

IFRS for Small and Medium Sized Enterprises: Will you be affected?

As you may be aware, the UK Accounting Standards Board (ASB) has proposed a fundamental reform of UK GAAP which may affect your business.

Will your business be affected?

Your business will be affected by these proposals unless it has either already adopted IFRS or is small enough to be able to adopt the Financial Reporting Standard for Smaller Entities (FRSSE).

What is IFRS for SMEs?

IFRS for SMEs has been in development since 2008 and its aim is to provide a simplified, stand-alone set of accounting principles, appropriate for smaller, non-publicly accountable entities. The principles are based upon those of the full IFRS for reasons of consistency.

IFRS for SMEs is generally considered to be a good thing for UK businesses in terms of simplifying the requirements of full IFRS whilst providing greater convergence by moving to an IFRS-regime. There is still no formal date proposed for the introduction of the standards but you may need to plan ahead for the impact of the changes.

What's the impact of the proposed changes?

The main differences between IFRS for SMEs and UK GAAP that might have the greatest impact on your business are:

Financial instruments	Changes in the definition of financial instruments and also the technique for measurement
Goodwill and intangibles	Goodwill is no longer amortised and annual impairment reviews will be required. Acquired intangible assets must be capitalised and assigned a finite useful life
Deferred tax	Changes in the recognition basis from timing differences under UK GAAP to temporary differences, under IFRS for SMEs
Cash flow statement	Requirement to prepare a cash flow statement for all entities applying IFRS for SMEs
Fixed assets and investment properties	All fixed assets must be measured at cost with no option to revalue. Choice available in respect of investment properties to measure at cost or at fair value

impact of IFRS and generally helping to explain the accounting implications of a particular area of concern. We can advise whether voluntarily adopting IFRS could be beneficial for your entity's accounts and can also help to provide

The IASB have published an initial version of the standard which is freely available to download from the IASB website (www.iasb.org).

Education, guidance and training

At Buzzacott, we have considerable experience assisting businesses with IFRS conversion projects, identifying the

accounting support where your existing audit advisors are conflicted out on independence grounds.

We will advise you when further pronouncements are made by the ASB along with any consequential implications.

Should you have any questions regarding the contents of this Insight or require any further information about IFRS or IFRS for SMEs please do not hesitate to contact Simon Wax or your usual Buzzacott contact.

Simon Wax
+44 (0)207 556 1231
waxs@buzzacott.co.uk

Buzzacott LLP
130 Wood Street, London, EC2V 6DL
www.buzzacott.co.uk



The proposed approach is a three-tier system