

IFRS for SMEs Section 11, Issue 1

Fallback to IFRS 9 *Financial Instruments*

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: 31 January 2012.

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 Paragraph 11.2(b) gives an entity the option of applying the recognition and measurement provisions of IAS 39 *Financial Instruments: Recognition and Measurement* to account for all of its financial instruments instead of following the recognition and measurement requirements in Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instruments Issues*. The IASB has been replacing IAS 39 with IFRS 9 *Financial Instruments* in phases. May an entity choose to apply the recognition and measurement provisions of IFRS 9?

Response

- 2 No. The *IFRS for SMEs* refers specifically to IAS 39. SMEs are not permitted to apply IFRS 9.

Basis for Conclusions

- BC1 Allowing use of IFRS 9 by SMEs would require a change to the *IFRS for SMEs*. Paragraph BC106 of the Basis for Conclusions issued with the *IFRS for SMEs* explains that one reason for allowing this fallback to full IFRSs, (the only one permitted in the *IFRS for SMEs*), was that ‘The Board is currently reconsidering IAS 39 in its entirety and concluded that SMEs should be permitted to have the same accounting policy options as in IAS 39 pending completion of the comprehensive IAS 39 project’.
- BC2 The IASB intends to undertake a thorough review of the *IFRS for SMEs* when two years of financial statements using the *IFRS for SMEs* have been published by a broad range of entities. At that time, the Board will also consider new and amended IFRSs that have been adopted since the *IFRS for SMEs* was issued, including the requirements of IFRS 9. That review is likely to get under way in 2012 and is expected to be completed shortly after the current effective date of IFRS 9 (1 January 2013). This will be well before the revised effective date of IFRS 9 (1 January 2015) that was proposed in the exposure draft issued in August 2011.

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