

IFRS for SMEs Section 1, Issue 1

Use of the *IFRS for SMEs* in parent's separate financial statements

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: 4 April 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. In some jurisdictions parent entities are required, or choose, to prepare separate financial statements in addition to consolidated financial statements. Separate financial statements are sometimes presented together with the consolidated financial statements and sometimes as a separate document.
2. If a group is required to present consolidated financial statements in accordance with full IFRSs, can the parent entity present its separate financial statements in accordance with the *IFRS for SMEs*?

Response

3. If a parent entity itself does not have public accountability, it may present its separate financial statements in accordance with the *IFRS for SMEs*.
4. An entity is eligible to use the *IFRS for SMEs* if it does not have public accountability (paragraph 1.2). A parent entity assesses its eligibility to use the *IFRS for SMEs* on the basis of its own public accountability without considering whether other group entities have, or the group as a whole has, public accountability.
5. A parent entity will have public accountability if (paragraph 1.3):
 - (a) the parent entity's own debt or equity instruments are traded in a public market or the parent entity is in the process of issuing such instruments for trading in a public market, or
 - (b) the parent entity holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.

Basis for conclusions

- BC1 Paragraph 1.5 states that if a publicly accountable parent entity applies the *IFRS for SMEs* in its separate financial statements, it may not describe those financial statements as conforming to the *IFRS for SMEs*. Section 1 does not specifically address non-publicly accountable parent entities.
- BC2 Paragraph 1.6 states that a subsidiary that is part of a consolidated group that uses full IFRSs is not prohibited from using the *IFRS for SMEs* in its own financial statements if that subsidiary by itself does not have public accountability. The *IFRS for SMEs* does not require a parent's own financial statements to be treated any differently in this regard from a subsidiary's own financial statements.

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