

ACCA

Robin Jarvis,
Head of SME
Affairs

Richard Martin,
Head of Financial
Reporting

**ACCA's Field
Testing of ED
IFRS for SMEs**

Landscape: UK Financial Reporting

Number of companies (using EU definition / employees):

- Quoted on London Stock Exchange (1,500) 0.03%
- Medium (50-249) 2%
- Small (10-49) 11%
- Micro (0-9) 86%
- Unlisted (>50 employees) 2.4%: approx 28,000

Characteristics of Sample (1)

- 5 participating SMPs
- 25 companies
- Average turnover: £2,112,400
[Highest £7.9m / Lowest £0.1m]
- Average number of employees: 21
[t/o per employee: £97k]
- EU definition of 'small entity': £6.5m

Characteristics of Sample (2)

- All SMPs prepared the Financial Reports
- 22/25 original Financial Statements based on Financial Reporting Standard for Small Entities (FRSSE)
- Software: All SMPs used a software package to produce FRSSE based financial statements

Characteristics of Sample (3)

- 14/25 were audited although only 3 required to, as above threshold
- 4 companies had bank loans
- 3 companies had overseas operations

Findings

- 20/25 cases none or only minor issues on translation
- Generally did not find it difficult
- Used the example accounts and disclosure checklist as their main basis
- Little need to apply the principles section
- Little need to consult full IFRS

Recognition & measurement differences

- 2 companies obliged to produce consolidated accounts
- Goodwill amortisation
- Listed investments restated to fair value
- Government grant set off
- Many “difficult” transactions not encountered

Translation changes

- Cash flow statement required
- Leasing commitment disclosures expanded
- Unclear on disclosures of areas of judgement and uncertainty
- Unclear on financial instruments

What would have helped?

- Clarity on financial instruments
- Integration with legal requirements – disclosures and formats
- Software
- General training
- Some exemptions for small companies

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