

IFRS for SMEs Section 3, Issue 3

Prescription of the format of financial statements by local regulation

Draft Q&As are published by the SME Implementation Group (SMEIG), which assists the IASB¹ in supporting the implementation of the *International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)*. The Q&As are intended to provide non-mandatory and timely guidance on specific accounting questions that are being raised with the Implementation Group by users implementing the *IFRS for SMEs*.

The SMEIG invites comments on whether the proposed Q&A provides useful and sufficient guidance on the matter.

Comment deadline: 30 November 2011.

Comments must be submitted electronically via the IASB's website: <http://go.ifrs.org/IFRS+for+SMEs+QandA>.

Comment documents should state the name and address of the organisation or individual submitting the comment (and, if an organisation, the name of a contact person), and a contact email address.

All comments will be posted on the IASB's website.

Issue

- 1 Local law or regulation sometimes prescribes format requirements for the financial statements of SMEs. For example, it may require a particular order of items in the financial statements (eg in order of ascending or descending liquidity) or it may specify the terminology to be used (eg it may require that the statement of financial position be called the balance sheet). What is the impact of such local requirements on an entity's ability to state compliance with the *IFRS for SMEs*?

Response

- 2 In general, the *IFRS for SMEs* does not prescribe the format, the order of items to be presented or the terminology to be used in financial statements. It does, however, require certain minimum disclosures on the face of the financial statements (see, for example, paragraph 4.2) and it does have a few other basic formatting requirements (such as paragraph 4.4 regarding the current/non-current distinction). Therefore, provided the format prescribed by local law and regulation meets the minimal basic formatting requirements in the *IFRS for SMEs*, the SME will be able to state compliance with the *IFRS for SMEs* under paragraph 3.3.

Basis for Conclusions

- BC1 Paragraph 4.9 states that the *IFRS for SMEs* does not prescribe the sequence or format in which items are to be presented. It simply provides a list of items that are sufficiently different in nature or function to warrant separate presentation in the statement of financial position. Paragraph 3.22 permits an entity to use titles for the financial statements other than those used in the *IFRS for SMEs* as long as they are not misleading. Those principles must be followed when preparing any financial statements under the *IFRS for SMEs*.
- BC2 The illustrative financial statements that accompany the *IFRS for SMEs* should be regarded as one possible format for complying with the requirements of the standard and are not intended as either a template or a preferred format. In many cases, the formats required by local law and regulation are not prohibited by the *IFRS for SMEs* even if they are not the illustrated format. Hence, the SME will still be able to state compliance with the *IFRS for SMEs* under paragraph 3.3.

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