

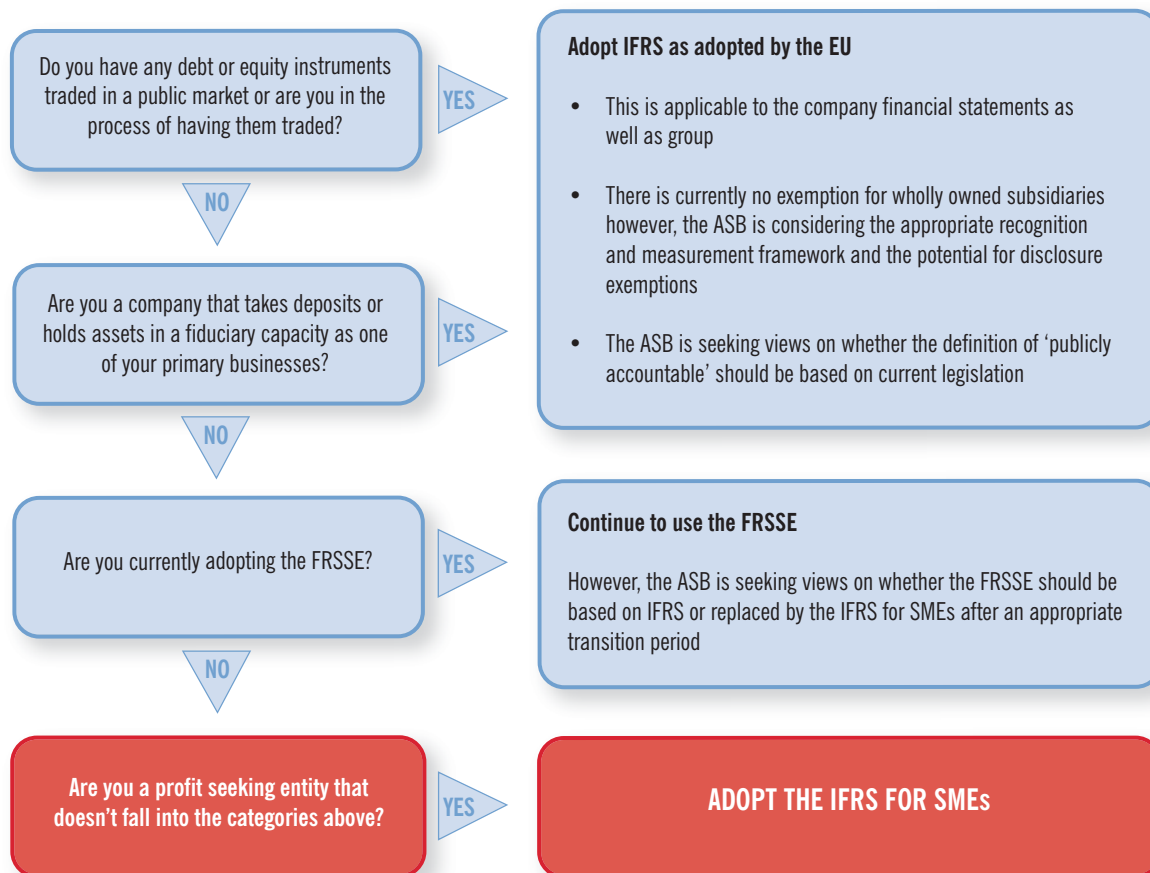
IFRS for SMEs

Are you ready for the change?



The UK Accounting Standards Board (ASB) as part of its strategy to converge with International Financial Reporting Standards (IFRS), has proposed the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) as the foundation for replacing UK GAAP. Outlined below are some answers to the questions that you may have at this time.

Will I be affected by the proposed changes?

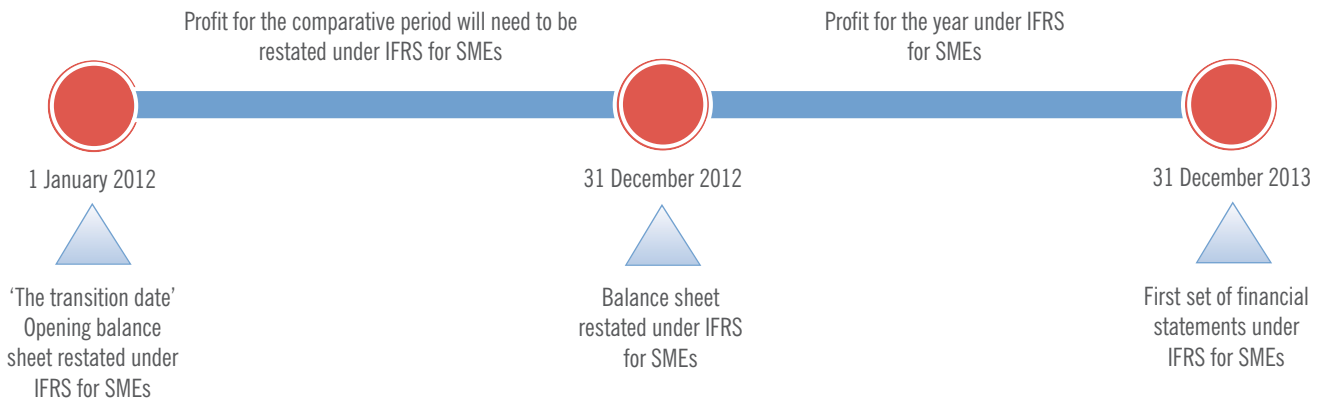


What if I am a Public Benefit (not-for-profit) Entity?

- The ASB is still considering the strategy for convergence given that IFRS does not take into account the application by such entities as charities, housing associations, further education institutions and community interest companies.
- The proposal is to develop additional guidance around IFRS for SMEs or full IFRS to address areas specific to not-for-profit entities.
- The consultation suggests four possible approaches to convergence and has invited comments on them. These are a public benefit framework, a public benefit standard, separate standards on public benefit issues and supplementary text in UK GAAP.
- If the ASB decides to develop a public entity standard, the detailed accounting requirements will be subject to a separate consultation. This will likely lead to a deferred implementation date.

When will the changes affect me?

The ASB proposed that the IFRS for SMEs would form the foundation for replacing UK GAAP for financial years beginning on or after 1 January 2012. However, in response to feedback to its proposal, the ASB has tentatively agreed to a one year deferral i.e. for financial years beginning on or after 1 January 2013. If the effective date is deferred by one year, the following timeline illustrates the impact for a company with a 31 December year end.



What will the impact be when I transition over to IFRS for SMEs?

The impact of the IFRS for SMEs will depend entirely on the circumstances of your company and the current accounting policies you apply under UK GAAP. The IFRS for SMEs does not permit revaluation of tangible and intangible assets or capitalisation of development or borrowing costs. It does however require certain financial instruments to be measured at fair value and proposes a different measurement basis for deferred tax and presentational changes to the components of the financial statements. The ASB is still considering whether it should adopt the IFRS for SMEs in full or with amendments.

What next?

The ASB requested comments on its consultation document and is currently in the process of reviewing the feedback which contained diverging views but general support for the IFRS for SMEs. After giving due consideration to the comments made, it is the ASB's intention to release an Exposure Draft outlining the Future of UK GAAP.

Is there anything I need to do now?

At the present time, there is much uncertainty in relation to the ASB's proposals. A clearer picture will be available once the exposure draft has been published. At that time, Baker Tilly will be in touch to assist you in understanding the implications and the necessary actions that will be needed to ensure a smooth transition to the IFRS for SMEs.



**For further information on the IFRS for SMEs,
please contact your local Baker Tilly office.**

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