# Similarities and differences

## A comparison of 'full IFRS' and IFRS for SMEs

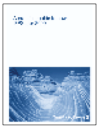
PricewaterhouseCoopers

# PricewaterhouseCoopers’ IFRS and corporate governance publications and tools 2009

## IFRS technical publications

**IFRS manual of accounting 2009**
PwC’s global IFRS manual provides comprehensive practical guidance on how to prepare financial statements in accordance with IFRS. Includes hundreds of worked examples, extracts from company reports and model financial statements.

**A practical guide to capitalisation of borrowing costs**
Guidance in question and answer format addressing the challenges of applying IAS 23R, including how to treat specific versus general borrowings, when to start capitalisation and whether the scopeexemptions are mandatory or optional.



**A practical guide to new IFRSs for 2009**
40-page guide providing high-level outline of the key requirements of new IFRSs effective in 2009, in question and answer format.

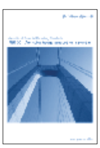
**A practical guide to segment reporting**
Provides an overview of the key requirements of IFRS 8, ‘Operating segments’ and some points to consider as entities prepare for the application of this standard for the first time. Includes a question and answer section. See also ‘Segment reporting – an opportunity to explain the business’ below.

**A practical guide to share-based payments**
Answers the questions we have been asked by entities and includes practical examples to help management draw similarities between the requirements in the standard and their own share-based payment arrangements. November 2008.

**Adopting IFRS – A step-by-step illustration of the transition to IFRS**
Illustrates the steps involved in preparing the first IFRS financial statements. It takes into account the effect on IFRS 1 of the standards issued up to and including March 2004.

**Financial instruments under IFRS – A guide through the maze**
High-level summary of IAS 32, IAS 39 and IFRS 7, updated in June 2009. For existing IFRS preparers and first-time adopters.

**Financial reporting in hyperinflationary economies – understanding IAS 29**
2006 update (reflecting impact of IFRIC 7) of a guide for entities applying IAS 29. Provides an overview of the standard’s concepts, descriptions of the procedures and an illustrative example of its application.



**IAS 39 – Achieving hedge accounting in practice**
Covers in detail the practical issues in achieving hedge accounting under IAS 39. It provides answers to frequently asked questions and step-by-step illustrations of how to apply common hedging strategies.

**IAS 39 – Derecognition of financial assets in practice**
Explains the requirements of IAS 39, providing answers to frequently asked questions and detailed illustrations of how to apply the requirements to traditional and innovative structures.

**IFRS 3R: Impact on earnings – the crucial Q&A for decision-makers**
Guide aimed at finance directors, financial controllers and deal-makers, providing background to the standard, impact on the financial statements and controls, and summary differences with US GAAP.

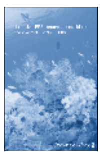
**IFRS disclosure checklist 2008**
Outlines the disclosures required by all IFRSs published up to October 2008.

**IFRS for SMEs – pocket guide 2009**
Provides a summary of the recognition and measurement requirements in the ‘IFRS for small and medium-sized entities’ published by the International Accounting Standards Board in July 2009.

**IFRS pocket guide 2009**
Provides a summary of the IFRS recognition and measurement requirements. Including currencies, assets, liabilities, equity, income, expenses, business combinations and interim financial statements.


**IFRS news**
Monthly newsletter focusing on the business implications of the IASB’s proposals and new standards. Subscribe by emailing corporatereporting@uk.pwc.com.

**Illustrative interim financial information for existing preparers**
Illustrative information, prepared in accordance with IAS 34, for a fictional existing IFRS preparer. Includes a disclosure checklist and IAS 34 application guidance. Reflects standards issued up to 31 March 2009.



**Illustrative consolidated financial statements**

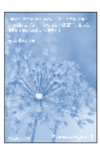
- Banking, 2006
- Corporate, 2008
- Insurance, 2008
- Investment funds, 2008
- Investment property, 2006
- Private equity, 2008

Realistic sets of financial statements – for existing IFRS preparers in the above sectors – illustrating the required disclosure and presentation.

**Segment reporting – an opportunity to explain the business**
Six-page flyer explaining high-level issues for management to consider when applying IFRS 8, including how the standard will change reporting and what investors want to see.

**Similarities and diffrerences – a comparison of ‘full IFRS’ and IFRS for SMEs**
60-page publication comparing the requirements of the IFRS for small and medium-sized entities with ‘full IFRS’ issued up to July 2009. An executive summary outlines some key dfferences that have implications beyond the entity’s reporting function.

**Understanding financial instruments – A guide to IAS 32, IAS 39 and IFRS 7**
Comprehensive guidance on all aspects of the requirements for financial instruments accounting. Detailed explanations illustrated through worked examples and extracts from company reports.



**Understanding new IFRSs for 2009 – supplement to IFRS Manual of Accounting**
455-page publication providing guidance on IAS 1R, IAS 27R, IFRS 3R and IFRS 8, helping you decide whether to early adopt. Chapters on the previous versions of these standards appear in the IFRS Manual.

# Contents

# Introduction

The 'International Financial Reporting Standard for Small and Medium-sized Entities' (IFRS for SMEs) applies to all entities that do not have public accountability. An entity has public accountability if it files its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instrument in a public market, or if it holds assets in a fiduciary capacity for a broad group of outsiders – for example, a bank, insurance entity, pension fund, securities broker/dealer. The definition of an SME is therefore based on the nature of an entity rather than on its size.

The standard is applicable immediately. It is a matter for authorities in each territory to decide which entities are permitted or even required to apply IFRS for SMEs.

The IASB developed this standard in recognition of the difficulty and cost to private companies of preparing fully compliant IFRS information. It also recognised that users of private entity financial statements have a different focus from those interested in publically listed companies. IFRS for SMEs attempts to meet the users' needs while balancing the costs and benefits to preparers. It is a stand-alone standard; it does not require preparers of private entity financial statements to cross-refer to full IFRS.

The more modest disclosure requirements will also appeal to users and preparers. Embedding the standard across a private group with extensive global operations that use a variety of local reporting standards will significantly ease the monitoring of financial information, reduce the complexity of statutory reconciliations (thereby reducing the risk of error), make the consolidation process more efficient and streamline reporting procedures across group entities.

This publication is a part of the PricewaterhouseCooper's ongoing commitment to help companies navigate the switch from local GAAP to IFRS for SMEs. For information on other publications in our series on IFRS for SMEs, see the inside front cover.

Hugo van den Ende
Global ACS partner (SME)
PricewaterhouseCoopers
The Netherlands

# Executive summary

This executive summary aims to demonstrate how converting to IFRS for SMEs has implications far beyond the entity's financial reporting function; to highlight some of the key differences between IFRS for SMEs and IFRS; and to encourage early consideration of what IFRS for SMEs means to the entity.

These and other issues are expanded upon in the main body of this publication. It takes into account authoritative pronouncements issued under IFRS for SMEs and full IFRSs published up to 9 July 2009.

| | |
|---|---|
| Financial statements | Full IFRS: A statement of changes in equity is required, presenting a reconciliation of equity items between the beginning and end of the period.<br><br>IFRS for SMEs: Same requirement. However, if the only changes to the equity during the period are a result of profit or loss, payment of dividends, correction of prior-period errors or changes in accounting policy, a combined statement of income and retained earnings can be presented instead of both a statement of comprehensive income and a statement of changes in equity. |
| Business combinations | Full IFRS: Transaction costs are excluded under IFRS 3 (revised). Contingent consideration is recognised regardless of the probability of payment.<br><br>IFRS for SMEs: Transaction costs are included in the acquisition costs. Contingent considerations are included as part of the acquisition cost if it is probable that the amount will be paid and its fair value can be measured reliably. |
| Investments in associates and joint ventures | Full IFRS: Investments in associates are accounted for using the equity method. The cost and fair value model are not permitted except in separate financial statements. To account for a jointly controlled entity, either the proportionate consolidation method or the equity method are allowed. The cost and fair value model are not permitted.<br><br>IFRS for SMEs: An entity may account of its investments in associates or jointly controlled entities using one of the following:<br>• The cost model (cost less any accumulated impairment losses).<br>• The equity method.<br>• The fair value through profit or loss model. |
| Expense recognition | Full IFRS: Research costs are expensed as incurred; development costs are capitalised and amortised, but only when specific criteria are met. Borrowing costs are capitalised if certain criteria are met.<br><br>IFRS for SMEs: All research and development costs and all borrowing costs are recognised as an expense. |
| Financial instruments – derivatives and hedging | Full IFRS: IAS 39, 'Financial instruments: Recognition and measurement', distinguishes four measurement categories of financial instruments – that is, financial assets or liabilities at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets.<br><br>IFRS for SMEs: There are two sections dealing with financial instruments: a section for simple payables and receivables, and other basic financial instruments; and a section for other, more complex financial instruments. Most of the basic financial instruments are measured at amortised cost; the complex instruments are generally measured at fair value through profit or loss. |

| | |
|---|---|
| | The hedging models under IFRS and IFRS for SMEs are based on the principles in full IFRS. However, there are a number of detailed application differences, some of which are more restrictive under IFRS for SMEs (for example, a limited number of risks and hedging instruments are permitted). However, no quantitative effectiveness test required under IFRS for SMEs. |
| Non-financial assets and goodwill | Full IFRS: For tangible and intangible assets, there is an accounting policy choice between the cost model and the revaluation model. Goodwill and other intangibles with indefinite lives are reviewed for impairment and not amortised.<br><br>IFRS for SMEs: The cost model is the only permitted model. All intangible assets, including goodwill, are assumed to have finite lives and are amortised. |
| | Full IFRS: Under IAS 38, 'Intangible assets', the useful life of an intangible asset is either finite or indefinite. The latter are not amortised and an annual impairment test is required.<br><br>IFRS for SMEs: There is no distinction between assets with finite or infinite lives. The amortisation approach therefore applies to all intangible assets. These intangibles are tested for impairment only when there is an indication. |
| | Full IFRS: IAS 40, 'Investment property', offers a choice of fair value and the cost method.<br><br>IFRS for SMEs: Investment property is carried at fair value if this fair value can be measured without undue cost or effort. |
| | Full IFRS: IFRS 5, 'Non-current assets held for sale and discontinued operations', requires non-current assets to be classified as held for sale where the carrying amount is recovered principally through a sale transaction rather than though continuing use.<br><br>IFRS for SMEs: Assets held for sale are not covered, the decision to sell an asset is considered an impairment indicator. |
| Employee benefits – defined benefit plans | Full IFRS: under IAS 19, 'Employee benefits', actuarial gains or losses can be recognised immediately or amortised into profit or loss over the expected remaining working lives of participating employees.<br><br>IFRS for SMEs: Requires immediate recognition and splits the expense into different components. |
| | Full IFRS: The use of an accrued benefit valuation method (the projected unit credit method) is required for calculating defined benefit obligations.<br><br>IFRS for SMEs: The circumstance-driven approach is applicable, which means that the use of an accrued benefit valuation method (the projected unit credit method) is required if the information that is needed to make such a calculation is already available, or if it can be obtained without undue cost or effort. If not, simplifications are permitted in which future salary progression, future service or possible mortality during an employee's period of service are not considered. |
| Income taxes | Full IFRS: A deferred tax asset is only recognised to the extent that it is probable that there will be sufficient future taxable profit to enable recovery of the deferred tax asset.<br><br>IFRS for SMEs: A valuation allowance is recognised so that the net carrying amount of the deferred tax asset equals the highest amount that is more likely than not to be recovered. The net carrying amount of deferred tax asset is likely to be the same between full IFRS and IFRS for SMEs. |

| | |
|---|---|
| | Full IFRS: No deferred tax is recognised upon the initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit at the time of the transaction.<br><br>IFRS for SMEs: No such exemption. |
| | Full IFRS: There is no specific guidance on uncertain tax positions. In practice, management will record the liability measured as either a single best estimate or a weighted average probability of the possible outcomes, if the likelihood is greater than 50%.<br><br>IFRS for SMEs: Management recognises the effect of the possible outcomes of a review by the tax authorities. It should be measured using the probability-weighted average amount of all the possible outcomes. There is no probable recognition threshold. |

# 1. Accounting framework and first-time adoption (Sections 1, 2, 3 and 35)

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Scope** | An entity that publishes general purpose financial statements for external users and does not have public accountability can use the IFRS for SMEs. An entity has 'public accountability' if it files or is in the process of filing its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instrument in a public market or if it holds assets in a fiduciary capacity for a broad group of outsiders. Banks, insurance companies, securities brokers and dealers, and pension funds are examples of entities that hold assets in a fiduciary capacity for a broad group of outsiders.<br>Small listed entities are not included in the scope of standard.<br>If a subsidiary of an IFRS entity uses the recognition and measurement principles according to full IFRS, it must provide the disclosures required by full IFRS.<br>[IFRS for SMEs 1.1-1.6] | IFRSs are developed and published to promote the use of those IFRSs in general purpose financial statements and other financial reporting. IFRSs apply to all general purpose financial statements, which are directed towards the common information needs of a wide range of users.<br>[Preface to IFRS, paras 7, 10] |
| **Definitions** | | |
| **Asset** | An asset is a resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.<br>Future economic benefits can arise from continuing use of the asset or from its disposal.<br>The following factors are not essential in assessing the existence of an asset:<br>• Its physical substance.<br>• The right of ownership.<br>[IFRS for SMEs 2.15(a), 2.17-2.19] | Same as IFRS for SMEs.<br>[IFRS Framework, paras 49(a), 53-59]. |
| **Liability** | A liability is a present obligation of an entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.<br>The present obligation can be either a legal or constructive obligation (based on established pattern of past practice or a creation of valid expectations).<br>[IFRS for SMEs 2.15(b), 2.20-2.21] | Same as IFRS for SMEs.<br>[IFRS Framework, paras 49(b), 60-64] |
| **Equity** | Refer to chapter 7: Non-financial liabilities and equity. | Refer to chapter 7: Non-financial liabilities and equity. |
| **Income** | Refer to chapter 4: Income and expenses. | Refer to chapter 4: Income and expenses. |
| **Expenses** | Refer to chapter 4: Income and expenses. | Refer to chapter 4: Income and expenses. |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Recognition of the elements of the financial statements** | Recognition is the process of incorporating in the balance sheet or income statement an item that meets the definition of an element and satisfies the following criteria:<br>• It is probable that any future economic benefit associated with the item will flow to or from the entity.<br>• The item has a cost or a value that can be measured reliably.<br>A failure to recognise an item that satisfies these criteria is not rectified by disclosure of accounting policies used or by notes or explanatory materials.<br>An item that fails to meet the recognition criteria may qualify for recognition at a later date as a result of subsequent circumstances or events.<br>[IFRS for SMEs 2.24-2.28] | Same as IFRS for SMEs. In addition, regard needs to be given to the materiality considerations.<br>[IFRS Framework, paras 82-88] |
| **Concepts and pervasive principles** | | |
| **Measurement bases** | Items are usually accounted for at their historical cost. However, certain categories of financial instruments, investments in associates and joint ventures, investment property and agricultural assets are valued at fair value. All items other than those carried at fair value through profit or loss are subject to impairment.<br>[IFRS for SMEs 2.46, 2.47-2.51] | The measurement bases include historical cost, current cost, realisable value and present value. The measurement basis most commonly adopted is historical cost. However, certain items are valued at fair value (for example, investment property, biological assets and certain categories of financial instrument).<br>[IFRS Framework, paras 100, 101] |
| Underlying assumptions | Financial statements are prepared on an accrual basis and on the assumption that the entity is a going concern and will continue in operation in the foreseeable future (which is at least, but not limited to, 12 months from the balance sheet date).<br>Offsetting assets and liabilities or income and expenses is not permitted unless it is required or permitted by individual sections in the IFRS for SMEs.<br>[IFRS for SMEs 2.36, 2.52, 3.8] | Same as IFRS for SMEs.<br>[IAS 1.25, 1.27, 1.32] |
| Qualitative characteristics | The principal qualitative characteristics that make the information provided in financial statements useful to users are understandability, relevance, materiality, reliability, substance over form, prudence, completeness, comparability, timeliness and achieving a balance between benefit and cost.<br>Information is material if its omissions or misstatement could influence the economic decisions of users made on the basis of the financial statements. Materiality depends on the size of the omission or misstatement judged in the particular circumstances.<br>[IFRS for SMEs 2.4- 2.14] | The four qualitative characteristics under IFRS are understandability, relevance, reliability and comparability.<br>Materiality is a sub-characteristic of relevance. Substance over form, prudence and completeness are sub-characteristics of reliability.<br>Timeliness and balance between benefit and cost are defined as constraints on relevant and reliable information instead of as qualitative characteristics.<br>[IFRS Framework, paras 24-46] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Fair presentation** | Financial statements should show a true and fair view, or present fairly the financial position, of an entity's performance and changes in financial position. This is achieved by applying the appropriate section of the IFRS for SMEs and the principal qualitative characteristics outlined above.<br>In extremely rare circumstances, entities are permitted to depart from IFRS for SMEs, only if management concludes that compliance with one of the requirements would be so misleading as to conflict with the objective of the financial statements. The nature, reason and financial impact of the departure is explained in the financial statements.<br>[IFRS for SMEs 3.7 ] | Similar to IFRS for SMEs.<br>[IAS 1.15-16, 1.19, 1.20] |
| **Offsetting** | Assets and liabilities or income and expenses cannot be offset, except where specifically required or permitted by the standard.<br>[IFRS for SMEs 2.52] | Same as IFRS for SMEs.<br>[IAS 1.32] |
| **First-time adoption** | | |
| **Transition to IFRS for SMEs/IFRS** | The first-time adopter of the IFRS for SMEs is an entity that presents its first annual financial statements that conform with the IFRS for SMEs regardless of whether its previous accounting framework was full IFRS or another set of generally accepted accounting principles.<br>First-time adoption requires full retrospective application of the IFRS for SMEs effective at the reporting date for an entity's first IFRS for SMEs financial statements. There are five mandatory exceptions, 12 optional exemptions and one general exemption to the requirement for retrospective application.<br>The entity is not permitted to benefit more than once from the special first-time adoption measurement and restatement exemptions.<br>[IFRS for SMEs 35.1-35.2, 35.9-35.11] | The first-time adopter of IFRS is an entity that presents its first annual financial statements that conform to IFRS.<br>The mandatory exceptions are the same as in IFRS for SMEs; the optional exemptions are similar but not exactly the same as a result of differences between the sections in the IFRS for SMEs and full IFRS.<br>[IFRS 1.2, 1.4, 1.7, 1.10, 1.13, 1.26] |
| **Date of transition** | This is the beginning of the earliest period for which full comparative information is presented in accordance with IFRS for SMEs in its first IFRS for SMEs financial statements.<br>[IFRS for SMEs 35.6] | This is the beginning of the earliest period for which full comparative information is presented in accordance with full IFRS in its first IFRS financial statements.<br>[IFRS 1 appendix A] |
| **Reconciliation** | A first-time adopter's first financial statements include the following reconciliations:<br>• Reconciliations of its equity reported under its previous financial reporting framework to its equity under IFRS for SMEs for both the transition date and the end of the latest period presented in the entity's most recent annual financial statements under its previous financial reporting framework.<br>• A reconciliation of the profit or loss reported under its previous financial reporting framework for the latest period in its most recent annual financial statements to its profit or loss under IFRS for SMEs for the same period.<br>[IFRS for SMEs 35.13] | Same as IFRS for SMEs.<br>[IFRS 1.39] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Mandatory exceptions** | A first-time adopter does not change the accounting that it followed previously for any of the following transactions:<br>• Derecognition of financial assets and liabilities.<br>• Hedge accounting.<br>• Estimates.<br>• Discontinued operations.<br>• Measuring non-controlling interests.<br>[IFRS for SMEs 35.9] | In addition to the exceptions in IFRS for SMEs, full IFRS has a mandatory exception relating to assets classified as held for sale.<br>[IFRS 1.26] |
| **Optional exemptions** | The following optional exemptions to the requirement for retrospective application are available for use, insofar as they are relevant to the entity:<br>• Business combinations.<br>• Share-based payment transactions.<br>• Fair value or revaluation as deemed cost for PPE, investment property or intangible assets.<br>• Cumulative translation differences.<br>• Separate financial statements.<br>• Compound financial instruments.<br>• Deferred income tax.<br>• A financial asset or an intangible asset accounted for in accordance with IFRIC 12.<br>• Extractive activities.<br>• Arrangements containing a lease.<br>• Decommissioning liabilities included in the cost of PPE.<br>[IFRS for SMEs 35.10] | Most of the exemptions in IFRS for SMEs are also applicable under full IFRS. There are additional exemptions such as borrowing costs and leases.<br>[IFRS 1.13] |
| **General exemption** | The general exemption is on the ground of impracticability. ‘Impracticable’ is defined in the glossary as being: ‘When the entity cannot apply it after making every reasonable effort to do so’.<br>[IFRS for SMEs 35.11] | Not applicable. |

# 2. Financial statements (Sections 3, 4, 5, 6, 7, 8 and 10)

These sections of the IFRS for SMEs are based on IAS 1, 'Presentation of financial statements' (revised 2007, effective from 1 January 2009) and IAS 8, 'Accounting policies, changes in accounting estimates and errors'. They set the requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **General requirements** | | |
| **Compliance** | Management explicitly states that financial statements comply with IFRS for SMEs. Compliance cannot be claimed unless the financial statements comply with all the requirements of this standard. [IFRS for SMEs 3.3] | Same as IFRS for SMEs. [IAS 1.16] |
| **Going concern** | Financial statements are prepared on an accruals basis and on the assumption that the entity is a going concern and will continue in operation for the foreseeable future (which is at least 12 months from the end of the reporting period). [IFRS for SMEs 3.8-3.9] | Same as IFRS for SMEs. [IAS 1.25-26] |
| **Departure from the standard** | Management departs from the standard if it concludes that compliance with the requirement would be so misleading as to conflict with the objective of the financial statements as set out in Section 2 'Concepts and pervasive principles'. Management may not depart from the standard if the relevant regulatory framework prohibits this. [IFRS for SMEs 3.4] | Similar to IFRS for SMEs. [IAS 1.20] |
| **Comparative information** | Management discloses comparative information in respect of the previous comparable period for all amounts reported in the financial statements in the primary statements and in the notes), except when IFRS for SMEs permits or requires otherwise (reconciliation for PPE, investment property, intangible assets, goodwill, provisions, defined benefit obligations, fair value of plan assets) [IFRS for SMEs 3.14] | Similar to IFRS for SMEs. [IAS 1.38] |
| **Components of financial statements** | A set of financial statements comprises:<br>(a) A statement of financial position.<br>(b) A single statement of comprehensive income (including items of other comprehensive income), or a separate income statement and a separate statement of comprehensive income.<br>(c) A statement of changes in equity.<br>(d) A statement of cash flows.<br>(e) Notes comprising a summary of significant accounting policies and other explanatory information.<br>Under certain circumstances, the statements under (b) and (c) may be combined into one statement of income and retained earnings. [IFRS for SMEs 3.17-3.18] | Similar as IFRS for SMEs. The entity may use titles for the statements other than those used in the standard.<br>In addition, management includes a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement or when it reclassifies items in its financial statements. [IAS 1.10] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Statement of financial position (balance sheet)** | | |
| General | There is no prescribed balance sheet format. However, the following items are required to be presented on the face of the balance sheet as a minimum:<br>Assets:<br>• Cash and cash equivalents<br>• Trade and other receivables.<br>• Financial assets.<br>• Inventories.<br>• PPE.<br>• Investment property.<br>• Intangible assets.<br>• Biological assets.<br>• Investments in associates and in joint-ventures.<br>• Current tax assets.<br>• Deferred tax assets.<br>Liabilities and equity:<br>• Trade and other payables.<br>• Financial liabilities.<br>• Current tax liabilities.<br>• Deferred tax liabilities.<br>• Provisions.<br>• Equity attributable to the owners of the parent.<br>• Non-controlling interests (presented within equity).<br>[IFRS for SMEs 4.2] | The following additional line items are required on the balance sheet:<br>• Total of assets classified as held for sale and assets included in disposal groups classified as held for sale.<br>• Liabilities included in disposal groups classified as held for sale.<br>Only those investments that are to be accounted for using the equity method are presented as a line item.<br>[IAS 1.54] |
| Current/ non-current distinction | The current/non-current distinction is required except when a liquidity presentation is more relevant.<br>• An asset is classified as current if it is: expected to be realised, sold or consumed in the entity's normal operating cycle (irrespective of length);<br>• Primarily held for the purpose of trading;<br>• Expected to be realised within 12 months after the balance sheet date; or<br>• Cash and cash equivalent (that does not restrict its use within the 12 months after the balance sheet date).<br>A liability is classified as current if:<br>• It is expected to be settled in the entity's normal operating cycle;<br>• It is primarily held for the purpose of trading;<br>• It is expected to be settled within 12 months after the balance sheet date; or<br>• The entity does not have an unconditional right to defer settlement of the liability until12 months after the balance sheet date.<br>[IFRS for SMEs 4.4-4.8] | Same as IFRS for SMEs.<br>[IAS 1.60, 1.66, 1.69] |
| **Statement of comprehensive income and income statement** | | |
| General | An entity is required to present a statement of comprehensive income either in a single statement, or in two statements comprising of a separate income statement and a separate statement of comprehensive income.<br>There is no prescribed format. Management selects a method of presenting its expenses by either function or nature. Additional disclosure of expenses by nature is required if presentation by function is chosen.<br>[IFRS for SMEs 5.2, 5.11] | Same as IFRS for SMEs.<br>[IAS 1.81-1.83] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Line items** | The following items are required to be presented on the face of the statement of comprehensive income (as a single statement) as a minimum:<br>• Revenue.<br>• Finance costs.<br>• Share of profit or loss of associates and joint ventures accounted for using the equity method.<br>• Tax expense.<br>• A single item comprising the total of (1) the post-tax gain or loss of discontinued operations, and (2) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.<br>• Profit or loss for the period.<br>• Items of other comprehensive income classified by nature<br>• Share of the other comprehensive income of associates and joint-ventures accounted for using the equity method<br>• Total comprehensive income.<br>If the entity applies the two-statement approach, the last three line items above are presented in a separate statement of comprehensive income.<br>Profit or loss for the period and total comprehensive income for the period are allocated in the statement of comprehensive income to the amounts attributable to non-controlling interests and owners of the parent.<br>[IFRS for SMEs 5.5-5.7] | Similar to IFRS for SMEs.<br>[IAS 1.82-1.83] |
| **Extraordinary items** | Extraordinary items are not permitted.<br>[IFRS for SMEs 5.10] | Same as IFRS for SMEs.<br>[IAS 1.87] |
| **Statement of changes in equity** | | |
| **General** | The statement of changes in equity presents a reconciliation of equity items between the beginning and end of the period.<br>The following items are presented on the face of the statement of changes in equity:<br>• Total comprehensive income for the period, showing separately the total amount attributable to owners of the parent and to non-controlling interests.<br>• For each component of the equity, the effects of changes in accounting policies and corrections of material prior-period errors.<br>• For each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from (1) profit or loss, (2) each item of other comprehensive income, and (3) the amount of investments by and dividends and other distributions to owners.<br>[IFRS for SMEs 6.3] | Same as IFRS for SMEs<br>[IAS 1.106]<br>The amounts of dividends recognised as distributions to owners during the period, and the related amount per share, are presented either in the statement of changes in equity or in the notes.<br>[IAS 1.107] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| (Combined) statement of income and retained earnings | A combined statement of income and retained earnings can be presented instead of both a statement of comprehensive income and a statement of changes in equity if the only changes to the equity of an entity during the period are a result of profit or loss, payment of dividends, correction of prior-period errors or changes in accounting policy.<br>In addition to the line items required in the statement of comprehensive income, the following items are presented in the (combined) statement of income and retained earnings:<br>• Retained earnings at the start of the period.<br>• Dividends declared and paid or payable during the period.<br>• Restatement of retained earnings for correction of prior-period errors.<br>• Restatement of retained earnings for changes in accounting policy.<br>• Retained earnings at the end of the period.<br>[IFRS for SMEs 6.4, 6.5] | Not permitted. |
| Statement of cash flows | | |
| Content | The cash flow statement presents the generation and use of cash by category (operating, investing and finance) over a specified period of time.<br>Operating activities are the entity's principal revenue-producing activities. Investing activities are the acquisition and disposal of non-current assets (including business combinations) and investments. Financing activities are changes in the equity and borrowings.<br>[IFRS for SMEs 7.1, 7.3, 7.4-7.6] | Same as IFRS for SMEs.<br>[IAS 7.10-7.17] |
| Reporting cash flow from operating activities | Operating cash flows may be presented by using either the direct method (gross cash receipts and payments) or the indirect method (adjusting net profit or loss for non-operating and non-cash transactions, and for changes in working capital).<br>Examples of non-cash transactions are acquisition of assets by means of a finance lease, or conversion of debt to equity.<br>[IFRS for SMEs 7.7, 7.18-7.19] | Same as IFRS for SMEs; however, IFRS allows certain cash flows to be reported on a net basis. In addition, the direct method is encouraged.<br>[IAS 7.18-7.20, 7.22] |
| Reporting cash flow from investing and financing activities | Cash flows from investing and financing activities are reported separately gross (that is, gross cash receipts and gross cash payments).<br>[IFRS for SMEs 7.10] | Same as IFRS for SMEs; however, IFRS allows certain cash flows to be reported on a net basis.<br>[IAS 7.21-7.22] |
| Foreign currency cash flows | Cash flows arising from transactions in foreign currencies are translated to the functional currency using the exchange rate at the date of the cash flows.<br>Cash flows of a foreign subsidiary are translated to the functional currency using the exchange rate at the date of the cash flows.<br>Unrealised gains and losses arising from changes in foreign currency exchange rates are not cash flows. These gains and losses are presented separately from cash flows from operating, investing and financing activities.<br>[IFRS for SMEs 7.11-7.13] | Same as IFRS for SMEs.<br>[IAS 7.25-7.28] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Accounting policies, estimates and errors** | | |
| **Selection of accounting policies and hierarchy of other guidance** | When IFRS for SMEs does not address a transaction, other event or condition, management uses its judgement in developing and applying an accounting policy that results in information that is relevant and reliable.<br>If there is no relevant guidance, management considers the following sources, in descending order:<br>• The requirements and guidance in IFRS for SMEs on similar and related issues; and<br>• The definitions, recognition criteria and measurement concepts for assets, liabilities and income and expenses.<br>Management may also, but is not required to, consider full IFRS.<br>[IFRS for SMEs 10.4-10.6] | Similar to IFRS for SMEs; however, management considers IFRS as a source of information (and not IFRS for SMEs). In addition, management may consider the most recent pronouncements of other standard-setting bodies, other accounting literature and accepted industry practices to the extent that these do not conflict with the concepts in IFRS.<br>With regard to the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses, reference is made to the Framework.<br>[IAS 8.10-8.12] |
| **Consistency of accounting policies** | Management chooses and applies consistently one of the available accounting policies. Accounting policies are applied consistently to similar transactions.<br>[IFRS for SMEs 10.7] | Same as IFRS for SMEs.<br>[IAS 8.13] |
| **Changes in accounting policies** | Changes in accounting policies as a result of an amendment to the IFRS for SMEs are accounted for in accordance with the transition provision of that amendment. If specific transition provisions do not exist, the changes are applied *retrospectively*.<br>[IFRS for SMEs 10.11] | Same as IFRS for SMEs.<br>[IAS 8.19-8.27] |
| **Changes in accounting estimates** | Changes in accounting estimates are recognised *prospectively* by including the effects in profit or loss in the period that is affected (that is, the period of change and future periods) except if the change in estimates gives rise to changes in assets, liabilities or equity. In this case, it is recognised by adjusting the carrying amount of the related asset, liability or equity in the period of change.<br>[IFRS for SMEs 10.15-10.17] | Same as IFRS for SMEs.<br>[IAS 8.36-8.37] |
| **Correction of prior-period errors** | Errors may arise from mistakes and oversights or misinterpretation of available information.<br>Material prior-period errors are adjusted retrospectively (that is, by adjusting opening retained earnings and the related comparatives) unless it is impracticable to determine the effects of the error.<br>[IFRS for SMEs 10.19-10.22] | Same as IFRS for SMEs.<br>[IAS 8.41-45] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Notes to the financial statements** | | |
| **General** | The notes are an integral part of the financial statements. Notes provide additional information to the amounts disclosed in the primary statements.<br>[IFRS for SMEs 8.1-8.2] | Same as IFRS for SMEs.<br>[IAS 1.112] |
| **Structure** | Information presented in one of the primary statements is cross-referenced to the relevant notes where possible.<br>The following disclosures are included, as a minimum, within the notes to the financial statements:<br>• A statement of compliance with IFRS for SMEs.<br>• Accounting policies.<br>• Key sources of estimation uncertainty and judgements.<br>• Explanatory notes for items presented in the financial statements.<br>• Information not presented in the primary statements.<br>Where applicable, the notes include disclosures of changes in accounting policies and accounting estimates, information about key sources of estimation uncertainty and judgements.<br>[IFRS for SMEs 8.2-8.7] | Similar to IFRS for SMEs; however, IFRS generally has more extensive disclosures requirements, as well as a sensitivity analysis.<br>[IAS 1.222, 1.225, 1.229] |
| **Information about judgements** | The judgements that management has made in applying the accounting policies and that have the most significant effect on the amounts recognised in the financial statements are disclosed in the notes.<br>[IFRS for SMEs 8.6] | Similar to IFRS for SMEs. In addition, sensitivity analysis is required.<br>[IAS 1.122] |
| **Information about key sources of estimation uncertainty** | The nature and carrying amounts of assets and liabilities for which estimates and assumptions have a significant risk of causing a material adjustment to their carrying amount within the next financial period are disclosed in the notes.<br>[IFRS for SMEs 8.7] | Similar to IFRS for SMEs. In addition, sensitivity analysis is required.<br>[IAS 1.125] |

# 3. Business combinations, consolidated financial statements, and investments in associates and joint ventures (Sections 9, 14, 15 and 19)

## Business combinations

A business combination involves the bringing together of separate entities or businesses into one reporting entity. Full IFRS and IFRS for SMEs require the use of the purchase method of accounting for most business combination transactions. The most common type of combination is where one of the combining entities obtains control over the other.

The following comparisons have been made based on IFRS 3 (revised) issued in 2008 and applicable for accounting periods beginning 1 July 2009.

The requirements of IFRS for SMEs are based on the former IFRS 3, 'Business combinations', before it was revised. There are therefore some differences between the IFRS for SMEs business combinations requirements and those in IFRS 3 (revised).

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Scope of the standard** | Combinations involving entities or businesses under common control or formation of a joint venture are excluded from the scope.<br>[IFRS for SMEs 19.2] | Same scope exclusion as IFRS for SMEs.<br>[IFRS 3R.2] |
| **Definitions** | | |
| **Business** | An integrated set of activities and assets conducted and managed for the purpose of providing either a return to investors or lower costs or other economic benefits directly and proportionately to policyholders or participants.<br>[IFRS for SMEs Glossary] | Same as IFRS for SMEs, except that the integrated set of activities and assets need only to be capable of being conducted and managed to qualify as a business.<br>[IFRS 3R Appendix A] |
| **Acquisition date** | The date on which the acquirer obtains control over the acquiree.<br>[IFRS for SMEs 19.3] | Same as IFRS for SMEs.<br>[IFRS 3R.8] |
| **Accounting** | | |
| **Purchase accounting** | All business combinations are accounted for by applying the purchase method. The steps in applying the purchase method are:<br>1. Identify the acquirer;<br>2. Measure the cost of the business combination; and<br>3. Allocate the cost of the business combination to the identifiable assets acquired and liabilities and contingent liabilities assumed at the acquisition date.<br>[IFRS for SMEs 19.6-19.7] | The accounting under IFRS 3 (revised) is not a cost-allocation model. The fair value of acquired assets and liabilities (with some exceptions) is compared to the fair value of the consideration to determine goodwill.<br>IFRS 3 (revised) defines negative goodwill as 'bargain purchase'. In addition, the step-based accounting for a business combination includes an additional step that consists of re-measuring the previously held equity interest in the acquiree at its fair value at the acquisition date. Gains or losses are recorded in profit or loss.<br>[IFRS 3R.4-5] |
| **1. Identifying the acquirer** | An acquirer is identified for all business combinations. The acquirer is the combining entity that obtains control of the other combining entities or businesses.<br>Examples of indicators to identify the acquirer include:<br>• The relative fair value of the combining entities. | Similar to IFRS for SMEs. In addition, IFRS 3 (revised) includes more extensive guidance on indicators to identify the acquirer.<br>[IFRS 3R.6-7, Appendix B, paras B13-B18] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| | • The giving up of cash/other asset in a business combination where they were exchanged for voting ordinary equity instruments.<br>• The power of management to dominate the management of the combined entity.<br>[IFRS for SMEs 19.8-19.10] | |
| **2. Cost of acquisition** | The cost of a business combination includes the fair value of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for the control of the acquiree, plus any directly attributable costs.<br>[IFRS for SMEs 19.11] | Similar to IFRS for SMEs; however, IFRS 3 (revised) does not have a cost-allocation model. The fair value of consideration transferred excludes the transaction costs (which are expensed) and requires re-measurement of the previously held interest at fair value as part of the consideration.<br>[IFRS 3R.37, 3R.42, 3R.53] |
| **Share-based consideration** | Shares issued as consideration are recorded at their fair value at the date of the exchange.<br>[IFRS for SMEs 19.11] | Similar to IFRS for SMEs for measurement of equity instruments given as part of the consideration. Full IFRS includes further guidance.<br>[IFRS 3R.37] |
| **Adjustments to the cost of a business combination contingent on future events (contingent consideration)** | Contingent consideration is included as part of the cost at the date of the acquisition if it is probable (that is, more likely than not) that the amount will be paid and can be measured reliably.<br>If such adjustment is not recognised at the acquisition date but becomes probable afterwards, the additional consideration adjusts the cost of the combination.<br>[IFRS for SMEs 19.12-19.13] | Contingent consideration is recognised initially at fair value as either a financial liability or equity regardless of the probability of payment. The probability of payment is included in the fair value, which is deemed to be reliably measurable. Financial liabilities are re-measured to fair value at each reporting date. Changes in the fair value of contingent consideration that are not measurement period adjustments are recognised either in profit or loss or in other comprehensive income. Equity-classified contingent consideration is not re-measured at each reporting date; its settlement is accounted for within equity.<br>[IFRS 3R.39, 3R.58] |
| **3. Allocating the cost of a business** | The acquirer recognises separately the acquiree's identifiable assets, liabilities and contingent liabilities that existed at the date of acquisition. These assets and liabilities are generally recognised at fair value at the date of acquisition.<br>[IFRS for SMEs 19.14] | Similar to IFRS for SMEs; however, the exception to fair value measurement also applies for reacquired rights (based on contractual terms), replacement of share-based payment awards (in accordance with IFRS 2), income tax (IAS 12, 'Income taxes'), employees benefits (IAS 19, 'Employee benefits') and indemnification assets.<br>[IFRS 3R.18, 3R.24-31] |
| **Restructuring provision** | The acquirer may recognise restructuring provisions as part of the acquired liabilities only if the acquiree has at the acquisition date an existing liability for a restructuring recognised in accordance with the guidance for provisions.<br>[IFRS for SMEs 19.18] | Similar to IFRS for SMEs; however, includes further guidance that a restructuring plan conditional on the completion of the business combination is not recognised in the accounting for the acquisition. These expenses are recognised post-acquisition.<br>[IFRS 3R.11] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Contingent liabilities** | The acquired contingencies are recognised separately at the acquisition date as a part of allocation of the cost, provided their fair values can be measured reliably. [IFRS for SMEs 19.20-19.21] | Similar to IFRS for SMEs. [IFRS 3R.23, 3R.56] |
| **Goodwill** | | |
| **Goodwill** | Goodwill (the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities) is recognised as an intangible asset at the acquisition date. After initial recognition, the goodwill is measured at cost less accumulated amortisation and any accumulated impairment losses. Goodwill is amortised over its useful life, which is presumed to be 10 years if the entity is unable to make a reliable estimate of the useful life. [IFRS for SMEs 19.22-19.23] | Amortisation of goodwill is not permitted. Goodwill is subject to an impairment test annually and when there is an indicator of impairment. The option provided by full IFRS to measure the non-controlling interest using either fair value method or proportionate share method on each transaction may result in a different goodwill amount. [IFRS 3R.32, IAS 36.9-10] |
| **Negative goodwill** | Negative goodwill is recognised in profit or loss immediately after management has reassessed the identification and measurement of identifiable items arising on acquisition and the cost of the business combination. [IFRS for SMEs 19.24] | Similar to IFRS for SMEs; IFRS 3 (revised) uses the term 'gain on bargain purchase' instead of 'negative goodwill'. [IFRS 3R.34, 3R.36] |

Areas covered in full IFRS but not in IFRS for SMEs include:

- Subsequent adjustments to assets and liabilities (re-measurement period).
- Deferred tax recognised after initial purchase accounting.
- Non-controlling interests.
- Step acquisitions.
- A business combination achieved without the transfer of consideration.
- Indemnification assets.
- Re-acquired rights.
- Shared-based payments.
- Employee benefits.

## Consolidation

The following comparisons have been made based on IAS 27 (revised), 'Consolidated and separate financial statements', issued in 2008. IAS 27 (revised) applies to annual periods beginning on or after 1 July 2009. Earlier application is permitted. IAS 27 (revised) does not change the presentation of non-controlling interests from the previous standard; however, all transactions with non-controlling interests are now equity transactions and do not affect goodwill or the profit or loss.

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Definitions** | | |
| **Control** | Control is the power to govern the financial and operating policies of an entity to obtain benefits from its activities. [IFRS for SMEs 9.4] | Same as IFRS for SMEs. [IAS 27R.4] |
| **Subsidiary** | A subsidiary is an entity that is controlled by a parent. [IFRS for SMEs Glossary] | Similar to IFRS for SMEs. [IAS 27R.4] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Consolidation** | | |
| **Requirements to prepare consolidated financial statements** | Parent entities prepare consolidated financial statements that include all subsidiaries. An exemption applies to a parent entity that is itself a subsidiary and the immediate or ultimate parent produces consolidated financial statements that comply with full IFRS or with IFRS for SMEs.<br>A subsidiary is not excluded from the consolidation because:<br>• The investor is a venture capital organisation or similar entity.<br>• Its business activities are dissimilar from those of other entities within the consolidation.<br>• It operates in a jurisdiction that imposes restrictions on transferring cash or other assets out of the jurisdiction.<br>An entity is exempt from consolidation when on acquisition there is evidence that control is intended to be temporary and this entity is the only existing subsidiary.<br>[IFRS for SMEs 9.2-9.3, 9.7-9.9] | Exemption applies to a parent entity:<br>• That is itself wholly-owned or if the owners of the minority interests have been informed about and do not object to the parent's not presenting consolidated financial statements.<br>• When the parent's securities are not publicly traded and the parent is not in the process of issuing securities in public securities markets; and<br>• When the IFRS does not allow exclusion of a subsidiary from the consolidation for the same reasons given in IFRS for SMEs, except that it does not specifically mention the exclusion due to the restriction in the transfer of funds to the parent company.<br>An entity is exempt from consolidation for a subsidiary that was acquired with an intention to dispose of it in the near future (which is accounted for in accordance with IFRS 5).<br>[IAS 27R.9, 27R.10, 27R.12, 27R.16-17] |
| **Scope of consolidated financial statements** | IFRS for SMEs focuses on the concept of control in determining whether a parent/subsidiary relationship exists. All subsidiaries are consolidated.<br>Control is presumed to exist when a parent owns, directly or indirectly, more than 50% of an entity's voting power.<br>Control also exists when a parent owns half or less of the voting power but has legal or contractual rights to control the majority of the entity's voting power or board of directors, or power to govern the financial and operating policies.<br>Control can also be achieved by having convertible instruments that are currently exercisable.<br>[IFRS for SMEs 9.4-9.6, 9.14] | Same as IFRS for SMEs; in addition, IFRS provides extensive guidance on potential voting rights, which are assessed. Instruments that are currently exercisable or convertible are included in the assessment.<br>[IAS 27R.13-15] |
| **Special purpose entities (SPEs)** | An SPE is an entity created to accomplish a narrow, well-defined objective. An entity consolidates an SPE when the substance of the relationship between the entity and the SPE indicates that the SPE is controlled by the entity.<br>IFRS for SMEs requires the following indicators of control to be considered:<br>• Whether the SPE conducts its activities on behalf of the evaluating entity.<br>• Whether the evaluating entity has the decision-making power to obtain the majority of the benefits of the SPE. | Same as IFRS for SMEs.<br>[SIC 12.9-10] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| | • Whether the evaluating entity has the right to obtain the majority of the benefits of the SPE.<br>• Whether the evaluating entity has the majority of the residual or ownership risks of the SPE or its assets.<br>[IFRS for SMEs 9.10, 11] | |
| **Presentation of non-controlling interest (NCI)** | NCIs are presented as a separate component of equity in the balance sheet. Profit or loss and total comprehensive income are attributed to NCIs and owners of the parent in the statement of comprehensive income.<br>[IFRS for SMEs 4.2, 5.6, 9.13, 9.20-9.22] | Same as IFRS for SMEs.<br>[IAS 1.54(q), 1.83, 27.27-27.28] |
| **Accounting policies** | Consolidated financial statements are prepared by using uniform accounting policies for like transactions, and events in similar circumstances, for all of the entities in a group.<br>[IFRS for SMEs 9.17] | Same as IFRS for SMEs.<br>[IAS 27R.24] |
| **Intra group balances and transactions** | Intra-group balances and transactions are eliminated in full.<br>[IFRS for SMEs 9.15] | Same as IFRS for SMEs.<br>[IAS 27R.20-21] |
| **Reporting periods** | The consolidated financial statements of the parent and its subsidiaries are usually drawn up at the same reporting date unless it is impracticable to do so.<br>[IFRS for SMEs 9.16] | Similar to IFRS for SMEs; in addition, full IFRS specifies the maximum difference of the reporting periods (three months) and the requirement to adjust for significant transactions that occur in the gap period.<br>[IAS 27R.22-23] |
| **Separate and combined financial statements** | | |
| **Separate financial statements** | When separate financial statements of a parent are prepared, the entity choses to account for all of its investments in subsidiaries, jointly controlled entities and associates either:<br>• at cost less impairment, or<br>• at fair value through profit or loss.<br>Different accounting policies are permitted when accounting for different types of investment in different classes.<br>[IFRS for SMEs 9.26] | Similar to IFRS for SMEs, but with a reference to held-for-sale classification.<br>[IAS 27R.38] |
| **Combined financial statements** | Combined financial statements are a single set of financial statements of two or more entities controlled by a single investor. Combined financial statements are not required by IFRS for SMEs.<br>[IFRS for SMEs 9.28-9.29] | Not covered in full IFRS. |

Areas covered in IFRS but not in IFRS for SMEs include:

- Loss of control.
- Transactions with minorities.

## Investments in associates

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Definition** | An associate is an entity over which the investor has significant influence, but that is neither a subsidiary nor a joint venture of the investor.<br>[IFRS for SMEs 14.2] | Same as IFRS for SMEs.<br>[IAS 28.2] |
| **Significant influence** | Significant influence is the power to participate in the financial and operating policy decisions of the associate but is not control or joint control over those policies. It is presumed to exist when the investor holds at least 20% of the investee's voting power; it is presumed not to exist when less than 20% is held. These presumptions may be rebutted if there is clear evidence to the contrary.<br>[IFRS for SMEs 14.3] | Similar to IFRS for SMEs; in addition, IFRS gives the following indicators of significant influence to be considered where the investor holds less than 20% of the voting power of the investee:<br>• Representation on the board of directors or equivalent body.<br>• Participation in policy-making processes.<br>• Material transactions between the investor and the investee.<br>• Interchange of managerial personnel.<br>• Provision of essential technical information.<br>The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether an entity has significant influence.<br>[IAS 28.6-26.8] |
| **Measurement after initial recognition** | An investor may account for its investments using one of the following:<br>• The cost model (cost less any accumulated impairment losses).<br>• The equity method.<br>• The fair value through profit or loss model.<br>[IFRS for SMEs 14.4] | Investments in associates are accounted for using the equity method. Some exceptions are in place – for example, when the investment is classified as held for sale.<br>[IAS 28.13] |
| **Cost model** | An investor measures its associates at cost less any accumulated impairment losses. All dividends are recognised in the income statement.<br>The cost model is not permitted for an investment in an associate that has a published price quotation.<br>[IFRS for SMEs 14.5-14.7] | Not permitted except in separate financial statements.<br>[IAS 28.35] |
| **Equity method** | An associate is initially recognised at the transaction price (including transaction costs). The investor, on acquisition of the investment, accounts for the difference between the cost of the acquisition and its share of fair value of the net identifiable assets as goodwill, which is included in the carrying amount of the investment.<br>The investor's share of the associate's profit or loss and other comprehensive income are presented in the statement of comprehensive income. Distributions received from the associate reduce the carrying amount of the investment. | Initial recognition is at cost. Cost is not defined in IAS 28, 'Investments in associates'. In other standards it is defined as including transaction costs, except in IFRS 3 (revised), which requires transaction costs in a business combination to be expensed. Entities may therefore choose whether their accounting policy is to expense transaction costs or to include them in the cost of the investment.<br>[IAS 28.11, 28.23, 28.29-28.30] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| | In case of losses in excess of the investment, after the investor's interest is reduced to zero, additional losses are provided for to the extent that the investor has incurred legal or constructive obligations or has made payments on behalf of the associate. [IFRS for SMEs 5.5(c)(h), 14.8] | |
| **Fair value** | An associate is initially recognised at the transaction price (excluding transaction costs). Changes in fair value are recognised in profit or loss.<br>The best evidence of the fair value is a quoted price in an active market. If the market is not active, an entity estimates fair value by using a valuation technique. If the fair value cannot be measured reliably, the investor uses the cost model. [IFRS for SMEs 11.27, 14.9] | Not permitted except in separate financial statements. [IAS 28.35] |
| **Separate financial statements** | Where separate financial statements of a parent are prepared (this is not required), management adopts a policy of accounting for all its associates either:<br>• At cost less impairment, or<br>• At fair value through profit or loss.<br>[IFRS for SMEs 9.26] | Similar to IFRS for SMEs; in addition, investments are accounted for in accordance with IFRS 5 when they are classified as held for sale. [IAS 27.38] |
| **Classification and presentation** | An investor classifies investments in associates as non-current assets. Associates are presented as a line item on the balance sheet. [IFRS for SMEs 4.2(j), 14.11] | Similar to IFRS for SMEs; however, only those associates accounted for using the equity method are presented as a line item. [IAS 1.54(e), 28.38] |

Areas covered in IFRS but not in IFRS for SMEs include:
- Guidance on significant influence.
- Consequences when an investment ceases to be an associate.
- Profit and loss from upstream and downstream transactions.
- Impairment losses.
- Acquisition of an investment in an associate.

## Investments in joint ventures

The following comparison has been made based on current IAS 31, 'Interests in joint ventures'. The final draft of ED 9 on joint arrangements (expected in Quarter 4, 2009) does not permit the option for proportionate consolidation for jointly controlled entities.

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Definition** | A joint venture is defined as a contractual arrangement whereby two or more parties (the venturers) undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity; it exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control. [IFRS for SMEs 15.2-15.3] | Same as IFRS for SMEs. [IAS 31.3] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Types of joint venture** | IFRS SME distinguishes between three types of joint venture:<br>• Jointly controlled entities, in which the arrangement is carried on through a separate entity (company or partnership).<br>• Jointly controlled operations, in which each venturer uses its own assets for a specific project.<br>• Jointly controlled assets, which is a project carried on with assets that are jointly owned.<br>[IFRS for SMEs 15.3] | Same as IFRS for SMEs.<br>[IAS 31.7] |
| **Accounting for jointly controlled entities** | A venturer may account for its investments using one of the following:<br>• The cost model (cost less any accumulated impairment losses).<br>• The equity method.<br>• The fair value through profit or loss model.<br>[IFRS for SMEs 15.9] | Either the proportionate consolidation method or the equity method is allowed to account for a jointly controlled entities. Some exemptions are applicable.<br>[IAS 31.2, 31.30] |
| **Cost model** | Refer to 'Investments in associates'.<br>[IFRS for SMEs 15.10] | Not permitted. |
| **Equity method** | Refer to 'Investments in associates'<br>[IFRS for SMEs 15.13] | Similar to IFRS for SMEs.<br>[IAS 28, IAS 31.38-31.40] |
| **Proportionate consolidation** | Not permitted. | Proportionate consolidation requires the venturer's share of the assets, liabilities, income and expenses to be either combined on a line-by-line basis, with similar items in the venturer's financial statements, or reported as separate line items in the venturer's financial statements. A full understanding of the rights and responsibilities conveyed in management agreements is necessary in order to reflect the substance and economic reality of the arrangement.<br>[IAS 31.30-31.37] |
| **Fair value** | Refer to 'Investments in associates'.<br>[IFRS for SMEs 15.14] | Not permitted. |
| **Separate financial statements** | Where separate financial statements of a parent are prepared (which is not required), the entity adopts a policy of accounting for all of its jointly controlled entities either:<br>• At cost less impairment, or<br>• At fair value through profit or loss.<br>[IFRS for SMEs 9.26] | Similar to IFRS for SMEs; in addition, investments are accounted for in accordance with IFRS 5 when they are classified as held for sale.<br>[IAS 31.46] |
| **Accounting for contributions to a jointly controlled entity** | Gains and losses on contribution or sales of assets to a joint venture by a venturer are recognised to the same extent as that of the interests of the other venturers provided the assets are retained by the joint venture and significant risks and rewards of ownership of the contributed assets have been transferred. The venturer recognises the full amount of any loss when there is evidence of impairment loss from the contribution or sale.<br>[IFRS for SMEs 15.16] | Same as IFRS for SMEs.<br>[IAS 31.48] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Accounting for jointly controlled operations** | Requirements are similar to jointly controlled entities without an incorporated structure. A venturer recognises in its financial statements:<br>• The assets that it controls.<br>• The liabilities it incurs.<br>• The expenses it incurs.<br>• Its share of income from the sale of goods or services by the joint venture.<br>[IFRS for SMEs 15.5] | Same as IFRS for SMEs.<br>[IAS 31.15] |
| **Accounting for jointly controlled assets** | A venturer accounts for its share of the jointly controlled assets, liabilities, income and expenses, and any liabilities and expenses it has incurred.<br>[IFRS for SMEs 15.7] | Same as IFRS for SMEs.<br>[IAS 31.21] |

Areas covered in IFRS but not in IFRS for SMEs include:
- Contractual arrangements.
- Exceptions to proportionate consolidation and equity method.
- Operators of joint ventures.

# 4. Income and expenses (Sections 2, 23, 24, 25, 26 and 28)

## Income

The revenue section (Section 23) addresses the various categories of revenue recognition (sale of goods, rendering of services, interest, royalties and dividends, construction contracts and barter transactions). Government grants are addressed in Section 24.

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Definitions** | | |
| **Income** | 'Income' is increases in economic benefits during the reporting period in the form of inflows or enhancements of assets; or decreases in liabilities that result in increases in equity, other than those relating to contributions from equity investors.<br>[IFRS for SMEs 2.23(a)] | Similar to IFRS for SMEs.<br>[IFRS Framework, para 70(a)] |
| **Revenue** | 'Revenue' is income that arises in the course of an entity's ordinary activities. It is referred to by a variety of terms including sales, fees, interest, dividends, royalties and rent.<br>[IFRS for SMEs 2.22(a)] | Similar to IFRS for SMEs.<br>[IAS 18.7] |
| **Revenue** | | |
| **Recognition – general** | The revenue section captures all revenue transactions within one of four broad categories:<br>• Sale of goods.<br>• Rendering of services.<br>• Use by others of an entity's assets (yielding interest, royalties, etc).<br>• Construction contracts.<br>Revenue recognition criteria for each of these categories include the probability that the economic benefits associated with the transaction will flow to the entity and that the revenue and costs can be measured reliably. Additional recognition criteria apply within each broad category.<br>The principles laid out within each of the categories are generally to be applied without significant further requirements and/or exceptions.<br>[IFRS for SMEs 23.1] | Same as IFRS for SMEs; however, includes a separate standard for construction contracts.<br>[IAS 18.1, 18.4, 11.1] |
| **Measurement** | Measurement of revenue at the fair value of the consideration received or receivable is required.<br>[IFRS for SMEs 23.3] | Same as IFRS for SMEs.<br>[IAS 18.9] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Multiple-element arrangements** | The revenue recognition criteria are usually applied separately to each transaction. However, in certain circumstances, it is necessary to separate a transaction into identifiable components in order to reflect the substance of the transaction.<br>Two or more transactions may need to be grouped together if they are linked in such a way that the whole commercial effect cannot be understood without reference to the series of transactions as a whole.<br>[IFRS for SMEs 23.8] | Same as IFRS for SMEs.<br>[IAS 18.13] |
| **Sale of goods** | In addition to the general revenue recognition criteria above, revenue from the sale of goods is recognised when:<br>• The entity has transferred to the buyer the significant risks and rewards of ownership of goods; and<br>• The entity retains neither continuing managerial involvement nor effective control over the goods sold.<br>[IFRS for SMEs 23.10] | Same as IFRS for SMEs.<br>[IAS 18.14] |
| **Rendering of services** | Service transactions are accounted for under the percentage-of-completion method when the outcome of a transaction can be reliably estimated.<br>Revenue may be recognised on a straight-line basis if the services are performed by an indeterminate number of acts over a specified period of time.<br>When the outcome of a service transaction cannot be estimated reliably, revenue is only recognised to the extent of recoverable expenses incurred.<br>Recognition of revenue may have to be deferred in instances where a specific act is more significant than any other acts and recognised when the significant act is executed.<br>[IFRS for SMEs 23.14-23.16] | Same as IFRS for SMEs.<br>[IAS 18.20] |
| **Agreements for the construction of real estate** | An entity that undertakes the construction of real estate and that enters into an agreement with one or more buyers accounts for the agreement as a sale of services using the percentage-of-completion method if:<br>• The buyer is able to specify the major structural elements of the design of the real estate before construction begins and/or specify major structural changes once construction is in progress; or<br>• The buyer acquires and supplies construction materials and the entity provides only construction services.<br>[IFRS for SMEs 23A.14] | Same as IFRS for SMEs.<br>[IFRIC 15] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Use by others of an entity's assets** | | |
| **Interest** | Interest is recognised using the effective interest method.<br>[IFRS for SMEs 23.29(a)] | Same as IFRS for SMEs.<br>[IAS 18.30(a), IAS 39.9, IAS 39 AG5-AG8] |
| **Royalties** | Royalties are recognised on an accruals basis in accordance with the substance of the relevant agreement.<br>[IFRS for SMEs 23.29(b)] | Same as IFRS for SMEs.<br>[IAS 18.30(b)] |
| **Dividends** | Dividends are recognised when the shareholder's right to receive payment is established.<br>[IFRS for SMEs 23.29(c)] | Same as IFRS for SMEs.<br>[IAS 18.30(c)] |
| **Construction contracts** | | |
| **General** | When the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period (percentage-of-completion method).<br>Reliable estimation of the outcome requires reliable estimates of the stage of completion, future costs and collectability of billings.<br>[IFRS for SMEs 23.17] | Same as IFRS for SMEs.<br>Additional detailed guidance on fixed price and cost-plus contracts is provided.<br>[IAS 11.22-11.24] |
| **Percentage-of-completion method** | The stage of completion of a transaction or contract is determined using the method that measures most reliably the work performed. When the final outcome cannot be estimated reliably, a zero-profit method is used (revenue recognised is limited to the extent of costs incurred, if those costs are expected to be recovered).<br>When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.<br>[IFRS for SMEs 23.21-27] | Same as IFRS for SMEs.<br>[IAS 11.32] |
| **Combining and segmenting contracts** | Combining and segmenting contracts is required when certain criteria are met.<br>[IFRS for SMEs 23.18-23.20] | Similar to IFRS for SMEs.<br>[IAS 11.8-11.9] |
| **Other topics** | | |
| **Barter transaction** | Revenue may be recognised on the exchange of dissimilar goods and services. The transaction is measured at the fair value of goods or services received, adjusted by the amount of any cash or cash equivalents transferred.<br>The carrying value of the goods and services given up, adjusted by the amount of any cash or cash equivalents transferred, is used where the fair value of goods or services received cannot be measured reliably. | Similar to IFRS for SMEs.<br>[IAS 18.12, SIC 31] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| | Exchanges of similar goods and services do not generate revenue. [IFRS for SMEs 23.6-23.7] | |
| **Discounting of revenues** | Discounting of revenues to present value is required in instances where the inflow of cash or cash equivalents is deferred. In such instances, an imputed interest rate is used for determining the amount of revenue to be recognised, as well as the separate interest income component to be recorded over time. [IFRS for SMEs 23.5] | Similar to IFRS for SMEs. [IAS 18.11] |
| **Government grants** | | |
| **Definition** | Assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. [IFRS for SMEs 24.1] | Similar to IFRS for SMEs. [IAS 20.3] |
| **Recognition and measurement** | An entity recognises government grants according to the nature of the grant as follows:<br>• A grant that does not impose specified future performance conditions on the recipient is recognised in income when the grant proceeds are receivable.<br>• A grant that imposes specified future performance conditions on the recipient is recognised in income only when the performance conditions are met.<br>• Grants received before the income recognition criteria are satisfied are recognised as a liability and released to income when all attached conditions have been complied with.<br>Grants are measured at the fair value of the asset received or receivable. [IFRS for SMEs 24.4-24.5] | There are two broad options under IAS 20: the capital approach and the income approach. Accounting and presentation could therefore be different.<br>Revenue is not recognised until there is a reasonable assurance that:<br>• The entity complies with the conditions attached to the grants; and<br>• The grants are receivable.<br>Government grants are recognised in the statement of comprehensive income over the periods necessary to match them with the related costs that they are intended to compensate, on a systematic basis. They are not credited directly to shareholder's interest. [IAS 20.7, 20.12] |

Areas covered in IFRS but not in IFRS for SMEs include:

### Revenue

- Extended warranties.
- Distinction between advertising and non-advertising barter transactions as included in SIC 31.
- Transfer of assets from customers (IFRIC 18).

### Government grants

- Non-monetary government grants.
- Government assistance.
- Repayment of government grants.

## Expenses

The table below includes comparisons for certain key topics such as borrowing costs (Section 25), share-based payments (Section 26) and employee benefits (Section 28). For employee benefits, the Section 28 only focuses on the expense recognition and not on other topics, such as the distinction between defined contribution plans and defined benefit plans, definitions, and recognition and measurement principles of pension obligations and plan assets. These topics are addressed in chapter 7 of this publication.

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Definition of expense** | Expenses are decreases in economic benefits during the reporting period in the form of outflows, depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity investors.<br>[IFRS for SMEs 2.23(b)] | Similar to IFRS for SMEs.<br>[IFRS Framework, para 70(b)] |
| **Expense recognition – general** | The recognition of expenses results directly from the recognition and measurement of assets and liabilities. Expenses are recognised in the statement of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.<br>[IFRS for SMEs 2.42] | Similar to IFRS for SMEs.<br>[IFRS Framework, para 94] |
| **Borrowing costs** | All borrowing costs are expensed.<br>[IFRS for SMEs 25.2]. | Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset are capitalised. All other borrowing costs are expensed.<br>[IAS 23R.5, IAS 23R.8] |
| **Share-based payment transactions** | | |
| **Scope** | Share-based payment transactions include equity-settled and cash-settled share-based payments. Programmes established by law by which equity instruments are awarded for apparently nil or inadequate consideration are equity-settled share-based payments.<br>[IFRS for SMEs 26.1, 26.17] | Same as IFRS for SMEs.<br>[IFRS 2.2-2.6, IFRIC 8] |
| **Recognition** | An entity recognises the goods or services received in a share-based payment transaction when it obtains the goods or as services are received.<br>[IFRS for SMEs 26.3] | Same as IFRS for SMEs.<br>[IFRS 2.7] |
| **Measurement – equity-settled share-based transactions** | Transactions in respect of goods or services received from non-employees are measured at fair value of the goods or services received. If the entity cannot estimate reliably these fair values, the transactions are measured at the fair value of the equity instruments granted, ignoring any service or non-market vesting conditions.<br>Transactions with employees are measured at the fair value of the instruments granted, ignoring any | Transactions are measured at fair value of the goods or services received.<br>If the entity cannot estimate reliably these fair values, which is deemed always to be the case for transactions with employees, the transactions are measured at the fair value of the equity instruments granted, ignoring any service or non-market vesting conditions or reload features.<br>[IFRS 2.10-2.12, 2.24] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| | service or non-market vesting conditions. A three-tier hierarchy is applied when measuring the fair value of the equity instruments:<br>1. Use of observable market prices.<br>2. Use of specific observable market data, such as a recent transaction in the entity's shares or a recent independent fair valuation of the entity.<br>3. Use of a generally accepted valuation technique that uses market data to the greatest extent practicable (directors use their judgement to apply the most appropriate valuation method to determine the fair value of the entity's shares).<br>A corresponding increase in equity is recognised.<br>[IFRS for SMEs 26.9-26.10] | |
| **Measurement – cash-settled share-based transaction** | Cash-settled share-based payment transactions are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of final settlement, with any changes in fair value recognised in profit or loss.<br>[IFRS for SMEs 26.14] | Same as IFRS for SMEs.<br>[IFRS 2.2-2.6, IFRIC 8] |
| **Employee benefits – post-employment benefits** | | |
| **Defined contribution plans** | Defined contribution plan expense is the contribution payable by the employer to the fund for that accounting period.<br>[IFRS for SMEs 28.13] | Same as IFRS for SMEs.<br>[IAS 19.44(b)] |
| **Defined benefit plans** | | |
| **Components of the cost of a defined benefit plans** | Defined benefit plan expense includes:<br>• Current-service cost.<br>• Interest cost.<br>• The actual return on plan assets.<br>• Actuarial gains and losses (on liabilities) arising in the period<br>• The effect of a new plan or changes to an existing plan during the period.<br>• The effect of any curtailments or settlements.<br>[IFRS for SMEs 28.25] | Similar to IFRS for SMEs; except that the return on plan assets is split between the expected return and an actuarial gain/loss.<br>[IAS 19.61] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Actuarial gains and losses** | Actuarial gains and losses on liabilities are recognised in full in profit or loss or in other comprehensive income (without recycling) in the period in which they occur.<br>[IFRS for SMEs 28.24] | Actuarial gains and losses arise on both assets and liabilities. They may be recognised immediately (either in profit or loss or in other comprehensive income) or amortised into profit or loss over a period not exceeding the expected remaining working lives of participating employees.<br>At a minimum, any cumulative unrecognised net gain/loss in excess of 10% of the greater of the defined benefit obligation or the fair value of plan assets at the beginning of the year is amortised over expected remaining working lives (the 'corridor' method) each year.<br>A policy of recognising actuarial gains and losses in full in the period in which they occur can be adopted, and recognition may be in other comprehensive income. Amounts recognised in the other comprehensive income are not subsequently recognised in profit or loss.<br>[IAS 19.92-19.93D] |
| **Past-service costs** | Past-service costs are recognised in full in profit or lossment in the period in which they occur.<br>[IFRS for SMEs 28.16, 28.21, 28.25(e)] | Past-service costs are recognised as an expense on a straight-line basis over the average period until the plan amendments vest.<br>To the extent that benefits are vested as of the date of the plan amendment, the cost of those benefits is recognised immediately in profit or loss.<br>[IAS 19.96] |
| **Curtailments and settlements** | Gains and losses on the curtailment or settlement of a defined benefit plan are recognised in profit or loss when the curtailment or settlement occurs.<br>[IFRS for SMEs 28.21] | Similar to IFRS for SMEs. However, full IFRS includes more detailed guidance in clarifying the term 'curtailment' and 'settlement'.<br>Full IFRS also requires the acceleration of related unrecognised gains/losses.<br>[IAS 19.109-115] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Employee benefits – termination benefits** | | |
| **Recognition** | Termination benefits are recorded when management is demonstrably committed to the reduction in workforce. Management is demonstrably committed to a termination when it has a detailed formal plan for the termination and is without realistic possibility of withdrawal.<br>Termination benefits do not provide an entity with future economic benefits and are recognised as an expense immediately.<br>[IFRS for SMEs 28.31-28.32] | Similar to IFRS for SMEs. However, full IFRS includes further guidance on the minimum requirement of a detailed plan.<br>[IAS 19.133-19.138] |
| **Measurement** | Termination benefits are measured at the best estimate of the expenditure that would be required to settle the obligation at the reporting date. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.<br>When termination benefits are due more than 12 months after the end of the reporting period, they are measured at their discounted present value.<br>[IFRS for SMEs 28.36-28.37] | Similar to IFRS for SMEs.<br>[IAS 19.139-19.140] |

# 5. Financial assets and liabilities (Sections 11 and 12)

IFRS for SMEs contains two sections dealing with financial instruments. Section 11 addresses simple payables and receivables and other basic financial instruments. It is relevant to all SMEs. Section 12 applies to other, more complex financial instruments and transactions. If an entity enters into only basic financial instrument transactions, Section 12 is not applicable. However, even entities with only basic financial instruments should consider the scope of Section 12 to ensure they are exempt. An entity could apply either (a) Section 11 and Section 12 in full, or (b) the recognition and measurement requirements of IAS 39 'Financial instruments: Recognition and measurement', and the disclosure requirements of IFRS for SMEs (Section 11 and 12). IFRS 7, 'Financial instruments: Disclosures', is not applicable to SMEs under either option.

## Financial instruments: general information

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Accounting policy option** | | |
| | An entity has a choice of applying either Sections 11 and 12 of IFRS for SMEs in full, or recognition and measurement requirements of full IFRS (IAS 39) and disclosure requirements of IFRS for SMEs (Sections 11 and 12). [IFRS for SMEs 11.2, 12.2] | Not applicable. |
| **Definition, scope and examples** | | |
| Definition of financial instrument | A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. [IFRS for SMEs 11.3] | Same as IFRS for SMEs. [AS 32.11] |
| Categories | IFRS for SMEs distinguishes between basic and complex financial instruments. Section 11 establishes measurement and reporting requirements for basic financial instruments; Section 12 deals with additional financial instruments. [IFRS for SMEs 11.1, 12.1] | IAS 39 distinguishes four measurement categories of financial instruments:<br>• Financial assets or financial liabilities at fair value through profit or loss.<br>• Held-to-maturity investments.<br>• Loans and receivables.<br>• Available-for-sale financial assets.<br>[IAS 39.9] |
| Scope | Sections 11 and 12 apply to all financial instruments, except for the following:<br>• Interests in subsidiaries, associates and joint ventures.<br>• Financial instruments that meet the definition of an entity's own equity.<br>• Leases.<br>• Employees benefits.<br>• Insurance contracts.<br>• Contracts for contingent consideration in a business combination (applies to acquirer only).<br>[IFRS for SMEs 11.7, 12.3] | Similar to IFRS for SMEs; however, full IFRS also scopes out contracts between an acquirer and a vendor in a business combination and certain loan commitments.<br>[IAS 32.4, IAS 39.2, IFRS 7.3] |
| Examples of basic and more complex financial instruments | Examples of financial instruments that normally qualify as being 'basic' are:<br>• Cash<br>• Trade accounts and notes receivable and payable.<br>• Loans from banks or other third parties. | Not applicable. |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| | • Commercial paper and commercial bills held.<br>• Bonds and similar debt instruments.<br>Examples of financial instruments that do not meet the conditions of basic are:<br>• Asset-backed securities and repurchase agreements.<br>• Options, rights, warrants, futures, forward contracts and interest rate swaps that can be settled in cash or by exchanging another financial instruments.<br>• Hedging instruments.<br>• Commitments to make a loan to another entity.<br>• Investments in another entity's equity instruments other than non-convertible and non-puttable ordinary shares and preference shares.<br>• Investments in convertible debt.<br>[IFRS for SMEs 11.5-11.6] | |
| **Initial recognition** | | |
| | A financial instrument is recognised only when the entity becomes a party to its contractual provision.<br>[IFRS for SMEs 11.12, 12.6] | Similar to IFRS for SMEs.<br>[IAS 39.14] |

## Basic financial instruments

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Definition** | | |
| **Basic financial instruments** | Following instruments are accounted for as basic financial instruments:<br>• Cash.<br>• Debt instruments that provide fixed unconditional returns to the holder and do not contain provisions that could result in the holder losing principal, interest, pre-payment or put provisions contingent on future events.<br>• A commitment to receive a loan that cannot be settled in cash, and when executed, meet the criteria of a basic instrument.<br>• Investments in non-convertible preference shares and non-puttable ordinary shares or preference shares<br>[IFRS for SMEs 11.8-11.9] | Not applicable. |
| **Measurement** | | |
| **Initial measurement** | On initial recognition, basic financial instruments are measured at the transaction price (including transaction costs unless the instrument is measured at fair value through profit or loss). The asset or liability is measured at the present value of the future payments if payment is deferred or is financed at an interest rate that is not a | On initial recognition, financial instruments are measured at fair value plus, in the case of a financial instrument other than at fair value through profit or loss, transaction costs. The fair value on initial recognition is normally the transaction price, unless part of the consideration is for something other than a financial |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| | market rate.<br>[IFRS for SMEs 11.13] | instrument or the instrument bears an off-market interest rate.<br>[IFRS 39.43, IAS 39 AG64-65] |
| **Subsequent measurement** | At the end of each reporting period, basic debt instruments are measured at amortised cost using the effective interest method.<br>Commitments to receive a loan are measured at cost less impairment.<br>Investments in non-convertible and non-puttable ordinary shares or preference shares are measured at fair value through profit or loss if fair value can be measured reliably, otherwise at cost less impairment.<br>[IFRS for SMEs 11.14] | • Financial instruments classified as held for trading and designated as at fair value through profit or loss are measured at fair value through profit or loss.<br>• Held-to-maturity investments and loans and receivables are measured at amortised cost.<br>• Financial liabilities other than those at fair value through profit or loss are measured at amortised cost.<br>• Available-for-sale investments are measured at fair value with changes in fair value recorded in equity.<br>• Investments in equity securities whose fair value cannot be measured reliably are measured at cost less impairment.<br>[IAS 39.46-47, 39.66] |
| **Amortised cost** | Amortised cost is the net of:<br>• The amount at which the financial instrument is measured at initial recognition, minus repayments of the principal;<br>• Plus/minus the cumulative amortisation using the effective interest method of any difference between the amount at initial recognition and the maturity amount;<br>• Minus reduction for impairment or uncollectibility (for financial assets).<br>[IFRS for SMEs 11.15] | Same as IFRS for SMEs.<br>[IAS 39.9] |
| **Effective interest method** | Method of calculating the amortised cost of a financial instrument and of allocating the interest income/expense over the relevant period.<br>[IFRS for SMEs 11.16] | Same as IFRS for SMEs.<br>[IAS 39.9] |
| **Fair value – investments in ordinary or preference shares** | The best evidence of a fair value is a quoted price in an active market. When quoted prices are not available, the price of a recent transaction for an identical asset may provide evidence of the current fair value. If the market for a financial instrument is not active, and recent transactions of an identical asset are not a good estimate, management estimates the fair value by using a valuation technique.<br>[IFRS for SMEs 11.27] | Similar to IFRS for SMEs.<br>[IAS 39.48] |
| **Fair value – valuation technique** | The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length transaction (normal business considerations).<br>Valuation techniques include using recent market transactions, reference to the current fair value of identical or | Similar to IFRS for SMEs, but more guidance provided around valuation.<br>[IAS 39.48, IAS 39 AG69-79] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| | similar instruments, DCF analysis and option pricing models.<br>[IFRS for SMEs 11.28-11.29] | |
| **Fair value – no active market** | The fair value of equity instruments is reliably measurable if the variability in the range of various estimates is not significant, or if the probabilities of the various estimates can be reasonably assessed. If these conditions are not met, an entity is precluded from measuring the asset at fair value, and the asset is carried at cost (less impairment) defined as carrying amount at the last day when the asset was reliably measurable.<br>[IFRS for SMEs 11.30-11.32] | Similar to IFRS for SMEs.<br>[IAS 39 AG80-81] |
| **Impairment of financial instruments measured at cost or amortised cost** | | |
| **General** | At the end of each reporting period, financial assets measured at cost or amortised cost are reviewed for objective evidence of impairment.<br>Impairment losses are recognised in profit or loss immediately. If the objective evidence reverses in a subsequent period, impairment losses are reversed in the profit or loss of subsequent periods.<br>[IFRS for SMEs 11.21, 11.26] | Similar to IFRS for SMEs except for the following:<br>• Impairment review also needs to be performed for available-for-sale financial assets carried at fair value through equity.<br>• Impairment losses on equity investments carried at cost and available-for-sale equity investments cannot be reversed.<br>[IAS 39.58, 39.66, 39.69] |
| **Assets measured at amortised cost** | For instruments measured at amortised cost (for example, trade accounts, notes receivable and loans from banks), the impairment loss is the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.<br>[IFRS for SMEs 11.25(a)] | Similar to IFRS for SMEs.<br>[IAS 39.63] |
| **Assets measured at cost less impairment** | For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold.<br>[IFRS for SMEs 11.25(b)] | The impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.<br>[IAS 39.66] |
| **Derecognition** | | |
| **Financial assets** | An entity only derecognises a financial asset when:<br>• The rights to the cash flows from the assets have expired or are settled;<br>• The entity has transferred substantially all the risks and rewards of ownership of the financial asset; or<br>• The entity has retained some significant risks and rewards but has transferred control of the asset to another party. In this case, the asset is derecognised, and any rights and obligation created or retained are recognised.<br>[IFRS for SMEs 11.33] | Similar to IFRS for SMEs; however, IFRS includes additional guidance on pass-through arrangements, continuing involvement and some other relevant aspects relating to transfer of a financial asset.<br>[IAS 39.17-39.37] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Financial liabilities** | Financial liabilities are derecognised only when they are extinguished – that is, when the obligation is discharged, cancelled or expires.<br>[IFRS for SMEs 11.36] | Similar to IFRS for SMEs.<br>[IAS 39.39] |

## Additional financial instruments issues

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Measurement** | | |
| **Initial measurement** | At initial recognition, financial assets and financial liabilities are measured at their fair value. This is normally the transaction price.<br>[IFRS for SMEs 12.7] | Similar to IFRS for SMEs.<br>[IFRS 39.43, IAS 39 AG64-65] |
| **Subsequent measurement** | At the end of each reporting period, financial instruments are measured at fair value through profit or loss except for as follows:<br>• Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably.<br>• Contracts linked to such instruments that, if exercised, will result in delivery of such instruments.<br>These are measured at cost less impairment. Cost is defined as fair value on the last date it was reliably measurable.<br>[IFRS for SMEs 12.8-9] | • Financial instruments classified as held for trading and designated as at fair value through profit or loss are measured at fair value through profit or loss.<br>• Held-to-maturity investments and loans and receivables are measured at amortised cost.<br>• Financial liabilities other than those at fair value through profit or loss are measured at amortised cost.<br>• Available-for-sale investments are measured at fair value with changes in fair value recorded in equity.<br>• Investments in equity securities whose fair value cannot be measured reliably are measured at cost less impairment.<br>[IAS 39.46-39.47, IAS 39.66] |
| **Fair value** | Refer to the guidance on fair value in Section 11.27-32. Fair value of a financial liability payable on demand is not less than the amount payable on demand, discounted from the first date payment could be required to be paid.<br>[IFRS for SMEs 12.10-12.11] | Similar to IFRS for SMEs but more guidance provided around valuation.<br>[IAS 39.48-39.49, IAS 39 AG69-79] |
| **Impairment of financial assets measured at cost or amortised cost** | | |
| **General** | Refer to the guidance on impairment in 'basic financial instruments'.<br>[IFRS for SMEs 12.13] | Similar to IFRS for SMEs except that impairment losses on equity investments carried at cost, and available-for-sale equity investments cannot be reversed.<br>[IAS 39.58, 39.66, 39.69] |
| **Derecognition** | | |
| **Financial assets and liabilities** | Refer to the guidance on derecognition in 'basic financial instruments'.<br>[IFRS for SMEs 12.14] | Similar to IFRS for SMEs.<br>[IAS 39.17-39.39] |
| **Hedge accounting** | | |
| **General** | An entity may designate a hedging relationship between a hedging instrument and a hedged item in such a way as to recognise gains and losses on a hedged item and a hedging instrument in profit or loss at the same time.<br>[IFRS for SMEs 12.15] | Similar to IFRS for SMEs.<br>[IAS 39.71] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Criteria for hedge accounting** | In order to apply hedge accounting, management prepares documentation at the inception of the relationship. This documentation clearly identifies the risk being hedged, the hedging instrument, and the hedged item.<br>Only certain risks and hedging instruments are permitted, as described in more detail below.<br>In addition, management should expect the hedging instrument to be highly effective in offsetting the designated hedged risk in order to apply hedge accounting.<br>[IFRS for SMEs 12.16] | IAS 39 also requires documentation of a hedging relationship at inception. This documentation includes the hedged item and hedging instrument similar to the IFRS for SMEs guidance. IAS 39 also requires an entity to document the risk management objective and strategy for undertaking the hedge.<br>IAS 39 allows more risks and portions of hedged items to be designated than the SME guidance (see below).<br>IAS 39 allows a broader array of hedging instruments than the SME guidance.<br>IAS 39 requires management to document a method of effectiveness-testing and to perform a prospective effectiveness test at the inception of the hedge to demonstrate that the relationship will be highly effective during its life.<br>[IAS 39.88] |
| **Risks for which hedge accounting is permitted** | Hedge accounting is permitted for the risk hedged as:<br>• An interest rate risk of a debt instrument measured at amortised cost;<br>• A foreign exchange or interest rate risk in a firm commitment or a highly probable forecast transaction;<br>• A foreign exchange risk in a net investment in a foreign operation; or<br>• A price risk of a commodity.<br>[IFRS for SMEs 12.17] | IAS 39 permits three types of hedging relationship:<br>• Cash flow hedges.<br>• Fair value hedges.<br>• Hedges of a net investment in a foreign operation.<br>IAS 39 restricts the risks or portions in a financial instrument that can be hedged based on a principal that those risks or portions must be separately identifiable components of the financial instrument, and changes in the cash flows or fair value of the entire financial instrument arising from changes in the designated risks and portions must be reliably measurable.<br>A broader array of risks is therefore eligible for hedging under IAS 39 (for example, equity price risk and one-sided risks).<br>IAS 39 allows a group of similar items to be designated as a hedged item.<br>[IAS 39.86, AG99F] |
| **Hedging instruments for which hedge accounting is permitted** | A hedging instrument:<br>• Is an interest rate swap, a foreign currency swap, a foreign currency forward exchange contract, or a commodity forward exchange contract.<br>• Involves a party external to the reporting entity.<br>• Has a notional amount equal to the designated amount of principal or notional amount of the hedged item.<br>• Has a specified maturity date no later than the maturity of the hedged item, the expected settlement of the commodity purchase or sale commitment, or the occurrence of the highly probable forecast transaction. | IAS 39 permits hedging instruments to be:<br>• Derivatives that are not net written options.<br>• Non-derivative assets or liabilities used as a hedge of foreign currency risk.<br>Management is permitted to separately designate the intrinsic value of an option or the spot component of a forward contract. IAS 39 therefore allows a broader array of hedging instruments to be used (for example, interest rate collars, purchased options and foreign currency borrowings).<br>IAS 39 does not require the notional amount of the hedging instrument to be equal to the hedged item. |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| | • Has no pre-payment, early termination or extension features.<br>[IFRS for SMEs 12.18] | IAS 39 does not require the hedging instrument to have a maturity corresponding to the hedged item as long as the entity can demonstrate that the hedging instrument would be highly effective.<br>IAS 39 does not restrict pre-payment, early termination or extension features in hedging instruments only where they make the hedging instrument a net written option. However, such features may impact the effectiveness of the relationship.<br>IAS 39 allows groups of derivatives or a non-derivative and derivative to be designated as a combined hedging instrument in certain cases.<br>IAS 39 allows a single hedging instrument to be designated as a hedge of multiple risks.<br>[IAS 39.82-32.88] |
| **Effectiveness testing** | IFRS for SMEs does not require quantitative assessments of hedge effectiveness.<br>[IFRS for SMEs 12.16(d)] | The entity is required to perform quantitative retrospective and prospective effectiveness tests at least once per reporting period. A specific method for testing effectiveness is not defined, but the entity documents its chosen method as part of the hedging documentation.<br>[IAS 39.88] |
| **Hedges of variable interest rate risk, foreign exchange risk, commodity price risk and net investment in a foreign operation** | Where an entity designates the hedging relationship and it complies with the conditions above, it recognises in profit or loss any excess of the fair value of the hedging instrument over the change in the fair value of the expected cash flows (hedge ineffectiveness). The effective part is recognised in other comprehensive income.<br>The amount recognised in other comprehensive income is recognised in profit or loss when the hedged item affects profit or loss or when the hedging relationship ends.<br>Hedge accounting is discontinued when:<br>• The hedging instrument expires, is sold or terminated.<br>• The hedge no longer meets the criteria for hedge accounting.<br>• The entity revokes the designation.<br>The amounts deferred in other comprehensive income on discontinuance of the hedge are recognised in profit or loss as soon as the hedged item is derecognised or as soon as a forecast transaction is no longer expected to take place.<br>[IFRS for SMEs 12.23-12.25] | Similar to IFRS for SMEs, except that :<br>• IAS 39 specifies that the amounts recognised in other comprehensive income are based on cumulative changes in the fair value of the hedging instrument and hedged risk.<br>• IAS 39 contains a policy choice relating to the situation where the hedge of a forecast transaction results in recognition of a non-financial asset or liability.<br>[IAS 39.95-39.101] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Hedge of a fixed interest rate risk or commodity price risk of a commodity held** | For a hedge of fixed interest risk or of commodity price risk of a commodity held, the hedged item is adjusted for the gain or loss attributable to the hedged risk. That element is included in profit or loss to offset the impact of the hedging instrument.<br>Hedging is discontinued when:<br>• The hedging instrument expires, is sold, or is terminated.<br>• The hedge no longer meets the conditions for hedge accounting.<br>• The entity revokes the designation.<br>Upon discontinuance of the hedging relationship for a liability, the adjustment made to the hedged item is amortised to profit or loss using the effective interest method.<br>[IFRS for SMEs 12.19-12.22] | [IAS 39.89-39.94] |

Areas covered in IFRS but not in IFRS for SMEs include:

- Derivatives and embedded derivatives.
- Reclassifications between categories of financial instruments.
- Detail guidance on derecognition of financial assets.
- Qualifying hedging instruments and qualifying hedged items.

# 6. Non-financial assets (Sections 13, 16, 17, 18 and 27)

## Inventories

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Definition and scope** | | |
| **Definition** | Inventories are assets:<br>• Held for sale in the ordinary course of business.<br>• In the process of production for such sale.<br>• In the form of materials or supplies to be consumed in the production process or in the rendering of services.<br>[IFRS for SMEs 13.1] | Same as IFRS for SMEs.<br>[IAS 2.6] |
| **Scope of the standard** | Out of scope are work in progress under construction contracts, financial instruments, biological assets and agricultural produce, as well as inventories held by:<br>• Producers of agricultural, forest and mineral products, to the extent that they are measured at fair value less costs to sell through profit or loss.<br>• Commodity brokers and dealers who measure their inventories at fair value less costs to sell through profit or loss.<br>[IFRS for SMEs 13.2-13.3] | Same as IFRS for SMEs.<br>[IAS 2.2-2.3] |
| **Measurement and impairment** | Inventories are initially recognised at cost. The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and conditions.<br>Inventories are subsequently valued at the lower of cost and selling price less costs to complete and sell. Inventories are assessed for impairment at each reporting date.<br>Management then reassesses the selling price, less costs to complete and sell in each subsequent period, to determine if the impairment losses previously recognised should be reversed.<br>[IFRS for SMEs 13.4-13.5, 27.2-27.4] | Same as IFRS for SMEs; however, IAS 2 refers to net realisable value.<br>[IAS 2.9-2.10, 2.28-2.33] |
| **Cost of inventories** | | |
| **Costs of purchase** | Cost of purchase of inventories includes the purchase price, import duties, non-refundable taxes, transport and handling costs and any other directly attributable costs less trade discounts, rebates and similar items.<br>[IFRS for SMEs 13.6] | Same as IFRS for SMEs.<br>[IAS 2.11] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| Costs of conversion | Costs of conversion of inventories include costs directly related to the units of production, such as direct labour. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods.<br>[IFRS for SMEs 13.8] | Same as IFRS for SMEs.<br>[IAS 2.12] |
| Other costs | Borrowing costs are recognised as an expense.<br>[IFRS for SMEs 25.2] | Borrowing costs are included in the cost of inventories under limited circumstances as identified by IAS 23.<br>[IAS 2.17] |
| Cost formulas | The cost of inventories used is assigned by using either the first-in, first-out (FIFO) or weighted average cost formula. Last-in, last-out (LIFO) is not permitted. The same cost formula is used for all inventories that have a similar nature and use to the entity. Where inventories have a different nature or use, a different cost formula may be justified.<br>[IFRS for SMEs 13.17-13.18] | Same as IFRS for SMEs.<br>[IAS 2.25] |
| Techniques for measuring cost | An entity may use techniques for measuring the cost of inventories if the results approximate cost. Accepted techniques are:<br>• Standard cost method.<br>• Retail method.<br>• Most recent purchase price.<br>[IFRS for SMEs 13.16] | Similar to IFRS for SMEs, the most recent purchase price is not mentioned as an example.<br>[IAS 2.21] |

Areas covered in IFRS but not in IFRS for SMEs include:

- Extensive guidance on net realisable value.

## Investment property

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| Definition | Investment property is a property (land or building, or part of a building, or both) held by the owner or by lessee under a finance lease to earn rentals or for capital appreciation or both.<br>A property interest held for use in the production or supply of goods or services or for administrative purposes is not an investment property.<br>[IFRS for SMEs 16.1] | Same as IFRS for SMEs. Accounting result likely to be the same.<br>[IAS 40.5] |
| Initial measurement | The cost of a purchased investment property is its purchase price plus any directly attributable costs such as professional fees for legal services, property transfer taxes and other transaction costs. Borrowing costs are recognised as an expense.<br>[IFRS for SMEs 16.5, 25.2] | Similar to IFRS for SMEs except for borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are required to be capitalised as part of the cost of that asset.<br>[IAS 40.20-40.24] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Subsequent measurement** | Investment property is carried at fair value if its fair value can be measured reliably without undue cost or effort.<br>Otherwise, the cost model is used.<br>[IFRS for SMEs 16.7-16.8] | Management may choose as its accounting policy to carry all its investments properties at fair value or at cost. However, when an investment property is held by a lessee under an operating lease, the entity follows the fair value model for all its investment properties.<br>[IAS 40.30] |
| **Fair value** | Gains and losses arising from changes in the fair value of investment property are recognised in profit or loss.<br>[IFRS for SMEs 16.7] | Same as IFRS for SMEs.<br>[IAS 40.33-40.55] |
| **Cost model** | The cost model is consistent with the treatment of property, plant and equipment (PPE). Investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses.<br>[IFRS for SMEs 16.8] | Similar to IFRS for SMEs; however, full IFRS refers to IAS 16, 'Property plant and equipment'.<br>[IAS 40.56] |
| **Transfers** | Transfer to or from investment properties applies when the property meets or ceases to meet the definition of an investment property.<br>[IFRS for SMEs 16.9] | IFRS includes further guidance on the situations when a property can be transferred to or from the investment property category.<br>[IAS 40.57] |

Areas covered in IFRS but not in IFRS for SMEs include:

- Extensive guidance on transfers to and from investment property.
- Disposals.
- Inability to determine fair value reliably.

## Property, plant and equipment

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Definition** | Property, plant and equipment (PPE) are tangible assets that are:<br>• Held for use in the production or supply of goods and services, for rental to others or for administrative purposes.<br>• Expected to be used during more than one period.<br>[IFRS for SMEs 17.2] | Same as IFRS for SMEs.<br>PPE classified as held for sale, biological assets, and some others are explicitly out of scope of IAS 16.<br>[IAS 16.3, 16.6] |
| **Initial measurement** | PPE is measured initially at cost. Cost includes:<br>• Purchase price.<br>• Any directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.<br>• The initial estimate of costs of dismantling and removing the item and restoring the site on which it is located.<br>Borrowing costs are recognised as an expense.<br>[IFRS for SMEs 17.9-17.11, 25.2] | Similar to IFRS for SMEs, except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are required to be capitalised as part of the cost of that asset.<br>[IAS 16.16, IAS 23.8] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Subsequent measurement** | Classes of PPE are carried at cost less accumulated depreciation and any impairment losses (cost model). [IFRS for SMEs 17.15] | In addition to the cost model, the revaluation model is an option, in which classes of PPE are carried at a revalued amount less any accumulated depreciation and subsequent accumulated impairment losses. [IAS 16.29-16.31] |
| **Major inspection** | The cost of a major inspection or replacement of parts of an item occurring at regular intervals over its useful life is capitalised to the extent that it meets the recognition criteria of an asset. The carrying amount of the previous inspection or parts replaced is derecognised. [IFRS for SMEs 17.6-17.7] | Same as IFRS for SMEs. [IAS 16.13] |
| **Impairment** | PPE is tested for impairment when there is an indication that the asset may be impaired. Existence of impairment indicators is assessed at each reporting date. [IFRS for SMEs 17.24, 27.5] | Same as IFRS for SMEs. [IAS 16.63, 36.9] |
| **Depreciation – definition** | The systematic allocation of the depreciable amount of an asset over its useful life. [IFRS for SMEs Glossary] | Same as IFRS for SMEs. [IAS 16.6] |
| **Components approach** | PPE may have significant parts with different useful lives. The cost of an item of PPE is allocated to its significant parts, with each part depreciated separately only when the parts have significantly different patterns of benefit consumption. [IFRS for SMEs 17.16] | PPE may have significant parts with different useful lives. Depreciation is calculated based on each individual part's life. Significant parts that have the same useful life and depreciation method may be grouped in determining the depreciation charge. [IAS 16.43-16.45] |
| **Depreciation charge** | The depreciation charge for each period is recognised in the profit or loss unless it is included in the carrying amount of another asset. [IFRS for SMEs 17.17] | Same as IFRS for SMEs. [IAS 16.48] |
| **Depreciable amount and depreciation period** | The depreciable amount of an asset is allocated over its useful life. The residual value and the useful life of an asset are reviewed if there is an indication of change since the last reporting date and amended if expectations differ from previous estimates.<br><br>Change in residual value or useful life is accounted for as a change in estimate. [IFRS for SMEs 17.18-17.19] | The depreciable amount of an asset is allocated over its useful life. The residual value and the useful life of an asset are reviewed at least at each annual reporting date and amended if expectations differ from previous estimates.<br><br>Change in residual value or useful life is accounted for as a change in estimate. [IAS 16.50-16.51] |
| **Depreciation method** | The depreciation method should reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity.<br><br>The depreciation method is reviewed if there is an indication that there has been a significant change since the last annual reporting date. Change in | Similar to IFRS for SMEs.<br><br>The depreciation method is reviewed at least at each annual reporting date. Change in the depreciation method is accounted for as a change in estimate. [IAS 16.60-16.62] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| | the depreciation method is accounted for as a change in estimate. [IFRS for SMEs 17.22-17.23] | |
| **Non-current assets held for sale** | A plan to dispose of an asset is an indicator of impairment that triggers the calculation of the asset's recoverable amount for the purpose of determining whether the asset is impaired. [IFRS for SMEs 17.26] | Similar to IFRS for SMEs. In addition, PPE is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale, which are not depreciated, are measured at the lower of its carrying amount and fair value less costs to sell. [IAS 16.3, IFRS 5.6, 5.15] |

Areas covered in IFRS but not in IFRS for SMEs include:

- Exchange of assets.

## Intangible assets other than goodwill

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Definition** | An intangible asset is an identifiable non-monetary asset without physical substance. The identifiable criterion is met when intangible asset is separable (that is, it can be sold, transferred, licensed, rented or exchanged), or where it arises from contractual or legal rights. [IFRS for SMEs 18.2] | Same as IFRS for SMEs. [IAS 38.8, 38.11-38.12] |
| **General principles for recognition** | Expenditure on intangibles is recognised as an asset when it meets the recognition criteria of an asset. [IFRS for SMEs 18.4 -18.7] | Same as IFRS for SMEs. [IAS 38.21-38.23] |
| **Recognition as an expense** | Expenditure on the following items is not recognised as assets:<br>• Start-up costs.<br>• Training.<br>• Advertising.<br>• Relocation costs.<br>• Expenditures on internally generated intangibles such as brands, mastheads, customer lists, publishing titles and items similar in substance.<br>Past expenses on intangible items are not recognised as an asset. [IFRS for SMEs 18.15-18.17] | Same as IFRS for SMEs. [IAS 38.63, 38.69, 38.71] |
| **Initial measurement** | | |
| **Separately acquired intangible assets** | Intangible assets are measured initially at cost. Cost includes:<br>• The purchase price, and<br>• Any costs directly attributable to preparing the assets for its intended use. [IFRS for SMEs 18.9-18.10] | Same as IFRS for SMEs. [IAS 38.24, 38.27] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Intangible assets acquired as part of a business combination** | The cost of an intangible asset acquired as a part of a business combination is its fair value at the acquisition date.<br>[IFRS for SMEs 18.11] | Same as IFRS for SMEs.<br>[IAS 38.33] |
| **Research and development costs** | All research and development costs are recognised as an expense.<br>[IFRS for SMEs 18.14] | Research costs are expensed as incurred. Development costs are capitalised when specific criteria are met.<br>[IAS 38.51, 38.54, 38.57] |
| **Subsequent measurement** | | |
| **Measurement after initial recognition** | Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (cost model).<br>[IFRS for SMEs 18.18] | In addition to the cost model, the revaluation model is an option, in which intangible assets are carried at a revalued amount less any accumulated depreciation and subsequent accumulated impairment losses.<br>[IAS 38.72] |
| **Useful life** | The useful life of an intangible asset is considered to be finite.<br>The useful life of an intangible asset that arises from contractual or other legal rights should not exceed the period of the contractual or other legal rights but may be shorter depending on the period over which the asset is expected to be used.<br>[IFRS for SMEs 18.19] | The useful life of an intangible asset is either finite or indefinite.<br>The useful life is regarded as indefinite when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows.<br>Similar to IFRS for SMEs with regard to the useful life of an intangible asset that arises from contractual or other legal rights, except that renewal periods may be taken into account if certain criteria are met.<br>[IAS 38.88, 38.94] |
| **Intangible assets with finite useful life** | Intangible assets are amortised on a systematic basis over the useful lives of the intangibles. The useful life of an intangible is presumed to be 10 years if a reliable estimate cannot be made.<br>The residual value at the end of their useful lives is assumed to be zero, unless there is either a commitment by a third party to purchase the asset and/or there is an active market for the asset.<br>The amortisation period, method and residual value are reviewed if there is an indication of change since the last reporting date. Changes in the amortisation period/method are accounted for as a change in estimate.<br>[IFRS for SMEs 18.20-18.24] | Intangible assets with finite useful life (including those that are revalued) are amortised. Amortisation is carried out on a systematic basis over the useful lives of the intangibles.<br>Same as IFRS for SMEs with regard to the residual value of such assets.<br>The amortisation period, method and residual value are reviewed at least at each annual reporting period.<br>[IAS 38.97, 38.100, 38.104] |
| **Intangible assets with indefinite useful life** | Not applicable. All intangible assets are considered to have finite lives.<br>[IFRS for SMEs 18.19-18.20] | These assets are not amortised.<br>The useful life assessment is reviewed at each annual reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment. |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| | | Change in the useful life assessment from indefinite to finite is an indicator that an asset may be impaired and is accounted for as a change in estimate.<br>[IAS 38.107, 38.109, 38.110] |
| Impairment | Intangible assets are tested for impairment when there is an indication that the asset may be impaired. Existence of impairment indicators is assessed at each reporting date.<br>[IFRS for SMEs 18.25, 27.5-27.7] | Same as IFRS for SMEs. In addition, intangibles with indefinite useful lives are tested for impairment annually irrespective of whether there is an indication of impairment.<br>[IAS 36.9-36.10] |

Areas covered in IFRS but not in IFRS for SMEs include:

- Disposals.
- Acquisition by way of government grants.
- Revaluation.

## Impairment of non-financial assets

The below addresses the impairment of non-financial assets other than inventories. More detail on the impairment of inventories is included elsewhere in this chapter.

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Definition and scope** | | |
| Cash-generating unit (CGU) | The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.<br>[IFRS SME Glossary] | Same as IFRS for SMEs.<br>[IAS 36.6] |
| Scope | Assets are subject to an impairment test according to the requirements outlined below, with the following exceptions:<br>• Deferred tax assets.<br>• Employee benefit assets.<br>• Financial assets.<br>• Investment property carried at fair value.<br>• Biological assets carried at fair value less estimated cost to sell<br>[IFRS for SMEs 27.1] | Wording similar to IFRS for SMEs. Accounting result likely to be the same. In addition to the assets excluded from the scope of IFRS for SMEs, full IFRS excludes the following assets:<br>• Inventories.<br>• Deferred acquisition costs<br>• Intangibles arising from contractual rights under insurance contracts.<br>• Non-current assets classified as held for sale in accordance with IFRS 5.<br>[IAS 36.2] |
| **Impairment of assets** | | |
| Impairment formula | An asset is impaired when its carrying amount exceeds it recoverable amount, whereby the recoverable amount is defined as the higher of an asset's or CGU's fair value less costs to sell and its value in use.<br>[IFRS for SMEs 27.5, 27.11] | Same as IFRS for SMEs.<br>[IAS 36.8, 36.13 36.65] |
| Impairment losses | An impairment loss is recognised immediately in the profit or loss.<br>[IFRS for SMEs 27.6] | Same as IFRS for SMEs, unless the asset is carried at revalued amount in accordance with another standard. In this case, the impairment loss is |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| | | treated as a revaluation decrease in accordance with that other standard.<br>[IAS 36.60] |
| **Annual assessment of indicators** | Assets (including goodwill) are tested for impairment when there is an indication that the asset may be impaired. The existence of impairment indicators is assessed at each reporting date.<br>[IFRS for SMEs 27.7] | The following assets are tested for impairment irrespective of whether there is indication of impairment:<br>• Intangible assets with an indefinite useful life or an intangible asset not yet available for use.<br>• Goodwill.<br>All other assets: same as IFRS for SMEs.<br>[IAS 36.9-36.10, 36.18] |
| **Indicators of impairment** | External indicators of impairment include a decline in an asset's market value, significant adverse changes in technological, market, economic or legal environment and increases in market interest rates.<br>Internal indicators include evidence of obsolescence or physical damage of an asset, changes in the way an asset is used (for example, due to restructuring or discontinued operations) or evidence from internal reporting that the economic performance of an asset is, or will be, worse than expected.<br>[IFRS for SMEs 27.9] | Same as IFRS for SMEs. An additional indicator exists when the entity's net asset value is above its market capitalisation.<br>[IAS 36.12] |
| **Recoverable amount** | Recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and its value in use. If either exceeds the carrying amount, it is not necessary to estimate the other amount.<br>[IFRS for SMEs 27.11-27.13] | Same as IFRS for SMEs.<br>[IAS 36.6] |
| **Value in use** | The value in use is defined as the present value of the future cash flows expected to be derived from an asset or CGU. Future cash flows are estimated for the asset in its current condition.<br>Cash inflows or outflows from financing activities and income tax receipts or payments are not included.<br>[IFRS for SMEs 27.15-27.20] | Same as IFRS for SMEs, but more extensive guidance about future cash flows estimation.<br>[IAS 36.30-36.53] |
| **Fair value less costs to sell** | When performing the impairment test of an asset (or CGU), the entity estimates the fair value less costs to sell based on a hierarchy of reliability of evidence:<br>• A price in a binding sale agreement in an arm's length or market price in an active market, less costs of disposal.<br>• Best available information to reflect the amount that an entity could obtain at the reporting date from disposal of the asset in an arm's length transaction between knowledgeable, willing parties, less | Similar to IFRS for SMEs.<br>[IAS 36.25] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| | costs of disposal. Outcome of recent transactions for similar assets within the same industry need to be considered.<br>[IFRS for SMEs 27.14] | |
| **Allocation of goodwill** | Goodwill is allocated to the CGUs that are expected to benefit from the synergies of the combination.<br>If such allocation is not possible and the reporting entity has not integrated the acquired business, the acquired entity is measured as a whole when testing goodwill impairment. If such allocation is not possible and the acquired business is integrated, the entire group is considered when testing goodwill impairment.<br>Note: 'integrated' means that the acquired business has been restructured or dissolved into the reporting entity or other subsidiaries<br>[IFRS for SMEs 27.24-27] | Goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from the synergies of the combination.<br>IAS 36 includes comprehensive guidance on how to allocate goodwill under several circumstances.<br>Goodwill is tested for impairment at the lowest level at which it is monitored by management. CGUs may be grouped for testing, but the grouping cannot be higher than an operating segment as defined in IFRS 8 (before aggregation).<br>[IAS 36.80-87] |
| **Reversal of impairment** | At each reporting date after recognition of the impairment loss, an entity assesses whether there is any indication that an impairment loss may have decreased or may no longer exist. The impairment loss is reversed if the recoverable amount of an asset (CGU) exceeds its carrying amount. The amount of the reversal is subject to certain limitations.<br>Goodwill impairment can never be reversed.<br>[IFRS for SMEs 27.28-31] | Similar to IFRS for SMEs; however, includes more detailed guidance and distinction of reversal of impairment for an individual asset, a CGU and goodwill.<br>[IAS 36.109-125] |

Areas covered in IFRS but not in IFRS for SMEs include:

- Guidance to estimate value in use.
- Corporate assets.

# 7. Non-financial liabilities and equity (Sections 21, 22, 28 and 29)

## Provisions and contingencies

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Definition and scope** | | |
| **Definition** | A provision is a liability of uncertain timing or amount.<br>[IFRS for SMEs 21.1] | Similar to IFRS for SMEs.<br>[IAS 37.10] |
| **Scope of the standard** | The section on provisions does not apply to provisions that arise from:<br>• Leases.<br>• Construction contracts.<br>• Employee benefit obligations.<br>• Income taxes.<br>[IFRS for SMEs 21.1] | Similar to IFRS for SMEs; however, includes additional scope exclusions such as executory contracts.<br>[IAS 37.1] |
| **Provisions** | | |
| **Recognition** | A provision is recognised only when:<br>• The entity has a present obligation to transfer economic benefits as a result of a past event;<br>• It is probable (more likely than not) that an entity will be required to transfer economic benefits in settlement of the obligation; and<br>• The amount of the obligation can be estimated reliably.<br>A present obligation arising from a past event may take the form either of a legal obligation or a constructive obligation. An obligating event leaves the entity no realistic alternative to settling the obligation. If the entity can avoid the future expenditure by its future actions, it has no present obligation, and no provision is required.<br>[IFRS for SMEs 21.4, 21.6] | Similar to IFRS for SMEs.<br>[IAS 37.14-37.26] |
| **Initial measurement** | The amount recognised as a provision is the best estimate of the amount required to settle the obligation at the reporting date. Where material, the amount of the provision is the present value of the amount expected to be required to settle the obligation.<br>[IFRS for SMEs 21.7] | Similar to IFRS for SMEs.<br>[IAS 37.36] |
| **Reimbursement** | When some or all of the amount required to settle a provision is reimbursed by another party, management recognises the reimbursement as a separate asset only when it is virtually certain that it will receive the reimbursement on settlement of the obligation. The reimbursement receivable is presented on the statement of financial position as an asset and is not offset against the provision. The amount of any expected reimbursement is disclosed. Net presentation is permitted in the statement of comprehensive income.<br>[IFRS for SMEs 21.9] | Similar to IFRS for SMEs.<br>[IAS 37.53-37.58] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Subsequent measurement** | Management reviews provisions at each reporting date and adjusts them to reflect the current best estimate of the amount that would be required to settle the obligation at that reporting date.<br>[IFRS for SMEs 21.10-21.11] | Similar to IFRS for SMEs.<br>[IAS 37.59-37.60] |
| **Contingencies** | | |
| **Contingent liabilities** | A contingent liability is either a possible but uncertain obligation, or a present obligation that is not recognised as a liability because either it is not probable that an outflow will occur or the amount cannot be measured reliably. Management does not recognise a contingent liability as a liability unless it has been acquired in a business combination.<br>A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic outflows is remote.<br>[IFRS for SMEs 21.12, 21.15] | Similar to IFRS for SMEs.<br>[IAS 37.10, 37.27-37.28, IFRS 3.23] |
| **Contingent assets** | Contingent assets are not recognised. However, when the inflow of economic benefits is virtually certain, the related asset is recognised as an asset.<br>A contingent asset is disclosed if an inflow of economic benefits is probable.<br>[IFRS for SMEs 21.13, 21.16] | Similar to IFRS for SMEs.<br>[IAS 37.10, 37.31, 37.33]. |

## Equity

IFRS for SMEs includes a separate section on equity. Under full IFRS, equity instruments are addressed in various different standards.

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Definition** | Equity is the residual interest in the entity's assets after deducting all its liabilities. Equity includes:<br>• Investments by the owners of the entity;<br>• Plus additions to those investments earned through profitable operations and retained for use in the entity's operations;<br>• Less reductions to owner's investments as a result of unprofitable operations and distributions to owners.<br>[IFRS for SMEs 22.3] | Residual interest in the assets of the entity after deducting all liabilities.<br>[IFRS Glossary] |
| **Issue of equity shares** | Equity instruments are measured at the fair value of the consideration received or receivable, net of direct issue costs.<br>[IFRS for SMEs 22.8] | Full IFRS is not explicit, but the application in practice is the same. |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Puttable financial instruments and obligations arising on liquidation** | Puttable financial instruments and instruments that impose on the entity an obligation to deliver a pro rata share in net assets only on liquidation are classified as equity if specified criteria are met.<br>[IFRS for SMEs 22.4] | Similar to IFRS for SMEs.<br>[IAS 32.16A-D] |
| **Compound financial instruments** | On issuing convertible debt or similar compound instruments that contain both a liability and an equity component, management allocates the proceeds between the liability component and the equity component at initial recognition. This allocation cannot be revised in a subsequent period.<br>[IFRS for SMEs 22.13-22.14] | Similar to IFRS for SMEs.<br>[IAS 32.28-32.30] |
| **Treasury shares** | Treasury shares are the equity instruments that have been issued and re-acquired by the entity. An entity deducts from the equity the fair value of the consideration given for the treasury shares. The entity does not recognise a gain or loss in profit or loss on the purchase, sale, issue or cancellation of treasury shares.<br>[IFRS for SMEs 22.16] | Similar to IFRS for SMEs.<br>[IAS 32.33] |
| **Non-controlling interest** | n consolidated financial statements, any non-controlling interest in the net assets of a subsidiary is included in equity.<br>[IFRS for SMEs 22.19] | Similar to IFRS for SMEs.<br>[IAS 27.27] |

## Employee benefits

The section on defined benefit plans focuses only on the recognition and measurement of the defined benefit liability on statement of financial position. The recognition and measurement of the related income and expenses are addressed in chapter 4, ‘Income and expenses’.

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Employee benefits** | Employee benefits are all forms of consideration given by an entity in exchange for services rendered by its employees. These benefits include:<br>• Short-term employee benefits (such as wages, salaries, profit-sharing and bonuses).<br>• Termination benefits (such as severance and redundancy pay).<br>• Post-employment benefits (such as retirement benefit plans).<br>• Other long-term employee benefits (such as long-term service leave and jubilee benefits).<br>[IFRS for SMEs 28.1] | Same as IFRS for SMEs.<br>[IAS 19.4, 19.7] |
| **Short-term employee benefits** | The costs of short-term employee benefits are recognised as a liability after deducting the amounts that have been paid to the employees in the period in which the employees have rendered their service. | Similar to IFRS for SMEs.<br>[IAS 19.10] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| | The amounts recognised are measured at the undiscounted amount of benefits expected to be paid in exchange for that service.<br>[IFRS for SMEs 28.4-28.5] | |
| **Termination benefits** | Refer to chapter 4, 'Income and expenses'. | Similar to IFRS for SMEs – also refer to chapter 4. |
| **Post-employment benefits – retirement benefits (pensions)** | | |
| **General** | Post-employment benefits are provided to employees either through defined contribution plans or defined benefit plans.<br>[IFRS for SMEs 28.9-28.10] | Similar to IFRS for SMEs.<br>[IAS 19.24-19.25] |
| **Distinction between defined contribution (DC) plans and defined benefit (DB) plans** | A DC plan is a post-employment plan under which the reporting entity pays fixed contribution into a separate entity. The reporting entity has no legal or constructive obligation to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.<br>A DB plan is a post-employment plan that is not a DC plan.<br>Whether an arrangement is a DC plan or a DB plan depends on the substance of the transaction rather than the form of the agreement.<br>[IFRS for SMEs 28.10] | Similar to IFRS for SMEs.<br>[IAS 19.7, 19.25-19.26] |
| **Multi-employer plans and state plans** | Multi-employer plans and state plans are classified as DC plans or DB plans on the basis of the terms of the plan, including any constructive obligation that goes beyond the formal terms.<br>If sufficient information is not available to use DB accounting for a DB multi-employer plan, it can be accounted for as if it were a DC plan.<br>[IFRS for SMEs 28.11] | Similar to IFRS for SMEs.<br>[IAS 19.29-19.30, 19.36] |
| **Insured benefit** | A post-employment benefit plan whose benefits are insured by an insurance contract is treated as a DC plan only where the entity has no legal or constructive obligation either:<br>• To pay the employee benefits directly to the employee when they become due; or<br>• To pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior periods.<br>A constructive obligation could arise indirectly through the plan, through the mechanism for setting future premiums or through a related-party relationship with the insurer.<br>[IFRS for SMEs 28.12] | Similar to IFRS for SMEs.<br>[IAS 19.39-19.42] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Measurement of defined contribution plans** | The contribution payable for a period by the employer to the fund is recognised as a liability for a DC plan after deducting any amount already paid.<br>[IFRS for SMEs 28.13] | Similar to IFRS for SMEs; however, if the contributions to a DC plan do not fall due wholly within 12 months after the end of the period, the future contributions are discounted.<br>[IAS 19.44-19.45] |
| **Defined benefit plans** | An entity recognises a liability for its obligation under DB plans net of plan assets; it recognises the net change in that liability during the period as the cost of its DB plans during the period.<br>[IFRS for SMEs 28.14] | Similar to IFRS for SMEs, except for the following:<br>• Actuarial gains or losses can be recognised immediately (either in profit or loss or in other comprehensive income) or deferred using the 'corridor' method (whereby gains and losses are amortised into profit or loss over the expected remaining lives of participating employees).<br>• Past-service costs are recognised in profit or loss on a straight-line basis over the average period until the plan amendments vest.<br>[IAS 19.54, 19.61, 19.92-19.93B, 19.96] |
| **Defined benefit liability** | The DB liability is the net total of:<br>• The present value of the DB obligation at the end of the reporting period;<br>• Less the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.<br>[IFRS for SMEs 28.15] | The DB liability is the net total of:<br>• The present value of the DB obligation at the end of the reporting period;<br>• Plus any actuarial gains (less any actuarial losses) not recognised due to the corridor method;<br>• Minus any unrecognised past service costs;<br>• Minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.<br>[IAS 19.54] |
| **Actuarial valuation method** | The use of an accrued benefit valuation method (the projected unit credit method) is required if the information that is needed to make such a calculation is already available, or can be obtained without undue cost or effort.<br>If this is not the case, an alternative method is permitted in which future salary progression, future service and possible mortality during an employee's period of service are not considered.<br>Valuations performed inbetween comprehensive valuations are adjusted for the changes in number of employees and salaries if the principal actuarial assumptions have not changed significantly.<br>[IFRS for SMEs 28.18-28.20] | The use of an accrued benefit valuation method (the projected unit credit method) is required for calculating DB obligations. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.<br>[IAS 19.64-19.65] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| Discount rate | The DB obligation is recorded at present values using a discount rate derived from high-quality corporate bonds with a maturity consistent with the expected maturity of the obligations. In countries where no deep market in high-quality bonds exists, the yield rate on government bonds is used.<br>[IFRS for SMEs 28.17] | Same as IFRS for SMEs.<br>[IAS 19.78] |
| Fair value of plan assets | Plan assets are measured at fair value. When the market price is unavailable, the fair value of the plan assets is estimated – for example, using discounted cash flows.<br>[IFRS for SMEs 28.15(b), 11.27-11.32] | Similar to IFRS for SMEs.<br>[IAS 19.102] |
| Expected return on plan assets | No distinction between expected and actual return on plan assets. All changes in the fair value of plan assets are recorded in profit or loss.<br>[IFRS for SMEs 28.25(c)] | The expected return on plan assets is based on market expectations at the beginning of the period for returns over the entire life of the related obligation. It reflects changes in the fair value of plan assets as a result of actual contributions and benefits paid. The difference between actual and expected returns on plan assets is an actuarial gain or loss.<br>[IAS 19.105-19.106] |
| **Other long-term employee benefits** | | |
| Other long-term employee benefits | Other long-term benefits include long-service and sabbatical leave, jubilee and other long-service benefits, long-term disability benefits and compensation, and bonus payments paid after 12 months or more after the end of the period in which they are earned.<br>The amount recognised as a liability for other long-term benefits is the net total of:<br>• The present value of the benefit obligation at the reporting date;<br>• Less the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.<br>[IFRS for SMEs 28.29-28.30] | Similar to IFRS for SMEs.<br>[IAS 19.126-19.130] |

Areas covered in IFRS but not in IFRS for SMEs include:

- Defined benefit plans that share risks between various entities under common control.
- Asset ceiling test.
- Detailed guidance on the measurement of defined benefit obligation.

## Income taxes

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Current taxes** | | |
| **Definition** | The amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the current period. [IFRS for SMEs Glossary]. | Same as IFRS for SMEs. [IAS 12.5] |
| **Recognition** | Unpaid current tax for current and prior periods is recognised as a liability. If the amount already paid exceeds the amount due for those periods, the excess is recognised as an asset.<br>The benefit relating to a tax loss that can be carried back to recover current tax of a previous period is recognised as an asset. [IFRS for SMEs 29.4-29.5] | Same as IFRS for SMEs. [IAS 12.12-12.13] |
| **Measurement** | Current tax liabilities (assets) for the current and prior periods and related tax expense (income) are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.<br>Current taxes are not discounted. [IFRS for SMEs 29.6, 29.23-29.24] | Similar to IFRS for SMEs except that IAS 12 is silent on the discounting current tax. [IAS 12.46] |
| **Deferred taxes** | | |
| **Definition of deferred tax liabilities / (assets)** | The amounts of income taxes payable (potentially recoverable) in future in respect of taxable (deductible) temporary differences (and the carry-forward of unused tax losses and tax credits). [IFRS for SMEs Glossary] | Same as IFRS for SMEs. [IAS 12.5] |
| **Tax basis** | Tax basis is the measurement under applicable (substantively enacted) tax law of an asset, liability or equity instrument.<br>The tax basis of an asset equals the amount that would have been deductible in arriving at taxable profit if the carrying amount of the asset has been recovered through sales at the end of the reporting period. The tax basis of a liability equals its carrying amount less any amounts deductible in determining taxable profit (or plus any amounts included in taxable profit) if the liability had been settled at the end of the reporting period. [IFRS for SMEs Glossary, and 29.11-29.12] | Same as IFRS for SMEs. [IAS 12.5]<br>The tax basis of an asset or liability is determined based on the expected manner of recovery or settlement.<br>[IAS 12.52] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Temporary differences** | Temporary differences are differences between the tax basis of an asset or liability and its carrying amount in the financial statements that will result in a taxable or deductible amount when the carrying amount of the asset or liability is recovered or settled.<br>[IFRS for SMEs Glossary] | Same as IFRS for SMEs.<br>[IAS 12.5] |
| **Recognition and measurement** | Deferred tax is provided for all temporary differences and the carry-forward of unused tax losses, with a few exceptions such as the initial recognition of goodwill and the outside basis differences (that is, temporary difference arising from investments in subsidiaries, branches, joint ventures and associates) from foreign investments that are essentially permanent in duration.<br>[IFRS for SMEs 29.9, 29.15-29.16] | Similar to IFRS for SMEs. There are also additional exceptions for initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit at the time of the transaction.<br>In addition, IAS 12 provides an exemption to outside basis difference regardless of whether it is a domestic or foreign investee.<br>[IAS 12.15, 24, 34, 39] |
| | A valuation allowance is recognised so that the net carrying amount of the deferred tax asset equals the highest amount that is more likely than not to be recovered. | The concept of 'valuation allowance' is not applicable. Instead, a deferred tax asset is only recognised to the extent that it is probable that there will be sufficient future taxable profit to enable recovery of the deferred tax asset. The net carrying amount of deferred tax asset is likely to be the same, but full IFRS does not request the disclosure of a valuation allowance. |
| | Deferred tax assets and liabilities are measured using the tax rates (and tax laws) that apply or have been (substantively) enacted by the reporting date.<br>Deferred tax assets and liabilities are not discounted.<br>Where an entity is subject to different tax rates depending on different levels of taxable income, deferred tax assets and liabilities are measured at the average tax rate applicable to the periods in which it expects the temporary differences to reverse.<br>[IFRS for SMEs 29.18, 29.19, 29.21-29.24]. | Same as IFRS for SMEs.<br>[IAS 12.47, 49, 53] |
| **Review of deferred tax assets** | The net carrying amount of the deferred tax asset is reviewed at each reporting date; the valuation allowance is adjusted to reflect the current assessment of future taxable profits.<br>[IFRS for SMEs 29.22] | Similar to IFRS for SMEs. The carrying amount of the deferred tax asset is reviewed at each reporting date and is reduced when it is no longer probable that sufficient taxable profit will be available to allow recovery of the deferred tax asset. This reduction is reversed when subsequently it becomes probable that sufficient taxable profit will be available.<br>Net carrying amount of deferred tax asset likely to be the same.<br>[IAS 12.56] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Recognition directly in comprehensive income** | Current and deferred tax is recognised in the same component of total comprehensive income as the transaction or other event that resulted in the tax expense.<br>[IFRS for SMEs 29.27] | Current and deferred tax is recognised in profit of loss, except to the extent that the tax arises from a business transaction or a transaction or event that is recognised in the same or other period outside profit or loss (either in other comprehensive income or directly in equity).<br>[IAS 12.58, 12.61A, 12.68] |
| **Other topics** | | |
| **Withholding tax on dividend** | Tax relating to dividends that is paid or payable to taxation authorities on behalf of the shareholders (for example, withholding tax) is charged to equity as part of the dividends.<br>[IFRS for SMEs 29.26] | Same as IFRS for SMEs.<br>[IAS 12.65A] |
| **Uncertain tax position** | An entity recognises the effect of the possible outcomes of a review by the tax authorities. It is measured using the probability-weighted average amount of all the possible outcomes, assuming that the tax authorities will review the amounts reported and have full knowledge of all relevant information.<br>[IFRS for SMEs 29.8, 29.24] | There is no specific guidance under IAS 12. In practice, management records the liability measured as either a single best estimate or a weighted average probability of the possible outcomes, if the likelihood is greater than 50%. |
| **Offsetting** | Management offsets current tax assets and current tax liabilities, or offsets deferred tax assets and deferred tax liabilities, only when it has a legally enforceable right to set off the amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.<br>[IFRS for SMEs 29.29]. | For the offsetting of current tax, same as IFRS for SMEs.<br>For the offsetting of deferred tax, IAS 12 does not require a detailed time schedule of the reversal of each temporary difference. Rather, it requires to set off the assets and liabilities of the same taxable entity if and only if they relate to income tax levied by the same authority and the entity has a legal enforceable right to set off current tax assets against liabilities.<br>[IAS 12.71, 74 and 75] |

Areas covered in IFRS but not in IFRS for SMEs include:

- Assets carried at fair value.
- Reassessment of unrecognised deferred tax assets.
- Deferred tax arising from a business combination.
- Current and deferred tax arising from share-based payment transactions.
- Exchange differences on deferred foreign tax liabilities or assets.

# 8. Other topics (Sections 20, 30, 31, 32, 33 and 34)

## Leases

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Definition and scope** | | |
| **Definition** | A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or a series of payments the right to use an asset for an agreed period of time.<br>[IFRS for SMEs Glossary] | Same as IFRS for SMEs.<br>[IAS 17.4] |
| **Scope of the standard** | The section on leases applies to accounting for all leases other than:<br>1. Leases in the exploration industries.<br>2. Licensing agreements for such items such as motion picture films and video recordings.<br>3. Investment property.<br>4. Biological assets.<br>5. Leases that could result in a loss to either party as a result of contractual terms that are unrelated to changes in the price of leased assets, changes in foreign exchange rates or a default by one of the counterparties.<br>6. Onerous operating leases<br>Arrangements that do not take the legal form of a lease but that convey rights to use assets in return for payments are in substance leases and are accounted as such.<br>[IFRS for SMEs 20.1-20.3] | Same as IFRS for SMEs except for 5 and 6.<br>[IAS 17.2, IFRIC 4] |
| **Lease classification** | | |
| **General characteristics** | A lease is classified at inception as a finance lease if it transfers to the lessee substantially all of the risks and rewards incidental to ownership. All other leases are treated as operating leases. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the legal form of the contract.<br>[IFRS for SMEs 20.4-20.5] | Same as IFRS for SMEs.<br>[IAS 17.8, 17.10] |
| **Examples of situations that would normally lead to a lease being classified as a finance lease** | • Transfer of ownership of the asset takes place by the end of the lease term.<br>• There is a bargain purchase option.<br>• Lease term is for the major part of the economic life of the asset.<br>• At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.<br>• Leased assets are of a specialised nature.<br>[IFRS for SMEs 20.5] | Same as IFRS for SMEs.<br>[IAS 17.10] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| Sale-and-lease-back transactions | For sale-and-lease-back transactions resulting in a lease-back of a finance lease, any gain realised by the seller-lessee on the transaction is deferred and amortised through the profit or loss over the lease term. Separate requirements apply where the transaction results in an operating lease. [IFRS for SMEs 20.33-20.34] | Same as IFRS for SMEs. [IAS 17.59, 17.61, 17.63, 17, IG] |
| **Lease treatment in the financial statements of a lessee** | | |
| Financial lease | The assets and liabilities are recognised at fair value or, if lower, at the present value of the minimum lease payments at the inception of the lease. The present value of minimum lease payment is discounted using the interest rate implicit in the lease.<br>Subsequent measurement: assets are depreciated in accordance with relevant IFRS for SMEs section or over the lease term if shorter. The lessee apportions minimum lease payments between finance charge and reduction of outstanding liability. [IFRS for SMEs 20.9-20.12] | Same as IFRS for SMEs. [IAS 17.20, 25, 27] |
| Operating lease | The rental payments are recorded as expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit or the payments to the lessor are structured to increase in line with expected inflation to compensate for the lessor's expected cost increases. [IFRS for SMEs 20.15] | Similar to IFRS for SMEs, except for the expected inflation adjustments. [IAS 17.33] |
| **Lease treatment in the financial statements of a lessor** | | |
| Financial lease | Assets held under a finance lease are recognised and presented as a receivable at an amount equal to the net investment in the lease. [IFRS for SMEs 20.17] | Same as IFRS for SMEs. [IAS 17.36] |
| Operating lease | These assets are recorded according to the nature of the assets and depreciated on a basis consistent with the normal depreciation policy for similar assets. Rental income is recognised on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which the benefit of the leased asset is diminished or the payments to the lessor are structured to increase in line with expected inflation to compensate for the lessor's expected cost increases. [IFRS for SMEs 20.24-20.25] | Similar to IFRS for SMEs, except for the expected inflation adjustments. [IAS 17.49-17.51, 53] |

Areas covered in IFRS but not in IFRS for SMEs include:

- Implementation guidance.
- Operating leases – incentives (SIC 15).
- Evaluating the substance of transactions involving the legal form of a lease (SIC 27).

## Foreign currencies

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Definitions** | | |
| **Functional currency** | Currency of the primary economic environment in which the entity operates.<br>[IFRS for SMEs 30.2] | Same as IFRS for SMEs.<br>[IAS 21.8] |
| **Presentation currency** | Currency in which the financial statements are presented.<br>[IFRS for SMEs Glossary] | Same as IFRS for SMEs.<br>[IAS 21.8] |
| **Functional currency** | | |
| **General** | All components of the financial statements are measured in the functional currency. All transactions entered into in currencies other than the functional currency are treated as transactions in a foreign currency.<br>[IFRS for SMEs 30.6-30.7] | Similar to IFRS for SMEs.<br>[IAS 21.17, 21] |
| **Foreign currencies transactions** | A transaction in a foreign currency is recorded in the functional currency using the exchange rate at the date of transaction (average rates may be used if they do not fluctuate significantly).<br>At the end of each reporting period, foreign currency monetary balances are translated using the exchange rate at the closing rate.<br>Non-monetary balances denominated in a foreign currency and carried:<br>• At cost: reported using the exchange rate at the date of the transaction.<br>• At fair value: reported using the exchange rate at the date when the fair values were determined.<br>[IFRS for SMEs 30.7-30.9] | Same as IFRS for SMEs.<br>[IAS 21.21-21.23] |
| **Recognition of exchange differences** | Exchange differences on monetary items are recognised in profit or loss for the period except for those differences arising on a monetary item that forms part of an entity's net investment in a foreign entity (subject to strict criteria of what qualifies as net investment). In the consolidated financial statements, such exchange differences are recognised as a separate component in equity.<br>Recycling through profit or loss of any cumulative exchange differences that were previously recognised in equity on disposal of a foreign operation is not permitted.<br>[IFRS for SMEs 30.10, 30.12-31.13] | Same as IFRS for SMEs, except that exchange differences on a monetary item that forms part of a net investment in a foreign operation are reclassified from equity to profit or loss on disposal of the foreign operation.<br>[IAS 21.28, 30, 32] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Change in functional currency** | A change is justified only if there are changes in underlying transactions, events and conditions that are relevant to the entity. The effect of a change in functional currency is accounted for prospectively from the date of the change. [IFRS for SMEs 30.14-16] | Same as IFRS for SMEs. [IAS 21.35-21.37] |
| **Presentation currency** | | |
| **General** | An entity may choose to present its financial statements in any currency. If the presentation currency differs from the functional currency, an entity translates its results and financial position into the presentation currency. [IFRS for SMEs 30.17] | Same as IFRS for SMEs. [IAS 21.38] |
| **Translation to the presentation currency** | The assets and liabilities are translated at the closing rate at the date of the statement of financial position; income and expenses are translated using the exchange rates at the dates of the transactions (average rates may be used if they do not fluctuate significantly). All resulting exchange differences are recognised in other comprehensive income. Entities in the group may have different functional currencies. When preparing consolidated financial statements, the financial statements of all entities are translated into the reporting entity's presentation currency. [IFRS for SMEs 30.18-30.19] | Similar to IFRS for SMEs, except that cumulative translation differences on foreign operations initially recognised in equity are recycled to profit or loss upon disposal of the foreign operation. [IAS 21.39-21.40, 48] |

Areas covered in IFRS but not in IFRS for SMEs include:

- Tax effects of all exchange differences.

## Hyperinflation

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Definition** | Hyperinflation is indicated by characteristics of the economic environment of a country. One of the indicators is if the cumulative inflation rate over three years is approaching or exceeds 100%. [IFRS for SMEs 31.2] | Same as IFRS for SMEs. [IAS 29.3] |
| **Presentation** | Where an entity's functional currency is the currency of a hyperinflationary economy, the financial statements are stated in terms of the measuring unit current at the end of the reporting period. The gain or loss on the net monetary position is included in profit or loss and separately disclosed. [IFRS for SMEs 31.3, 31.13] | Same as IFRS for SMEs. [IAS 29.8, 29.9] |

## Events after the end of the reporting period

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Definitions** | | |
| **Events after the end of the reporting period** | Events after the end of the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.<br>[IFRS for SMEs 32.2] | Same as IFRS for SMEs.<br>[IAS 10.3] |
| **Adjusting event** | Adjusting events provide further evidence of conditions that existed at the end of the reporting period and lead to adjustments to the financial statements.<br>[IFRS for SMEs 32.2(a), 32.5] | Same as IFRS for SMEs.<br>[IAS 10.3(a)] |
| **Non-adjusting event** | Non-adjusting events relate to conditions that arose after the end of the reporting period and do not lead to adjustments, only to disclosures in the financial statements.<br>[IFRS for SMEs 32.2(b), 32.7] | Same as IFRS for SMEs.<br>[IAS 10.3(b)] |
| **Recognition and measurement** | | |
| **Dividends** | Dividends proposed or declared after the end of the reporting period are not recognised as a liability in the reporting period.<br>[IFRS for SMEs 32.8] | Similar as IFRS for SMEs.<br>[IAS 10.12-10.13 |
| **Date of authorisation for issue** | Management discloses the date on which the financial statements were authorised for issue and who gave that authorisation. If the owners or other persons have the power to amend the financial statements after issue, this fact is also disclosed.<br>[IFRS for SMEs 32.9] | Similar to IFRS for SMEs.<br>[IAS 10.4-10.6] |

## Related-party disclosures

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Definition** | A related party is a person or entity that is related to the entity that is preparing its financial statements (the reporting entity).<br>The main categories of related parties are:<br>• Subsidiaries.<br>• Fellow subsidiaries.<br>• Associates.<br>• Joint ventures.<br>• Key management personnel of the entity and its parent (which include close members of their families). | Similar to IFRS for SMEs.<br>[IAS 24.9] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| | • Parties with control or joint control or significant influence over the entity (which include close members of their families, where applicable).<br>• Post-employment benefit plans.<br>Related parties exclude finance providers and governments in the course of their normal dealings with the entity. There is also an exemption from the disclosure requirements where there is state control over the entity.<br>[IFRS for SMEs 33.2] | |
| Disclosures | Where there have been related-party transactions, disclosure is made of the nature of the relationship, the amount of transactions, and outstanding balances and other elements necessary for a clear understanding of the financial statements (for example, volume and amounts of transactions, amounts outstanding and pricing policies).<br>[IFRS for SMEs 33.9] | Similar to IFRS for SMEs<br>[IAS 24.17] |

## Specialised activities

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| Agriculture | | |
| Definitions | • Biological asset: a living animal or plant.<br>• Agricultural produce: the harvested product of biological assets.<br>[IFRS for SMEs Glossary] | Same as IFRS for SMEs.<br>[IFRS Glossary] |
| Recognition and measurement | An entity involved in agricultural activity measures biological assets at fair value less cost to sell where such fair value is readily determinable without undue cost or effort. Where fair value is not used, the entity measures such assets at cost less any accumulated depreciation and any accumulated impairment losses.<br>The agricultural produce harvested from biological assets is measured at fair value less estimated costs to sell at the point of harvest.<br>Gains or losses on initial recognition and from change in fair value are recognised in profit or loss of the period.<br>[IFRS for SMEs 34.4-34.6, 34.8-34.9] | Similar to IFRS for SMEs; however, exemption from measurement at fair value is only allowed if the fair value cannot be measured reliably.<br>This is the case for biological assets for which market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such cases, biological assets are measured at cost.<br>[IAS 41.12-41.13, 41.26, 41.30] |
| Extractive industries | | |
| Recognition and measurement | An entity that is engaged in an extractive industry recognises exploration expenditure on the acquisition or development of tangible/intangible assets by applying Sections 17 and 18.<br>[IFRS for SMEs 34.11] | Exploration and evaluation assets are measured at cost. An entity may develop a policy to determine which expenditures are recognised as exploration and evaluation assets. Full IFRS restricts recognition of certain types of expenditures as an asset.<br>[IFRS 6.8-6.9] |

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Service concession arrangements** | | |
| **Definition** | An arrangement whereby a government or other public sector body contracts with a private operator to develop, operate and maintain infrastructure assets such as roads, prisons and hospitals.<br>[IFRS for SMEs 34.12] | Similar to IFRS for SMEs; however, guidance is more detailed.<br>[IFRIC 12.2] |
| **Categories and accounting** | The operator receives a financial asset or an intangible asset. The financial asset is recognised to the extent that the operator has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. The intangible asset is recognised to the extent that the operator receives a right (or licence) to charge users of the public service. The financial and intangible assets are initially measured at fair value. They are subsequently measured in accordance with Section 11, 'Basic financial instruments', Section 12 'Other financial instruments issues', and Section 18, 'Intangible assets other than goodwill', respectively.<br>[IFRS for SMEs 34.13-34-15] | Same as IFRS for SMEs.<br>[IFRIC 12.15-12.17, 23, 26] |

Areas covered in IFRS but not in IFRS for SMEs include:

- Government grants related to biological assets.
- Scope and elements of cost of exploration and evaluation assets (IFRS 6).

## Discontinued operations and assets held for sale

IFRS for SMEs does not have 'held for sale' classification for non-financial assets or groups of assets and liabilities, as is required by IFRS 5, 'Non-current assets held for sale and discontinued operations'. Instead, a decision to sell an asset is considered an impairment indicator, which triggers an impairment review. Discontinued operations are taken into account, but not in a separate section.

| | IFRS for SMEs | Full IFRS |
|---|---|---|
| **Discontinued operations – definition** | A component of an entity that either has been disposed of or is held for sale. It represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a major line of business or geographical area of operations. It could also be a subsidiary acquired exclusively for resale.<br>[IFRS for SMEs Glossary] | Same as IFRS for SMEs, except the glossary IFRS for SMEs includes the reference for held for sale.<br>[IFRS 5.32] |

| | | |
|---|---|---|
| **Presentation** | Amounts for discontinued operations are required and identified in the statement of comprehensive income. [IFRS for SMEs 5.5(e)] | Discontinued operations are presented separately in the comprehensive income and the statement of cash flows. There are additional disclosure requirements in relation to discontinued operations. [IFRS 5.33] |
| | **IFRS for SMEs** | **Full IFRS** |
| **Non-current assets held for sale** | Not covered. The decision to sell an asset or plans to discontinue the operation to which an asset belongs are considered an impairment indicator. [IFRS for SMEs 27.9(f)] | A non-current asset (or disposal group) is classified as 'held for sale' if its carrying amount is recovered principally through a sale transaction rather than through continuing use. This is the case when the asset (or disposal group) is available for immediate sale in its present condition, its sale is highly probable and the sale is expected to be completed within one year from the date of classification.<br>Assets (or disposal group) classified for sale are:<br>• Carried at the lower of the carrying amount and fair value less costs to sell.<br>• Not depreciated or amortised.<br>• Presented separately in the statement of financial position.<br>[IFRS 5.1, 5.6-5.7, 5.15, 5.38] |

IFRS for SMEs does not include sections on topics for which IFRS for SMEs does not have a specific requirement to present such information. Those topics are:

- Segment reporting (IFRS 8).
- Earnings per share (IAS 33).
- Interim financial reporting (IAS 34).

# PricewaterhouseCoopers' IFRS and corporate governance publications and tools 2009

## IFRS surveys and market issues

**Presentation of income under IFRS**
Trends in use and presentation of non-GAAP income measures in IFRS financial statements.

**IFRS: The European investors' view**
Impact of IFRS reporting on fund managers' perceptions of value and their investment decisions.

**Joining the dots – survey of narrative reporting practices**
Survey of the quality of narrative reporting among FTSE 350 companies, identifying where action is needed in the next reporting cycle for companies to gain a competitive edge and help restore trust in this tough economic environment.

**Recasting the reporting model**
Survey of corporate entities and investors, and PwC insights on how to simplify and enhance communications.

**Measuring assets and liabilities**
Survey of investment professionals, looking at their use of the balance sheet in analysing performance and the measurement bases for assets and liabilities that best suit their needs.

**Performance statement: coming together to shape the future**
2007 survey of what investment professionals and corporate management require to assess performance.

**Corporate reporting: is it what investment professionals expect?**
Survey looking at the information that companies provide, and whether investors and analysts have the information they need to assess corporate performance.

**IFRS 7: Potential impact of market risks**
Examples of how market risks can be calculated.

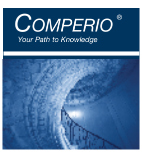
## Corporate governance publications

**Audit Committees – Good Practices for Meeting Market Expectations**
Provides PwC views on good practice and summarises audit committee requirements in over 40 countries.


**World Watch magazine**
Global magazine with news and opinion articles on the latest developments and trends in governance, financial reporting, narrative reporting, sustainability and assurance.

**Hard copies can be ordered from cch.co.uk/ifrsbooks or via your local PricewaterhouseCoopers office. See the full range of our services at www.pwc.com/ifrs**

## IFRS tools




**Comperio – Your path to knowledge**
On-line library of global financial reporting and assurance literature. Contains full text of financial reporting standards of US GAAP and IFRS, plus materials of specific relevance to 10 other territories. Register for a free trial at www.pwccomperio.com


**PwC inform – IFRS on-line**
On-line resource for finance professionals globally, covering financial reporting under IFRS (and UK GAAP). Use PwC inform to access the latest news, PwC guidance, comprehensive research materials and full text of the standards. The search function and intuitive layout enable users to access all they need for reporting under IFRS. Register for a free trial at www.pwcinform.com


**P2P IFRS – from principle to practice Interactive IFRS training**
PwC's interactive electronic learning tool brings you up to speed on IFRS. Contains 20 hours of learning in 40 interactive modules. Up to date as of March 2009.
For more information, visit www.pwc.com/ifrs

**About PricewaterhouseCoopers**
PricewaterhouseCoopers provides industry-focused assurance, tax, and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 155,000 people in 153 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

**Contacting PricewaterhouseCoopers**
Please contact your local PricewaterhouseCoopers office to discuss how we can help you make the change to International Financial Reporting Standards or with technical queries. See inside front cover for further details of IFRS products and services.



PRICEWATERHOUSECOOPERS

www.pwc.com/ifrs

UP/GCR099-BI9001
ISBN 978-1-84798-220-9
9 781847 982209

CCH
a Wolters Kluwer business