draft IFRS for SMEs cause you to change the method by which you have traditionally measured inventories?	0%	
	Any other problems in applying Section 12?	0%	
13 Investments in Associates	**Chosen method.** Paragraph 13.3 gives you a choice of methods of accounting for investments in associates. Which method did you choose, and why?	0%	
	Equity method. If you chose the equity method, and therefore referred to IAS 28 (see paragraph 13.5), did you encounter any problems in applying IAS 28?	0%	
	FV through P&L. If you chose the fair value through profit or loss model (see paragraph 13.6) did you encounter any problems in applying that model?	0%	
	Any other problems in applying Section 13?	0%	
14 Investments in Joint Ventures	**Jointly controlled operations.** Do you have any investments in jointly controlled operations? If yes, did you encounter any problems in applying paragraphs 14.3 and 14.4?	0%	
	Jointly controlled assets. Do you have any investments in jointly controlled assets? If yes, did you encounter any problems in applying paragraphs 14.5 and 14.6?	0%	
	Jointly controlled entities. Do you have any investments in jointly controlled entities? If so, which of the accounting policy options permitted by paragraph 14.8 did you choose, and why? Did you encounter any problems in applying that method?	0%	
	Any other problems in applying Section 14?	0%	

ED Section	Question	Yes	
15 Investment Property	**Have investment property.** Do you own any investment property?	0%	
	Classification problems. Do you have any assets that you had difficulty classifying as investment property or not investment property?	0%	
	Accounting policy choice. If you own any investment property, which accounting policy choice did you make under paragraph 15.4, and why?	0%	
	Fair value measurement problems. If you chose fair value through profit or loss, did you encounter any problems in determining fair value?	0%	
	Any other problems in applying Section 15?	0%	
16 Property, Plant and Equipment (PP&E)	**Measurement problems.** Do you have any PP&E for which you encountered difficulty in measuring cost under paragraphs 16.6–16.10?	0%	
	Revaluation model. Did you choose the revaluation model for any class of PP&E? If yes, which class and why, and did you encounter any problems in measuring fair value?	0%	
	Residual amount. Did you encounter a problem in measuring residual amount?	20%	
	Depreciation method or life. Did the requirements of Section 16 cause you to use a different depreciation method or different useful life from what you used in your most recent financial statements?	0%	
	Impairment. Did you recognise any impairment of PP&E?	0%	
	Component depreciation. Did you apply the provision in paragraph 16.14 that requires ‘component depreciation’ (separate life or depreciation method for parts of a single physical asset)?	0%	

ED Section	Question	Yes	
	Any other problems in applying Section 16?	0%	
17 Intangible Assets other than Goodwill	**Definition.** Did you have any assets that you were unsure that they qualified as intangible assets?	0%	
	Internally generated intangibles. Did you have any internally generated intangible assets other than goodwill? If yes, did you choose the expense model or the capitalisation model under paragraph 17.14, and why?	0%	
	Recognition differences. Did you have any assets that you recognised as intangible assets in your most recent financial statements but for which the draft IFRS for SMEs prohibits recognition as an intangible asset?	0%	
	Revaluation model. Did you have any intangible assets that would have been eligible for the revaluation model under paragraph 17.21? If yes, did you choose the revaluation model, and why or why not?	0%	
	Finite or indefinite life. Did you have difficulty in classifying intangible assets as ‘finite life’ or ‘indefinite life’?	0%	
	Impairment. Did you recognise any impairment of intangible assets other than goodwill?	0%	
	Any other problems in applying Section 17?	0%	
18 Business Combinations and Goodwill	**Prior business combinations.** Did you enter into a business combination in any prior year that has a significant continuing impact on your financial statements? <u>It is not necessary to restate your original accounting for that business combination in field testing the draft IFRS for SMEs.</u> But please explain the method of accounting you used and, if it was the purchase method, whether there is any significant impact of the draft IFRS for SMEs on remaining goodwill.	0%	
	Current year business combination. Did you enter into a business combination in the current year?	0%	

ED Section	Question	Yes	
	Accounting policy. If yes, was your accounting for that business combination under the draft IFRS for SMEs significantly different from how you accounted for it in your most recent financial statements?	0%	
	Identifying acquired assets and liabilities. If yes, did you encounter problems in identifying the acquired assets and liabilities under the draft IFRS for SMEs?	0%	
	Measurement. If yes, did you encounter measurement problems in applying the draft IFRS for SMEs, including measurement of the cost of the transaction and measurement of the acquired assets and liabilities?	0%	
	Disclosures. Were any of the required disclosures impracticable?	0%	
	Any other problems in applying Section 18?	0%	
19 Leases	**Lessee- finance lease.** Are you a lessee in a finance lease?	52%	
	Lessee- operating lease. Are you a lessee in an operating lease?	44%	
	Lessor- finance lease. Are you a lessor in a finance lease? If so, did you encounter any problems in applying IAS 17 (see paragraph 19.15)?	0%	
	Lessor- operating lease. Are you a lessor in an operating lease?	0%	
	Lease classification. Did you encounter any problems in classifying your leases as finance or operating?	0%	
	Lease classification changes. Did your classification under the draft IFRS for SMEs differ from your classification in your most recent financial statements?	4%	

ED Section	Question	Yes	
	Measurement. Did you encounter any measurement problems in applying Section 19?	0%	
	Impairment. Did you recognise impairment of any leased assets?	0%	
	Disclosures. Were any of the required disclosures impracticable?	0%	
	Any other problems in applying Section 19?	0%	
20 Provisions and Contingencies	**Recognition of provisions.** Did you recognise any provisions under Section 20? Did any of these differ, in recognition or measurement, from provisions you recognised and measured (or perhaps did not recognise) in your most recent financial statements?	0%	
	Measurement basis. Did you measure any provisions at a weighted average expected amount (see paragraph 20.8(a))?	0%	
	Measurement basis. Did you measure any provisions at the most likely outcome amount (see paragraph 20.8(b))?	0%	
	Measurement. Did you encounter any problems in measuring provisions under Section 20?	0%	
	Discounting. Did the draft IFRS for SMEs cause you to measure a provision at present value that, in your most recent financial statements, you did not measure at present value?	0%	
	Contingent liabilities. Did you disclose any information about contingent liabilities?	0%	
	Contingent assets. Did you disclose any information about contingent assets?	0%	

ED Section	Question	Yes	
	Any other problems in applying Section 20?	0%	
Appendix—Guidance on implementing Section 20	**Usefulness of examples.** Did you rely on any of the examples in the appendix to Section 20 in deciding whether to recognise or how to measure a provision?	0%	
21 Equity	**Classification or measurement changes.** Did Section 21 cause you to change the classification or measurement or any items of equity from how you classified and measured them in your most recent financial statements (other than changes to retained earnings resulting from different recognition and measurement principles in the draft IFRS for SMEs)? This would include minority interest that paragraph 21.11 requires.	0%	
	Compound financial instruments. Do you have any compound financial instruments outstanding that paragraphs 21.7–21.9 would require to be separated into their liability and equity components?	0%	
	Treasury shares. Do you have any treasury shares and, if so, did paragraph 21.10 change the way you accounted for them as compared with your most recent financial statements?	0%	
	Any other problems in applying Section 21?	0%	
22 Revenue	**Recognition.** Did you encounter any problems in recognising revenue under Section 22?	0%	
	Measurement. Did you encounter any problems in measuring revenue under Section 22?	0%	
	Changes in recognition or measurement. Were there any differences in the way you recognised or measured revenue under Section 22 as compared with under your existing national GAAP?	0%	
	Deferred revenue. Did you have any deferred revenue issues to which paragraph 22.5 applies?	0%	

ED Section	Question	Yes	
	Exchanges of goods or services. Did you have any exchanges of goods or services to which paragraph 22.6 applies?	0%	
	Percentage of completion method. Did you have any revenue (either from sale of services or construction contracts) for which you used (or considered) percentage of completion method?	20%	
	Any other problems in applying Section 22?	0%	
Appendix—Examples of revenue recognition under the principles in Section 22	**Usefulness of examples.** Did you find any of the specific examples of revenue recognition in the Appendix <u>directly applicable</u> to particular transactions you have?	12%	
	Usefulness of examples. Did you use any of the specific examples in the appendix <u>by analogy</u> to help you decide on revenue recognition for particular transactions you have?	32%	
	Additional examples. Are there additional examples that would have been useful if they were added to the appendix?	20%	
23 Government Grants	**Have grants.** Did you have any government grants for which you applied Section 23?	4%	
	Method of accounting. If you did have government grants, did you choose (a) the IFRS for SMEs model in paragraph 23.3(a) for all grants or (b) a combination of the IFRS for SMEs model and IAS 20 as provided under paragraph 23.3(b)?	0%	
	Fair value measurement. If you used the IFRS for SMEs model, did you encounter any problems in determining the fair values for any grants?	0%	
	Any other problems in applying Section 23?	0%	
24 Borrowing Costs	**Have borrowing cost.** Did you have any borrowing cost eligible for capitalisation (directly attributable to the acquisition, construction, or production of an asset that takes a substantial period of time to complete)?	0%	

ED Section	Question	Yes	
	Method of accounting. If you have borrowing cost eligible for capitalisation, did you choose the expense model (paragraph 24.2(a)) or the capitalisation model (paragraph 24.2(b))?	0%	
	Any other problems in applying Section 24?	0%	
25 Share-based Payment	**Cash-settled share-based payment.** Do you have any cash-settled share-based payment transactions? If yes, did you encounter any problems in applying Section 25?	0%	
	Equity-settled share-based payment. Do you have any equity-settled share-based payment transactions? If yes, did you measure those transactions at (a) fair value or (b) intrinsic value? Did you encounter any problems in making that measurement?	0%	
	Any other problems in applying Section 25?	0%	
26 Impairment of Non-financial Assets	**Inventories.** Did you recognise any impairment of inventories? If so, did you encounter any problems in applying paragraphs 26.2–26.4?	4%	
	Assets other than inventories or goodwill. Did you recognise any impairment of non-financial assets other than inventories and other than goodwill, or perform calculations to determine whether any such assets are impaired? If so, please explain:	0%	
	(a) which indicators of impairment caused you to perform the calculation.	0%	
	(b) did you encounter any problems in measuring fair value less costs to sell?	0%	
	(c) any other problems in applying paragraphs 26.5–26.19 of Section 26?	0%	
	Goodwill. Did you recognise any impairment of goodwill, or perform calculations to determine whether goodwill is impaired? If so, please explain:	0%	

ED Section	Question	Yes	
	(a) which indicators of impairment caused you to perform the calculation	0%	
	(b) did you encounter any problems in measuring fair value of the component that includes the goodwill?	0%	
	(c) any other problems in applying paragraphs 26.20–26.24?	0%	
	Any other problems in applying Section 26?	0%	
27 Employee Benefits	**Short-term compensation.** Do you have any accumulating short-term compensation absences (such as annual vacation or sick leave) that were recognised under paragraph 27.6? Any problems?	4%	
	Profit-sharing and bonus. Do you have any profit-sharing or bonus plans that were recognised under paragraph 27.7? Any problems?	8%	
	Defined contribution. Do you have any defined contribution pension or other post-employment benefit plans? If so, did you encounter any problems in applying the recognition and measurement principles in paragraph 27.13?	44%	
	Defined benefit. Do you have any defined benefit pension or other post-employment benefit plans? If so, did you encounter any problems in applying the recognition and measurement principles in paragraphs 27.14–27.26?	4%	
	Other long-term benefits. Do you have any long-term benefits of the type described in paragraph 27.27 (not pensions)? If so, did you encounter any problems in applying the recognition and measurement principles in paragraph 27.28?	0%	
	Termination benefits. Did you provide any termination benefits? If so, did you encounter any problems in applying the recognition and measurement principles in paragraphs 27.29–27.35?	0%	
	Disclosure. Did you encounter any problems with the disclosure requirements in paragraphs 27.36–27.41?	0%	

ED Section	Question	Yes	
	Any other problems in applying Section 27?	0%	
28 Income Taxes	**Tax basis.** Did you encounter any problems in determining the tax basis of any of your assets or liabilities?	0%	
	Measuring temporary differences. Did you encounter any problems in measuring the temporary differences relating to any of your assets or liabilities?	0%	
	Deferred tax assets. Did you recognise any deferred tax asset as a result of applying Section 28?	4%	
	Probability exception. Did the 'probability exception' in paragraph 28.18 affect whether you recognised a deferred tax asset, or the amount at which you recognised such an asset?	0%	
	Unremitted foreign earnings. Did you not recognise a deferred tax liability (asset) relating to unremitted earnings of foreign subsidiaries because remission is not probable in the foreseeable future?	0%	
	Goodwill. Did you have any goodwill for which you did not recognise a deferred tax liability?	0%	
	Measurement. Did you encounter any problem in measuring a deferred tax asset or liability?	0%	
	Disclosure. Did you encounter any problems with the disclosure requirements in paragraphs 28.28–28.30?	0%	
	Any other problems in applying Section 28?	0%	
29 Financial Reporting in Hyperinflationary Economies	**Hyperinflationary?** Did Section 29 require you to look to IAS 29 because your functional currency is hyperinflationary? If so, did you encounter any problems?	0%	

ED Section	Question	Yes	
30 Foreign Currency Translation	**Functional currency.** Did you encounter any problems in identifying your functional currency?	0%	
	Measuring foreign currency transactions. Did you encounter any problems in measuring foreign currency transactions in your functional currency?	0%	
	Net investment in a foreign operation. Did you have any monetary item that forms part of your net investment in a foreign operation? If so, did you encounter any problem in applying paragraphs 30.12 and 30.13 in either (a) your separate financial statements or (b) consolidated financial statements that include your company?	0%	
	Presentation currency. Did you present your financial statements in a presentation currency other than your functional currency? If so, did you encounter any problems in applying paragraphs 30.17–30.23?	0%	
	Disclosure. Did you encounter any problems with the disclosure requirements in paragraphs 30.25–30.29?	0%	
	Any other problems in applying Section 30?	0%	
31 Segment Reporting	**Voluntary reporting.** Did you elect to provide segment information in accordance with IFRS 8? If so, any problems?	0%	
	Voluntary reporting. Would you have elected to provide segment information if the requirement to follow IFRS 8 was simplified?	0%	
	Any other problem in applying Section 31?	0%	
32 Events after the End of the Reporting Period	**Have any events?** Did you have any events after the end of the reporting period that required either adjustment of the financial statements or disclosure? Any problems in applying Section 32 to these?	0%	
	Any other problems in applying Section 32?	0%	

ED Section	Question	Yes	
33 Related Party Disclosures	**Relationships.** Were you required to disclose any related party relationships under Section 33?	52%	
	Management compensation. Were you required to disclose key management personnel compensation under Section 33?	60%	
	Transactions. Were you required to disclose any related party transactions under Section 33?	52%	
	Any other problems in applying Section 33?	0%	
34 Earnings per Share	**Voluntary disclosure.** Did you elect to provide earnings per share information in accordance with IAS 33? If so, any problems?	0%	
	Voluntary disclosure. Would you have elected to provide earnings per share information if the requirement to follow IAS 33 was simplified?	0%	
35 Specialised Industries	**Agriculture issues.** Are you engaged in agricultural activity and, therefore, required to apply paragraph 35.1? If so, any problems? Were fair values readily determinable without undue cost or effort?	0%	
	Extractive industry issues. Do you operate in the extractive industries and, therefore, are required to apply paragraph 35.2? If so, any problems? Were fair values readily determinable without undue cost or effort? If so, any problems in applying the draft IFRS for SMEs?	0%	
36 Discontinued Operations and Assets Held for Sale	**Discontinued operations.** Did you have a discontinued operation for which Section 36 required special presentation or disclosure? Any problems?	4%	
	Assets held for sale. Did you have any non-current assets held for sale? If so, any problems in identifying or measuring them in accordance with paragraph 36.6?	0%	
	Any other problems in applying Section 36?	0%	

ED Section	Question	Yes	
37 Interim Financial Reporting	**Normal practice.** Does your company normally publish interim financial statements? If yes, half-yearly? Quarterly?	12%	
	Did you prepare interim statements? Were the financial statements you prepared for the field test interim financial statements? If so, any problems in applying Section 37?	0%	
38 Transition to the *IFRS for SMEs*	**Transition—newly recognised items.** Did you recognise assets or liabilities under the draft IFRS for SMEs that you did not recognise in your most recent financial statements (paragraph 38.5(a))?	20%	
	Transition—previously recognised items dropped. Did you not recognise assets or liabilities under the draft IFRS for SMEs that you did recognise in your most recent financial statements	0%	
	Transition—reclassifications. Did you reclassify items under the draft IFRS for SMEs as compared with your most recent financial statements (paragraph 38.5(c))?	20%	
	Special exemptions. Did you use any of the first-time adoption exemptions in paragraph 38.8(a)–(f)?	20%	
	Restatement impracticability. Was it impracticable to restate any of your opening balances under Section 38? If so, what did you do?	0%	
	Reconciliations. Did you encounter any problem in preparing the reconciliations required by paragraphs 38.11–38.13?	0%	
	Any other problems in applying Section 38?	0%	
Overall	**Reversion to full IFRSs.** The draft IFRS for SMEs requires or permits the use of full IFRSs in a number of circumstances. Please comment on the extent to which you looked to full IFRSs in preparing your financial statements in conformity with the draft IFRS for SMEs. In those comments, please identify each case where you looked to full IFRSs.	12%	
	Audit fees. Do you have a view on whether your audit fee will change as a result of applying the IFRS for SMEs as compared with your existing GAAP?	60%	

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