

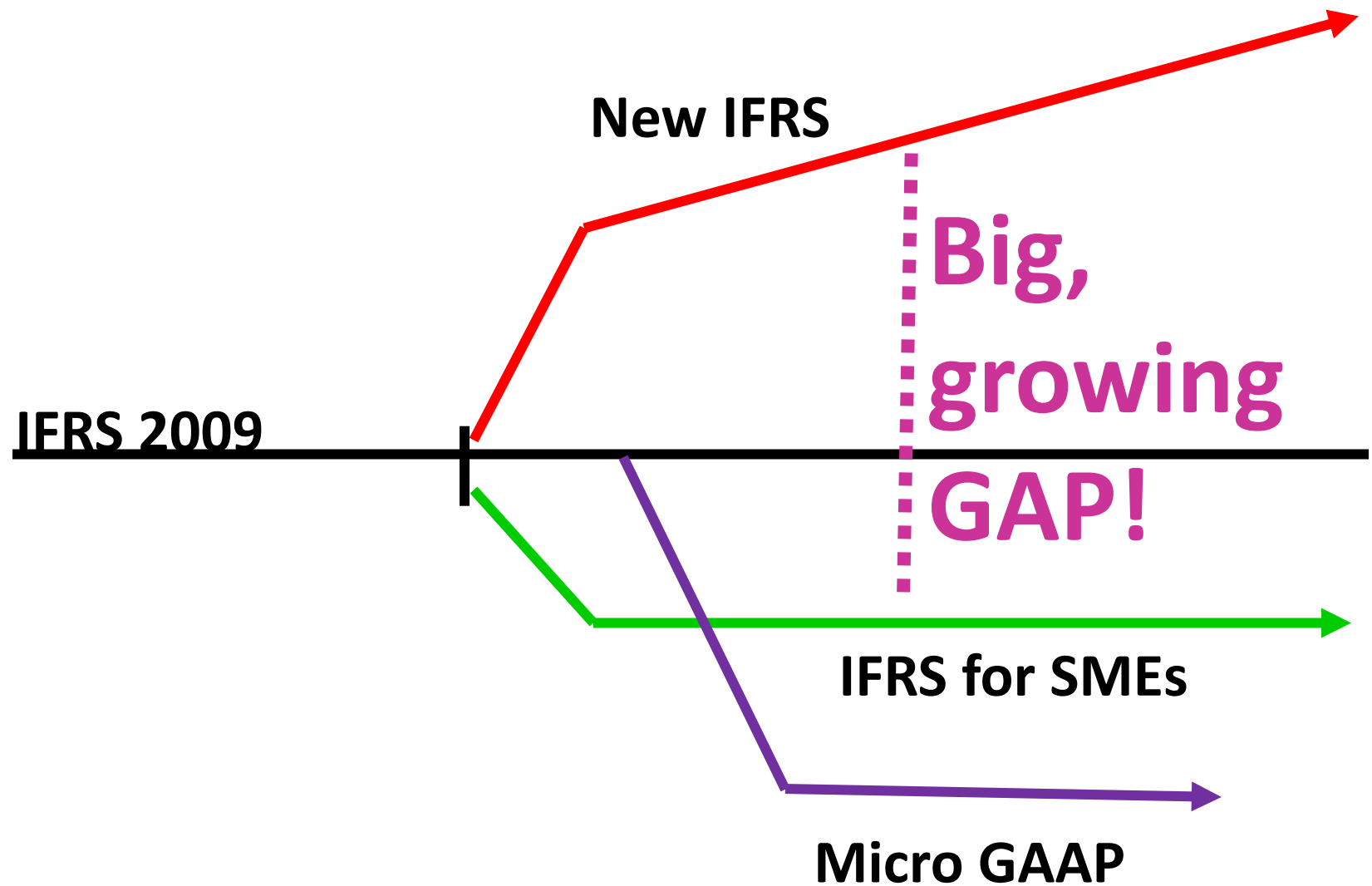
The importance of the adoption of IFRS for SMEs on reducing costs and burden of quality financial reporting

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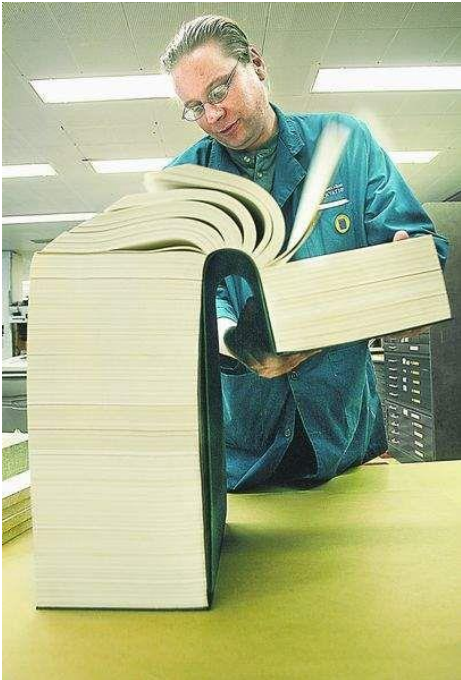
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A world of multiple frameworks

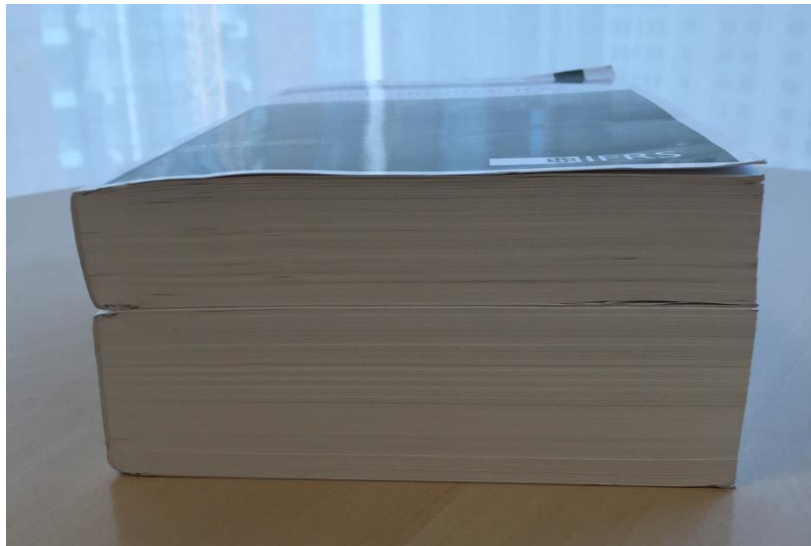


A world of multiple frameworks

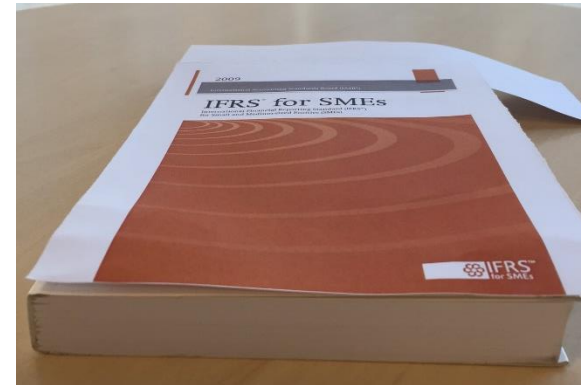
Put another way:



US GAAP



IFRS



IFRS for SMEs

Advantages of IFRS for SMEs

- Length and complexity as a start (3500 pages vs. <300)
- Free to download
- Less frequent changes than IFRS (Annual vs 3 yearly)
- Reduced disclosures (>3000 vs. ± 300)
- Can be used by subsidiaries of companies applying full IFRS
- “Fair presentation” achieved

Fair presentation

- Was hotly debated as compared to full IFRS! Then again, even IFRS is hotly debated:
 - In April 2013, George Bompas QC, a highly regarded commercial silk, concluded that IFRS fails to meet the true and fair view requirement because it lacks a capital maintenance requirement, omits prudence as a fundamental accounting principle, and does not follow statutory accounting principles
- However, other options have severe shortcomings:
 - Cash basis – ignores assets (debtors) and liabilities (creditors)
 - Modified cash basis – mixes cash and accrual accounting (half-pregnant?)
 - Tax basis – valuation of assets (including financial assets) highly questionable (useful life not used)

Extensive, useful resources

- A major cost saving can be found at a national level and emanates from the extensive support and resources available for users of IFRS for SMEs:
 - **Implementation guidance** –consisting of illustrative financial statements and a presentation and disclosure checklist
 - **SME Implementation Group** –develop non-mandatory implementation guidance in the form of Q&As
 - **Training material** –available in Arabic, English, Russian, Spanish and Turkish
 - **Workshops** –regional 'train the trainers' workshops
 - **Newsletter** –free monthly newsletter, *IFRS for SMEs Update*
 - **Presentations**
 - **Guidance for micro-sized entities**

The costs and other matters

- Initial conversion can be costly and time-consuming
- A reasonable level of accounting prowess is required, but can be outsourced / co-sourced
- Proactive regulation not required (no “public interest”), but a reactive solution could be used (sanctions??)
- Active support by profession (government?), e.g.

The primary benefits

- Access to finance
 - A widely understood, consistent framework allows for easier analysis and comprehension by bankers
 - Preparer and user support should be coupled with any government program promoting SMEs
 - Link to budget process at companies essential
- Instils financial discipline and rigour
- Allows for portability across country borders
- Easier transition to full IFRS as the company grows
- No local standard-setting structures and processes required

If capital providers understand and have confidence in the financial figures, an SME's ability to obtain the capital it needs improves. Ultimately, the economy in which it operates improves.

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THANK YOU

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