Project:	**IFRS for SMEs disclosures – new Tier 2 framework**	**Meeting**	AASB February 2019 (M169)
Topic:	**(WORKING DRAFT) Detailed comparison of R&M requirements in IFRS for SMEs Standard and full IFRS and analysis on impact of disclosures**	**Agenda Item:**	7.2
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Legend for column 3

Legend	Description
No significant differences	No significant differences: there are no simplifications or modifications to accounting requirements in relation to those in AASB Tier 1.
Simplified	Simplified: removal of accounting policy choices that are available under AASB Tier 1.
Modified	Modified: the differences extend beyond a mere limitation of accounting policy choice available, or IFRS for SME options are not available in full IFRS
Significant Difference	Significant: there is a significant difference in the recognition and measurement requirements compared to AASB Tier 1.
Excluded	Excluded: certain topics in full IFRS are excluded

Legend for column 4

Legend	Description
Retain	If R&M principles are same or similar in both full IFRS and IFRS for SMEs – retain IFRS for SMEs disclosures, amended as necessary for differences in terminology
Add	Where R&M options are significantly different, and for topics not covered by IFRS for SMEs – consider what additional disclosures to IFRS for SMEs should be added using IFRS for SMEs disclosure as a base
Remove	If any R&M options in IFRS for SMES are not available under full IFRS – remove related disclosures and retain the rest.

IFRS for SMEs	Equivalent IFRS standard	Assessment of R&M differences	Recommendation (Retain/Add/ Remove)	Final proposed text on disclosure requirements[1] *(Full text from IFRS for SMEs subject to adjusting for added/removed items and adapting language as necessary eg replacing references to IFRS for SMEs)*
Section 1 **Small and Medium-sized Entities**	N/A	Section 1 explains the scope and defintions of IFRS for SMEs and no comparison is required.	N/A	N/A
Section 2 **Concepts and Pervasive Principles**	Conceptual Framework	**No significant difference.** This section describes the objective of financial statements of SMEs and the qualities that make the information in the financial statements of SMEs useful. It also sets out the concepts and basic principles underlying the financial statements of SMEs. This is similar to the principles and concepts in the *Conceptual Framework for Financial Reporting*.	No disclosures to consider in this section.	No disclosures to consider in this section.
Section 3 **Financial Statement Presentation** **Scope of this section** 3.1 This section explains fair presentation of financial statements, what compliance with the IFRS for SMEs requires and what a complete set of financial statements is. Fair presentation 3.2 Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in Section 2 Concepts and Pervasive Principles:	IAS 1 *Presentation of Financial Statements*	**No significant differences** This section predominatly describes presentation and disclosure requirements and there are only couple of R&M principles.	**Retain** Need to adapt language as necessary (eg replacing references to IFRS for SMEs) IAS 1/AASB 101 Presentation of Financial Statements and IAS 7/AASB 107 Statement of Cash Flows in full IFRS will be replaced in	**Scope of this section** 3.1 This section explains fair presentation of financial statements, what compliance with the IFRS for SMEs requires and what a complete set of financial statements is. Fair presentation 3.2 Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses

1 Staff will consider how to present these disclosures in a separate standard as proposed in the staff paper (ie whether to highlight what has changed from IFRS for SMEs standard and what has been removed in order to be able to make changes easily) while drafting the ED. Furthermore, the disclosures are not copied across to the final column when there is a need of adding or removing certain dislcoures. The final column of this table will be completed and presented to the Board along with Draft ED at the April Board meeting.

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(a) the application of the IFRS for SMEs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation of the financial position, financial performance and cash flows of SMEs. (b) as explained in paragraph 1.5, the application of this Standard by an entity with public accountability does not result in a fair presentation in accordance with this Standard. The additional disclosures referred to in (a) are necessary when compliance with the specific requirements in this Standard is insufficient to enable users to understand the effect of particular transactions, other events and conditions on the entity's financial position and financial performance. **Compliance with the IFRS for SMEs** 3.3 An entity whose financial statements comply with the IFRS for SMEs shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with the IFRS for SMEs unless they comply with all the requirements of this Standard. 3.4 In the extremely rare circumstances when management concludes that compliance with this Standard would be so misleading that it would conflict with the objective of financial statements of SMEs set out in Section 2, the entity shall depart from that requirement in the manner set out in paragraph 3.5 unless the relevant regulatory framework prohibits such a departure. 3.5 When an entity departs from a requirement of this Standard in accordance with paragraph 3.4, it shall disclose the following: (a) that management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows; (b) that it has complied with the IFRS for SMEs, except that it has departed from a particular requirement to achieve a fair presentation; and (c) the nature of the departure, including the treatment that the IFRS for SMEs would require, the reason why that treatment would be so misleading in the circumstances that it would			their entirety with the following equivalent sections from the IFRS for SMEs standard: Section 3,4,5,6 and 7	set out in Section 2 Concepts and Pervasive Principles: (a) the application of the IFRS for SMEs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation of the financial position, financial performance and cash flows of SMEs. (b) as explained in paragraph 1.5, the application of this Standard by an entity with public accountability does not result in a fair presentation in accordance with this Standard. The additional disclosures referred to in (a) are necessary when compliance with the specific requirements in this Standard is insufficient to enable users to understand the effect of particular transactions, other events and conditions on the entity's financial position and financial performance. **Compliance with the IFRS for SMEs** 3.3 An entity whose financial statements comply with the IFRS for SMEs shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with the IFRS for SMEs unless they comply with all the requirements of this Standard. 3.4 In the extremely rare circumstances when management concludes that compliance with this Standard would be so misleading that it would conflict with the objective of financial statements of SMEs set out in Section 2, the entity shall depart from that requirement in the manner set out in paragraph

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conflict with the objective of financial statements set out in Section 2 and the treatment adopted. 3.6 When an entity has departed from a requirement of this Standard in a prior period, and that departure affects the amounts recognised in the financial statements for the current period, it shall make the disclosures set out in paragraph 3.5(c). 3.7 In the extremely rare circumstances when management concludes that compliance with a requirement in this Standard would be so misleading that it would conflict with the objective of financial statements of SMEs set out in Section 2, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing the following: (a) the nature of the requirement in this Standard and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in Section 2; and (b) for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation. **Going concern** 3.8 When preparing financial statements, the management of an entity using this Standard shall make an assessment of the entity's ability to continue as a going concern. An entity is a going concern unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the reporting date. 3.9 When management is aware, in making its assessment, of material uncertainties related to jevents or conditions that cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. When an				3.5 unless the relevant regulatory framework prohibits such a departure. 3.5 When an entity departs from a requirement of this Standard in accordance with paragraph 3.4, it shall disclose the following: (a) that management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows; (b) that it has complied with the IFRS for SMEs, except that it has departed from a particular requirement to achieve a fair presentation; and (c) the nature of the departure, including the treatment that the IFRS for SMEs would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in Section 2 and the treatment adopted. 3.6 When an entity has departed from a requirement of this Standard in a prior period, and that departure affects the amounts recognised in the financial statements for the current period, it shall make the disclosures set out in paragraph 3.5(c). 3.7 In the extremely rare circumstances when management concludes that compliance with a requirement in this Standard would be so misleading that it would conflict with the objective of financial statements of SMEs set out in Section 2, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible,

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entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern. **Frequency of reporting** 3.10 An entity shall present a complete set of financial statements (including comparative information–see paragraph 3.14) at least annually. When the end of an entity's reporting period changes and the annual financial statements are presented for a period longer or shorter than one year, the entity shall disclose the following: (a) that fact; (b) the reason for using a longer or shorter period; and (c) the fact that comparative amounts presented in the financial statements (including the related notes) are not entirely comparable. **Consistency of presentation** 3.11 An entity shall retain the presentation and classification of items in the financial statements from one period to the next unless: (a) it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in Section 10 Accounting Policies, Estimates and Errors; or (b) this Standard requires a change in presentation. 3.12 When the presentation or classification of items in the financial statements is changed, an entity shall reclassify comparative amounts unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose the following: (a) the nature of the reclassification; (b) the amount of each item or class of items that is reclassified; and				reduce the perceived misleading aspects of compliance by disclosing the following: (a) the nature of the requirement in this Standard and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in Section 2; and (b) for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation. **Going concern** 3.8 When preparing financial statements, the management of an entity using this Standard shall make an assessment of the entity's ability to continue as a going concern. An entity is a going concern unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the reporting date. 3.9 When management is aware, in making its assessment, of material uncertainties related to jevents or conditions that cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. When an entity does not prepare financial statements on a going concern basis, it shall

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(c) the reason for the reclassification. 3.13 If it is impracticable to reclassify comparative amounts, an entity shall disclose why reclassification was not practicable. **Comparative information** 3.14 Except when this Standard permits or requires otherwise, an entity shall disclose comparative information in respect of the previous comparable period for all amounts presented in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements. Materiality and aggregation 3.15 An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial. 3.16 Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users made on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor. **Complete set of financial statements** 3.17 A complete set of financial statements of an entity shall include all of the following: (a) a statement of financial position as at the reporting date; (b) either: (i) a single statement of comprehensive income for the reporting period displaying all items of income and expense recognised during the period including those items recognised in determining profit or loss (which is a subtotal in the statement of comprehensive income) and items of other comprehensive income.				disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern. **Frequency of reporting** 3.10 An entity shall present a complete set of financial statements (including comparative information–see paragraph 3.14) at least annually. When the end of an entity's reporting period changes and the annual financial statements are presented for a period longer or shorter than one year, the entity shall disclose the following: (a) that fact; (b) the reason for using a longer or shorter period; and (c) the fact that comparative amounts presented in the financial statements (including the related notes) are not entirely comparable. **Consistency of presentation** 3.11 An entity shall retain the presentation and classification of items in the financial statements from one period to the next unless: (a) it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in Section 10 Accounting Policies, Estimates and Errors; or

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(ii) a separate income statement and a separate statement of comprehensive income. If an entity chooses to present both an income statement and a statement of comprehensive income, the statement of comprehensive income begins with profit or loss and then displays the items of other comprehensive income. (c) a statement of changes in equity for the reporting period; (d) a statement of cash flows for the reporting period; and (e) notes, comprising a summary of significant accounting policies and other explanatory information. 3.18 If the only changes to equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy, the entity may present a single statement of income and retained earnings in place of the statement of comprehensive income and statement of changes in equity (see paragraph 6.4). 3.19 If an entity has no items of other comprehensive income in any of the periods for which financial statements are presented, it may present only an income statement or it may present a statement of comprehensive income in which the 'bottom line' is labelled 'profit or loss'. 3.20 Because paragraph 3.14 requires comparative amounts in respect of the previous period for all amounts presented in the financial statements, a complete set of financial statements means that an entity shall present, as a minimum, two of each of the required financial statements and related notes. 3.21 In a complete set of financial statements, an entity shall present each financial statement with equal prominence. 3.22 An entity may use titles for the financial statements other than those used in this Standard as long as they are not misleading. **Identification of the financial statements** 3.23 An entity shall clearly identify each of the financial statements and the notes and distinguish them from other information in the same document. In addition, an entity shall				(b) this Standard requires a change in presentation. 3.12 When the presentation or classification of items in the financial statements is changed, an entity shall reclassify comparative amounts unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose the following: (a) the nature of the reclassification; (b) the amount of each item or class of items that is reclassified; and (c) the reason for the reclassification. 3.13 If it is impracticable to reclassify comparative amounts, an entity shall disclose why reclassification was not practicable. **Comparative information** 3.14 Except when this Standard permits or requires otherwise, an entity shall disclose comparative information in respect of the previous comparable period for all amounts presented in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements. Materiality and aggregation 3.15 An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial. 3.16 Omissions or misstatements of items are material if they could, individually or collectively, influence the economic

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display the following information prominently and repeat it when necessary for an understanding of the information presented: (a) the name of the reporting entity and any change in its name since the end of the preceding reporting period; (b) whether the financial statements cover the individual entity or a group of entities; (c) the date of the end of the reporting period and the period covered by the financial statements; (d) the presentation currency, as defined in Section 30 Foreign Currency Translation; and (e) the level of rounding, if any, used in presenting amounts in the financial statements. 3.24 An entity shall disclose the following in the notes: (a) the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office); and (b) a description of the nature of the entity's operations and its principal activities. **Presentation of information not required by this Standard** 3.25 This Standard does not address presentation of segment information, earnings per share, or interim financial reports by a small or medium-sized entity. An entity making such disclosures shall describe the basis for preparing and presenting the information.				decisions of users made on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor. **Complete set of financial statements** 3.17 A complete set of financial statements of an entity shall include all of the following: (a) a statement of financial position as at the reporting date; (b) either: (i) a single statement of comprehensive income for the reporting period displaying all items of income and expense recognised during the period including those items recognised in determining profit or loss (which is a subtotal in the statement of comprehensive income) and items of other comprehensive income. (ii) a separate income statement and a separate statement of comprehensive income. If an entity chooses to present both an income statement and a statement of comprehensive income, the statement of comprehensive income begins with profit or loss and then displays the items of other comprehensive income. (c) a statement of changes in equity for the reporting period; (d) a statement of cash flows for the reporting period; and (e) notes, comprising a summary of significant accounting policies and other explanatory information.

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				3.18 If the only changes to equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy, the entity may present a single statement of income and retained earnings in place of the statement of comprehensive income and statement of changes in equity (see paragraph 6.4). 3.19 If an entity has no items of other comprehensive income in any of the periods for which financial statements are presented, it may present only an income statement or it may present a statement of comprehensive income in which the 'bottom line' is labelled 'profit or loss'. 3.20 Because paragraph 3.14 requires comparative amounts in respect of the previous period for all amounts presented in the financial statements, a complete set of financial statements means that an entity shall present, as a minimum, two of each of the required financial statements and related notes. 3.21 In a complete set of financial statements, an entity shall present each financial statement with equal prominence. 3.22 An entity may use titles for the financial statements other than those used in this Standard as long as they are not misleading. **Identification of the financial statements** 3.23 An entity shall clearly identify each of the financial statements and the notes and distinguish them from other information in the same document. In addition, an entity shall

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				display the following information prominently and repeat it when necessary for an understanding of the information presented: (a) the name of the reporting entity and any change in its name since the end of the preceding reporting period; (b) whether the financial statements cover the individual entity or a group of entities; (c) the date of the end of the reporting period and the period covered by the financial statements; (d) the presentation currency, as defined in Section 30 Foreign Currency Translation; and (e) the level of rounding, if any, used in presenting amounts in the financial statements. 3.24 An entity shall disclose the following in the notes: (a) the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office); and (b) a description of the nature of the entity's operations and its principal activities. **Presentation of information not required by this Standard** 3.25 This Standard does not address presentation of segment information, earnings per share, or interim financial reports by a small or medium-sized entity. An entity making such disclosures shall describe the basis for preparing and presenting the information.

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Section 4 **Statement of Financial Position** ~~Scope of this section~~ ~~4.1 This section sets out the information that is to be presented in a statement of financial position and how to present it. The statement of financial position (sometimes called the balance sheet) presents an entity's assets, liabilities and equity as of a specific date—the end of the reporting period.~~ **Information to be presented in the statement of financial position** 4.2 As a minimum, the statement of financial position shall include line items that present the following amounts: (a) cash and cash equivalents; (b) trade and other receivables; (c) financial assets (excluding amounts shown under (a), (b), (j) and (k)); (d) inventories; (e) property, plant and equipment; (ea) investment property carried at cost less accumulated depreciation and impairment; (f) investment property carried at fair value through profit or loss; (g) intangible assets; (h) biological assets carried at cost less accumulated depreciation and impairment; (i) biological assets carried at fair value through profit or loss; (j) investments in associates; (k) investments in jointly controlled entities; (l) trade and other payables; (m) financial liabilities (excluding amounts shown under (l) and (p)); (n) liabilities and assets for current tax; (o) deferred tax liabilities and deferred tax assets (these shall always be classified as non-current); (p) provisions;	IAS 1 *Presentation of Financial Statements*	**No significant difference** This section describes presentation and disclosure requirements and there are no R&M principles. Some disclosure differences may arise from different R&M principles in other sections – eg separate disclosure of biological assets and investment property carried at cost vs fair value. Full IFRS do not require separate presentation of investment property carried at cost and investment property carried at fair value, and biological assets carried at cost and biological assets carried at fair value. The IFRS for SMEs Standard does. The difference arises because full IFRS Standards provides no exemption for undue cost and effort, so a single measurement model is generally used for all of an entity's investment property and all of its biological assets. Therefore this dislcoure should be removed as this R&M option is not available in full IFRS.	**Retain** and **Remove** Remove disclosures not relevant as no exemption from fair value measurement for undue cost or effort under full IFRS for investment property and biological assets	

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(q) non-controlling interest, presented within equity separately from the equity attributable to the owners of the parent; and (r) equity attributable to the owners of the parent. 4.3 An entity shall present additional line items, headings and subtotals in the statement of financial position when such presentation is relevant to an understanding of the entity's financial position. **Current/non-current distinction** 4.4 An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position in accordance with paragraphs 4.5–4.8, except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, all assets and liabilities shall be presented in order of approximate liquidity (ascending or descending). **Current assets** 4.5 An entity shall classify an asset as current when: (a) it expects to realise the asset, or intends to sell or consume it, in the entity's normal operating cycle; (b) it holds the asset primarily for the purpose of trading; (c) it expects to realise the asset within twelve months after the reporting date; or (d) the asset is cash or a cash equivalent, unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date. 4.6 An entity shall classify all other assets as non-current. When the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months. **Current liabilities** 4.7 An entity shall classify a liability as current when: (a) it expects to settle the liability in the entity's normal operating cycle; (b) it holds the liability primarily for the purpose of trading; (c) the liability is due to be settled within twelve months after the reporting date; or				

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(d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after reporting date. 4.8 An entity shall classify all other liabilities as non-current. **Sequencing of items and format of items in the statement of financial position** 4.9 This Standard does not prescribe the sequence or format in which items are to be presented. Paragraph 4.2 simply provides a list of items that are sufficiently different in nature or function to warrant separate presentation in the statement of financial position. In addition: (a) line items are included when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of the entity's financial position; and (b) the descriptions used and the sequencing of items or aggregation of similar items may be amended according to the nature of the entity and its transactions, to provide information that is relevant to an understanding of the entity's financial position. 4.10 The judgement on whether additional items are presented separately is based on an assessment of all of the following: (a) the amounts, nature and liquidity of assets; (b) the function of assets within the entity; and (c) the amounts, nature and timing of liabilities. **Information to be presented either in the statement of financial position or in the notes** 4.11 An entity shall disclose, either in the statement of financial position or in the notes, the following subclassifications of the line items presented: (a) property, plant and equipment in classifications appropriate to the entity; (b) trade and other receivables showing separately amounts due from related parties, amounts due from other				

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parties and receivables arising from accrued income not yet billed; (c) inventories, showing separately amounts of inventories: (i) held for sale in the ordinary course of business; (ii) in the process of production for such sale; and (iii) in the form of materials or supplies to be consumed in the production process or in the rendering of services. (d) trade and other payables, showing separately amounts payable to trade suppliers, payable to related parties, deferred income and accruals; (e) provisions for employee benefits and other provisions; and (f) classes of equity, such as paid-in capital, share premium, retained earnings and items of income and expense that, as required by this Standard, are recognised in other comprehensive income and presented separately in equity. 4.12 An entity with share capital shall disclose the following, either in the statement of financial position or in the notes: (a) for each class of share capital: (i) the number of shares authorised. (ii) the number of shares issued and fully paid, and issued but not fully paid. (iii) par value per share or that the shares have no par value. (iv) a reconciliation of the number of shares outstanding at the beginning and at the end of the period. This reconciliation need not be presented for prior periods. (v) the rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital. (vi) shares in the entity held by the entity or by its subsidiaries or associates. (vii) shares reserved for issue under options and contracts for the sale of shares, including the terms and amounts. (b) a description of each reserve within equity. 4.13 An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that required by paragraph 4.12(a), showing changes during the period in each				

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category of equity, and the rights, preferences and restrictions attaching to each category of equity. 4.14 If, at the reporting date, an entity has a binding sale agreement for a major disposal of assets, or a group of assets and liabilities, the entity shall disclose the following information: (a) a description of the asset(s) or the group of assets and liabilities; (b) a description of the facts and circumstances of the sale or plan; and (c) the carrying amount of the assets or, if the disposal involves a group of assets and liabilities, the carrying amounts of those assets and liabilities.				
Section 5 **Statement of Comprehensive Income and Income Statement** ~~Scope of this section~~ ~~5.1 This section requires an entity to present its total comprehensive income for a period—ie its financial performance for the period—in one or two financial statements. It sets out the information that is to be presented in those statements and how to present it.~~ **Presentation of total comprehensive income** 5.2 An entity shall present its total comprehensive income for a period either: (a) in a single statement of comprehensive income, in which case the statement of comprehensive income presents all items of income and expense recognised in the period; or (b) in two statements—an income statement and a statement of comprehensive income—in which case the income statement presents all items of income and expense recognised in the period except those that are recognised in total comprehensive income outside of profit or loss as permitted or required by this Standard. 5.3 A change from the single-statement approach to the two-statement approach, or vice versa, is a change in	IAS 1 *Presentation of Financial Statements*	**No significant differences** This is another presentation and disclosure section, but there are some presenation differences that may affect disclosures as noted below. The IFRS for SMEs Standard has only four items of other comprehensive income - translating the financial statements of a foreign operation, some changes in fair values of hedging instruments, actuarial gains and losses of defined benefit plans and changes in the revaluation surplus for property, plant and equipment measured in accordance with the revaluation model. Full IFRS Standards have nine items of comprehensive income (eg cumulative changes in the fair value of available-for-sale financial assets (IAS 39) or of equity instruments (IFRS 9) and gains on the revaluation of intangible assets).	**Retain** Need to amend text to reflect R&M differences (paras 5.4(b) and 5.5(h) of IFRS for SMEs standard)to reflect that more items are recognised in OCI and more items may be reclassified to P&L.	

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accounting policy to which Section 10 Accounting Policies, Estimates and Errors applies. **Single-statement approach** 5.4 Under the single-statement approach, the statement of comprehensive income shall include all items of income and expense recognised in a period unless this Standard requires otherwise. 5.5 As a minimum, an entity shall include, in the statement of comprehensive income, line items that present the following amounts for the period: (a) revenue. (b) finance costs. (c) share of the profit or loss of investments in associates (see Section 14 Investments in Associates) and jointly controlled entities (see Section 15 Investments in Joint Ventures) accounted for using the equity method. (d) tax expense excluding tax allocated to items (e), (g) and (h) (see paragraph 29.35). (e) a single amount comprising the total of: (i) the post-tax profit or loss of a discontinued operation; and (ii) the post-tax gain or loss attributable to an impairment, or reversal of an impairment, of the assets in the discontinued operation (see Section 27 Impairment of Assets), both at the time and subsequent to being classified as a discontinued operation and to the disposal of the net assets constituting the discontinued operation. (f) profit or loss (if an entity has no items of other comprehensive income, this line need not be presented). (g) each item of other comprehensive income (see paragraph 5.4(b)) classified by nature (excluding amounts in (h)). Such items shall be grouped into those that, in accordance with this Standard: (i) will not be reclassified subsequently to profit or loss—ie those in paragraph 5.4(b)(i)–(ii) and (iv); and		- Full IFRS Standards require reclassification through profit or loss of some items of other comprehensive income (sometimes called ‘recycling’) when they become realised (eg those in respect of debt instruments at fair value through OCI (IFRS 9) and the translation of foreign operations). Except for specified gains and losses on hedging instruments (see Section 12) the IFRS for SMEs Standard does not permit reclassification. However, 5.5(g) still requires disclosure on recycled and non recycled items. Therefore disclosure requirements in IFRS for SMEs and full IFRS are the same (even though the items that can be recycled are different).		

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(ii) will be reclassified subsequently to profit or loss when specific conditions are met—ie those in paragraph 5.4(b)(iii). (h) share of the other comprehensive income of associates and jointly controlled entities accounted for by the equity method. (i) total comprehensive income (if an entity has no items of other comprehensive income, it may use another term for this line such as profit or loss). 5.6 An entity shall disclose separately the following items in the statement of comprehensive income as allocations for the period: (a) profit or loss for the period attributable to (i) non-controlling interest; and (ii) owners of the parent. (b) total comprehensive income for the period attributable to (i) non-controlling interest; and (ii) owners of the parent. **Two-statement approach** 5.7 Under the two-statement approach, the income statement shall display, as a minimum, line items that present the amounts in paragraph 5.5(a)–5.5(f) for the period, with profit or loss as the last line. The statement of comprehensive income shall begin with profit or loss as its first line and shall display, as a minimum, line items that present the amounts in paragraph 5.5(g)–5.5(i) and paragraph 5.6 for the period. **Requirements applicable to both approaches** 5.8 Under this Standard, the effects of corrections of errors and changes in accounting policies are presented as retrospective adjustments of prior periods instead of as part of profit or loss in the period in which they arise (see Section 10). 5.9 An entity shall present additional line items, headings and subtotals in the statement of comprehensive income (and in the income statement, if presented), when such presentation is				

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relevant to an understanding of the entity's financial performance. 5.10 An entity shall not present or describe any items of income and expense as 'extraordinary items' in the statement of comprehensive income (or in the income statement, if presented) or in the notes. **Analysis of expenses** 5.11 An entity shall present an analysis of expenses using a classification based on either the nature of expenses or the function of expenses within the entity, whichever provides information that is reliable and more relevant. **Analysis by nature of expense** (a) Under this method of classification, expenses are aggregated in the statement of comprehensive income according to their nature (for example, depreciation, purchases of materials, transport costs, employee benefits and advertising costs) and are not reallocated among various functions within the entity. **Analysis by function of expense** (b) Under this method of classification, expenses are aggregated according to their function as part of cost of sales or, for example, the costs of distribution or administrative activities. At a minimum, an entity discloses its cost of sales under this method separately from other expenses**.**				
Section 6 **Statement of Changes in Equity and Statement of Income and Retained Earnings** **Scope of this section** ~~6.1 This section sets out requirements for presenting the changes in an entity's equity for a period, either in a statement of changes in equity or, if specified conditions are met and an entity chooses, in a statement of income and retained earnings.~~ ~~**Statement of changes in equity**~~ ~~**Purpose**~~	IAS 1 *Presentation of Financial Statements*	**No significant differences** This section describes presentation and disclosure requirements and there are no R&M principles.	**Retain**	**Information to be presented in the statement of changes in equity** 6.3 The statement of changes in equity includes the following information: (a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests; (b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in

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~~6.2 The statement of changes in equity presents an entity's profit or loss for a reporting period, other comprehensive income for the period, the effects of changes in accounting policies and corrections of errors recognised in the period and the amounts of investments by, and dividends and other distributions to, owners in their capacity as owners during the period.~~ **Information to be presented in the statement of changes in equity** 6.3 The statement of changes in equity includes the following information: (a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests; (b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with Section 10 Accounting Policies, Estimates and Errors; and (c) 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: (i) profit or loss; (ii) other comprehensive income; and (iii) the amounts of investments by, and dividends and other distributions to, owners in their capacity as owners, showing separately issues of shares, treasury share transactions, dividends and other distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control. **Statement of income and retained earnings** **Purpose** 6.4 The statement of income and retained earnings presents an entity's profit or loss and changes in retained earnings for a reporting period. Paragraph 3.18 permits an entity to present a statement of income and retained earnings in place of a statement of comprehensive income and a statement of changes in equity if the only changes to its equity during the periods for which financial statements are presented arise from				accordance with Section 10 Accounting Policies, Estimates and Errors; and (c) 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: (i) profit or loss; (ii) other comprehensive income; and (iii) the amounts of investments by, and dividends and other distributions to, owners in their capacity as owners, showing separately issues of shares, treasury share transactions, dividends and other distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control. **Statement of income and retained earnings** **Purpose** 6.4 The statement of income and retained earnings presents an entity's profit or loss and changes in retained earnings for a reporting period. Paragraph 3.18 permits an entity to present a statement of income and retained earnings in place of a statement of comprehensive income and a statement of changes in equity if the only changes to its equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy. Information to be presented in the statement of income and retained earnings 6.5 An entity shall present, in the statement of income and retained earnings,

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profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy. Information to be presented in the statement of income and retained earnings 6.5 An entity shall present, in the statement of income and retained earnings, the following items in addition to the information required by Section 5 Statement of Comprehensive Income and Income Statement: (a) retained earnings at the beginning of the reporting period; (b) dividends declared and paid or payable during the period; (c) restatements of retained earnings for corrections of prior period errors; (d) restatements of retained earnings for changes in accounting policy; and (e) retained earnings at the end of the reporting period.				the following items in addition to the information required by Section 5 Statement of Comprehensive Income and Income Statement: (a) retained earnings at the beginning of the reporting period; (b) dividends declared and paid or payable during the period; (c) restatements of retained earnings for corrections of prior period errors; (d) restatements of retained earnings for changes in accounting policy; and (e) retained earnings at the end of the reporting period.
Section 7 **Statement of Cash Flows** Scope of this section 7.1 This section sets out the information that is to be presented in a statement of cash flows and how to present it. The statement of cash flows provides information about the changes in cash and cash equivalents of an entity for a reporting period, showing separately changes from operating activities, investing activities and financing activities. Cash equivalents 7.2 Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. They are held to meet short-term cash commitments instead of for investment or other purposes. Consequently, an	IAS 7 *Statement of cash flows*	**Simplified** This standard prescribes presentation and disclosure requirements. There are no R&M principles. However, following sections in full IFRS are not included in IFRS for SMEs (as per FRS for SMEs module published by the IASB): - Full IFRS Standards allow certain cash flows to be reported on a net basis. There is no corresponding requirement under the IFRS for SMEs Standard.	**Retain** No amendments or additions are required as the differences noted on the left are not related to R&M differences.	Information to be presented in the statement of cash flows 7.3 An entity shall present a statement of cash flows that presents cash flows for a reporting period classified by operating activities, investing activities and financing activities. Operating activities 7.4 Operating activities are the principal revenue-producing activities of the entity. Consequently, cash flows from operating activities generally result from the transactions and other events and conditions that enter into the determination of profit or

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investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Bank overdrafts are normally considered financing activities similar to borrowings. However, if they are repayable on demand and form an integral part of an entity's cash management, bank overdrafts are a component of cash and cash equivalents. Information to be presented in the statement of cash flows 7.3 An entity shall present a statement of cash flows that presents cash flows for a reporting period classified by operating activities, investing activities and financing activities. Operating activities 7.4 Operating activities are the principal revenue-producing activities of the entity. Consequently, cash flows from operating activities generally result from the transactions and other events and conditions that enter into the determination of profit or loss. Examples of cash flows from operating activities are: (a) cash receipts from the sale of goods and the rendering of services; (b) cash receipts from royalties, fees, commissions and other revenue; (c) cash payments to suppliers for goods and services; (d) cash payments to and on behalf of employees; (e) cash payments or refunds of income tax, unless they can be specifically identified with financing and investing activities; and				loss. Examples of cash flows from operating activities are: (a) cash receipts from the sale of goods and the rendering of services; (b) cash receipts from royalties, fees, commissions and other revenue; (c) cash payments to suppliers for goods and services; (d) cash payments to and on behalf of employees; (e) cash payments or refunds of income tax, unless they can be specifically identified with financing and investing activities; and (f) cash receipts and payments from investments, loans and other contracts held for dealing or trading purposes, which are similar to inventory acquired specifically for resale. Some transactions, such as the sale of an item of plant by a manufacturing entity, may give rise to a gain or loss that is included in profit or loss. However, the cash flows relating to such transactions are cash flows from investing activities. Investing activities 7.5 Investing activities are the acquisition and disposal of long-term assets

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(f) cash receipts and payments from investments, loans and other contracts held for dealing or trading purposes, which are similar to inventory acquired specifically for resale. Some transactions, such as the sale of an item of plant by a manufacturing entity, may give rise to a gain or loss that is included in profit or loss. However, the cash flows relating to such transactions are cash flows from investing activities. Investing activities 7.5 Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents. Examples of cash flows arising from investing activities are: (a) cash payments to acquire property, plant and equipment (including self-constructed property, plant and equipment), intangible assets and other long-term assets; (b) cash receipts from sales of property, plant and equipment, intangibles and other long-term assets; (c) cash payments to acquire equity or debt instruments of other entities and interests in joint ventures (other than payments for those instruments classified as cash equivalents or held for dealing or trading); (d) cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures (other than receipts for those instruments classified as cash equivalents or held for dealing or trading); (e) cash advances and loans made to other parties;				and other investments not included in cash equivalents. Examples of cash flows arising from investing activities are: (a) cash payments to acquire property, plant and equipment (including self-constructed property, plant and equipment), intangible assets and other long-term assets; (b) cash receipts from sales of property, plant and equipment, intangibles and other long-term assets; (c) cash payments to acquire equity or debt instruments of other entities and interests in joint ventures (other than payments for those instruments classified as cash equivalents or held for dealing or trading); (d) cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures (other than receipts for those instruments classified as cash equivalents or held for dealing or trading); (e) cash advances and loans made to other parties; (f) cash receipts from the repayment of advances and loans made to other parties; (g) cash payments for futures contracts, forward contracts, option contracts and swap contracts, except when the contracts are

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(f) cash receipts from the repayment of advances and loans made to other parties; (g) cash payments for futures contracts, forward contracts, option contracts and swap contracts, except when the contracts are held for dealing or trading, or the payments are classified as financing activities; and (h) cash receipts from futures contracts, forward contracts, option contracts and swap contracts, except when the contracts are held for dealing or trading, or the receipts are classified as financing activities. When a contract is accounted for as a hedge (see Section 12 Other Financial Instrument Issues), an entity shall classify the cash flows of the contract in the same manner as the cash flows of the item being hedged. Financing activities 7.6 Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of an entity. Examples of cash flows arising from financing activities are: (a) cash proceeds from issuing shares or other equity instruments; (b) cash payments to owners to acquire or redeem the entity's shares; (c) cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short-term or long-term borrowings; (d) cash repayments of amounts borrowed; and				held for dealing or trading, or the payments are classified as financing activities; and (h) cash receipts from futures contracts, forward contracts, option contracts and swap contracts, except when the contracts are held for dealing or trading, or the receipts are classified as financing activities. When a contract is accounted for as a hedge (see Section 12 Other Financial Instrument Issues), an entity shall classify the cash flows of the contract in the same manner as the cash flows of the item being hedged. Financing activities 7.6 Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of an entity. Examples of cash flows arising from financing activities are: (a) cash proceeds from issuing shares or other equity instruments; (b) cash payments to owners to acquire or redeem the entity's shares; (c) cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short-term or long-term borrowings;

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(e) cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease. Reporting cash flows from operating activities 7.7 An entity shall present cash flows from operating activities using either: (a) the indirect method, whereby profit or loss is adjusted for the effects of non-cash transactions, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expense associated with investing or financing cash flows; or (b) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed. Indirect method 7.8 Under the indirect method, the net cash flow from operating activities is determined by adjusting profit or loss for the effects of: (a) changes during the period in inventories and operating receivables and payables; (b) non-cash items such as depreciation, provisions, deferred tax, accrued income (expenses) not yet received (paid) in cash, unrealised foreign currency gains and losses, undistributed profits of associates and non-controlling interests; and (c) all other items for which the cash effects relate to investing or financing.				(d) cash repayments of amounts borrowed; and (e) cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease. Reporting cash flows from operating activities 7.7 An entity shall present cash flows from operating activities using either: (a) the indirect method, whereby profit or loss is adjusted for the effects of non-cash transactions, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expense associated with investing or financing cash flows; or (b) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed. Indirect method 7.8 Under the indirect method, the net cash flow from operating activities is determined by adjusting profit or loss for the effects of: (a) changes during the period in inventories and operating receivables and payables;

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Direct method 7.9 Under the direct method, net cash flow from operating activities is presented by disclosing information about major classes of gross cash receipts and gross cash payments. Such information may be obtained either: (a) from the accounting records of the entity; or (b) by adjusting sales, cost of sales and other items in the statement of comprehensive income (or the income statement, if presented) for: (i) changes during the period in inventories and operating receivables and payables; (ii) other non-cash items; and (iii) other items for which the cash effects are investing or financing cash flows. Reporting cash flows from investing and financing activities 7.10 An entity shall present separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities. The aggregate cash flows arising from acquisitions and from disposals of subsidiaries or other business units shall be presented separately and classified as investing activities. Foreign currency cash flows 7.11 An entity shall record cash flows arising from transactions in a foreign currency in the entity's functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign				(b) non-cash items such as depreciation, provisions, deferred tax, accrued income (expenses) not yet received (paid) in cash, unrealised foreign currency gains and losses, undistributed profits of associates and non-controlling interests; and (c) all other items for which the cash effects relate to investing or financing. Direct method 7.9 Under the direct method, net cash flow from operating activities is presented by disclosing information about major classes of gross cash receipts and gross cash payments. Such information may be obtained either: (a) from the accounting records of the entity; or (b) by adjusting sales, cost of sales and other items in the statement of comprehensive income (or the income statement, if presented) for: (i) changes during the period in inventories and operating receivables and payables; (ii) other non-cash items; and (iii) other items for which the cash effects are investing or financing cash flows.

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currency at the date of the cash flow. Paragraph 30.19 explains when an exchange rate that approximates the actual rate can be used. 7.12 The entity shall translate cash flows of a foreign subsidiary at the exchange rates between the entity's functional currency and the foreign currency at the dates of the cash flows. 7.13 Unrealised gains and losses arising from changes in foreign currency exchange rates are not cash flows. However, to reconcile cash and cash equivalents at the beginning and the end of the period, the effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency must be presented in the statement of cash flows. Consequently, the entity shall remeasure cash and cash equivalents held during the reporting period (such as amounts of foreign currency held and foreign currency bank accounts) at period-end exchange rates. The entity shall present the resulting unrealised gain or loss separately from cash flows from operating, investing and financing activities. Interest and dividends 7.14 An entity shall present separately cash flows from interest and dividends received and paid. The entity shall classify cash flows consistently from period to period as operating, investing or financing activities. 7.15 An entity may classify interest paid and interest and dividends received as operating cash flows because they are included in profit or loss. Alternatively, the entity may classify interest paid and interest and dividends received as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments.				Reporting cash flows from investing and financing activities 7.10 An entity shall present separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities. The aggregate cash flows arising from acquisitions and from disposals of subsidiaries or other business units shall be presented separately and classified as investing activities. Foreign currency cash flows 7.11 An entity shall record cash flows arising from transactions in a foreign currency in the entity's functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the cash flow. Paragraph 30.19 explains when an exchange rate that approximates the actual rate can be used. 7.12 The entity shall translate cash flows of a foreign subsidiary at the exchange rates between the entity's functional currency and the foreign currency at the dates of the cash flows. 7.13 Unrealised gains and losses arising from changes in foreign currency exchange rates are not cash flows. However, to reconcile cash and cash equivalents at the beginning and the end of the period, the effect of exchange rate changes on cash and

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7.16 An entity may classify dividends paid as a financing cash flow because they are a cost of obtaining financial resources. Alternatively, the entity may classify dividends paid as a component of cash flows from operating activities because they are paid out of operating cash flows. Income tax 7.17 An entity shall present separately cash flows arising from income tax and shall classify them as cash flows from operating activities unless they can be specifically identified with financing and investing activities. When tax cash flows are allocated over more than one class of activity, the entity shall disclose the total amount of taxes paid. Non-cash transactions 7.18 An entity shall exclude from the statement of cash flows investing and financing transactions that do not require the use of cash or cash equivalents. An entity shall disclose such transactions elsewhere in the financial statements in a way that provides all the relevant information about those investing and financing activities. 7.19 Many investing and financing activities do not have a direct impact on current cash flows even though they affect the capital and asset structure of an entity. The exclusion of non-cash transactions from the statement of cash flows is consistent with the objective of a statement of cash flows because these items do not involve cash flows in the current period. Examples of non-cash transactions are: (a) the acquisition of assets either by assuming directly related liabilities or by means of a finance lease;				cash equivalents held or due in a foreign currency must be presented in the statement of cash flows. Consequently, the entity shall remeasure cash and cash equivalents held during the reporting period (such as amounts of foreign currency held and foreign currency bank accounts) at period-end exchange rates. The entity shall present the resulting unrealised gain or loss separately from cash flows from operating, investing and financing activities. Interest and dividends 7.14 An entity shall present separately cash flows from interest and dividends received and paid. The entity shall classify cash flows consistently from period to period as operating, investing or financing activities. 7.15 An entity may classify interest paid and interest and dividends received as operating cash flows because they are included in profit or loss. Alternatively, the entity may classify interest paid and interest and dividends received as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments. 7.16 An entity may classify dividends paid as a financing cash flow because they are a cost of obtaining financial resources. Alternatively, the entity may classify dividends paid as a component of cash flows

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(b) the acquisition of an entity by means of an equity issue; and (c) the conversion of debt to equity. Components of cash and cash equivalents 7.20 An entity shall present the components of cash and cash equivalents and shall present a reconciliation of the amounts presented in the statement of cash flows to the equivalent items presented in the statement of financial position. However, an entity is not required to present this reconciliation if the amount of cash and cash equivalents presented in the statement of cash flows is identical to the amount similarly described in the statement of financial position. Other disclosures 7.21 An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the entity. Cash and cash equivalents held by an entity may not be available for use by the entity because of, among other reasons, foreign exchange controls or legal restrictions.				from operating activities because they are paid out of operating cash flows. Income tax 7.17 An entity shall present separately cash flows arising from income tax and shall classify them as cash flows from operating activities unless they can be specifically identified with financing and investing activities. When tax cash flows are allocated over more than one class of activity, the entity shall disclose the total amount of taxes paid. Non-cash transactions 7.18 An entity shall exclude from the statement of cash flows investing and financing transactions that do not require the use of cash or cash equivalents. An entity shall disclose such transactions elsewhere in the financial statements in a way that provides all the relevant information about those investing and financing activities. 7.19 Many investing and financing activities do not have a direct impact on current cash flows even though they affect the capital and asset structure of an entity. The exclusion of non-cash transactions from the statement of cash flows is consistent with the objective of a statement of cash flows because these items do not involve cash flows in the current

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				period. Examples of non-cash transactions are: (a) the acquisition of assets either by assuming directly related liabilities or by means of a finance lease; (b) the acquisition of an entity by means of an equity issue; and (c) the conversion of debt to equity. Components of cash and cash equivalents 7.20 An entity shall present the components of cash and cash equivalents and shall present a reconciliation of the amounts presented in the statement of cash flows to the equivalent items presented in the statement of financial position. However, an entity is not required to present this reconciliation if the amount of cash and cash equivalents presented in the statement of cash flows is identical to the amount similarly described in the statement of financial position. Other disclosures 7.21 An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the entity. Cash and cash equivalents held by an entity may not be available for use by the entity because of,

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				among other reasons, foreign exchange controls or legal restrictions.
Section 8: **Notes to the Financial Statements** **Scope of this section** 8.1~~This section sets out the principles underlying information that is to be presented in the notes to the financial statements and how to present it. Notes contain information in addition to that presented in the statement of financial position, the statement of comprehensive income (if presented), the income statement (if presented), the combined statement of income and retained earnings (if presented), the statement of changes in equity (if presented) and the statement of cash flows. Notes provide narrative descriptions or disaggregations of items presented in those statements and information about items that do not qualify for recognition in those statements. In addition to the requirements of this section, nearly every other section of this Standard requires disclosures that are normally presented in the notes.~~ Structure of the notes 8.2 The notes shall: (a) present information about the basis of preparation of the financial statements and the specific accounting policies used, in accordance with paragraphs 8.5–8.7; (b) disclose the information required by this Standard that is not presented elsewhere in the financial statements; and (c) provide information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them. 8.3 An entity shall, as far as practicable, present the notes in a systematic manner. An entity shall cross-reference each item in the financial statements to any related information in the notes.	IAS 1 *Presentation of Financial Statements*	**Simplified** This standard prescribes presentation and disclosure requirements. There are no R&M principles. Para 128 of IAS 1 states that the disclosures equivalent to paragraph 8.7 of IFRS for SMEs are not required for assets and liabilities measured at fair value based on a quoted price in an active market for an identical asset or liability. The IFRS for SMEs Standard does not contain this exemption.	**Retain**	.2 The notes shall: (a) present information about the basis of preparation of the financial statements and the specific accounting policies used, in accordance with paragraphs 8.5–8.7; (b) disclose the information required by this Standard that is not presented elsewhere in the financial statements; and (c) provide information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them. 8.3 An entity shall, as far as practicable, present the notes in a systematic manner. An entity shall cross-reference each item in the financial statements to any related information in the notes. 8.4 An entity normally presents the notes in the following order: (a) a statement that the financial statements have been prepared in compliance with the IFRS for SMEs (see paragraph 3.3); (b) a summary of significant accounting policies applied (see paragraph 8.5); (c) supporting information for items presented in the financial statements, in the sequence in which each statement and each line item is presented; and (d) any other disclosures.

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8.4 An entity normally presents the notes in the following order: (a) a statement that the financial statements have been prepared in compliance with the IFRS for SMEs (see paragraph 3.3); (b) a summary of significant accounting policies applied (see paragraph 8.5); (c) supporting information for items presented in the financial statements, in the sequence in which each statement and each line item is presented; and (d) any other disclosures. Disclosure of accounting policies 8.5An entity shall disclose the following in the summary of significant accounting policies: (a) the measurement basis (or bases) used in preparing the financial statements; and (b)the other accounting policies used that are relevant to an understanding of the financial statements. Information about judgements 8.6 An entity shall disclose, in the summary of significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 8.7), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. Information about key sources of estimation uncertainty 8.7 An entity shall disclose in the notes information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In				Disclosure of accounting policies 8.5An entity shall disclose the following in the summary of significant accounting policies: (a) the measurement basis (or bases) used in preparing the financial statements; and (b)the other accounting policies used that are relevant to an understanding of the financial statements. Information about judgements 8.6 An entity shall disclose, in the summary of significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 8.7), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. Information about key sources of estimation uncertainty 8.7 An entity shall disclose in the notes information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of: (a) their nature; and (b) their carrying amount as at the end of the reporting period.

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respect of those assets and liabilities, the notes shall include details of: (a) their nature; and (b) their carrying amount as at the end of the reporting period.				
Section 9 **Consolidated and Separate Financial Statements** ~~**Scope of this section**~~ ~~9.1 This section defines the circumstances in which an entity applying this Standard presents consolidated financial statements and the procedures for preparing those statements in accordance with this Standard. It also includes guidance on separate financial statements and combined financial statements if they are prepared in accordance with this Standard. If a parent entity by itself does not have public accountability, it may present its separate financial statements in accordance with this Standard, even if it presents its consolidated financial statements in accordance with full IFRS or another set of generally accepted accounting principles (GAAP).~~ ~~**Requirement to present consolidated financial statements**~~ ~~9.2 Except as permitted or required by paragraphs 9.3 and 9.3C, a parent entity shall present consolidated financial statements in which it consolidates its investments in subsidiaries. Consolidated financial statements shall include all subsidiaries of the parent.~~ ~~9.3 A parent need not present consolidated financial statements if both of the following conditions are met:~~	IFRS 3 *Business Combinations* IFRS 10 *Consolidated Financial Statements* IFRS 12 *Disclosure of Interests in Other Entities* IAS 27 *Separate Financial Statements*	**Modified** The following significant difference were noted (as per FRS for SMEs module published by the IASB): **Definition of Control** - Both full IFRS Standards and the IFRS for SMEs Standard use 'control' to determine what is consolidated. However, the definitions of control are different[2]. - Under the IFRS for SMEs Standard only currently exercisable potential voting rights are considered when assessing control. Potential voting rights may need to be considered under IFRS 10 even if they are not currently exercisable. - IFRS for SME has presumption of control for >50% of voting rights	**Remove/Add** While some differences are noted, the basic consolidation principles are still the same and hence disclosures can be largely retained. Add disclosure on how NCI has been measured Remove the disclosures relating to subsidiaries held for sale (para 9.23) and combined financial statements (para 9.30) and retain the rest.	

2 The Glossary of terms of the IFRS for SMEs Standard (the Glossary) defines 'control (of an entity)' as 'The power to govern the financial and operating policies of an entity so as to obtain benefits from its activities'. In Appendix A to IFRS 10, which was issued in 2011, control of an entity is defined thus: 'An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee'. In other words, the definition in IFRS 10 consists of three elements: power; exposure to variable returns; and an investor's ability to use power to affect its amount of variable returns.

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~~(a) the parent is itself a subsidiary; and~~ ~~(b) its ultimate parent (or any intermediate parent) produces consolidated general purpose financial statements that comply with full IFRS or with this Standard.~~ ~~9.3A Subject to paragraph 9.3B, a subsidiary is not consolidated if it is acquired and is held with the intention of selling or disposing of it within one year from its acquisition date (i.e. the date on which the acquirer obtains control of the acquiree). Such a subsidiary is accounted for in accordance with the requirements in Section 11 Basic Financial Instruments as for investments in paragraph 11.8(d), instead of in accordance with this section. The parent shall also provide the disclosure in paragraph 9.23A.~~ ~~9.3 B If a subsidiary previously excluded from consolidation in accordance with paragraph 9.3A is not disposed of within one year from its acquisition date (ie the parent entity still has control over that subsidiary):~~ ~~(a) the parent shall consolidate the subsidiary from the acquisition date unless it meets the condition in paragraph 9.3B(b). Consequently, if the acquisition date was in a prior period, the relevant prior periods shall be restated.~~ ~~(b) if the delay is caused by events or circumstances beyond the parent's control and there is sufficient evidence at the reporting date that the parent remains committed to its plan to sell or dispose of the subsidiary, the parent shall continue to account for the subsidiary in accordance with paragraph 9.3A.~~ ~~9.3 C If a parent has no subsidiaries other than subsidiaries that are not required to be consolidated in accordance with paragraphs 9.3A–9.3B, it shall not present consolidated financial statements. However, the parent shall provide the disclosure in paragraph 9.23A.~~ ~~9.4 A subsidiary is an entity that is controlled by the parent. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. If an entity has created a special purpose entity (SPE) to accomplish a narrow and well-defined objective, the entity shall consolidate the SPE when the substance of the relationship~~		- There is no investment entities exemption from consolidation in IFRS for SMEs. **Requirement to prepare consolidated financial statements** A parent applying the IFRS for SMEs Standard need not present consolidated financial statements if conditions in para 9.3 of IFRS for SMEs is met. But IFRS 10 sets out different conditions which specify when a parent need not present consolidated financial statements. (para 4 of IFRS 10). **Non-controlling interest** Applying paragraph 19.14 of the IFRS for SMEs Standard, non-controlling interest is measured 'at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.' This method is sometimes called the proportionate share method. Using this method, goodwill that is attributable to the non-controlling interest is not recognised. Applying paragraph 19 of IFRS 3, non-controlling interest is measured using either the full goodwill method or the proportionate share method. If the full goodwill method is used, at the acquisition date of a partly owned subsidiary, both goodwill and non-		

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~~indicates that the SPE is controlled by that entity (see paragraphs 9.10–9.12).~~ ~~9.5 Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. That presumption may be overcome in exceptional circumstances if it can be clearly demonstrated that such ownership does not constitute control. Control also exists when the parent owns half or less of the voting power of an entity but it has:~~ ~~(a) power over more than half of the voting rights by virtue of an agreement with other investors;~~ ~~(b) power to govern the financial and operating policies of the entity under a statute or an agreement;~~ ~~(c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or~~ ~~(d) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.~~ ~~9.6 Control can also be achieved by having options or convertible instruments that are currently exercisable or by having an agent with the ability to direct the activities for the benefit of the controlling entity.~~ ~~9.7 A subsidiary is not excluded from consolidation simply because the investor is a venture capital organisation or similar entity.~~ ~~9.8 A subsidiary is not excluded from consolidation because its business activities are dissimilar to those of the other entities within the consolidation. Relevant information is provided by consolidating such subsidiaries and disclosing additional information in the consolidated financial statements about the different business activities of subsidiaries.~~ ~~9.9 A subsidiary is not excluded from consolidation because it operates in a jurisdiction that imposes restrictions on transferring cash or other assets out of the jurisdiction.~~ ~~**Special purpose entities**~~		controlling interest are different from those calculated applying the IFRS for SMEs Standard. **Separate financial statements** Where separate financial statements of a parent are prepared in conformity with the IFRS for SMEs Standard, an entity is required to adopt a policy of accounting for its investment in subsidiaries, associates and jointly controlled entities either at cost less impairment or at fair value with changes in fair value being recognised in profit or loss, or by applying the equity method. Applying full IFRS Standards, however, an additional option exists in specified circumstances. An entity may elect to present changes in the fair value of an equity investment in other comprehensive income (instead of in profit or loss). **Combined financial statements** The IFRS for SMEs Standard states that combined financial statements are a single set of financial statements of two or more entities under common control (as described in paragraph 19.2(a)). <u>Full IFRS Standards do not cover combined financial statements.</u> **Uniform reporting period**		

IFRS for SMEs	Equivalent IFRS standard	Assessment of R&M differences	Recommendation (Retain/Add/ Remove)	Final proposed text on disclosure requirements[1] *(Full text from IFRS for SMEs subject to adjusting for added/removed items and adapting language as necessary eg replacing references to IFRS for SMEs)*
~~9.10 An entity may be created to accomplish a narrow objective (for example, to effect a lease, undertake research and development activities or securitise financial assets). Such an SPE may take the form of a corporation, trust, partnership or unincorporated entity. Often, SPEs are created with legal arrangements that impose strict requirements over the operations of the SPE.~~ ~~9.11 An entity shall prepare consolidated financial statements that include the entity and any SPEs that are controlled by that entity. In addition to the circumstances described in paragraph 9.5, the following circumstances may indicate that an entity controls an SPE (this is not an exhaustive list):~~ ~~(a) the activities of the SPE are being conducted on behalf of the entity according to its specific business needs;~~ ~~(b) the entity has the ultimate decision-making powers over the activities of the SPE even if the day-to-day decisions have been delegated;~~ ~~(c) the entity has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incidental to the activities of the SPE; or~~ ~~(d) the entity retains the majority of the residual or ownership risks related to the SPE or its assets.~~ ~~9.12 Paragraphs 9.10 and 9.11 do not apply to post-employment benefit plans or other long-term employee benefit plans to which Section 28 Employee Benefits applies.~~ **~~Consolidation procedures~~** ~~9.13 The consolidated financial statements present financial information about the group as a single economic entity. In preparing consolidated financial statements, an entity shall:~~ ~~(a) combine the financial statements of the parent and its subsidiaries line by line by adding together like items of assets, liabilities, equity, income and expenses.~~ ~~(b) eliminate the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary.~~		Both IFRS for SMEs and full IFRS have a requirement of uniform reporting period, unless 'impracticable'. In addition, full IFRS specifies 3 months as the maximum difference between the reporting date. **Subsidiaries acquired and held for sale** Paragraph 9.3A of the IFRS for SMEs Standard provides that 'a subsidiary is not consolidated if it is acquired and is held with the intention of selling or disposing of it within one year from its acquisition date'. Such a subsidiary is accounted for in accordance with the requirements in Section 11 (at fair value through profit or loss, or if it cannot be measured without undue cost or effort, at cost less impairment). Under full IFRS Standards, such subsidiaries would need to be consolidated, but its results and assets and liabilities would be measured and presented in accordance with IFRS 5 if they meet the criteria of a disposal group classified as held for sale. IFRS for SMEs does not include any guidance equivalent to IFRS 5. **Investment retained in former subsidiary** Applying full IFRS Standards, when a parent ceases to control its former		

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~~(c) measure and present non-controlling interest in the profit or loss of consolidated subsidiaries for the reporting period separately from the interest of the owners of the parent.~~ ~~(d) measure and present non-controlling interest in the net assets of consolidated subsidiaries separately from the parent shareholders' equity in them. Non-controlling interest in the net assets consists of:~~ ~~(i) the amount of the non-controlling interest at the date of the original combination calculated in accordance with Section 19 Business Combinations and Goodwill; and~~ ~~(ii) the non-controlling interest's share of changes in equity since the date of the combination.~~ ~~9.14 The proportions of profit or loss and changes in equity allocated to the owners of the parent and to the non-controlling interest are determined on the basis of existing ownership interests and do not reflect the possible exercise or conversion of options or convertible instruments.~~ ~~**Intragroup balances and transactions**~~ ~~9.15 Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements (see Section 27 Impairment of Assets). Section 29 Income Tax applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.~~ ~~**Uniform reporting date**~~ ~~9.16 The financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements shall be prepared as of the same reporting date unless it is impracticable to do so. If it is impracticable to prepare the financial statements of a subsidiary as of the same reporting date as the parent, the parent shall consolidate the financial~~		subsidiary but nevertheless continues to hold an investment in it, any such investment will be measured at fair value. That measurement will be regarded as the fair value on initial recognition of a financial asset in accordance with IFRS 9, or the cost on initial recognition of an investment in an associate or joint venture, if applicable. Under paragraph 9.19 of the IFRS for SMEs Standard, the carrying amount 'at the date that the entity ceases to be a subsidiary shall be regarded as the cost on initial measurement of the financial asset' which is accounted for either as a financial asset in accordance with Section 11 or 12, or as investments in an associate or joint venture, in which case Section 14 or 15 applies.		

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~~information of the subsidiary using the most recent financial statements of the subsidiary, adjusted for the effects of significant transactions or events that occur between the date of those financial statements and the date of the consolidated financial statements.~~ ~~**Uniform accounting policies**~~ ~~9.17 Consolidated financial statements shall be prepared using uniform accounting policies for like transactions and other events and conditions in similar circumstances. If a member of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.~~ ~~**Acquisition and disposal of subsidiaries**~~ ~~9.18 The income and expenses of a subsidiary are included in the consolidated financial statements from the acquisition date until the date on which the parent ceases to control the subsidiary. When a parent ceases to control a subsidiary, the difference between the proceeds from the disposal of the subsidiary and its carrying amount at the date that control is lost is recognised in profit or loss in the consolidated statement of comprehensive income (or the income statement, if presented) as the gain or loss on the disposal of the subsidiary. The cumulative amount of any exchange differences that relate to a foreign subsidiary recognised in other comprehensive income in accordance with Section 30 Foreign Currency Translation is not reclassified to profit or loss on disposal of the subsidiary.~~ ~~9.19 If an entity ceases to be a subsidiary but the investor (former parent) continues to hold an investment in the former subsidiary, that investment shall be accounted for as a financial asset in accordance with Section 11 or Section 12 Other Financial Instrument Issues from the date the entity ceases to be a subsidiary, provided that it does not become an associate (in which case Section 14 Investments in Associates applies) or a~~				

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~~jointly controlled entity (in which case Section 15 Investments in Joint Ventures applies). The carrying amount of the investment at the date that the entity ceases to be a subsidiary shall be regarded as the cost on initial measurement of the financial asset.~~ **~~Non-controlling interest in subsidiaries~~** ~~9.20 An entity shall present non-controlling interest in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent, as required by paragraph 4.2(q).~~ ~~9.21 An entity shall disclose non-controlling interest in the profit or loss of the group separately in the statement of comprehensive income, as required by paragraph 5.6 (or in the income statement, if presented, as required by paragraph 5.7).~~ ~~9.22 Profit or loss and each component of other comprehensive income shall be attributed to the owners of the parent and to the non-controlling interest. Total comprehensive income shall be attributed to the owners of the parent and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance~~. **Disclosures in consolidated financial statements** 9.23 The following disclosures shall be made in consolidated financial statements: (a) the fact that the statements are consolidated financial statements; (b) the basis for concluding that control exists when the parent does not own, directly or indirectly through subsidiaries, more than half of the voting power; (c) any difference in the reporting date of the financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements; and (d) the nature and extent of any significant restrictions (for example resulting from borrowing arrangements or regulatory requirements) on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans.				

IFRS for SMEs	Equivalent IFRS standard	Assessment of R&M differences	Recommendation (Retain/Add/ Remove)	Final proposed text on disclosure requirements[1] *(Full text from IFRS for SMEs subject to adjusting for added/removed items and adapting language as necessary eg replacing references to IFRS for SMEs)*
9.23 A In addition to the disclosure requirements in Section 11, a parent entity shall disclose the carrying amount of investments in subsidiaries that are not consolidated (see paragraphs 9.3A–9.3C) at the reporting date, in total, either in the statement of financial position or in the notes. **Separate financial statements** **Presentation of separate financial statements** ~~9.24 This Standard does not require presentation of separate financial statements for the parent entity or for the individual subsidiaries.~~ ~~9.25 Separate financial statements are a second set of financial statements presented by an entity in addition to any of the following:~~ ~~(a) consolidated financial statements prepared by a parent;~~ ~~(b) financial statements prepared by a parent exempted from preparing consolidated financial statements by paragraph 9.3C; or~~ ~~(c) financial statements prepared by an entity that is not a parent but is an investor in an associate or has a venturer's interest in a joint venture.~~ ~~**Accounting policy election**~~ ~~9.26 When a parent, an investor in an associate or a venturer with an interest in a jointly controlled entity prepares separate financial statements and describes them as conforming to the IFRS for SMEs, those statements shall comply with all of the requirements of this Standard except as follows. The entity shall adopt a policy of accounting for its investments in subsidiaries, associates and jointly controlled entities in its separate financial statements either:~~ ~~(a) at cost less impairment;~~ ~~(b) at fair value with changes in fair value recognised in profit or loss; or~~ ~~(c) using the equity method following the procedures in paragraph 14.8.~~				

IFRS for SMEs	Equivalent IFRS standard	Assessment of R&M differences	Recommendation (Retain/Add/ Remove)	Final proposed text on disclosure requirements[1] *(Full text from IFRS for SMEs subject to adjusting for added/removed items and adapting language as necessary eg replacing references to IFRS for SMEs)*
~~The entity shall apply the same accounting policy for all investments in a single class (subsidiaries, associates or jointly controlled entities), but it can elect different policies for different classes.~~ **Disclosures in separate financial statements** 9.27 When a parent, an investor in an associate or a venturer with an interest in a jointly controlled entity prepares separate financial statements, those separate financial statements shall disclose: (a) that the statements are separate financial statements; and (b) a description of the methods used to account for the investments in subsidiaries, jointly controlled entities and associates, and shall identify the consolidated financial statements or other primary financial statements to which they relate. ~~**Combined financial statements**~~ ~~9.28 Combined financial statements are a single set of financial statements of two or more entities under common control (as described in paragraph 19.2(a)). This Standard does not require combined financial statements to be prepared.~~ ~~9.29 If the investor prepares combined financial statements and describes them as conforming to the IFRS for SMEs, those statements shall comply with all of the requirements of this Standard. Intercompany transactions and balances shall be eliminated; profits or losses resulting from intercompany transactions that are recognised in assets such as inventory and property, plant and equipment shall be eliminated; the financial statements of the entities included in the combined financial statements shall be prepared as of the same reporting date unless it is impracticable to do so; and uniform accounting policies shall be followed for like transactions and other events in similar circumstances.~~ **Disclosures in combined financial statements**				

IFRS for SMEs	Equivalent IFRS standard	Assessment of R&M differences	Recommendation (Retain/Add/ Remove)	Final proposed text on disclosure requirements[1] *(Full text from IFRS for SMEs subject to adjusting for added/removed items and adapting language as necessary eg replacing references to IFRS for SMEs)*
9.30 The combined financial statements shall disclose the following: (a) the fact that the financial statements are combined financial statements; (b) the reason why combined financial statements are prepared; (c) the basis for determining which entities are included in the combined financial statements; (d) the basis of preparation of the combined financial statements; and (e) the related party disclosures required by Section 33 Related Party Disclosures.				
Section 10 **Accounting Policies, Estimates and Errors** **Scope of this section** ~~10.1 This section provides guidance for selecting and applying the accounting policies used in preparing financial statements. It also covers changes in accounting estimates and corrections of errors in prior period financial statements.~~ ~~Selection and application of accounting policies~~ ~~10.2 Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.~~ ~~10.3 If this Standard specifically addresses a transaction, other event or condition, an entity shall apply this Standard. However, the entity need not follow a requirement in this Standard if the effect of doing so would not be material.~~ ~~10.4 If this Standard does not specifically address a transaction, other event or condition, an entity's management shall use its judgement in developing and applying an accounting policy that results in information that is:~~ ~~(a) relevant to the economic decision-making needs of users; and~~ ~~(b) reliable, in that the financial statements:~~ ~~(i) represent faithfully the financial position, financial performance and cash flows of the entity;~~	IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	No significant difference	Retain	Disclosure of a change in accounting policy 10.13 When an amendment to this Standard has an effect on the current period or any prior period, or might have an effect on future periods, an entity shall disclose the following: (a) the nature of the change in accounting policy; (b) for the current period and each prior period presented, to the extent practicable,

IFRS for SMEs	Equivalent IFRS standard	Assessment of R&M differences	Recommendation (Retain/Add/ Remove)	Final proposed text on disclosure requirements[1] *(Full text from IFRS for SMEs subject to adjusting for added/removed items and adapting language as necessary eg replacing references to IFRS for SMEs)*
~~(ii) reflect the economic substance of transactions, other events and conditions, and not merely the legal form;~~ ~~(iii) are neutral, ie free from bias;~~ ~~(iv) are prudent; and~~ ~~(v) are complete in all material respects.~~ ~~10.5 In making the judgement described in paragraph 10.4, management shall refer to, and consider the applicability of, the following sources in descending order:~~ ~~(a) the requirements and guidance in this Standard dealing with similar and related issues; and~~ ~~(b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses and the pervasive principles in Section 2 Concepts and Pervasive Principles.~~ ~~10.6 In making the judgement described in paragraph 10.4, management may also consider the requirements and guidance in full IFRS dealing with similar and related issues.~~ ~~Consistency of accounting policies~~ ~~10.7 An entity shall select and apply its accounting policies consistently for similar transactions, other events and conditions, unless this Standard specifically requires or permits categorisation of items for which different policies may be appropriate. If this Standard requires or permits such~~				the amount of the adjustment for each financial statement line item affected; (c) the amount of the adjustment relating to periods before those presented, to the extent practicable; and (d) an explanation if it is impracticable to determine the amounts to be disclosed in (b) or (c). Financial statements of subsequent periods need not repeat these disclosures. 10.14 When a voluntary change in accounting policy has an effect on the

~~categorisation, an appropriate accounting policy shall be selected and applied consistently to each category.~~ ~~Changes in accounting policies~~ ~~10.8 An entity shall change an accounting policy only if the change:~~ ~~(a) is required by changes to this Standard; or~~ ~~(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.~~ ~~10.9 The following are not changes in accounting policies:~~ ~~(a) the application of an accounting policy for transactions, other events or conditions that differ in substance from those previously occurring;~~ ~~(b) the application of a new accounting policy for transactions, other events or conditions that did not occur previously or were not material; or~~ ~~(c) a change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that this Standard would otherwise require or permit to be measured at fair value.~~ ~~10.10 If this Standard allows a choice of accounting treatment (including the measurement basis) for a specified transaction or other event or condition and an entity changes its previous choice, that is a change in accounting policy.~~ ~~10.10 A The initial application of a policy to revalue assets in accordance with Section 17 Property, Plant and Equipment is a change in an accounting policy to be dealt with as a revaluation in accordance with Section 17. Consequently, a change from the cost model to the revaluation model for a class of property, plant and equipment shall be accounted for prospectively, instead of in accordance with paragraphs 10.11–10.12.~~				current period or any prior period, an entity shall disclose the following: (a) the nature of the change in accounting policy; (b) the reasons why applying the new accounting policy provides reliable and more relevant information; (c) to the extent practicable, the amount of the adjustment for each financial statement line item affected, shown separately: (i) for the current period; (ii) for each prior period presented; and (iii) in the aggregate for periods before those presented. (d) an explanation if it is impracticable to determine the amounts to be disclosed in (c). Financial statements of subsequent periods need not repeat these disclosures. Disclosure of a change in estimate 10.18 An entity shall disclose the nature of any change in an accounting estimate and the effect of the change on assets, liabilities, income and expense for the current period. If it is practicable for the entity to estimate the effect of the change in one or more future periods, the entity shall disclose those estimates. Disclosure of prior period errors 10.23 An entity shall disclose the following about prior period errors:

~~Applying changes in accounting policies~~ ~~10.11 An entity shall account for changes in accounting policy as follows:~~ ~~(a) an entity shall account for a change in accounting policy resulting from a change in the requirements of this Standard in accordance with the transitional provisions, if any, specified in that amendment;~~ ~~(b) when an entity has elected to follow IAS 39 Financial Instruments: Recognition and Measurement instead of following Section 11 Basic Financial Instruments and Section 12 Other Financial Instrument Issues as permitted by paragraph 11.2, and the requirements of IAS 39 change, the entity shall~~ ~~account for that change in accounting policy in accordance with the transitional provisions, if any, specified in the revised IAS 39; and~~ ~~(c) an entity shall account for all other changes in accounting policy retrospectively (see paragraph 10.12).~~ ~~Retrospective application~~ ~~10.12 When a change in accounting policy is applied retrospectively in accordance with paragraph 10.11, the entity shall apply the new accounting policy to comparative information for prior periods to the earliest date for which it is practicable, as if the new accounting policy had always been applied. When it is impracticable to determine the individual-period effects of a change in accounting policy on comparative information for one or more prior periods presented, the entity shall apply the new accounting policy to the carrying amounts of assets and liabilities as at the beginning of the earliest period for which retrospective application is practicable, which may be the current period, and shall make a corresponding adjustment to the opening balance of each affected component of equity for that period.~~ Disclosure of a change in accounting policy				(a) the nature of the prior period error; (b) for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected; (c) to the extent practicable, the amount of the correction at the beginning of the earliest prior period presented; and (d) an explanation if it is not practicable to determine the amounts to be disclosed in (b) or (c). Financial statements of subsequent periods need not repeat these disclosures.

10.13 When an amendment to this Standard has an effect on the current period or any prior period, or might have an effect on future periods, an entity shall disclose the following: (a) the nature of the change in accounting policy; (b) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected; (c) the amount of the adjustment relating to periods before those presented, to the extent practicable; and (d) an explanation if it is impracticable to determine the amounts to be disclosed in (b) or (c). Financial statements of subsequent periods need not repeat these disclosures. 10.14 When a voluntary change in accounting policy has an effect on the current period or any prior period, an entity shall disclose the following: (a) the nature of the change in accounting policy; (b) the reasons why applying the new accounting policy provides reliable and more relevant information; (c) to the extent practicable, the amount of the adjustment for each financial statement line item affected, shown separately: (i) for the current period; (ii) for each prior period presented; and (iii) in the aggregate for periods before those presented. (d) an explanation if it is impracticable to determine the amounts to be disclosed in (c).				

Financial statements of subsequent periods need not repeat these disclosures. ~~Changes in accounting estimates~~ ~~10.15 A change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors. When it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate, the change is treated as a change in an accounting estimate.~~ ~~10.16 An entity shall recognise the effect of a change in an accounting estimate, other than a change to which paragraph 10.17 applies, prospectively by including it in profit or loss in:~~ ~~(a) the period of the change, if the change affects that period only; or~~ ~~(b) the period of the change and future periods, if the change affects both.~~ ~~10.17 To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, the entity shall recognise it by adjusting the carrying amount of the related asset, liability or equity item in the period of the change.~~ Disclosure of a change in estimate 10.18 An entity shall disclose the nature of any change in an accounting estimate and the effect of the change on assets, liabilities, income and expense for the current period. If it is practicable for the entity to estimate the effect of the change in one or more future periods, the entity shall disclose those estimates. ~~Corrections of prior period errors~~				

~~10.19 Prior period errors are omissions from, and misstatements in, an entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:~~ ~~(a) was available when financial statements for those periods were authorised for issue; and~~ ~~(b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.~~ ~~10.20 Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts and fraud.~~ ~~10.21 To the extent practicable, an entity shall correct a material prior period error retrospectively in the first financial statements authorised for issue after its discovery by:~~ ~~(a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or~~ ~~(b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.~~ ~~10.22 When it is impracticable to determine the effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable (which may be the current period).~~ Disclosure of prior period errors 10.23 An entity shall disclose the following about prior period errors: (a) the nature of the prior period error;				

IFRS for SMEs	Equivalent IFRS standard	Assessment of R&M differences	Recommendation (Retain/Add/ Remove)	Final proposed text on disclosure requirements[1] *(Full text from IFRS for SMEs subject to adjusting for added/removed items and adapting language as necessary eg replacing references to IFRS for SMEs)*
(b) for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected; (c) to the extent practicable, the amount of the correction at the beginning of the earliest prior period presented; and (d) an explanation if it is not practicable to determine the amounts to be disclosed in (b) or (c). Financial statements of subsequent periods need not repeat these disclosures.				
Section 11 **Basic Financial Instruments** ~~Scope of Sections 11 and 12~~ ~~11.1 Section 11 and Section 12 Other Financial Instrument Issues together deal with recognising, derecognising, measuring and disclosing financial instruments (financial assets and financial liabilities). Section 11 applies to basic financial instruments and is relevant to all entities. Section 12 applies to other, more complex financial instruments and transactions. If an entity enters into only basic financial instrument transactions then Section 12 is not applicable. However, even entities with~~	IAS 39 *Financial Instruments: Recognition and Measurement* (Hedging section only para 72-102) IFRS 9 *Financial Instruments* IFRS 7 *Financial Instruments: Disclosures*	**Significant Difference** A new IFRS Standard (ie IFRS 9) is effective but not incorporated into IFRS for SMEs. There are three measurement categories in IFRS 9 such as FVTPL, FVTOCI and Amortised cost. IFRS for SMEs has an option to apply IAS 39 but not allowed to use IFRS 9. Thus excludes FVTOCI, restricted application of amortised costs to basic instruments only and all others are generally FVTPL. However, Initial recognition at fair value and transaction costs and subsequent recognition at amortised cost using effective interest rate or fair value are consistent with the full IFRS.	**Add** Disclosures can largely be retained based on the analysis below. However, categories of financial instruments in para 11.41 need to be revised to reflect categories in IFRS 9 and disclosure of net gains/losses recognised in OCI need to be added to para 11.48. IFRS 7 disclosures are divided into	

~~only basic financial instruments shall consider the scope of Section 12 to ensure they are exempt.~~ ~~Accounting policy choice~~ ~~11.2 An entity shall choose to apply either:~~ ~~(a) the requirements of both Sections 11 and 12 in full; or~~ ~~(b) the recognition and measurement requirements of IAS 39 Financial Instruments: Recognition and Measurement1 and the disclosure requirements of Sections 11 and 12~~ ~~to account for all of its financial instruments. An entity's choice of (a) or (b) is an accounting policy choice. Paragraphs 10.8–10.14 contain requirements for determining when a change in accounting policy is appropriate, how such a change should be accounted for and what information should be disclosed about the change.~~ ~~Introduction to Section 11~~ ~~11.3 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.~~ ~~11.4 Section 11 requires an amortised cost model for all basic financial instruments except for investments in non-convertible preference shares and non-puttable ordinary or preference shares that are publicly traded or whose fair value can otherwise be measured reliably without undue cost or effort.~~ ~~11.5 Basic financial instruments within the scope of Section 11 are those that satisfy the conditions in paragraph 11.8. Examples of financial instruments that normally satisfy those conditions include:~~ ~~(a) cash;~~ ~~1 Until IAS 39 is superseded by IFRS 9 Financial Instruments, an entity shall apply the version of IAS 39~~		The following detailed differences are noted as per IFRS for SMEs module published by the IASB: - Unlike Sections 11 and 12, IFRS 9 has three categories for classification: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVTOCI) and amortised cost (AC). IFRS 9 does not permit any instruments to be measured at cost. - The classification of financial instruments under IFRS 9 is based on the contractual cash flows of the instrument as well as the business model in which it is held. Those criteria are different to the criteria used for classification of financial instruments in Section 11. - Generally, applying IFRS 9, the classification is mandatory based on the aforementioned criteria. However, there are some exceptions. An entity can, for example, elect to designate a financial instrument at FVTPL if certain criteria are met. This option is not available in the IFRS for SMEs Standard. - Section 11 requires instruments to be measured at transaction price unless the arrangement constitutes a financing transaction, in which case the cash flows from the instrument are discounted. Under IFRS 9, financial instruments are initially measured at fair value. In practice, the different terminology is unlikely to result in any significant difference in value on initial recognition.	three main categories: significance, risk and transfers. Section 11 includes many of the 'significance' disclosures in IFRS 7. However, the IFRS for SMEs Standard includes none of the 'risk' disclosures in IFRS 7. The only disclosure from IFRS 7 relating to 'transfers' that is included in the IFRS for SMEs Standard relates to transfers of financial assets that do not qualify for derecognition. As per IFRS for SMEs module 12, page 75, IFRS 7 disclosures are excluded from the IFRS for SME standard on the basis that many of the IFRS 7 disclosures are designed for financial institutions and entities whose securities trade in public capital markets (which are both ineligible to use IFRS for SMEs).	

~~that is in effect at the entity's reporting date, by reference to the full IFRS publication titled International Financial Reporting Standards IFRS® Consolidated without early application (Blue Book). When IAS 39 is superseded by IFRS 9, an entity shall apply the version of IAS 39 that applied immediately prior to IFRS 9 superseding IAS 39. A copy of that version will be retained for reference on the SME webpages of the IASB website (http://go.ifrs.org/IFRSforSMEs).~~ ~~(b) demand and fixed-term deposits when the entity is the depositor, for example bank accounts;~~ ~~(c) commercial paper and commercial bills held;~~ ~~(d) accounts, notes and loans receivable and payable;~~ ~~(e) bonds and similar debt instruments;~~ ~~(f) investments in non-convertible preference shares and non-puttable ordinary and preference shares; and~~ ~~(g) commitments to receive a loan if the commitment cannot be net settled in cash.~~ ~~11.6 Examples of financial instruments that do not normally satisfy the conditions in paragraph 11.8, and are therefore within the scope of Section 12, include:~~ ~~(a) asset-backed securities, such as collateralised mortgage obligations, repurchase agreements and securitised packages of receivables;~~ ~~(b) options, rights, warrants, futures contracts, forward contracts and interest rate swaps that can be settled in cash or by exchanging another financial instrument;~~ ~~(c) financial instruments that qualify and are designated as hedging instruments in accordance with the requirements in Section 12;~~ ~~(d) commitments to make a loan to another entity; and~~		- Section 11 establishes a simple principle for derecognition. That principle does not rely on the 'pass-through' and 'continuing involvement' provisions that apply to derecognition under IFRS 9. The derecognition provisions of the IFRS for SMEs Standard would not result in derecognition for some factoring transactions that a small or medium-sized entity may enter into, whereas IFRS 9 would result in derecognition. - The impairment model in IFRS 9 is based on expected losses and is therefore significantly different from the impairment model in Section 11, which is based on incurred losses. Applying IFRS 9, if credit risk has increased significantly since initial recognition, the entity has to provide for the lifetime expected losses of the instrument. For all other instruments, an entity has to provide for the losses expected within 12 months of the year end on a probability-weighted basis. However, the requirements in IFRS 9 for financial liabilities are similar to those of Section 11. Refer to section 12 also for further differences	The IFRS further decided not to require disclosures such as FVs for all financial instruments measured at amortised cost, as this would be burdensome for SMEs and contrary to the objective of section 11, which is using amortised cost for all basic financial instruments. Similar considerations should apply when considering whether, or to what extent disclosures need to be added as a result of the R&M differences. On that basis, the IFRS for SME-based disclosures should also only include those disclosures that cover 'significance' of financial instruments, and the limited disclosures for transfers of financial assets that do not qualify for derecognition.	

~~(e) commitments to receive a loan if the commitment can be net settled in cash.~~ ~~Scope of Section 11~~ ~~11.7 Section 11 applies to all financial instruments meeting the conditions of paragraph 11.8 except for the following:~~ ~~(a) investments in subsidiaries, associates and joint ventures that are accounted for in accordance with Section 9Consolidated and Separate Financial Statements , Section 14Investments in Associates or Section 15 Investments in Joint Ventures.~~ ~~(b) financial instruments that meet the definition of an entity's own equity, including the equity component of compound financial instruments issued by the entity (see Section 22Liabilities and Equity).~~ ~~(c) leases, to which Section 20 Leases or paragraph 12.3(f) apply. However, the derecognition requirements in paragraphs 11.33–11.38 apply to the derecognition of lease receivables recognised by a lessor and lease payables recognised by a lessee, and the impairment requirements in paragraphs 11.21–11.26 apply to lease receivables recognised by a lessor.~~ ~~(d) employers' rights and obligations under employee benefit plans, to which Section 28 Employee Benefits applies.~~ ~~(e) financial instruments, contracts and obligations under share-based payment transactions to which Section 26 Share-based Payment applies.~~ ~~(f) reimbursement assets that are accounted for in accordance with Section 21 Provisions and Contingencies (see paragraph 21.9).~~ ~~Basic financial instruments~~				

~~11.8 An entity shall account for the following financial instruments as basic financial instruments in accordance with Section 11:~~ ~~(a) cash;~~ ~~(b) a debt instrument (such as an account, note or loan receivable or payable) that meets the conditions in paragraph 11.9;~~ ~~(c) a commitment to receive a loan that:~~ ~~(i) cannot be settled net in cash; and~~ ~~(ii) when the commitment is executed, is expected to meet the conditions in paragraph 11.9.~~ ~~(d) an investment in non-convertible preference shares and non-puttable ordinary shares or preference shares.~~ ~~11.9 A debt instrument that satisfies all of the conditions in (a)–(d) shall be accounted for in accordance with Section 11:~~ ~~(a) returns to the holder (the lender/creditor) assessed in the currency in which the debt instrument is denominated are either:~~ ~~(i) a fixed amount;~~ ~~(ii) a fixed rate of return over the life of the instrument;~~ ~~(iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate (such as LIBOR); or~~ ~~(iv) some combination of such fixed and variable rates, provided that both the fixed and variable rates are positive (for example, an interest rate swap with a positive fixed rate and negative variable rate would not meet this criterion).~~				

~~For fixed and variable rate interest returns, interest is calculated by multiplying the rate for the applicable period by the principal amount outstanding during the period.~~ ~~(b) there is no contractual provision that could, by its terms, result in the holder (the lender/creditor) losing the principal amount or any interest attributable to the current period or prior periods. The fact that a debt instrument is subordinated to other debt instruments is not an example of such a contractual provision.~~ ~~(c) contractual provisions that permit or require the issuer (the borrower) to prepay a debt instrument or permit or require the holder (the lender/creditor) to put it back to the issuer (ie to demand repayment) before maturity are not contingent on future events other than to protect:~~ ~~(i) the holder against a change in the credit risk of the issuer or the instrument (for example, defaults, credit downgrades or loan covenant violations) or a change in control of the issuer; or~~ ~~(ii) the holder or issuer against changes in relevant taxation or law.~~ ~~(d) there are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).~~ ~~11.9 A Examples of debt instruments that would normally satisfy the conditions in paragraph 11.9(a)(iv) include:~~ ~~(a) a bank loan that has a fixed interest rate for an initial period that then reverts to a quoted or observable variable interest rate after that period; and~~ ~~(b) a bank loan with interest payable at a quoted or observable variable interest rate plus a fixed rate throughout the life of the loan, for example LIBOR plus 200 basis points.~~ ~~11.9 B An example of a debt instrument that would normally satisfy the conditions set out in paragraph 11.9(c) would be a bank loan that permits the borrower to terminate the~~				

~~arrangement early, even though the borrower may be required to pay a penalty to compensate the bank for its costs of the borrower terminating the arrangement early.~~ ~~11.10 Other examples of financial instruments that would normally satisfy the conditions in paragraph 11.9 are:~~ ~~(a) trade accounts and notes receivable and payable, and loans from banks or other third parties.~~ ~~(b) accounts payable in a foreign currency. However, any change in the account payable because of a change in the exchange rate is recognised in profit or loss as required by paragraph 30.10.~~ ~~(c) loans to or from subsidiaries or associates that are due on demand.~~ ~~(d) a debt instrument that would become immediately receivable if the issuer defaults on an interest or principal payment (such a provision does not violate the conditions in paragraph 11.9).~~ ~~11.11 Examples of financial instruments that do not satisfy the conditions in paragraph 11.9 (and are therefore within the scope of Section 12) include:~~ ~~(a) an investment in another entity's equity instruments other than non-convertible preference shares and non-puttable ordinary and preference shares (see paragraph 11.8(d));~~ ~~(b) an interest rate swap that returns a cash flow that is positive or negative, or a forward commitment to purchase a commodity or financial instrument that is capable of being cash-settled and that, on settlement, could have positive or negative cash flow, because such swaps and forwards do not meet the condition in paragraph 11.9(a);~~ ~~(c) options and forward contracts, because returns to the holder are not fixed and the condition in paragraph 11.9(a) is not met; and~~				

~~(d) investments in convertible debt, because the return to the holder can vary with the price of the issuer's equity shares instead of just with market interest rates.~~ ~~Initial recognition of financial assets and liabilities~~ ~~11.12 An entity shall recognise a financial asset or a financial liability only when the entity becomes a party to the contractual provisions of the instrument.~~ ~~Initial measurement~~ ~~11.13 When a financial asset or financial liability is recognised initially, an entity shall measure it at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are subsequently measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction for either the entity (for a financial liability) or the counterparty (for a financial asset) to the arrangement. An arrangement constitutes a financing transaction if payment is deferred beyond normal business terms, for example, providing interest-free credit to a buyer for the sale of goods, or is financed at a rate of interest that is not a market rate, for example, an interest-free or below market interest rate loan made to an employee. If the arrangement constitutes a financing transaction, the entity shall measure the financial asset or financial liability at the present value of the future payments discounted at a market rate of interest for a similar debt instrument as determined at initial recognition.~~ ~~Subsequent measurement~~ ~~11.14 At the end of each reporting period, an entity shall measure financial instruments as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:~~ ~~(a) debt instruments that meet the conditions in paragraph 11.8(b) shall be measured at amortised cost using the effective interest method. Paragraphs 11.15–11.20 provide guidance on determining amortised cost using the effective interest method.~~				

~~Debt instruments that are classified as current assets or current liabilities shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received (ie net of impairment—see paragraphs 11.21–11.26) unless the arrangement constitutes, in effect, a financing transaction (see paragraph 11.13).~~ ~~(b) commitments to receive a loan that meet the conditions in paragraph 11.8(c) shall be measured at cost (which sometimes is nil) less impairment.~~ ~~(c) investments in non-convertible preference shares and non-puttable ordinary or preference shares shall be measured as follows (paragraphs 11.27–11.32 provide guidance on fair value):~~ ~~(i) if the shares are publicly traded or their fair value can otherwise be measured reliably without undue cost or effort, the investment shall be measured at fair value with changes in fair value recognised in profit or loss; and~~ ~~(ii) all other such investments shall be measured at cost less impairment.~~ ~~Impairment or uncollectability must be assessed for financial assets in (a), (b) and (c)(ii). Paragraphs 11.21–11.26 provide guidance.~~ ~~Amortised cost and effective interest method~~ ~~11.15 The amortised cost of a financial asset or financial liability at each~~ ~~reporting date is the net of the following amounts:~~ ~~(a) the amount at which the financial asset or financial liability is measured at initial recognition;~~ ~~(b) minus any repayments of the principal;~~				

~~(c) plus or minus the cumulative amortisation using the effective interest method of any difference between the amount at initial recognition and the maturity amount;~~ ~~(d) minus, in the case of a financial asset, any reduction (directly or through the use of an allowance account) for impairment or uncollectability.~~ ~~Financial assets and financial liabilities that have no stated interest rate, that do not relate to an arrangement that constitutes a financing transaction and that are classified as current assets or current liabilities are initially measured at an undiscounted amount in accordance with paragraph 11.13. Consequently, (c) does not apply to them.~~ ~~11.16 The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the carrying amount of the financial asset or financial liability. The effective interest rate is determined on the basis of the carrying amount of the financial asset or liability at initial recognition. Under the effective interest method:~~ ~~(a) the amortised cost of a financial asset (liability) is the present value of future cash receipts (payments) discounted at the effective interest rate; and~~ ~~(b) the interest expense (income) in a period equals the carrying amount of the financial liability (asset) at the beginning of a period multiplied by the effective interest rate for the period.~~ ~~11.17 When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example prepayment, call and similar options) and known credit losses that have been incurred, but it shall not consider possible future credit losses not yet incurred.~~ ~~11.18 When calculating the effective interest rate, an entity shall amortise any related fees, finance charges paid or received~~				

~~(such as 'points'), transaction costs and other premiums or discounts over the expected life of the instrument, except as follows. The entity shall use a shorter period if that is the period to which the fees, finance charges paid or received, transaction costs, premiums or discounts relate. This will be the case when the variable to which the fees, finance charges paid or received, transaction costs, premiums or discounts relate is repriced to market rates before the expected maturity of the instrument. In such a case, the appropriate amortisation period is the period to the next such repricing date.~~ ~~11.19 For variable rate financial assets and variable rate financial liabilities, periodic re-estimation of cash flows to reflect changes in market rates of interest alters the effective interest rate. If a variable rate financial asset or variable rate financial liability is recognised initially at an amount equal to the principal receivable or payable at maturity, re-estimating the future interest payments normally has no significant effect on the carrying amount of the asset or liability.~~ ~~11.20 If an entity revises its estimates of payments or receipts, the entity shall adjust the carrying amount of the financial asset or financial liability (or group of financial instruments) to reflect actual and revised estimated cash flows. The entity shall recalculate the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The entity shall recognise the adjustment as income or expense in profit or loss at the date of the revision.~~ ~~Example of determining amortised cost for a five-year loan using the effective interest method~~ ~~On 1 January 20X0, an entity acquires a bond for CU900, incurring transaction costs of CU50.(a) Interest of CU40 is receivable annually, in arrears, over the next five years (31 December 20X0–31 December 20X4). The bond has a mandatory redemption of CU1100 on 31 December 20X4.~~ ~~Year Carrying Interest Cash inflow Carrying~~				

~~amount at income at amount at end~~ ~~beginning of 6.9584%* of period~~ ~~period CU CU CU CU~~ ~~20X0 950.00 66.11 (40.00) 976.11~~ ~~20X1 976.11 67.92 (40.00) 1,004.03~~ ~~20X2 1,004.0369.86 (40.00) 1,033.89~~ ~~20X3 1,033.8971.94 (40.00) 1,065.83~~ ~~20X4 1,065.8374.17 (40.00) 1,100.00~~ ~~(1,100.00) –~~ ~~* The effective interest rate of 6.9584 per cent is the rate that discounts the expected cash flows on the bond to the initial carrying amount:~~ ~~40 ÷ (1.069584)1 + 40 ÷ (1.069584)2 + 40 ÷ (1.069584)3 + 40 ÷ (1.069584)4 + 1,140 ÷ (1.069584)5 =~~ ~~950~~ ~~(a) In this publication, monetary items are denominated in ‘currency units’ (CU).~~ ~~Impairment of financial assets measured at cost or amortised cost~~ ~~Recognition~~ ~~11.21 At the end of each reporting period, an entity shall assess whether there is objective evidence of impairment of any financial assets that are measured at cost or amortised cost. If~~				

~~there is objective evidence of impairment, the entity shall recognise an impairment loss in profit or loss immediately.~~ ~~11.22 Objective evidence that a financial asset or group of assets is impaired includes observable data that come to the attention of the holder of the asset about the following loss events:~~ ~~(a) significant financial difficulty of the issuer or obligor;~~ ~~(b) a breach of contract, such as a default or delinquency in interest or principal payments;~~ ~~(c) the creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the creditor would not otherwise consider;~~ ~~(d) it has become probable that the debtor will enter bankruptcy or other financial reorganisation; or~~ ~~(e) observable data indicating that there has been a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, even though the decrease cannot yet be identified with the individual financial assets in the group, such as adverse national or local economic conditions or adverse changes in industry conditions.~~ ~~11.23 Other factors may also be evidence of impairment, including significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates.~~ ~~11.24 An entity shall assess the following financial assets individually for impairment:~~ ~~(a) all equity instruments regardless of significance; and~~ ~~(b) other financial assets that are individually significant.~~				

~~An entity shall assess other financial assets for financial assets either individually or grouped on the basis of similar credit risk characteristics.~~ ~~Measurement~~ ~~11.25 An entity shall measure an impairment loss on the following financial assets measured at cost or amortised cost as follows:~~ ~~(a) for a financial asset measured at amortised cost in accordance with paragraph 11.14(a), the impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If such a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.~~ ~~(b) for a financial asset measured at cost less impairment in accordance with paragraph 11.14(b) and (c)(ii) the impairment loss is the difference between the asset's carrying amount and the best estimate (which will necessarily be an approximation) of the amount (which might be zero) that the entity would receive for the asset if it were to be sold at the reporting date.~~ ~~Reversal~~ ~~11.26 If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the entity shall reverse the previously recognised impairment loss either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset (net of any allowance account) that exceeds what~~ ~~the carrying amount would have been had the impairment not previously been recognised. The entity shall recognise the amount of the reversal in profit or loss immediately.~~ ~~Fair value~~				

~~11.27 An entity shall use the following hierarchy to estimate the fair value of an asset:~~ ~~(a) the best evidence of fair value is a quoted price for an identical asset (or similar asset) in an active market. This is usually the current bid price.~~ ~~(b) when quoted prices are unavailable, the price in a binding sale agreement or a recent transaction for an identical asset (or similar asset) in an arm's length transaction between knowledgeable, willing parties provides evidence of fair value. However this price may not be a good estimate of fair value if there has been a significant change in economic circumstances or a significant period of time between the date of the binding sale agreement, or the transaction, and the measurement date. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (for example, because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), then that price is adjusted.~~ ~~(c) if the market for the asset is not active and any binding sale agreements or recent transactions of an identical asset (or similar asset) on their own are not a good estimate of fair value, an entity estimates the fair value by using another valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.~~ ~~Other sections of this Standard make reference to the fair value guidance in paragraphs 11.27–11.32, including Section 9, Section 12, Section 14, Section 15, Section 16 Investment Property, Section 17 Property, Plant and Equipment and Section 28.~~ ~~Valuation technique~~ ~~11.28 Valuation techniques include using recent arm's length market transactions for an identical asset between knowledgeable, willing parties, if available, reference to the current fair value of another asset that is substantially the same as the asset being measured, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly~~				

~~used by market participants to price the asset and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique.~~ ~~11.29 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 exchange motivated by normal business considerations. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-determined inputs. A valuation technique would be expected to arrive at a reliable estimate of the fair value if~~ ~~(a) it reasonably reflects how the market could be expected to price the asset; and~~ ~~(b) the inputs to the valuation technique reasonably represent market expectations and measures of the risk return factors inherent in the asset.~~ ~~No active market~~ ~~11.30 The fair value of investments in assets that do not have a quoted market price in an active market is reliably measurable if~~ ~~(a) the variability in the range of reasonable fair value estimates is not significant for that asset; or~~ ~~(b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.~~ ~~11.31 There are many situations in which the variability in the range of reasonable fair value estimates of assets that do not have a quoted market price is likely not to be significant. Normally it is possible to estimate the fair value of an asset that an entity has acquired from an outside party. However, if the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably~~				

~~assessed, an entity is precluded from measuring the asset at fair value.~~ ~~11.32 If a reliable measure of fair value is no longer available for an asset measured at fair value (or is not available without undue cost or effort when such an exemption is provided (see paragraphs 11.14(c) and 12.8(b)), its carrying amount at the last date the asset was reliably measurable becomes its new cost. The entity shall measure the asset at this cost amount less impairment until a reliable measure of fair value becomes available (or becomes available without undue cost or effort when such an exemption is provided).~~ ~~Derecognition of a financial asset~~ ~~11.33 An entity shall derecognise a financial asset only when either:~~ ~~(a) the contractual rights to the cash flows from the financial asset expire or are settled;~~ ~~(b) the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or~~ ~~(c) the entity, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer—in this case, the entity shall:~~ ~~(i) derecognise the asset; and~~ ~~(ii) recognise separately any rights and obligations retained or created in the transfer.~~ ~~The carrying amount of the transferred asset shall be allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations shall be measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and~~				

~~derecognised in accordance with this paragraph shall be recognised in profit or loss in the period of the transfer.~~ ~~11.34 If a transfer does not result in derecognition because the entity has retained significant risks and rewards of ownership of the transferred asset, the entity shall continue to recognise the transferred asset in its entirety and shall recognise a financial liability for the consideration received. The asset and liability shall not be offset. In subsequent periods, the entity shall recognise any income on the transferred asset and any expense incurred on the financial liability.~~ ~~11.35 If a transferor provides non-cash collateral (such as debt or equity instruments) to the transferee, the accounting for the collateral by the transferor and the transferee depends on whether the transferee has the right to sell or repledge the collateral and on whether the transferor has defaulted. The transferor and transferee shall account for the collateral as follows:~~ ~~(a) if the transferee has the right by contract or custom to sell or repledge the collateral, the transferor shall reclassify that asset in its statement of financial position (for example, as a loaned asset, pledged equity instruments or repurchase receivable) separately from other assets;~~ ~~(b) if the transferee sells collateral pledged to it, it shall recognise the proceeds from the sale and a liability measured at fair value for its obligation to return the collateral;~~ ~~(c) if the transferor defaults under the terms of the contract and is no longer entitled to redeem the collateral, it shall derecognise the collateral and the transferee shall recognise the collateral as its asset initially measured at fair value or, if it has already sold the collateral, derecognise its obligation to return the collateral; and~~ ~~(d) except as provided in (c), the transferor shall continue to carry the collateral as its asset and the transferee shall not recognise the collateral as an asset.~~ ~~Derecognition of a financial liability~~				

~~11.36 An entity shall derecognise a financial liability (or a part of a financial liability) only when it is extinguished—ie when the obligation specified in the contract is discharged, is cancelled or expires.~~ ~~11.37 If an existing borrower and lender exchange financial instruments with substantially different terms, the entities shall account for the transaction as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, an entity shall account for a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) as an extinguishment of the original financial liability and the recognition of a new financial liability.~~ ~~11.38 The entity shall recognise in profit or loss any difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed.~~ Disclosures 11.39 The following disclosures make reference to disclosures for financial liabilities measured at fair value through profit or loss. Entities that have only basic financial instruments (and therefore do not apply Section 12) will not have any financial liabilities measured at fair value through profit or loss and hence will not need to provide such disclosures. Disclosure of accounting policies for financial instruments 11.40 In accordance with paragraph 8.5, an entity shall disclose, in the summary of significant accounting policies, the measurement basis (or bases) used for financial instruments and the other accounting policies used for financial instruments that are relevant to an understanding of the financial statements. Statement of financial position—categories of financial assets and financial liabilities 11.41 An entity shall disclose the carrying amounts of each of the following categories of financial assets and financial liabilities				

at the reporting date, in total, either in the statement of financial position or in the notes: (a) financial assets measured at fair value through profit or loss (paragraph 11.14(c)(i) and paragraphs 12.8 and 12.9); (b) financial assets that are debt instruments measured at amortised cost (paragraph 11.14(a)); (c) financial assets that are equity instruments measured at cost less impairment (paragraph 11.14(c)(ii) and paragraphs 12.8 and 12.9); (d) financial liabilities measured at fair value through profit or loss (paragraphs 12.8 and 12.9); (e) financial liabilities measured at amortised cost (paragraph 11.14(a)); and (f) loan commitments measured at cost less impairment (paragraph 11.14(b)). 11.42 An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance. For example, for long-term debt such information would normally include the terms and conditions of the debt instrument (such as interest rate, maturity, repayment schedule, and restrictions that the debt instrument imposes on the entity). 11.43 For all financial assets and financial liabilities measured at fair value, the entity shall disclose the basis for determining fair value, for example, quoted market price in an active market or a valuation technique. When a valuation technique is used, the entity shall disclose the assumptions applied in determining fair value for each class of financial assets or financial liabilities. For example, if applicable, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates. 11.44 If a reliable measure of fair value is no longer available, or is not available without undue cost or effort when such an exemption is provided, for any financial instruments that would				

otherwise be required to be measured at fair value through profit or loss in accordance with this Standard, the entity shall disclose that fact, the carrying amount of those financial instruments and, if an undue cost or effort exemption has been used, the reasons why a reliable fair value measurement would involve undue cost or effort. Derecognition 11.45 If an entity has transferred financial assets to another party in a transaction that does not qualify for derecognition (see paragraphs 11.33–11.35), the entity shall disclose the following for each class of such financial assets: (a) the nature of the assets; (b) the nature of the risks and rewards of ownership to which the entity remains exposed; and (c) the carrying amounts of the assets and of any associated liabilities that the entity continues to recognise. Collateral 11.46 When an entity has pledged financial assets as collateral for liabilities or contingent liabilities, it shall disclose the following: (a) the carrying amount of the financial assets pledged as collateral; and (b) the terms and conditions relating to its pledge. Defaults and breaches on loans payable 11.47 For loans payable recognised at the reporting date for which there is a breach of terms or a default of principal, interest, sinking fund or redemption terms that have not been remedied by the reporting date, an entity shall disclose the following:				

(a) details of that breach or default; (b) the carrying amount of the related loans payable at the reporting date; and (c) whether the breach or default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue. Items of income, expense, gains or losses 11.48 An entity shall disclose the following items of income, expense, gains or losses: (a) income, expense, gains or losses, including changes in fair value, recognised on: (i) financial assets measured at fair value through profit or loss; (ii) financial liabilities measured at fair value through profit or loss; (iii) financial assets measured at amortised cost; and (iv) financial liabilities measured at amortised cost. (b) total interest income and total interest expense (calculated using the effective interest method) for financial assets or financial liabilities that are not measured at fair value through profit or loss; and (c) the amount of any impairment loss for each class of financial asset.				
Section 12 **Other Financial Instrument Issues** ~~Scope of Sections 11 and 12~~	IAS 39 *Financial Instruments: Recognition and Measurement* (Hedging	**Significant Difference** A new IFRS Standard (ie IFRS 9) is effective but not incorporated into IFRS for SMEs.	**Retain** The only disclosures required by Section 12 that are additional to	

~~12.1 Section 11 Basic Financial Instruments and Section 12 together deal with recognising, derecognising, measuring and disclosing financial instruments (financial assets and financial liabilities). Section 11 applies to basic financial instruments and is relevant to all entities. Section 12 applies to other, more complex financial instruments and transactions. If an entity enters into only basic financial instrument transactions then Section 12 is not applicable. However, even entities with only basic financial instruments shall consider the scope of Section 12 to ensure they are exempt.~~ ~~Accounting policy choice~~ ~~12.2 An entity shall choose to apply either:~~ ~~(a) the requirements of both Sections 11 and 12 in full; or~~ ~~(b) the recognition and measurement requirements of IAS 39 Financial Instruments: Recognition and Measurement and the disclosure requirements of Sections 11 and 12~~ ~~to account for all of its financial instruments. An entity's choice of (a) or (b) is an accounting policy choice. Paragraphs 10.8–10.14 contain requirements for determining when a change in accounting policy is appropriate, how such a change should be accounted for and what information should be disclosed about the change in accounting policy.~~ ~~Scope of Section 12~~ ~~12.3 Section 12 applies to all financial instruments except the following:~~ ~~(a) those covered by Section 11.~~ ~~(b) investments in subsidiaries, associates and joint ventures that are accounted for in accordance with Section 9 Consolidated and Separate Financial Statements, Section 14 Investments in Associates or Section 15 Investments in Joint Ventures.~~	section only para 72-102) IFRS 9 *Financial Instruments* IFRS 7 *Financial Instruments: Disclosures*	Refer to section 11 for key differences. Further differences relevant to 'Other inancial Instruments' as per IFRS for SMEs module are as follows: Under section 12, financial instruments must be measured at FVPL, except for equity instruments whose FV is not reliably measurable. IFRS 9 has three categories for the classification and measurement of financial assets: fair value through profit or loss, fair value through other comprehensive income and amortised cost. IFRS 9 does not permit any instruments to be measured at cost. The classification and measurement of financial assets applying IFRS 9 is based on the contractual cash flows characteristics of the asset as well as on the business model in which it is held. Such criteria are different to the criteria used for classification of financial instruments in Section 12. The requirements in IFRS 9 for financial liabilities are similar to those of Section 12. In accordance with paragraph 7.2.21 of IFRS 9, an entity may choose as its accounting policy to continue to apply the hedge accounting requirements in AASB 139 instead of the requirements in IFRS 9. IFRS 9 makes more hedging relationships eligible for hedge accounting than does Section 12. For example, applying IFRS 9, an entity can designate non-derivative financial instruments as hedging instruments if they are classified as	those required in Section 11 are disclosures for entities applying hedge accounting. The differences in hedge accounting noted on the left, relate mainly to the types of hedging instruments that can be used. This will need to be reflected in the wording of the disclosures (see paras 12.28 and 12.29), but would not affect the disclosures as such. While IFRS for SMEs do not permit inclusion of a hedging gain or loss in the cost of a non-financial asset or liability, IFRS 7 does not specifically disclosure of any such amounts. On that basis, no disclosures will need to be added.	

~~(c) employers' rights and obligations under employee benefit plans (see Section 28 Employee Benefits).~~ ~~(d) rights under insurance contracts unless the insurance contract could result in a loss to either party as a result of contractual terms that are unrelated to:~~ ~~(i) changes in the insured risk;~~ ~~(ii) changes in foreign exchange rates; or~~ ~~(iii) a default by one of the counterparties.~~ ~~(e) financial instruments that meet the definition of an entity's own equity, including the equity component of compound financial instruments issued by the entity (see Section 22 Liabilities and Equity).~~ ~~(f) leases within the scope of Section 20 Leases. Consequently, Section 12 applies to leases that could result in a loss to the lessor or the lessee as a result of contractual terms that are unrelated to:~~ ~~(i) changes in the price of the leased asset;~~ ~~(ii) changes in foreign exchange rates;~~ ~~(iii) changes in lease payments based on variable market interest rates; or~~ ~~(iv) a default by one of the counterparties.~~ ~~(g) contracts for contingent consideration in a business combination (see Section 19 Business Combinations and Goodwill). This exemption applies only to the acquirer.~~ ~~(h) financial instruments, contracts and obligations under share-based payment transactions to which Section 26 Share-based Payment applies.~~		fair value through profit or loss. Also, hedged items can be groups of financial instruments and even include zero-positions or aggregated derivative and non-derivative instruments. Under IFRS 9, an entity cannot decide to revoke a hedge designation. Such designations can be revoked only if the risk management objective for that designated hedging relationship changes. Hedge accounting under section 12 focuses on the types of hedging that SMEs are likely to use and only allws hedge accounting for particular risks. The conditions for recognition and measurement of hedge ineffectiveness are less strict than under IAS 39 or IFRS 9. Section 12 permits hedge accounting only if the hedging instrument is one of four instruments listed in paragraph 12.18. The rules of accounting for cash flow and FV hedges are the largely the same as under IAS 39 and IFRS 9, except that section 12 does not permit inclusion of a hedging gain or loss in the cost of a non-financial asset or liability. Under IFRS 9, such amounts are no longer shown as reclassification adjustment in OCI (see paragraph 6.5.11(d)(i)).		

~~(i) reimbursement assets that are accounted for in accordance with Section 21 Provisions and Contingencies (see paragraph 21.9).~~ ~~12.4 Most contracts to buy or sell a non-financial item such as a commodity, inventory or property, plant and equipment are excluded from this section because they are not financial instruments. However, this section applies to all contracts that impose risks on the buyer or seller that are not typical of contracts to buy or sell non-financial items. For example, this section applies to contracts that could result in a loss to the buyer or seller as a result of contractual terms that are unrelated to changes in the price of the non-financial item, changes in foreign exchange rates or a default by one of the counterparties.~~ ~~12.5 In addition to the contracts described in paragraph 12.4, this section applies to contracts to buy or sell non-financial items if the contract can be settled net in cash or another financial instrument, or by exchanging financial instruments as if the contracts were financial instruments, with the following exception: contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements are not financial instruments for the purposes of this section.~~ ~~Initial recognition of financial assets and liabilities~~ ~~12.6 An entity shall recognise a financial asset or a financial liability only when the entity becomes a party to the contractual provisions of the instrument.~~ ~~Initial measurement~~ ~~12.7 When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value, which is normally the transaction price.~~ ~~Subsequent measurement~~				

~~12.8 At the end of each reporting period, an entity shall measure all financial instruments within the scope of Section 12 at fair value and recognise changes in fair value in profit or loss, except as follows:~~ ~~(a) some changes in the fair value of hedging instruments in a designated hedging relationship are required to be recognised in other comprehensive income by paragraph 12.23; and~~ ~~(b) equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably without undue cost or effort and contracts linked to such instruments that, if exercised, will result in delivery of such instruments, shall be measured at cost less impairment.~~ ~~12.9 If a reliable measure of fair value is no longer available without undue cost or effort for an equity instrument, or a contract linked to such an instrument that if exercised will result in the delivery of such instruments, that is not publicly traded but is measured at fair value through profit or loss, its fair value at the last date that the instrument was reliably measurable without undue cost or effort is treated as the cost of the instrument. The entity shall measure the instrument at this cost amount less impairment until it is able to determine a reliable measure of fair value without undue cost or effort.~~ ~~Fair value~~ ~~12.10 An entity shall apply the guidance on fair value in paragraphs 11.27–11.32 to fair value measurements in accordance with this section as well as for fair value measurements in accordance with Section 11.~~ ~~12.11 The fair value of a financial liability that is due on demand is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.~~ ~~12.12 An entity shall not include transaction costs in the initial measurement of financial assets and liabilities that will be measured subsequently at fair value through profit or loss. If payment for an asset is deferred or is financed at a rate of~~				

~~interest that is not a market rate, the entity shall initially measure the asset at the present value of the future payments discounted at a market rate of interest.~~ ~~Impairment of financial assets measured at cost or amortised cost~~ ~~12.13 An entity shall apply the guidance on impairment in paragraphs 11.21–11.26 to financial assets measured at cost less impairment in accordance with this section.~~ ~~Derecognition of a financial asset or financial liability~~ ~~12.14 An entity shall apply the derecognition requirements in paragraphs 11.33–11.38 to financial assets and financial liabilities to which this section applies.~~ ~~Hedge accounting~~ ~~12.15 If specified criteria are met, an entity may designate a hedging relationship between a hedging instrument and a hedged item in such a way as to qualify for hedge accounting. Hedge accounting permits the gain or loss on the hedging instrument and on the hedged item to be recognised in profit or loss at the same time.~~ ~~12.16 To qualify for hedge accounting, an entity shall comply with all of the following conditions:~~ ~~(a) the entity designates and documents the hedging relationship so that the risk being hedged, the hedged item and the hedging instrument are clearly identified and the risk in the hedged item is the risk being hedged with the hedging instrument.~~ ~~(b) the hedged risk is one of the risks specified in paragraph 12.17.~~ ~~(c) the hedging instrument is as specified in paragraph 12.18.~~ ~~(d) the entity expects the hedging instrument to be highly effective in offsetting the designated hedged risk. The~~				

~~effectiveness of a hedge is the degree to which changes in the fair value or cash flows of the hedged item that are attributable to the hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.~~ ~~12.17 This Standard permits hedge accounting only for the following risks:~~ ~~(a) interest rate risk of a debt instrument measured at amortised cost;~~ ~~(b) foreign exchange or interest rate risk in a firm commitment or a~~ ~~highly probable forecast transaction;~~ ~~(c) price risk of a commodity that an entity holds or in a firm commitment or highly probable forecast transaction to purchase or sell a commodity; and~~ ~~(d) foreign exchange risk in a net investment in a foreign operation.~~ ~~Foreign exchange risk of a debt instrument measured at amortised cost is not in the list because hedge accounting would not have any significant effect on the financial statements. Basic accounts, notes and loans receivable and payable are normally measured at amortised cost (see paragraph 11.5(d)). This would include payables denominated in a foreign currency. Paragraph 30.10 requires any change in the carrying amount of the payable because of a change in the exchange rate to be recognised in profit or loss. Consequently, both the change in fair value of the hedging instrument (the cross-currency swap) and the change in the carrying amount of the payable relating to the change in the exchange rate would be recognised in profit or loss and should offset each other except to~~ ~~the extent of the difference between the spot rate (at which the liability is measured) and the forward rate (at which the swap is measured).~~				

~~12.18 This Standard permits hedge accounting only if the hedging instrument has all of the following terms and conditions:~~ ~~(a) it is an interest rate swap, a foreign currency swap, a foreign currency forward exchange contract or a commodity forward exchange contract that is expected to be highly effective in offsetting a risk identified in paragraph 12.17 that is designated as the hedged risk;~~ ~~(b) it involves a party external to the reporting entity (ie external to the~~ ~~group, segment or individual entity being reported on);~~ ~~(c) its notional amount is equal to the designated amount of the principal or notional amount of the hedged item;~~ ~~(d) it has a specified maturity date not later than:~~ ~~(i) the maturity of the financial instrument being hedged;~~ ~~(ii) the expected settlement of the commodity purchase or sale commitment; or~~ ~~(iii) the occurrence of the highly probable forecast foreign currency or commodity transaction being hedged.~~ ~~(e) it has no prepayment, early termination or extension features.~~ ~~Hedge of fixed interest rate risk of a recognised financial instrument or commodity price risk of a commodity held~~ ~~12.19 If the conditions in paragraph 12.16 are met and the hedged risk is the exposure to a fixed interest rate risk of a debt instrument measured at amortised cost or the commodity price risk of a commodity that it holds, the entity shall:~~ ~~(a) recognise the hedging instrument as an asset or liability and the change in the fair value of the hedging instrument in profit or loss; and~~				

~~(b) recognise the change in the fair value of the hedged item related to the hedged risk in profit or loss and as an adjustment to the carrying amount of the hedged item.~~ ~~12.20 If the hedged risk is the fixed interest rate risk of a debt instrument measured at amortised cost, the entity shall recognise the periodic net cash settlements on the interest rate swap that is the hedging instrument in profit or loss in the period in which the net settlements accrue.~~ ~~12.21 The entity shall discontinue the hedge accounting specified in paragraph 12.19 if:~~ ~~(a) the hedging instrument expires or is sold or terminated;~~ ~~(b) the hedge no longer meets the conditions for hedge accounting specified in paragraph 12.16; or~~ ~~(c) the entity revokes the designation.~~ ~~12.22 If hedge accounting is discontinued and the hedged item is an asset or liability carried at amortised cost that has not been derecognised, any gains or losses recognised as adjustments to the carrying amount of the hedged item are amortised into profit or loss using the effective interest method over the remaining life of the hedged item.~~ ~~Hedge of variable interest rate risk of a recognised financial instrument, foreign exchange risk or commodity price risk in a firm commitment or highly probable forecast transaction or a net investment in a foreign operation~~ ~~12.23 If the conditions in paragraph 12.16 are met and the hedged risk is:~~ ~~(a) the variable interest rate risk in a debt instrument measured at amortised cost;~~ ~~(b) the foreign exchange risk in a firm commitment or a highly probable forecast transaction;~~				

~~(c) the commodity price risk in a firm commitment or highly probable forecast transaction; or~~ ~~(d) the foreign exchange risk in a net investment in a foreign operation,~~ ~~the entity shall recognise in other comprehensive income the portion of the change in the fair value of the hedging instrument that was effective in offsetting the change in the fair value or expected cash flows of the hedged item. The entity shall recognise in profit or loss in each period any excess (in absolute amount) of the cumulative change in the fair value of the hedging instrument over the cumulative change in the fair value of the expected cash flows of the hedged item since inception of the hedge (sometimes called hedge ineffectiveness). The hedging gain or loss recognised in other comprehensive income shall be reclassified to profit or loss when the hedged item is recognised in profit or loss, subject to the requirements in paragraph 12.25. However, the cumulative amount of any exchange differences that relate to a hedge of a net investment in a foreign operation recognised in other comprehensive income shall not be reclassified to profit or loss on disposal or partial disposal of the foreign operation.~~ ~~12.24 If the hedged risk is the variable interest rate risk in a debt instrument measured at amortised cost, the entity shall subsequently recognise in profit or loss the periodic net cash settlements from the interest rate swap that is the hedging instrument in the period in which the net settlements accrue.~~ ~~12.25 The entity shall discontinue prospectively the hedge accounting specified in paragraph 12.23 if:~~ ~~(a) the hedging instrument expires or is sold or terminated;~~ ~~(b) the hedge no longer meets the criteria for hedge accounting in paragraph 12.16;~~ ~~(c) in a hedge of a forecast transaction, the forecast transaction is no longer highly probable; or~~ ~~(d) the entity revokes the designation.~~				

~~If the forecast transaction is no longer expected to take place or if the hedged debt instrument measured at amortised cost is derecognised, any gain or loss on the hedging instrument that was recognised in other comprehensive income shall be reclassified to profit or loss.~~ Disclosures 12.26 An entity applying this section shall make all of the disclosures required in Section 11 incorporating in those disclosures financial instruments that are within the scope of this section as well as those within the scope of Section 11. In addition, if the entity uses hedge accounting, it shall make the additional disclosures in paragraphs 12.27–12.29. 12.27 An entity shall disclose the following separately for hedges of each of the four types of risks described in paragraph 12.17: (a) a description of the hedge; (b) a description of the financial instruments designated as hedging instruments and their fair values at the reporting date; and (c) the nature of the risks being hedged, including a description of the hedged item. 12.28 If an entity uses hedge accounting for a hedge of fixed interest rate risk or commodity price risk of a commodity held (paragraphs 12.19–12.22) it shall disclose the following: (a) the amount of the change in fair value of the hedging instrument recognised in profit or loss for the period; and (b) the amount of the change in fair value of the hedged item recognised in profit or loss for the period. 12.29 If an entity uses hedge accounting for a hedge of variable interest rate risk, foreign exchange risk, commodity price risk in a firm commitment or highly probable forecast				

IFRS for SMEs	Equivalent IFRS standard	Assessment of R&M differences	Recommendation (Retain/Add/ Remove)	Final proposed text on disclosure requirements[1] *(Full text from IFRS for SMEs subject to adjusting for added/removed items and adapting language as necessary eg replacing references to IFRS for SMEs)*
transaction or a net investment in a foreign operation (paragraphs 12.23–12.25), it shall disclose the following: (a) the periods when the cash flows are expected to occur and when they are expected to affect profit or loss; (b) a description of any forecast transaction for which hedge accounting had previously been used, but which is no longer expected to occur; (c) the amount of the change in fair value of the hedging instrument that was recognised in other comprehensive income during the period (paragraph 12.23); (d) the amount that was reclassified to profit or loss for the period (paragraphs 12.23 and 12.25); and (e) the amount of any excess of the cumulative change in fair value of the hedging instrument over the cumulative change in the fair value of the expected cash flows that was recognised in profit or loss for the period (paragraph 12.23).				

IFRS for SMEs	Equivalent IFRS standard	Assessment of R&M differences	Recommendation (Retain/Add/ Remove)	Final proposed text on disclosure requirements[1] *(Full text from IFRS for SMEs subject to adjusting for added/removed items and adapting language as necessary eg replacing references to IFRS for SMEs)*
Section 13 **Inventories** **~~Scope of this section~~** ~~13.1 This section sets out the principles for recognising and measuring inventories. Inventories are assets:~~ ~~(a) held for sale in the ordinary course of business;~~ ~~(b) in the process of production for such sale; or~~ ~~(c) in the form of materials or supplies to be consumed in the production process or in the rendering of services.~~ ~~13.2 This section applies to all inventories, except:~~ ~~(a) work in progress arising under construction contracts, including directly related service contracts (see Section 23 Revenue);~~ ~~(b) financial instruments (see Section 11 Basic Financial Instruments and Section 12 Other Financial Instrument Issues); and~~ ~~(c) biological assets related to agricultural activity and agricultural produce at the point of harvest (see Section 34 Specialised Activities).~~ ~~13.3 This section does not apply to the measurement of inventories held by:~~ ~~(a) producers of agricultural and forest products, agricultural produce after harvest, and minerals and mineral~~	IAS 2 *Inventories*	**No significant difference** The only minimal difference is that IAS 23 requires borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (including some inventories) to be capitalised as part of the cost of the asset. For cost-benefit reasons, Section 25 Borrowing Costs of the IFRS for SMEs Standard requires such costs to be charged to expense. However, there is no specific dislcosures in IAS 2 with regard to this.	**Retain**	Disclosures 13.22 An entity shall disclose the following: (a) the accounting policies adopted in measuring inventories, including the cost formula used; (b) the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity; (c) the amount of inventories recognised as an expense during the period; (d) impairment losses recognised or reversed in profit or loss in accordance with Section 27 Impairment of Assets; and (e) the total carrying amount of inventories pledged as security for liabilities.

~~products, to the extent that they are measured at fair value less costs to sell through profit or loss; or~~ ~~(b) commodity brokers and dealers that measure their inventories at fair value less costs to sell through profit or loss.~~ ~~Measurement of inventories~~ ~~13.4 An entity shall measure inventories at the lower of cost and estimated selling price less costs to complete and sell.~~ ~~Cost of inventories~~ ~~13.5 An entity shall include in the cost of inventories all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.~~ ~~Costs of purchase~~ ~~13.6 The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities) and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.~~ ~~13.7 An entity may purchase inventories on deferred settlement terms. In some cases, the arrangement effectively contains an unstated financing element, for example, a difference between the purchase price for normal credit terms and the deferred settlement amount. In these cases, the difference is recognised as interest expense over the period of the financing and is not added to the cost of the inventories.~~ ~~Costs of conversion~~ ~~13.8 The 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. Fixed production overheads are those indirect costs of production that remain relatively constant~~				

~~regardless of the volume of production, such as depreciation and maintenance of factory buildings and equipment, and the cost of factory management and administration. Variable production overheads are those indirect costs of production that vary directly, or nearly directly, with the volume of production, such as indirect materials and indirect labour.~~ ~~Allocation of production overheads~~ ~~13.9 An entity shall allocate fixed production overheads to the costs of conversion on the basis of the normal capacity of the production facilities. Normal capacity is the production expected to be achieved on average over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance. The actual level of production may be used if it approximates normal capacity. The amount of fixed overhead allocated to each unit of production is not increased as a consequence of low production or idle plant. Unallocated overheads are recognised as an expense in the period in which they are incurred. In periods of abnormally high production, the amount of fixed overhead allocated to each unit of production is decreased so that inventories are not measured above cost. Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities.~~ ~~Joint products and by-products~~ ~~13.10 A production process may result in more than one product being produced simultaneously. This is the case, for example, when joint products are produced or when there is a main product and a by-product. When the costs of raw materials or conversion of each product are not separately identifiable, an entity shall allocate them between the products on a rational and consistent basis. The allocation may be based, for example, on the relative sales value of each product either at the stage in the production process when the products become separately identifiable or at the completion of production. Most by-products, by their nature, are immaterial. When this is the case, the entity shall measure them at selling price less costs to complete and sell and deduct this amount from the cost of the main product. As a result, the carrying amount of the main product is not materially different from its cost.~~				

~~Other costs included in inventories~~ ~~13.11 An entity shall include other costs in the cost of inventories only to the extent that they are incurred in bringing the inventories to their present location and condition.~~ ~~13.12 Paragraph 12.19(b) provides that, in some circumstances, the change in the fair value of the hedging instrument in a hedge of fixed interest rate risk or commodity price risk of a commodity held adjusts the carrying amount of the commodity.~~ ~~Costs excluded from inventories~~ ~~13.13 Examples of costs excluded from the cost of inventories and recognised as expenses in the period in which they are incurred are:~~ ~~(a) abnormal amounts of wasted materials, labour or other production costs;~~ ~~(b) storage costs, unless those costs are necessary during the production process before a further production stage;~~ ~~(c) administrative overheads that do not contribute to bringing inventories to their present location and condition; and~~ ~~(d) selling costs.~~ ~~Cost of inventories of a service provider~~ ~~13.14 To the extent that service providers have inventories, they measure them at the costs of their production. These costs consist primarily of the labour and other costs of personnel directly engaged in providing the service, including supervisory personnel and attributable overheads. Labour and other costs relating to sales and general administrative personnel are not included but are recognised as expenses in the period in which they are incurred. The cost of inventories of a service provider~~				

~~does not include profit margins or non-attributable overheads that are often factored into prices charged by service providers.~~ ~~Cost of agricultural produce harvested from biological assets~~ ~~13.15 Section 34 requires that inventories comprising agricultural produce that an entity has harvested from its biological assets shall be measured on initial recognition at their fair value less estimated costs to sell at the point of harvest. This becomes the cost of the inventories at that date for application of this section.~~ ~~Techniques for measuring cost, such as standard costing, retail method and most recent purchase price~~ ~~13.16 An entity may use techniques such as the standard cost method, the retail method or most recent purchase price for measuring the cost of inventories if the result approximates cost. Standard costs take into account normal levels of materials and supplies, labour, efficiency and capacity utilisation. They are regularly reviewed and, if necessary, revised in the light of current conditions. The retail method measures cost by reducing the sales value of the inventory by the appropriate percentage gross margin.~~ ~~Cost formulas~~ ~~13.17 An entity shall measure the cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects by using specific identification of their individual costs.~~ ~~13.18 An entity shall measure the cost of inventories, other than those dealt with in paragraph 13.17, by using the first-in, first-out (FIFO) or weighted average cost formula. An entity shall use the same cost formula for all inventories having a similar nature and use to the entity. For inventories with a different nature or use, different cost formulas may be justified. The last-in, first-out method (LIFO) is not permitted by this Standard.~~ ~~Impairment of inventories~~				

~~13.19 Paragraphs 27.2–27.4 require an entity to assess at the end of each reporting period whether any inventories are impaired, ie the carrying amount is not fully recoverable (for example, because of damage, obsolescence or declining selling prices). If an item (or group of items) of inventory is impaired, those paragraphs require the entity to measure the inventory at its selling price less costs to complete and sell and to recognise an impairment loss. Those paragraphs also require a reversal of a prior impairment in some circumstances.~~ ~~Recognition as an expense~~ ~~13.20 When inventories are sold, the entity shall recognise the carrying amount of those inventories as an expense in the period in which the related revenue is recognised.~~ ~~13.21 Some inventories may be allocated to other asset accounts, for example, inventory used as a component of self-constructed property, plant or equipment. Inventories allocated to another asset in this way are accounted for subsequently in accordance with the section of this Standard relevant to that type of asset.~~ Disclosures 13.22 An entity shall disclose the following: (a) the accounting policies adopted in measuring inventories, including the cost formula used; (b) the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity; (c) the amount of inventories recognised as an expense during the period; (d) impairment losses recognised or reversed in profit or loss in accordance with Section 27 Impairment of Assets; and (e) the total carrying amount of inventories pledged as security for liabilities.				

IFRS for SMEs	Equivalent IFRS standard	Assessment of R&M differences	Recommendation (Retain/Add/ Remove)	Final proposed text on disclosure requirements[1] *(Full text from IFRS for SMEs subject to adjusting for added/removed items and adapting language as necessary eg replacing references to IFRS for SMEs)*
Section 14 **Investments in Associates** ~~Scope of this section~~ ~~14.1 This section applies to accounting for associates in consolidated financial statements and in the financial statements of an investor that is not a parent but that has an investment in one or more associates. Paragraph 9.26 establishes the requirements for accounting for associates in separate financial statements.~~ ~~Associates defined~~ ~~14.2 An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.~~ ~~14.3 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:~~ ~~(a) if an investor holds, directly or indirectly (for example, through subsidiaries), 20 per cent or more of the voting power of the associate, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case;~~ ~~(b) conversely, if the investor holds, directly or indirectly (for example, through subsidiaries), less than 20 per cent of the voting power of the associate, it is presumed that the investor~~	IAS 28 *Investment in Associates* IFRS 12 *Disclosure of Interests in Other Entities*	**Modified** The IFRS for SMEs Standard permits an entity to account for investments in associates in its main/primary financial statements using three different models - the equity method, the cost model and the fair value model (excl transaction cost). If there is a published price, must use FV model. The chosen model is applied to all investments in associates. Full IFRS Standards require investments in associates to be accounted for using the equity method in an investor's primary financial statements, unless exempted from preparing consolidated financial statements (para 17) or the exception in para 18 applies (venture capital organistions etc). Also permits recognition at cost or FV in the separate financial statements There are a few differences between the equity method in Section 14 and that in IAS 28 (as per FRS for SMEs module published by the IASB), including: - the IFRS for SMEs Standard includes an impracticability exemption from the requirement that the investor makes adjustments to the associate's financial statements to reflect the investor's accounting policies. Full IFRS Standards do not	**Retain** While some differences in the application of the equity method are identified, this should not affect the associated disclosures.	**Disclosures** 14.12 An entity shall disclose the following: (a) its accounting policy for investments in associates; (b) the carrying amount of investments in associates (see paragraph 4.2(j)); and (c) the fair value of investments in associates accounted for using the equity method for which there are published price quotations. 14.13 For investments in associates accounted for by the cost model, an investor shall disclose the amount of dividends and other distributions recognised as income. 14.14 For investments in associates accounted for by the equity method, an investor shall disclose separately its share of the profit or loss of such associates and its share of any discontinued operations of such associates. 14.15 For investments in associates accounted for by the fair value model, an investor shall make the disclosures required by paragraphs 11.41–11.44. If an investor applies the undue cost or effort exemption in paragraph 14.10 for any associates it shall disclose that fact, the reasons why fair value measurement would involve undue cost or

~~does not have significant influence, unless such influence can be clearly demonstrated; and~~ ~~(c) a substantial or majority ownership by another investor does not preclude an investor from having significant influence.~~ ~~Measurement—accounting policy election~~ ~~14.4 An investor shall account for all of its investments in associates using one of the following:~~ ~~(a) the cost model in paragraph 14.5;~~ ~~(b) the equity method in paragraph 14.8; or~~ ~~(c) the fair value model in paragraph 14.9.~~ ~~Cost model~~ ~~14.5 An investor shall measure its investments in associates, other than those for which there is a published price quotation (see paragraph 14.7) at cost less any accumulated impairment losses recognised in accordance with Section 27 Impairment of Assets.~~ ~~14.6 The investor shall recognise dividends and other distributions received from the investment as income without regard to whether the distributions are from accumulated profits of the associate arising before or after the date of acquisition.~~ ~~14.7 An investor shall measure its investments in associates for which there is a published price quotation using the fair value model (see paragraph 14.9).~~ ~~Equity method~~ ~~14.8 Under the equity method of accounting, an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss and other comprehensive income of the associate:~~		have such an exemption. - if it is impracticable for the financial statements of the associate to be prepared as of the same date as the financial statements of the investor, both full IFRS Standards and the IFRS for SMEs Standard require the most recent available financial statements of the associate to be used. Full IFRS Standards further requires the difference between the end of the reporting period of the associate and that of the investor to be no more than three months. The IFRS for SMEs Standard doesn't include a three-month limit on the difference between the reporting dates. - the IFRS for SMEs Standard requires that implicit goodwill be systematically amortised over its expected useful life. Full IFRS Standards do not allow the amortisation of goodwill. - if an investor loses significant influence for reasons other than a partial disposal of its investment, the IFRS for SMEs Standard requires the investor to regard the carrying amount of the investment at that date as a new cost basis for accounting using Sections 11 or 12. Full IFRS Standards would require the retained investment to be remeasured to fair value. - when an entity discontinues use of the equity method, full IFRS Standards require the		effort and the carrying amount of investments in associates accounted for under the cost model.

~~(a) distributions and other adjustments to carrying amount. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be required as a consequence of changes in the associate's equity arising from items of other comprehensive income.~~ ~~(b) potential voting rights. Although potential voting rights are considered in deciding whether significant influence exists, an investor shall measure its share of profit or loss and other comprehensive income of the associate and its share of changes in the associate's equity on the basis of present ownership interests. Those measurements shall not reflect the possible exercise or conversion of potential voting rights.~~ ~~(c) implicit goodwill and fair value adjustments. On acquisition of the investment in an associate, an investor shall account for any difference (whether positive or negative) between the cost of acquisition and the investor's share of the fair values of the net identifiable assets of the associate in accordance with paragraphs 19.22–19.24. An investor shall adjust its share of the associate's profits or losses after acquisition to account for additional depreciation or amortisation of the associate's depreciable or amortisable assets (including goodwill) on the basis of the excess of their fair values over their carrying amounts at the time the investment was acquired.~~ ~~(d) impairment. If there is an indication that an investment in an associate may be impaired, an investor shall test the entire carrying amount of the investment for impairment in accordance with Section 27 as a single asset. Any goodwill included as part of the carrying amount of the investment in the associate is not tested separately for impairment but, instead, as part of the test for impairment of the investment as a whole.~~ ~~(e) investor's transactions with associates. The investor shall eliminate unrealised profits and losses resulting from upstream (associate to investor) and downstream (investor to associate) transactions to the extent of the investor's interest in the associate. Unrealised losses on such transactions may provide evidence of an impairment of the asset transferred.~~ ~~(f) date of associate's financial statements. In applying the equity method, the investor shall use the financial statements of~~		entity to account for all amounts previously recognised in other comprehensive income in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. The IFRS for SMEs Standard does not have a similar requirement.		

~~the associate as of the same date as the financial statements of the investor unless it is impracticable to do so. If it is impracticable, the investor shall use the most recent available financial statements of the associate, with adjustments made for the effects of any significant transactions or events occurring between the accounting period ends.~~ ~~(g) associate's accounting policies. If the associate uses accounting policies that differ from those of the investor, the investor shall adjust the associate's financial statements to reflect the investor's accounting policies for the purpose of applying the equity method unless it is impracticable to do so.~~ ~~(h) losses in excess of investment. If an investor's share of losses of an associate equals or exceeds the carrying amount of its investment in the associate, the investor shall discontinue recognising its share of further losses. After the investor's interest is reduced to zero, the investor shall recognise additional losses by a provision (see Section 21 Provisions and Contingencies) only to the extent that the investor has incurred legal or constructive obligations or has made payments on behalf of the associate. If the associate subsequently reports profits, the investor shall resume recognising its share of those profits only after its share of the profits equals the share of losses not recognised.~~ ~~(i) discontinuing the equity method. An investor shall cease using the equity method from the date that significant influence ceases:~~ ~~(i) if the associate becomes a subsidiary or joint venture, the investor shall remeasure its previously held equity interest to fair value and recognise the resulting gain or loss, if any, in profit or loss.~~ ~~(ii) if an investor loses significant influence over an associate as a result of a full or partial disposal, it shall derecognise that associate and recognise in profit or loss the difference between, on the one hand, the sum of the proceeds received plus the fair value of any retained interest and, on the other hand, the carrying amount of the investment in the associate at the date significant influence is lost. Thereafter, the investor shall account for any retained interest using Section 11~~				

~~Basic Financial Instruments and Section 12 Other Financial Instrument Issues, as appropriate.~~ ~~(iii) if an investor loses significant influence for reasons other than a partial disposal of its investment, the investor shall regard the carrying amount of the investment at that date as a new cost basis and shall account for the investment using Sections 11 and 12, as appropriate.~~ ~~Fair value model~~ ~~14.9 When an investment in an associate is recognised initially, an investor shall measure it at the transaction price. Transaction price excludes transaction costs.~~ ~~14.10 At each reporting date, an investor shall measure its investments in associates at fair value, with changes in fair value recognised in profit or loss, using the fair value measurement guidance in paragraphs 11.27–11.32. An investor using the fair value model shall use the cost model for any investment in an associate for which fair value cannot be measured reliably without undue cost or effort.~~ ~~Financial statement presentation~~ ~~14.11 An investor shall classify investments in associates as non-current assets.~~ **Disclosures** 14.12 An entity shall disclose the following: (a) its accounting policy for investments in associates; (b) the carrying amount of investments in associates (see paragraph 4.2(j)); and (c) the fair value of investments in associates accounted for using the equity method for which there are published price quotations.				

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14.13 For investments in associates accounted for by the cost model, an investor shall disclose the amount of dividends and other distributions recognised as income. 14.14 For investments in associates accounted for by the equity method, an investor shall disclose separately its share of the profit or loss of such associates and its share of any discontinued operations of such associates. 14.15 For investments in associates accounted for by the fair value model, an investor shall make the disclosures required by paragraphs 11.41–11.44. If an investor applies the undue cost or effort exemption in paragraph 14.10 for any associates it shall disclose that fact, the reasons why fair value measurement would involve undue cost or effort and the carrying amount of investments in associates accounted for under the cost model.				
Section 15 **Investments in Joint Ventures** ~~Scope of this section~~ ~~15.1 This section applies to accounting for joint ventures in consolidated financial statements and in the financial statements of an investor that is not a parent but that has a venturer's interest in one or more joint ventures. Paragraph 9.26 establishes the requirements for accounting for a venturer's interest in a joint venture in separate financial statements.~~ ~~Joint ventures defined~~ ~~15.2 Joint control is the contractually agreed sharing of control over an economic activity and exists only when the strategic financial and operating decisions relating to the activity~~	IFRS 11 *Joint arrangement* and IAS 28 *Investments in Associates and Joint Ventures* IFRS 12 *Disclosure of Interests in Other Entities*	**Modified** -IFRS for SMEs standard is not updated for IFRS 11. The following key differences were noted as per FRS for SMEs module published by the IASB: - The accounting requirements in the IFRS for SMEs Standard are determined by the form of the joint venture—ie whether it is a jointly controlled asset; a jointly controlled operation; or a jointly controlled entity. In addition, the IFRS for SMEs Standard permits an entity to choose one of three different models to account for investments in jointly controlled entities in its primary	**Remove** R&M differences relate primarily to more options being available. Remove disclosures that are directly related to those policy choices and retain the rest.	

~~require the unanimous consent of the parties sharing control (the venturers).~~ ~~15.3 A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint ventures can take the form of jointly controlled operations, jointly controlled assets or jointly controlled entities.~~ ~~Jointly controlled operations~~ ~~15.4 The operation of some joint ventures involves the use of the assets and other resources of the venturers instead of the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer uses its own property, plant and equipment and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations. The joint venture activities may be carried out by the venturer's employees alongside the venturer's similar activities. The joint venture agreement usually provides a means by which the revenue from the sale of the joint product and any expenses incurred in common are shared among the venturers.~~ ~~15.5 In respect of its interests in jointly controlled operations, a venturer shall recognise in its financial statements:~~ ~~(a) the assets that it controls and the liabilities that it incurs; and~~ ~~(b) the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.~~ ~~Jointly controlled assets~~ ~~15.6 Some joint ventures involve the joint control, and often the joint ownership, by the venturers of one or more assets contributed to, or acquired for the purpose of, the joint venture and dedicated to the purposes of the joint venture.~~		financial statements—the equity method; the cost model; and the fair value model. The chosen model is applied by a reporting entity to all its investments in jointly controlled entities. In contrast, full IFRS Standards (IFRS 11) requires the accounting for a joint arrangement to follow the substance of the arrangement. (A joint arrangement is defined in full IFRS Standards in a similar manner to the way that a joint venture is defined in the IFRS for SMEs Standard.) Under IFRS 11, where an entity has rights to the assets and obligations for the liabilities of a joint arrangement, it accounts for those assets and liabilities, and where an entity has rights to the net assets of a joint arrangement, it accounts for those net assets using the equity method. Interests in joint ventures can be recognised at cost or FV under full IFRS if the entity is exempt from consolidation as per IAS 28(17) or in the separate financial statements of the venturer. - Under the equity method, the IFRS for SMEs Standard requires that implicit goodwill be systematically amortised throughout its expected useful life (see paragraphs 15.13 and 14.8(c)). Full IFRS Standards does not allow the amortisation of goodwill (see IAS 28, paragraph 32(a)).		

~~15.7 In respect of its interest in a jointly controlled asset, a venturer shall recognise in its financial statements:~~ ~~(a) its share of the jointly controlled assets, classified according to the nature of the assets;~~ ~~(b) any liabilities that it has incurred;~~ ~~(c) its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;~~ ~~(d) any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and~~ ~~(e) any expenses that it has incurred in respect of its interest in the joint venture.~~ ~~Jointly controlled entities~~ ~~15.8 A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity.~~ ~~Measurement—accounting policy election~~ ~~15.9 A venturer shall account for all of its interests in jointly controlled entities using one of the following:~~ ~~(a) the cost model in paragraph 15.10;~~ ~~(b) the equity method in paragraph 15.13; or~~ ~~(c) the fair value model in paragraph 15.14.~~ ~~Cost model~~ ~~15.10 A venturer shall measure its investments in jointly controlled entities, other than those for which there is a~~				

~~published price quotation (see paragraph 15.12) at cost less any accumulated impairment losses recognised in accordance with Section 27 Impairment of Assets.~~ ~~15.11 The venturer shall recognise distributions received from the investment as income without regard to whether the distributions are from accumulated profits of the jointly controlled entity arising before or after the date of acquisition.~~ ~~15.12 A venturer shall measure its investments in jointly controlled entities for which there is a published price quotation using the fair value model (see paragraph 15.14).~~ ~~Equity method~~ ~~15.13 A venturer shall measure its investments in jointly controlled entities by the equity method using the procedures in paragraph 14.8 (substituting 'joint control' where that paragraph refers to 'significant influence').~~ ~~Fair value model~~ ~~15.14 When an investment in a jointly controlled entity is recognised initially, a venturer shall measure it at transaction price. Transaction price excludes transaction costs.~~ ~~15.15 At each reporting date, a venturer shall measure its investments in jointly controlled entities at fair value, with changes in fair value recognised in profit or loss, using the fair value measurement guidance in paragraphs 11.27–11.32. A venturer using the fair value model shall use the cost model for any investment in a jointly controlled entity for which fair value cannot be measured reliably without undue cost or effort.~~ ~~Transactions between a venturer and a joint venture~~ ~~15.16 When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction. While the assets are retained by the joint venture, and provided the venturer has transferred the significant risks and rewards of ownership, the venturer shall recognise only that portion of the gain or loss that is attributable to the interests of the other~~				

~~venturers. The venturer shall recognise the full amount of any loss when the contribution or sale provides evidence of an impairment loss.~~ ~~15.17 When a venturer purchases assets from a joint venture, the venturer shall not recognise its share of the profits of the joint venture from the transaction until it resells the assets to an independent party. A venturer shall recognise its share of the losses resulting from these transactions in the same way as profits except that losses shall be recognised immediately when they represent an impairment loss.~~ ~~If investor does not have joint control~~ ~~15.18 An investor in a joint venture that does not have joint control shall account for that investment in accordance with Section 11 Basic Financial Instruments, Section 12 Other Financial Instrument Issues or, if it has significant influence in the joint venture, Section 14 Investments in Associates.~~ Disclosures 15.19 An entity shall disclose the following: (a) the accounting policy it uses for recognising its interests in jointly controlled entities; (b) the carrying amount of investments in jointly controlled entities (see paragraph 4.2(k)); (c) the fair value of investments in jointly controlled entities accounted for using the equity method for which there are published price quotations; and (d) the aggregate amount of its commitments relating to joint ventures, including its share in the capital commitments that have been incurred jointly with other venturers, as well as its share of the capital commitments of the joint ventures themselves. 15.20 For jointly controlled entities accounted for in accordance with the equity method, the venturer shall also make				

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the disclosures required by paragraph 14.14 for equity method investments. 15.21 For jointly controlled entities accounted for in accordance with the fair value model, the venturer shall make the disclosures required by paragraphs 11.41–11.44. If a venturer applies the undue cost or effort exemption in paragraph 15.15 for any jointly controlled entity it shall disclose that fact, the reasons why fair value measurement would involve undue cost or effort and the carrying amount of investments in jointly controlled entities accounted for under the cost model.				
Section 16 **Investment Property** ~~**Scope of this section**~~ ~~16.1 This section applies to accounting for investments in land or buildings that meet the definition of investment property in paragraph 16.2 and some property interests held by a lessee under an operating lease (see paragraph 16.3) that are treated like investment property. Only investment property whose fair value can be measured reliably without undue cost or effort on an ongoing basis is accounted for in accordance with this section at fair value through profit or loss. All other investment property is accounted for using the cost model in Section 17 Property, Plant and Equipment and remains within the scope of Section 17 unless a reliable measure of fair value becomes available and it is expected that fair value will be reliably measurable on an ongoing basis.~~ ~~**Definition and initial recognition of investment property**~~ ~~16.2 Investment property is property (land or a building, or part of a building, or both) held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both, instead of for:~~	IAS 40 *Investment Property*	**No significant differences** Following minimal differenecs are noted: -IFRS for SMEs requires entire property accounted as PPE in accordance with Section 17.31 (e) if fair value cannot be reliably measured without undue cost or effort, whereas para 53 of IAS 40 only refers to reliable measurement, but not undue cost or effort. - Para 56 of IAS 40 refers to IFRS 5 for investment property held for sale that are measured under cost model. There is not such reference in IFRS for SMEs. - IFRS for SMEs has no guidance on disposal of investment properties (para 66-73 of IAS 40)	**Retain/ Add** Add disclosures relating to para 76(c) of IAS 40 (regarding investment properties classified as held for sale). Section 16 does not have any discloures about invetsmnet properties held at cost (para 79 of IAS 40). However, the related disclosures will be covered in the PPE section (para 17.31) in IFRS for SMEs. Thus no additional dislcoures are required.	

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~~(a) use in the production or supply of goods or services or for administrative purposes; or~~ ~~(b) sale in the ordinary course of business.~~ ~~16.3 A property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property using this section if, and only if, the property would otherwise meet the definition of an investment property and the lessee can measure the fair value of the property interest without undue cost or effort on an ongoing basis. This classification alternative is available on a property-by-property basis.~~ ~~16.4 Mixed use property shall be separated between investment property and property, plant and equipment. However, if the fair value of the investment property component cannot be measured reliably without undue cost or effort, the entire property shall be accounted for as property, plant and equipment in accordance with Section 17.~~ ~~**Measurement at initial recognition**~~ ~~16.5 An entity shall measure investment property at its cost at initial recognition. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure such as legal and brokerage fees, property transfer taxes and other transaction costs. If payment is deferred beyond normal credit terms, the cost is the present value of all future payments. An entity shall determine the cost of a self-constructed investment property in accordance with paragraphs 17.10–17.14.~~ ~~16.6 The initial cost of a property interest held under a lease and classified as an investment property shall be as prescribed for a finance lease by paragraph 20.9, even if the lease would otherwise be classified as an operating lease if it was in the scope of Section 20 Leases. In other words, the asset is recognised at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a liability in accordance with paragraph 20.9.~~ ~~**Measurement after recognition**~~				

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~~16.7 Investment property whose fair value can be measured reliably without undue cost or effort shall be measured at fair value at each reporting date with changes in fair value recognised in profit or loss. If a property interest held under a lease is classified as investment property, the item accounted for at fair value is that interest and not the underlying property. Paragraphs 11.27–11.32 provide guidance on determining fair value. An entity shall account for all other investment property using the cost model in Section 17.~~ ~~**Transfers**~~ ~~16.8 If a reliable measure of fair value is no longer available without undue cost or effort for an item of investment property measured using the fair value model, the entity shall thereafter account for that item in accordance with Section 17 until a reliable measure of fair value becomes available. The carrying amount of the investment property on that date becomes its cost under Section 17. Paragraph 16.10(e)(iii) requires disclosure of this change. It is a change of circumstances and not a change in accounting policy.~~ ~~16.9 Other than as required by paragraph 16.8, an entity shall transfer a property to, or from, investment property only when the property first meets, or ceases to meet, the definition of investment property.~~ **Disclosures** 16.10 An entity shall disclose the following for all investment property accounted for at fair value through profit or loss (paragraph 16.7): (a) the methods and significant assumptions applied in determining the fair value of investment property. (b) the extent to which the fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and class of the investment property				

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being valued. If there has been no such valuation, that fact shall be disclosed. (c) the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal. (d) contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements. (e) a reconciliation between the carrying amounts of investment property at the beginning and end of the period, showing separately: (i) additions, disclosing separately those additions resulting from acquisitions through business combinations; (ii) net gains or losses from fair value adjustments; (iii) transfers to and from investment property carried at cost less accumulated depreciation and impairment (see paragraph 16.8); (iv) transfers to and from inventories and owner-occupied property; and (v) other changes. This reconciliation need not be presented for prior periods. 16.11 In accordance with Section 20, the owner of an investment property provides lessors' disclosures about leases into which it has entered. An entity that holds an investment property under a finance lease or operating lease provides lessees' disclosures for finance leases and lessors' disclosures for any operating leases into which it has entered				
Section 17 **Property, Plant and Equipment** ~~**Scope of this section**~~ ~~17.1 This section applies to accounting for property, plant and equipment and accounting for investment property whose fair value cannot be measured reliably without undue cost or effort on an ongoing basis. Section 16 Investment Property~~	IAS 16 *Property, Plant and Equipment*	**No significant differences** Following differences are noted : - Full IFRS Standards require an annual review of the residual value, useful life and depreciation method. The *IFRS for SMEs* Standard requires	**Retain** None of the R&M differences noted on the left would require any additional or	**Disclosures** **17.31** An entity shall disclose the following for each class of property, plant and equipment determined in accordance with paragraph 4.11(a) and separately for investment property carried at cost less accumulated depreciation and impairment:

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~~applies to investment property whose fair value can be measured reliably without undue cost or effort.~~ ~~17.2 Property, plant and equipment are tangible assets that:~~ ~~(a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and~~ ~~(b) are expected to be used during more than one period.~~ ~~17.3 Property, plant and equipment does not include:~~ ~~(a) biological assets related to agricultural activity (see Section 34~~ ~~Specialised Activities); or~~ ~~(b) mineral rights and mineral reserves, such as oil, natural gas and similar non-regenerative resources.~~ **~~Recognition~~** ~~17.4 An entity shall apply the recognition criteria in paragraph 2.27 in determining whether to recognise an item of property, plant or equipment. Consequently, the entity shall recognise the cost of an item of property, plant and equipment as an asset if, and only if:~~ ~~(a) it is probable that future economic benefits associated with the item will flow to the entity; and~~ ~~(b) the cost of the item can be measured reliably.~~ ~~17.5 Items such as spare parts, stand-by equipment and servicing equipment are recognised in accordance with this section when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.~~ ~~17.6 Parts of some items of property, plant and equipment may require replacement at regular intervals (for example, the roof of a building). An entity shall add to the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the entity. The carrying amount of those parts that are replaced is derecognised in accordance with paragraphs 17.27–17.30 regardless of whether the replaced parts had been depreciated separately. If it is not practicable for an entity to determine the carrying amount of the replaced part, the entity may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed.~~		a review *only* if there is an indication that there has been a significant change since the last annual reporting date. - Full IFRS Standards state that the revaluation surplus included in equity in respect of an item of property, plant and equipment may be transferred directly to retained earnings when the asset is derecognised. The *IFRS for SMEs* Standard is silent on this. - Full IFRS Standards require the items within a class of property, plant and equipment to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates. The *IFRS for SMEs* Standard is silent on this. - Full IFRS Standards require borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset to be capitalised as part of the cost of that asset. The *IFRS for SMEs* Standard requires borrowing costs to be expensed when they are incurred.	different disclosures.	(a)the measurement bases used for determining the gross carrying amount; (b)the depreciation methods used; (c)the useful lives or the depreciation rates used; (d)the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the reporting period; and (e)a reconciliation of the carrying amount at the beginning and end of the reporting period showing separately:(i) additions (ii)disposals; (iii)acquisitions through business combinations; (iv)increases or decreases resulting from revaluations under paragraphs 17.15B–17.15D and from impairment losses recognised or reversed in other comprehensive income in accordance with Section 27; (v)transfers to and from investment property carried at fair value through profit or loss (see paragraph 16.8); (vi) impairment losses recognised or reversed in profit or loss in accordance with Section 27; (vii) depreciation; and (viii) other changes. This reconciliation need not be presented for prior periods. **17.32** An entity shall also disclose the following: (a)the existence and carrying amounts of property, plant and equipment to which the entity has restricted title or that is pledged as security for liabilities; (b)the amount of contractual commitments for the acquisition of property, plant and equipment; and

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~~Paragraph 17.16 provides that if the major components of an item of property, plant and equipment have significantly different patterns of consumption of economic benefits, an entity shall allocate the initial cost of the asset to its major components and depreciate each such component separately over its useful life.~~ ~~17.7 A condition of continuing to operate an item of property, plant and equipment (for example, a bus) may be performing regular major inspections for faults regardless of whether parts of the item are replaced. When each major inspection is performed, its cost is recognised in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. Any remaining carrying amount of the cost of the previous major inspection (as distinct from physical parts) is derecognised. This is done regardless of whether the cost of the previous major inspection was identified in the transaction in which the item was acquired or constructed. If necessary, the estimated cost of a future similar inspection may be used as an indication of what the cost of the existing inspection component was when the item was acquired or constructed.~~ ~~17.8 Land and buildings are separable assets and an entity shall account for them separately, even when they are acquired together.~~ ~~**Measurement at recognition**~~ ~~17.9 An entity shall measure an item of property, plant and equipment at initial recognition at its cost.~~ ~~**Elements of cost**~~ ~~17.10 The cost of an item of property, plant and equipment comprises all of the following:~~ ~~(a) its purchase price, including legal and brokerage fees, import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.~~ ~~(b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. These can include the costs of site preparation, initial delivery and handling, installation and assembly and testing of functionality.~~		- Full IFRS Standards permit the cost model for bearer plants, a subset of biological assets. However, the *IFRS for SMEs* Standard does not address bearer plants specifically and requires the fair value model for those biological assets for which fair value is readily determinable without undue cost or effort and the cost model for all other biological assets. - Full IFRS provides guidance on which fair value to use for exchanges of assets (para 24). The *IFRS for SMEs* Standard does not specify which fair value to use to measure the cost of the acquired asset. • Para 55 of IAS 16 requires that a non-current asset shall not be depreciated while it is classified as held for sale (IFRS 5). There is no equivalent to IFRS 5 in the *IFRS for SMEs* Standard. - The *IFRS for SMEs* Standard has no equivalent prohibition as provided in para 62A of IAS 16. (ie A depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate) (For differences related to impairment testing see section 27 Impairment of Assets)		(c)if an entity has investment property whose fair value cannot be measured reliably without undue cost or effort it shall disclose that fact and the reasons why fair value measurement would involve undue cost or effort for those items of investment property. **17.33** If items of property, plant and equipment are stated at revalued amounts, an entity shall disclose the following: (a)the effective date of the revaluation; (b)whether an independent valuer was involved; (c)the methods and significant assumptions applied in estimating the items' fair values; (d)for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and (e)the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.

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~~(c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.~~ ~~17.11 The following costs are not costs of an item of property, plant and equipment and an entity shall recognise them as an expense when they are incurred:~~ ~~(a) costs of opening a new facility;~~ ~~(b) costs of introducing a new product or service (including costs of advertising and promotional activities);~~ ~~(c) costs of conducting business in a new location or with a new class of customer (including costs of staff training);~~ ~~(d) administration and other general overhead costs; and~~ ~~(e) borrowing costs (see Section 25 Borrowing Costs).~~ ~~17.12 The income and related expenses of incidental operations during construction or development of an item of property, plant and equipment are recognised in profit or loss if those operations are not necessary to bring the item to its intended location and operating condition.~~ ~~**Measurement of cost**~~ ~~17.13 The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the cost is the present value of all future payments.~~ ~~**Exchanges of assets**~~ ~~17.14 An item of property, plant or equipment may be acquired in exchange for a non-monetary asset, or assets, or a combination of monetary and non-monetary assets. An entity shall measure the cost of the acquired asset at fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. In that case, the asset's cost is measured at the carrying amount of the asset given up.~~ ~~**Measurement after initial recognition**~~				

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~~17.15 An entity shall choose either the cost model in paragraph 17.15A or the revaluation model in paragraph 17.15B as its accounting policy and shall apply that policy to an entire class of property, plant and equipment. An entity shall apply the cost model to investment property whose fair value cannot be measured reliably without undue cost or effort. An entity shall recognise the costs of day-to-day servicing of an item of property, plant and equipment in profit or loss in the period in which the costs are incurred.~~ **~~Cost model~~** ~~17.15A An entity shall measure an item of property, plant and equipment after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses.~~ **~~Revaluation model~~** ~~17.15B An entity shall measure an item of property, plant and equipment whose fair value can be measured reliably at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Paragraphs 11.27–11.32 provide guidance on determining fair value. If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued.~~ ~~17.15C If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.~~ ~~17.15 D If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The~~				

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~~decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.~~ **~~Depreciation~~** ~~17.16 If the major components of an item of property, plant and equipment have significantly different patterns of consumption of economic benefits, an entity shall allocate the initial cost of the asset to its major components and depreciate each such component separately over its useful life. Other assets shall be depreciated over their useful lives as a single asset. With some exceptions, such as quarries and sites used for landfill, land has an unlimited useful life and therefore is not depreciated.~~ ~~17.17 The depreciation charge for each period shall be recognised in profit or loss unless another section of this Standard requires the cost to be recognised as part of the cost of an asset. For example, the depreciation of manufacturing property, plant and equipment is included in the costs of inventories (see Section 13 Inventories).~~ **~~Depreciable amount and depreciation period~~** ~~17.18 An entity shall allocate the depreciable amount of an asset on a systematic basis over its useful life.~~ ~~17.19 Factors such as a change in how an asset is used, significant unexpected wear and tear, technological advancement and changes in market prices may indicate that the residual value or useful life of an asset has changed since the most recent annual reporting date. If such indicators are present, an entity shall review its previous estimates and, if current expectations differ, amend the residual value, depreciation method or useful life. The entity shall account for the change in residual value, depreciation method or useful life as a change in an accounting estimate in accordance with paragraphs 10.15–10.18.~~ ~~17.20 Depreciation of an asset begins when it is available for use, ie when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases when the asset is~~				

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~~derecognised. Depreciation does not cease when the asset becomes idle or isretired from active use unless the asset is fully depreciated. However, under usage methods of depreciation the depreciation charge can be zero while there is no production.~~ ~~17.21 An entity shall consider all the following factors in determining the useful life of an asset:~~ ~~(a) the expected usage of the asset. Usage is assessed by reference to the asset's expected capacity or physical output.~~ ~~(b) expected physical wear and tear, which depends on operational factors such as the number of shifts for which the asset is to be used and the repair and maintenance programme, and the care and maintenance of the asset while idle.~~ ~~(c) technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset.~~ ~~(d) legal or similar limits on the use of the asset, such as the expiry dates of related leases.~~ ~~**Depreciation method**~~ ~~17.22 An entity shall select a depreciation method that reflects the pattern in which it expects to consume the asset's future economic benefits. The possible depreciation methods include the straight-line method, the diminishing balance method and a method based on usage such as the units of production method.~~ ~~17.23 If there is an indication that there has been a significant change since the last annual reporting date in the pattern by which an entity expects to consume an asset's future economic benefits, the entity shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern. The entity shall account for the change as a change in an accounting estimate in accordance with paragraphs 10.15–10.18.~~ ~~**Impairment**~~ ~~**Recognition and measurement of impairment**~~ ~~17.24 At each reporting date, an entity shall apply Section 27 Impairment of Assets to determine whether an item or group of items of property, plant and equipment is impaired and, if so, how to recognise and measure the impairment loss. That section explains when and how an entity reviews the carrying amount of~~				

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~~its assets, how it determines the recoverable amount of an asset, and when it recognises or reverses an impairment loss.~~ ~~**Compensation for impairment**~~ ~~17.25 An entity shall include in profit or loss compensation from third parties for items of property, plant and equipment that were impaired, lost or given up only when the compensation becomes receivable.~~ ~~**Property, plant and equipment held for sale**~~ ~~17.26 Paragraph 27.9(f) states that a plan to dispose of an asset before the previously expected date 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.~~ ~~**Derecognition**~~ ~~17.27 An entity shall derecognise an item of property, plant and equipment:~~ ~~(a) on disposal; or~~ ~~(b) when no future economic benefits are expected from its use or disposal.~~ ~~17.28 An entity shall recognise the gain or loss on the derecognition of an item of property, plant and equipment in profit or loss when the item is derecognised (unless Section 20 Leases requires otherwise on a sale and leaseback). The entity shall not classify such gains as revenue.~~ ~~17.29 In determining the date of disposal of an item, an entity shall apply the criteria in Section 23 Revenue for recognising revenue from the sale of goods. Section 20 applies to disposal by a sale and leaseback.~~ ~~17.30 An entity shall determine the gain or loss arising from the derecognition of an item of property, plant and equipment as the difference between the net disposal proceeds, if any, and the carrying amount of the item.~~				

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Disclosures **17.31** An entity shall disclose the following for each class of property, plant and equipment determined in accordance with paragraph 4.11(a) and separately for investment property carried at cost less accumulated depreciation and impairment: (a)the measurement bases used for determining the gross carrying amount; (b)the depreciation methods used; (c)the useful lives or the depreciation rates used; (d)the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the reporting period; and (e)a reconciliation of the carrying amount at the beginning and end of the reporting period showing separately: (i) additions; (ii)disposals; (iii)acquisitions through business combinations; (iv)increases or decreases resulting from revaluations under paragraphs 17.15B–17.15D and from impairment losses recognised or reversed in other comprehensive income in accordance with Section 27; v)transfers to and from investment property carried at fair value through profit or loss (see paragraph 16.8); (vi) impairment losses recognised or reversed in profit or loss in accordance with Section 27; (vii) depreciation; and (viii other changes. This reconciliation need not be presented for prior periods. **17.32** An entity shall also disclose the following: (a)the existence and carrying amounts of property, plant and equipment to which the entity has restricted title or that is pledged as security for liabilities; (b)the amount of contractual commitments for the acquisition of property, plant and equipment; and (c)if an entity has investment property whose fair value cannot be measured reliably without undue cost or effort it shall disclose that fact and the reasons why fair value measurement would				

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involve undue cost or effort for those items of investment property. **17.33** If items of property, plant and equipment are stated at revalued amounts, an entity shall disclose the following: (a)the effective date of the revaluation; (b)whether an independent valuer was involved; (c)the methods and significant assumptions applied in estimating the items' fair values; (d)for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and (e)the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.				
Section 18 **Intangible Assets other than Goodwill** ~~**Scope of this section**~~ ~~18.1 This section applies to accounting for all intangible assets other than goodwill (see Section 19 Business Combinations and Goodwill) and intangible assets held by an entity for sale in the ordinary course of business (see Section 13 Inventories and Section 23 Revenue).~~ ~~18.2 An intangible asset is an identifiable non-monetary asset without physical substance. Such an asset is identifiable when:~~ ~~(a) it is separable, ie capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or~~ ~~(b) it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.~~ ~~18.3 This section does not apply to the following:~~ ~~(a) financial assets; or~~	IAS 38 *Intangible Assets*	**Modified** Following modifications are noted: – Under full IFRS certain development cost can be capitalised if certain criteria are met (para 57-65), whereas development costs are expensed in IFRS for SMEs. – **Subsequent recognition:** In IAS 38 there is an option to choose either cost model or revaluation model whereas in IFRS for SMEs allow cost model only. – **Useful life**: Para 88 of IAS 38 states an entity shall assess whether the useful life of an intangible asset is finite or indefinite and, if finite, the length of, or number of production or similar units constituting, that useful	**Add** Retain existing disclosures but add disclosures for revalued intangible assets, using the disclosures from para 17.33 as a basis. Should also add requirement to disclose the reason for an intangible assets having an indefinite useful life. Capitalised development expenditure would be captured in the reconciliation, so do not require extra disclosures.	

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~~(b) mineral rights and mineral reserves, such as oil, natural gas and similar non-regenerative resources.~~ ~~**Recognition**~~ ~~General principle for recognising intangible assets~~ ~~18.4 An entity shall apply the recognition criteria in paragraph 2.27 in determining whether to recognise an intangible asset. Consequently, the entity shall recognise an intangible asset as an asset if, and only if:~~ ~~(a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity;~~ ~~(b) the cost or value of the asset can be measured reliably; and~~ ~~(c) the asset does not result from expenditure incurred internally on an intangible item.~~ ~~18.5 An entity shall assess the probability of expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the economic conditions that will exist over the useful life of the asset.~~ ~~18.6 An entity uses judgement to assess the degree of certainty attached to the flow of future economic benefits that are attributable to the use of the asset on the basis of the evidence available at the time of initial recognition, giving greater weight to external evidence.~~ ~~18.7 The probability recognition criterion in paragraph 18.4(a) is always considered satisfied for intangible assets that are separately acquired.~~ ~~**Acquisition as part of a business combination**~~ ~~18.8 An intangible asset acquired in a business combination shall be recognised unless its fair value cannot be measured reliably without undue cost or effort at the acquisition date.~~ ~~**Initial measurement**~~ ~~18.9 An entity shall measure an intangible asset initially at cost.~~ ~~**Separate acquisition**~~		life. But para 18.20 of IFRS for SMEs states if the useful life of an intangible asset cannot be established reliably, the life shall be determined based on management's best estimate but shall not exceed ten years. Full IFRS does not have such a restriction. – **Amortisation:** In IFRS for SMEs, amotisation period is reviewed when there is indications only.		

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~~18.10 The cost of a separately acquired intangible asset comprises:~~ ~~(a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and~~ ~~(b) any directly attributable cost of preparing the asset for its intended use.~~ ~~**Acquisition as part of a business combination**~~ ~~18.11 If an intangible asset is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date.~~ ~~**Acquisition by way of a government grant**~~ ~~18.12 If an intangible asset is acquired by way of a government grant, the cost of that intangible asset is its fair value at the date the grant is received or receivable in accordance with Section 24 Government Grants.~~ ~~**Exchanges of assets**~~ ~~18.13 An intangible asset may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. An entity shall measure the cost of such an intangible asset at fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. In that case, the asset's cost is measured at the carrying amount of the asset given up.~~ ~~**Internally generated intangible assets**~~ ~~18.14 An entity shall recognise expenditure incurred internally on an intangible item, including all expenditure for both research and development activities, as an expense when it is incurred unless it forms part of the cost of another asset that meets the recognition criteria in this Standard.~~ ~~18.15 As examples of applying the preceding paragraph, an entity shall recognise expenditure on the following items as an expense and shall not recognise such expenditure as intangible assets:~~ ~~(a) internally generated brands, logos, publishing titles, customer lists and items similar in substance;~~				

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~~(b) start-up activities (ie start-up costs), which include establishment costs such as legal and secretarial costs incurred in establishing a legal entity, expenditure to open a new facility or business (ie pre-opening costs) and expenditure for starting new operations or launching new products or processes (ie pre-operating costs);~~ ~~(c) training activities;~~ ~~(d) advertising and promotional activities;~~ ~~(e) relocating or reorganising part or all of an entity; and~~ ~~(f) internally generated goodwill.~~ ~~18.16 Paragraph 18.15 does not preclude recognising a prepayment as an asset when payment for goods or services has been made in advance of the delivery of the goods or the rendering of the services.~~ **~~Past expenses not to be recognised as an asset~~** ~~18.17 Expenditure on an intangible item that was initially recognised as an expense shall not be recognised at a later date as part of the cost of an asset.~~ **~~Measurement after recognition~~** ~~18.18 An entity shall measure intangible assets at cost less any accumulated amortisation and any accumulated impairment losses. The requirements for amortisation are set out in this section. The requirements for recognition of impairment are set out in Section 27 Impairment of Assets.~~ **~~Useful life~~** ~~18.19 For the purpose of this Standard, all intangible assets shall be considered to have a finite useful life. The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of the contractual or other legal rights, but may be shorter depending on the period over which the entity expects to use the asset. If the contractual or other legal rights are conveyed for a limited term that can be renewed, the useful life of the intangible asset shall include the renewal period(s) only if there is evidence to support renewal by the entity without significant cost.~~				

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~~18.20 If the useful life of an intangible asset cannot be established reliably, the life shall be determined based on management's best estimate but shall not exceed ten years.~~ ~~**Amortisation period and amortisation method**~~ ~~18.21 An entity shall allocate the depreciable amount of an intangible asset on a systematic basis over its useful life. The amortisation charge for each period shall be recognised as an expense, unless another section of this Standard requires the cost to be recognised as part of the cost of an asset such as inventories or property, plant and equipment.~~ ~~18.22 Amortisation begins when the intangible asset is available for use, ie when it is in the location and condition necessary for it to be usable in the manner intended by management. Amortisation ceases when the asset is derecognised. The entity shall choose an amortisation method that reflects the pattern in which it expects to consume the asset's future economic benefits. If the entity cannot determine that pattern reliably, it shall use the straight-line method.~~ ~~**Residual value**~~ ~~18.23 An entity shall assume that the residual value of an intangible asset is zero unless:~~ ~~(a) there is a commitment by a third party to purchase the asset at the end of its useful life; or~~ ~~(b) there is an active market for the asset and:~~ ~~(i) residual value can be determined by reference to that market; and~~ ~~(ii) it is probable that such a market will exist at the end of the asset's useful life.~~ ~~**Review of amortisation period and amortisation method**~~ ~~18.24 Factors such as a change in how an intangible asset is used, technological advancement; and changes in market prices may indicate that the residual value or useful life of an intangible asset has changed since the most recent annual reporting date. If such indicators are present, an entity shall review its previous estimates and, if current expectations differ, amend the residual value, amortisation method or useful life. The entity shall account for the change in residual value, amortisation method or~~				

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~~useful life as a change in an accounting estimate in accordance with paragraphs 10.15–10.18.~~ ~~**Recoverability of the carrying amount—impairment losses**~~ ~~18.25 To determine whether an intangible asset is impaired, an entity shall apply Section 27. That section explains when and how an entity reviews the carrying amount of its assets, how it determines the recoverable amount, of an asset and when it recognises or reverses an impairment loss.~~ ~~**Retirements and disposals**~~ ~~18.26 An entity shall derecognise an intangible asset, and shall recognise a gain or loss in profit or loss:~~ ~~(a) on disposal; or~~ ~~(b) when no future economic benefits are expected from its use or disposal.~~ **Disclosures** 18.27 An entity shall disclose the following for each class of intangible assets: (a) the useful lives or the amortisation rates used; (b) the amortisation methods used; (c) the gross carrying amount and any accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the reporting period; (d) the line item(s) in the statement of comprehensive income (and in the income statement, if presented) in which any amortisation of intangible assets is included; and (e) a reconciliation of the carrying amount at the beginning and end of the reporting period showing separately: (i) additions; (ii) disposals; (iii) acquisitions through business combinations; (iv) amortisation; (v) impairment losses; and (vi) other changes. This reconciliation need not be presented for prior periods. 18.28 An entity shall also disclose:				

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(a) a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the entity's financial statements; (b) for intangible assets acquired by way of a government grant and initially recognised at fair value (see paragraph 18.12): (i) the fair value initially recognised for these assets; and (ii) their carrying amounts. (c) the existence and carrying amounts of intangible assets to which the entity has restricted title or that are pledged as security for liabilities; and (d) the amount of contractual commitments for the acquisition of intangible assets. 18.29 An entity shall disclose the aggregate amount of research and development expenditure recognised as an expense during the period (ie the amount of expenditure incurred internally on research and development that has not been capitalised as part of the cost of another asset that meets the recognition criteria in this Standard).				
Section 19 **Business Combinations and Goodwill** ~~**Scope of this section**~~ ~~19.1 This section applies to accounting for business combinations. It provides guidance on identifying the acquirer, measuring the cost of the business combination and allocating that cost to the assets acquired and liabilities and provisions for contingent liabilities assumed. It also addresses accounting for goodwill both at the time of a business combination and subsequently.~~ ~~19.2 This section specifies the accounting for all business combinations except:~~ ~~(a) combinations of entities or businesses under common control. Common control means that all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.~~ ~~(b) the formation of a joint venture.~~	IFRS 3 *Business Combination*	**Significant Difference** However, IFRS for SMEs standard is not updated for 2008 amendements to IFRS 3 (BC198 of IFRS for SMEs standard Part B). Acordingly, the follwing key differences are noted: – Costs directly attributable to the business combinations not expensed in SMEs standard. Transaction costs are expensed in full IFRS. – NCI is recognised at proportionate share method only in SMEs Standard however, there is an option to use FV or proportionate share method in full IFRS.	**Remove** While some differences are identified, the general principles are still the same and hence disclosures should be generally retained. Remove disclosures in relation to amortisation of goodwill (para 19.26, reference to useful lives in the first sentence)	

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~~(c) acquisition of a group of assets that do not constitute a business.~~ ~~**Business combinations defined**~~ ~~19.3 A business combination is the bringing together of separate entities or businesses into one reporting entity. The result of nearly all business combinations is that one entity, the acquirer, obtains control of one or more other businesses, the acquiree. The acquisition date is the date on which the acquirer obtains control of the acquiree.~~ ~~19.4 A business combination may be structured in a variety of ways for legal, taxation or other reasons. It may involve the purchase by an entity of the equity of another entity, the purchase of all the net assets of another entity, the assumption of the liabilities of another entity, or the purchase of some of the net assets of another entity that together form one or more businesses.~~ ~~19.5 A business combination may be effected by the issue of equity instruments, the transfer of cash, cash equivalents or other assets, or a mixture of these. The transaction may be between the shareholders of the combining entities or between one entity and the shareholders of another entity. It may involve the establishment of a new entity to control the combining entities or net assets transferred, or the restructuring of one or more of the combining entities.~~ ~~**Accounting**~~ ~~19.6 All business combinations shall be accounted for by applying the purchase method.~~ ~~19.7 Applying the purchase method involves the following steps:~~ ~~(a) identifying an acquirer;~~ ~~(b) measuring the cost of the business combination; and~~ ~~(c) allocating, at the acquisition date, the cost of the business combination to the assets acquired and liabilities and provisions for contingent liabilities assumed.~~ ~~**Identifying the acquirer**~~		– Contingent considerations recognised only when probable. In full IFRScontingent considerations is recognised at FV regardless of probability. - Para 19.12 and 19.13 provides guidance on contingent consideration which is different from the guidance in para 39-40 and 58 in IFRS 3. Para 19.13 states if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination. IFRS 3 requires a different treatment and changes in the fair value of contingent consideration is accounted in equity or profit or loss (para 58) – Step acquisitions and share-based payments topics are not included in SMEs - Full IFRS has more guidance on goodwill and bargain purchase. - Amortisation of goodwill is not allowed in full IFRS.	Differences regarding measurement of NCI are addressed in section 9 above.	

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~~19.8 An acquirer shall be identified for all business combinations. The acquirer is the combining entity that obtains control of the other combining entities or businesses.~~ ~~19.9 Control is the power to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities. Control of one entity by another is described in Section 9 Consolidated and Separate Financial Statements.~~ ~~19.10 Although it may sometimes be difficult to identify an acquirer, there are usually indications that one exists. For example:~~ ~~(a) if the fair value of one of the combining entities is significantly greater than that of the other combining entity, the entity with the greater fair value is likely to be the acquirer;~~ ~~(b) if the business combination is effected through an exchange of voting ordinary equity instruments for cash or other assets, the entity giving up cash or other assets is likely to be the acquirer; and~~ ~~(c) if the business combination results in the management of one of the combining entities being able to dominate the selection of the management team of the resulting combined entity, the entity whose management is able so to dominate is likely to be the acquirer.~~ **~~Cost of a business combination~~** ~~19.11 The acquirer shall measure the cost of a business combination as the aggregate of:~~ ~~(a) the fair values, at the date of acquisition, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for control of the acquiree; plus~~ ~~(b) any costs directly attributable to the business combination.~~ **~~Adjustments to the cost of a business combination contingent on future events~~** ~~19.12 When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the acquirer shall include the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.~~ ~~19.13 However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be~~				

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~~measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination.~~ **~~Allocating the cost of a business combination to the assets acquired and liabilities and contingent liabilities assumed~~** ~~19.14 The acquirer shall, at the acquisition date, allocate the cost of a business combination by recognising the acquiree's identifiable assets and liabilities and a provision for those contingent liabilities that satisfy the recognition criteria in paragraph 19.15 at their fair values at that date except as follows:~~ ~~(a) a deferred tax asset or deferred tax liability arising from the assets acquired and liabilities assumed in a business combination shall be recognised and measured in accordance with Section 29 Income Tax; and~~ ~~(b) a liability (or asset, if any) related to the acquiree's employee benefit arrangements shall be recognised and measured in accordance with Section 28 Employee Benefits.~~ ~~Any difference between the cost of the business combination and the acquirer's interest in the net fair value of the identifiable assets, liabilities and provisions for contingent liabilities so recognised shall be accounted for in accordance with paragraphs 19.22–19.24 (as goodwill or so-called 'negative goodwill'). Any non-controlling interest in the acquiree is measured at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.~~ ~~19.15 The acquirer shall recognise separately the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date only if they satisfy the following criteria at that date:~~ ~~(a) in the case of an asset other than an intangible asset, it is probable that any associated future economic benefits will flow to the acquirer and its fair value can be measured reliably;~~ ~~(b) in the case of a liability other than a contingent liability, it is probable that an outflow of resources will be required to settle the obligation and its fair value can be measured reliably;~~ ~~(c) in the case of an intangible asset, its fair value can be measured reliably without undue cost or effort; and~~ ~~(d) in the case of a contingent liability, its fair value can be measured reliably.~~				

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~~19.16 The acquirer's statement of comprehensive income shall incorporate the acquiree's profits and losses after the acquisition date by including the acquiree's income and expenses based on the cost of the business combination to the acquirer. For example, depreciation expense included after the acquisition date in the acquirer's statement of comprehensive income that relates to the acquiree's depreciable assets shall be based on the fair values of those depreciable assets at the acquisition date, ie their cost to the acquirer.~~ ~~19.17 Application of the purchase method starts from the acquisition date, which is the date on which the acquirer obtains control of the acquiree. Because control is the power to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities, it is not necessary for a~~ ~~transaction to be closed or finalised at law before the acquirer obtains control. All pertinent facts and circumstances surrounding a business combination shall be considered in assessing when the acquirer has obtained control.~~ ~~19.18 In accordance with paragraph 19.14, the acquirer recognises separately only the identifiable assets, liabilities and contingent liabilities of the acquiree that existed at the acquisition date and that satisfy the recognition criteria in paragraph 19.15. Consequently:~~ ~~(a) the acquirer shall recognise liabilities for terminating or reducing the activities of the acquiree as part of allocating the cost of the combination only when the acquiree has, at the acquisition date, an existing liability for restructuring recognised in accordance with Section 21 Provisions and Contingencies; and~~ ~~(b) the acquirer, when allocating the cost of the combination, shall not recognise liabilities for future losses or other costs expected to be incurred as a result of the business combination.~~ ~~19.19 If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall recognise in its financial statements provisional amounts for the items for which the accounting is incomplete. Within twelve months after the acquisition date, the acquirer shall retrospectively adjust the provisional amounts recognised as assets and liabilities at the acquisition date (ie account for them as if they were made at the acquisition date) to reflect new information obtained. Beyond twelve months after the acquisition date, adjustments~~				

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~~to the initial accounting for a business combination shall be recognised only to correct an error in accordance with Section 10 Accounting Policies, Estimates and Errors.~~ ~~**Contingent liabilities**~~ ~~19.20 Paragraph 19.15 specifies that the acquirer recognises separately a provision for a contingent liability of the acquiree only if its fair value can be measured reliably. If its fair value cannot be measured reliably:~~ ~~(a) there is a resulting effect on the amount recognised as goodwill or accounted for in accordance with paragraph 19.24; and~~ ~~(b) the acquirer shall disclose the information about that contingent liability as required by Section 21.~~ ~~19.21 After their initial recognition, the acquirer shall measure contingent liabilities that are recognised separately in accordance with paragraph 19.15 at the higher of:~~ ~~(a) the amount that would be recognised in accordance with Section 21; and~~ ~~(b) the amount initially recognised less amounts previously recognised as revenue in accordance with Section 23 Revenue.~~ ~~**Goodwill**~~ ~~19.22 The acquirer shall, at the acquisition date:~~ ~~(a) recognise goodwill acquired in a business combination as an asset; and~~ ~~(b) initially measure that goodwill at its cost, being 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 recognised in accordance with paragraph 19.14.~~ ~~19.23 After initial recognition, the acquirer shall measure goodwill acquired in a business combination at cost less accumulated amortisation and accumulated impairment losses:~~ ~~(a) an entity shall follow the principles in paragraphs 18.19–18.24 for amortisation of goodwill. If the useful life of goodwill cannot be~~				

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~~established reliably, the life shall be determined based on management's best estimate but shall not exceed ten years.~~ ~~(b) an entity shall follow Section 27 Impairment of Assets for recognising and measuring the impairment of goodwill.~~ ~~**Excess over cost of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities**~~ ~~19.24 If the acquirer's interest in the net fair value of the identifiable assets, liabilities and provisions for contingent liabilities recognised in accordance with paragraph 19.14 exceeds the cost of the business combination (sometimes referred to as 'negative goodwill'), the acquirer shall:~~ ~~(a) reassess the identification and measurement of the acquiree's assets, liabilities and provisions for contingent liabilities and the measurement of the cost of the combination; and~~ ~~(b) recognise immediately in profit or loss any excess remaining after that reassessment.~~ **Disclosures** **For business combination(s) during the reporting period** 19.25 For each business combination during the period, the acquirer shall disclose the following: (a) the names and descriptions of the combining entities or businesses; (b) the acquisition date; (c) the percentage of voting equity instruments acquired; (d) the cost of the combination and a description of the components of that cost (such as cash, equity instruments and debt instruments); (e) the amounts recognised at the acquisition date for each class of the acquiree's assets, liabilities and contingent liabilities, including goodwill; (f) the amount of any excess recognised in profit or loss in accordance with paragraph 19.24 and the line item in the statement of comprehensive income (and in the income statement, if presented) in which the excess is recognised; and				

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(g) a qualitative description of the factors that make up the goodwill recognised, such as expected synergies from combining operations of the acquiree and the acquirer, or intangible assets or other items not recognised in accordance with paragraph 19.15. **For all business combinations** 19.26 An acquirer shall disclose the useful lives used for goodwill and a reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period, showing separately: (a) changes arising from new business combinations; (b) impairment losses; (c) disposals of previously acquired businesses; and (d) other changes. This reconciliation need not be presented for prior periods.				
Section 20 **Leases** **Scope of this section** 20.1 ~~This section covers accounting for all leases other than:~~ ~~(a) leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources (see Section 34 Specialised Activities);~~ ~~(b) licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights (see Section 18 Intangible Assets other than Goodwill);~~ ~~(c) measurement of property held by lessees that is accounted for as investment property and measurement of investment property provided by lessors under operating leases (see Section 16 Investment Property);~~ ~~(d) measurement of biological assets held by lessees under finance leases and biological assets provided by lessors under operating leases (see Section 34);~~ ~~(e) leases that could lead to a loss to the lessor or the lessee as a result of contractual terms that are unrelated to changes in the price of the leased asset, changes in foreign~~	IFRS 16 *Leases*	**Signifcant Difference** (IFRS for SMEs standard is not updated for the new leases standard) Follwing differences were noted: - **Lessee:** As per full IFRS, <u>all leases are capitalised</u> unless low value or short term leases. As per IFRS for SMEs, finance leases are capitalised and operating leases expensed. There is no operating leases classification in IFRS 16. However, accounting for finance leases in IFRS for SMEs is using similar principles as lease accounting under IFRS 16: - **Intial recognition of finance leases:** As per full IFRS,	**Remove** Lessees: Retain disclosures for finance leases but remove operating lease disclosures Lessor: retain disclosures	

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~~exchange rates, changes in lease payments based on variable market interest rates, or a default by one of the counterparties (see paragraph 12.3(f)); and~~ ~~(f) operating leases that are onerous.~~ ~~20.2 This section applies to agreements that transfer the right to use assets even though substantial services by the lessor may be called for in connection with the operation or maintenance of such assets. This section does not apply to agreements that are contracts for services that do not transfer the right to use assets from one contracting party to the other.~~ ~~20.3 Some arrangements, such as some outsourcing arrangements, telecommunication contracts that provide rights to capacity and take-or-pay contracts, do not take the legal form of a lease but convey rights to use assets in return for payments. Such arrangements are in substance leases of assets and they shall be accounted for under this section.~~ **~~Classification of leases~~** ~~20.4 A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.~~ ~~20.5 Whether a lease is a finance lease or an operating lease depends on the substance of the transaction instead of the form of the contract. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:~~ ~~(a) the lease transfers ownership of the asset to the lessee by the end of the lease term;~~ ~~(b) the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;~~ ~~(c) the lease term is for the major part of the economic life of the asset even if title is not transferred;~~		1. At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability 3. At the commencement date, a lessee shall measure the right-of-use asset at cost. 2. At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. As per IFRS for SME, finance leases are recognised at FV or PV of minimum lease payments (para 20.9) - **Subsequent recognition of finance leases:** After the commencement date, a lessee shall measure the right-of-use asset applying a cost model, unless it applies either of the measurement models described in paragraphs 34 (FV model) and 35 (revaluation model) and lease liability should be measured as per para 36 of IFRS 6. (ie increasing the carrying amount to reflect interest on the lease liability; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment or lease modifications		

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~~(d) 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; and~~ ~~(e) the leased assets are of such a specialised nature that only the lessee can use them without major modifications.~~ ~~20.6 Indicators of situations that individually or in combination could also lead to a lease being classified as a finance lease are:~~ ~~(a) if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;~~ ~~(b) gains or losses from the fluctuation in the residual value of the leased asset accrue to the lessee (for example, in the form of a rent rebate equalling most of the sales proceeds at the end of the lease); and~~ ~~(c) the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.~~ ~~20.7 The examples and indicators in paragraphs 20.5 and 20.6 are not always conclusive. If it is clear from other features that the lease does not transfer substantially all risks and rewards incidental to ownership, the lease is classified as an operating lease. For example, this may be the case if ownership of the asset is transferred to the lessee at the end of the lease for a variable payment equal to the asset's then fair value, or if there are contingent rents, as a result of which the lessee does not have substantially all risks and rewards incidental to ownership.~~ ~~20.8 Lease classification is made at the inception of the lease and is not changed during the term of the lease unless the lessee and the lessor agree to change the provisions of the lease (other than simply by renewing the lease), in which case the lease classification shall be re-evaluated.~~ **~~Financial statements of lessees—finance leases~~** **~~Initial recognition~~** ~~20.9 At the commencement of the lease term, a lessee shall recognise its rights of use and obligations under finance leases~~		specified in paragraphs 39–46, or to reflect revised in-substance fixed lease payments (see paragraph B42). As per IFRS for SMEs, a lessee shall apportion minimum lease payments between the finance charge and the reduction of the outstanding liability using the effective interest method. - Accounting treatment for lessor is smiliar in both full IFRS and IFRS for SMEs.		

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~~as assets and liabilities in its statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, determined at the inception of the lease. Any initial direct costs of the lessee (incremental costs that are directly attributable to negotiating and arranging a lease) are added to the amount recognised as an asset.~~ ~~20.10 The present value of the minimum lease payments shall be calculated using the interest rate implicit in the lease. If this cannot be determined, the lessee's incremental borrowing rate shall be used.~~ ~~**Subsequent measurement**~~ ~~20.11 A lessee shall apportion minimum lease payments between the finance charge and the reduction of the outstanding liability using the effective interest method (see paragraphs 11.15–11.20). The lessee shall allocate the finance charge to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. A lessee shall charge contingent rents as expenses in the periods in which they are incurred.~~ ~~20.12 A lessee shall depreciate an asset leased under a finance lease in accordance with the relevant section of this Standard for that type of asset, for example, Section 17 Property, Plant and Equipment, Section 18 or Section 19 Business Combinations and Goodwill. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life. A lessee shall also assess at each reporting date whether an asset leased under a finance lease is impaired (see Section 27 Impairment of Assets).~~ **Disclosures** 20.13 A lessee shall make the following disclosures for finance leases: (a) for each class of asset, the net carrying amount at the end of the reporting period;				

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(b) the total of future minimum lease payments at the end of the reporting period, for each of the following periods: (i) not later than one year; (ii) later than one year and not later than five years; and (iii) later than five years. (c) a general description of the lessee's significant leasing arrangements including, for example, information about contingent rent, renewal or purchase options and escalation clauses, subleases and restrictions imposed by lease arrangements. 20.14 In addition, the requirements for disclosure about assets in accordance with Sections 17, 18, 27 and 34 apply to lessees for assets leased under finance leases. ~~**Financial statements of lessees—operating leases**~~ ~~**Recognition and measurement**~~ ~~20.15 A lessee shall recognise lease payments under operating leases (excluding costs for services such as insurance and maintenance) as an expense over the lease term on a straight-line basis unless either:~~ ~~(a) another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis; or~~ ~~(b) the payments to the lessor are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.~~ ~~If payments to the lessor vary because of factors other than general inflation, then the condition (b) is not met.~~ **Disclosures** 20.16 A lessee shall make the following disclosures for operating leases: (a) the total of future minimum lease payments under non-cancellable operating leases for each of the following periods: (i) not later than one year;				

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(ii) later than one year and not later than five years; and (iii) later than five years. (b) lease payments recognised as an expense; and (c) a general description of the lessee's significant leasing arrangements including, for example, information about contingent rent, renewal or purchase options and escalation clauses, subleases, and restrictions imposed by lease arrangements. ~~**Financial statements of lessors—finance leases**~~ ~~**Initial recognition and measurement**~~ ~~20.17 A lessor shall recognise assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. The net investment in a lease is the lessor's gross investment in the lease discounted at the interest rate implicit in the lease. The gross investment in the lease is the aggregate of:~~ ~~(a) the minimum lease payments receivable by the lessor under a finance lease; and~~ ~~(b) any unguaranteed residual value accruing to the lessor.~~ ~~20.18 For finance leases other than those involving manufacturer or dealer lessors, initial direct costs (costs that are incremental and directly attributable to negotiating and arranging a lease) are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.~~ ~~**Subsequent measurement**~~ ~~20.19 The recognition of finance income shall be based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income. If there is an indication that the estimated unguaranteed residual value used in computing the lessor's gross investment in the lease has changed significantly, the income allocation over the lease term~~				

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~~is revised, and any reduction in respect of amounts accrued is recognised immediately in profit or loss.~~ ~~**Manufacturer or dealer lessors**~~ ~~20.20 Manufacturers or dealers often offer to customers the choice of either buying or leasing an asset. A finance lease of an asset by a manufacturer or dealer lessor gives rise to two types of income:~~ ~~(a) profit or loss equivalent to the profit or loss resulting from an outright sale of the asset being leased, at normal selling prices, reflecting any applicable volume or trade discounts; and~~ ~~(b) finance income over the lease term.~~ ~~20.21 The sales revenue recognised at the commencement of the lease term by a manufacturer or dealer lessor is the fair value of the asset or, if lower, the present value of the minimum lease payments accruing to the lessor, computed at a market rate of interest. The cost of sale recognised at the commencement of the lease term is the cost, or carrying amount if different, of the leased asset less the present value of the unguaranteed residual value. The difference between the sales revenue and the cost of sale is the selling profit, which is recognised in accordance with the entity's policy for outright sales.~~ ~~20.22 If artificially low rates of interest are quoted, selling profit shall be restricted to that which would apply if a market rate of interest were charged. Costs incurred by manufacturer or dealer lessors in connection with negotiating and arranging a lease shall be recognised as an expense when the selling profit is recognised.~~ **Disclosures** 20.23 A lessor shall make the following disclosures for finance leases: (a) a reconciliation between the gross investment in the lease at the end of the reporting period and the present value of minimum lease payments receivable at the end of the reporting period. In addition, a lessor shall disclose the gross investment				

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in the lease and the present value of minimum lease payments receivable at the end of the reporting period, for each of the following periods: (i) not later than one year; (ii) later than one year and not later than five years; and (iii) later than five years. (b) unearned finance income. (c) the unguaranteed residual values accruing to the benefit of the lessor. (d) the accumulated allowance for uncollectable minimum lease payments receivable. (e) contingent rents recognised as income in the period. (f) a general description of the lessor's significant leasing arrangements, including, for example, information about contingent rent, renewal or purchase options and escalation clauses, subleases, and restrictions imposed by lease arrangements. ~~**Financial statements of lessors—operating leases**~~ ~~**Recognition and measurement**~~ ~~20.24 A lessor shall present assets subject to operating leases in its statement of financial position according to the nature of the asset.~~ ~~20.25 A lessor shall recognise lease income from operating leases (excluding amounts for services such as insurance and maintenance) in profit or loss on a straight-line basis over the lease term, unless either:~~ ~~(a) another systematic basis is representative of the time pattern of the lessee's benefit from the leased asset, even if the receipt of payments is not on that basis; or~~ ~~(b) the payments to the lessor are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.~~ ~~If payments to the lessor vary according to factors other than inflation, then condition (b) is not met.~~ ~~20.26 A lessor shall recognise as an expense costs, including depreciation, incurred in earning the lease income. The~~				

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~~depreciation policy for depreciable leased assets shall be consistent with the lessor's normal depreciation policy for similar assets.~~ ~~20.27 A lessor shall add to the carrying amount of the leased asset any initial direct costs it incurs in negotiating and arranging an operating lease and shall recognise such costs as an expense over the lease term on the same basis as the lease income.~~ ~~20.28 To determine whether a leased asset has become impaired, a lessor shall apply Section 27.~~ ~~20.29 A manufacturer or dealer lessor does not recognise any selling profit on entering into an operating lease because it is not the equivalent of a sale.~~ **Disclosures** 20.30 A lessor shall disclose the following for operating leases: (a) the future minimum lease payments under non-cancellable operating leases for each of the following periods: (i) not later than one year; (ii) later than one year and not later than five years; and (iii) later than five years. (b) total contingent rents recognised as income; and (c) a general description of the lessor's significant leasing arrangements, including, for example, information about contingent rent, renewal or purchase options and escalation clauses and restrictions imposed by lease arrangements. 20.31 In addition, the requirements for disclosure about assets in accordance with Sections 17, 18, 27 and 34 apply to lessors for assets provided under operating leases. ~~**Sale and leaseback transactions**~~ ~~20.32 A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends on the type of lease.~~				

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~~**Sale and leaseback transaction results in a finance lease**~~ ~~20.33 If a sale and leaseback transaction results in a finance lease, the seller-lessee shall not recognise immediately, as income, any excess of sales proceeds over the carrying amount. Instead, the seller-lessee shall defer such excess and amortise it over the lease term.~~ ~~**Sale and leaseback transaction results in an operating lease**~~ ~~20.34 If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, the seller-lessee shall recognise any profit or loss immediately. If the sale price is below fair value, the seller-lessee shall recognise any profit or loss immediately unless the loss is compensated for by future lease payments at below market price. In that case the seller-lessee shall defer and amortise such loss in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the seller-lessee shall defer the excess over fair value and amortise it over the period for which the asset is expected to be used.~~ **Disclosures** 20.35 Disclosure requirements for lessees and lessors apply equally to sale and leaseback transactions. The required description of significant leasing arrangements includes description of unique or unusual provisions of the agreement or terms of the sale and leaseback transactions.				
Section 21 **Provisions and Contingencies** ~~**Scope of this section**~~	IAS 37 *Provisions, Contingent Liabilities and*	**No significant differences**	**Retain**	**Disclosures about provisions** 21.14 For each class of provision, an entity shall disclose all of the following: (a) a reconciliation showing:

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~~21.1 This section applies to all provisions (ie liabilities of uncertain timing or amount), contingent liabilities and contingent assets except those provisions covered by other sections of this Standard. These include provisions relating to:~~ ~~(a) leases (Section 20 Leases). However, this section deals with operating leases that have become onerous.~~ ~~(b) construction contracts (Section 23 Revenue). However this section deals with construction contracts that have become onerous.~~ ~~(c) employee benefit obligations (Section 28 Employee Benefits).~~ ~~(d) income tax (Section 29 Income Tax).~~ ~~21.2 The requirements in this section do not apply to executory contracts unless they are onerous contracts. Executory contracts are contracts under which neither party has performed any of its obligations or both parties have partially performed their obligations to an equal extent.~~ ~~21.3 The word 'provision' is sometimes used in the context of such items as depreciation, impairment of assets and uncollectable receivables. Those are adjustments of the carrying amounts of assets, instead of recognition of liabilities, and therefore are not covered by this section.~~ ~~**Initial recognition**~~ ~~21.4 An entity shall recognise a provision only when:~~ ~~(a) the entity has an obligation at the reporting date as a result of a past event;~~ ~~(b) it is probable (i.e. more likely than not) that the entity will be required to transfer economic benefits in settlement; and~~ ~~(c) the amount of the obligation can be estimated reliably.~~ ~~21.5 The entity shall recognise the provision as a liability in the statement of financial position and shall recognise the amount of the provision as an expense, unless another section of this Standard requires the cost to be recognised as part of the cost of an asset such as inventories or property, plant and equipment.~~ ~~21.6 The condition in paragraph 21.4(a) (obligation at the reporting date as a result of a past event) means that the entity~~	*Contingent Assets*			(i) the carrying amount at the beginning and end of the period; (ii) additions during the period, including adjustments that result from changes in measuring the discounted amount; (iii) amounts charged against the provision during the period; and (iv) unused amounts reversed during the period. (b) a brief description of the nature of the obligation and the expected amount and timing of any resulting payments; (c) an indication of the uncertainties about the amount or timing of those outflows; and (d) the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement. Comparative information for prior periods is not required. **Disclosures about contingent liabilities** 21.15 Unless the possibility of any outflow of resources in settlement is remote, an entity shall disclose, for each class of contingent liability at the reporting date, a brief description of the nature of the contingent liability and, when practicable: (a) an estimate of its financial effect, measured in accordance with paragraphs 21.7–21.11; (b) an indication of the uncertainties relating to the amount or timing of any outflow; and (c) the possibility of any reimbursement.

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~~has no realistic alternative to settling the obligation. This can happen when the entity has a legal obligation that can be enforced by law or when the entity has a constructive obligation because the past event (which may be an action of the entity) has created valid expectations in other parties that the entity will discharge the obligation. Obligations that will arise from the entity's future actions (ie the future conduct of its business) do not satisfy the condition in paragraph 21.4(a), no matter how likely they are to occur and even if they are contractual. To illustrate, because of commercial pressures or legal requirements, an entity may intend or need to carry out expenditure to operate in a particular way in the future (for example, by fitting smoke filters in a particular type of factory). Because the entity can avoid the future expenditure by its future actions, for example by changing its method of operation or selling the factory, it has no present obligation for that future expenditure and no provision is recognised.~~ **~~Initial measurement~~** ~~21.7 An entity shall measure a provision at the best estimate of the amount required to settle the obligation at the reporting date. The best estimate is the amount an entity would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time:~~ ~~(a) when the provision involves a large population of items, the estimate of the amount reflects the weighting of all possible outcomes by their associated probabilities. Where there is a continuous range of possible outcomes, and each point in that range is as likely as any other, the mid-point of the range is used.~~ ~~(b) when the provision arises from a single obligation, the individual most likely outcome may be the best estimate of the amount required to settle the obligation. However, even in such a case, the entity considers other possible outcomes. When other possible outcomes are either mostly higher or mostly lower than the most likely outcome, the best estimate will be a higher or lower amount than the most likely outcome.~~				If it is impracticable to make one or more of these disclosures, that fact shall be stated. **Disclosures about contingent assets** 21.16 If an inflow of economic benefits is probable (more likely than not) but not virtually certain, an entity shall disclose a description of the nature of the contingent assets at the end of the reporting period and, unless it would involve undue cost or effort, an estimate of their financial effect, measured using the principles set out in paragraphs 21.7–21.11. If such an estimate would involve undue cost or effort, the entity shall disclose that fact and the reasons why estimating the financial effect would involve undue cost or effort. **Prejudicial disclosures** 21.17 In extremely rare cases, disclosure of some or all of the information required by paragraphs 21.14–21.16 can be expected to prejudice seriously the position of the entity in a dispute with other parties on the subject matter of the provision, contingent liability or contingent asset. In such cases, an entity need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.

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~~When the effect of the time value of money is material, the amount of a provision shall be the present value of the amount expected to be required to settle the obligation. The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money. The risks specific to the liability shall be reflected either in the discount rate or in the estimation of the amounts required to settle the obligation, but not both.~~ ~~21.8 An entity shall exclude gains from the expected disposal of assets from the measurement of a provision.~~ ~~21.9 When some or all of the amount required to settle a provision may be reimbursed by another party (for example, through an insurance claim), the entity shall recognise the reimbursement as a separate asset only when it is virtually certain that the entity will receive the reimbursement on settlement of the obligation. The amount recognised for the reimbursement shall not exceed the amount of the provision. The reimbursement receivable shall be presented in the statement of financial position as an asset and shall not be offset against the provision. In the statement of comprehensive income, the entity may offset any reimbursement from another party against the expense relating to the provision.~~ **~~Subsequent measurement~~** ~~21.10 An entity shall charge against a provision only those expenditures for which the provision was originally recognised.~~ ~~21.11 An entity shall review provisions at each reporting date and adjust them to reflect the current best estimate of the amount that would be required to settle the obligation at that reporting date. Any adjustments to the amounts previously recognised shall be recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset (see paragraph 21.5). When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount shall be recognised as a finance cost in profit or loss in the period it arises.~~ **~~Contingent liabilities~~**				

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~~21.12 A contingent liability is either a possible but uncertain obligation or a present obligation that is not recognised because it fails to meet one or both of the conditions (b) and (c) in paragraph 21.4. An entity shall not recognise a contingent liability as a liability, except for provisions for contingent liabilities of an acquiree in a business combination (see paragraphs 19.20 and 19.21). Disclosure of a contingent liability is required by paragraph 21.15 unless the possibility of an outflow of resources is remote. When an entity is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability.~~ **~~Contingent assets~~** ~~21.13 An entity shall not recognise a contingent asset as an asset. Disclosure of a contingent asset is required by paragraph 21.16 when an inflow of economic benefits is probable. However, when the flow of future economic benefits to the entity is virtually certain, then the related asset is not a contingent asset, and its recognition is appropriate.~~ **Disclosures** **Disclosures about provisions** 21.14 For each class of provision, an entity shall disclose all of the following: (a) a reconciliation showing: (i) the carrying amount at the beginning and end of the period; (ii) additions during the period, including adjustments that result from changes in measuring the discounted amount; (iii) amounts charged against the provision during the period; and (iv) unused amounts reversed during the period. (b) a brief description of the nature of the obligation and the expected amount and timing of any resulting payments; (c) an indication of the uncertainties about the amount or timing of those outflows; and				

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(d) the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement. Comparative information for prior periods is not required. **Disclosures about contingent liabilities** 21.15 Unless the possibility of any outflow of resources in settlement is remote, an entity shall disclose, for each class of contingent liability at the reporting date, a brief description of the nature of the contingent liability and, when practicable: (a) an estimate of its financial effect, measured in accordance with paragraphs 21.7–21.11; (b) an indication of the uncertainties relating to the amount or timing of any outflow; and (c) the possibility of any reimbursement. If it is impracticable to make one or more of these disclosures, that fact shall be stated. **Disclosures about contingent assets** 21.16 If an inflow of economic benefits is probable (more likely than not) but not virtually certain, an entity shall disclose a description of the nature of the contingent assets at the end of the reporting period and, unless it would involve undue cost or effort, an estimate of their financial effect, measured using the principles set out in paragraphs 21.7–21.11. If such an estimate would involve undue cost or effort, the entity shall disclose that fact and the reasons why estimating the financial effect would involve undue cost or effort. **Prejudicial disclosures** 21.17 In extremely rare cases, disclosure of some or all of the information required by paragraphs 21.14–21.16 can be expected to prejudice seriously the position of the entity in a dispute with other parties on the subject matter of the provision, contingent liability or contingent asset. In such cases, an entity need not disclose the information, but shall disclose the general				

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nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.				
Section 22 Liabilities and Equity ~~**Scope of this section**~~ ~~22.1 This section establishes principles for classifying financial instruments as either liabilities or equity and addresses accounting for equity instruments issued to individuals or other parties acting in their capacity as investors in equity instruments (ie in their capacity as owners). Section 26 Share-based Payment addresses accounting for a transaction in which the entity receives goods or services (including employee services) as consideration for its equity instruments (including shares or share options) from employees and other vendors acting in their capacity as vendors of goods and services.~~ ~~22.2 This section shall be applied when classifying all types of financial instruments except:~~ ~~(a) those interests in subsidiaries, associates and joint ventures that are accounted for in accordance with Section 9 Consolidated and Separate Financial Statements, Section 14 Investments in Associates or Section 15 Interests in Joint Ventures.~~ ~~(b) employers' rights and obligations under employee benefit plans, to which Section 28 Employee Benefits applies.~~ ~~(c) contracts for contingent consideration in a business combination (see Section 19 Business Combinations and Goodwill). This exemption applies only to the acquirer.~~ ~~(d) financial instruments, contracts and obligations under share-based payment transactions to which Section 26 applies, except that paragraphs 22.3–22.6 shall be applied to treasury shares purchased, sold, issued or cancelled in connection with employee share option plans, employee share purchase plans and all other share-based payment arrangements.~~ ~~**Classification of a financial instrument as liability or equity**~~	IAS 32 *Financial Instruments: Presentation*	**Simplified** The following differences were noted as per FRS for SMEs module published by the IASB: -The IFRS for SMEs Standard includes some additional requirements to IAS 32 for the recognition of the issue of shares or other equity instruments. Such guidance is consistent with full IFRS except the requirement in paragraph 22.7(a) that if equity instruments are issued before cash is received, the entity presents the amount receivable as an offset to equity. The full IFRS Standards provide no explicit guidance on this. -SMEs contains fewer detailed requirements than in IAS 32 on classifying puttable financial instruments and obligations arising on liquidation that meet the definition of a liability but that may represent the residual interest in the net assets of the entity. Differences may arise in practice between SMEs and full IFRS. -Full IFRS Standards contain detailed requirements regarding when financial assets and financial liabilities	**Remove** The only disclosure in this section relates to a measurement simplification that is not available under full IFRS (undue cost or effort exemption from the requirement for an entity to measure the liability to distribute a non-cash asset to its owners), hence should be removed. The other differences noted on the left are the result of additional guidance being provided under full IFRS and hence should not require any additional disclosures.	

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~~22.3 Equity is the residual interest in the assets of an entity after deducting all its liabilities. A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. Equity includes investments by the owners of the entity, plus additions to those investments earned through profitable operations and retained for use in the entity's operations, minus reductions to owners' investments as a result of unprofitable operations and distributions to owners.~~ ~~22.3 A An entity shall classify a financial instrument as a financial liability or as equity in accordance with the substance of the contractual arrangement, not merely its legal form, and in accordance with the definitions of a financial liability and an equity instrument. Unless an entity has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation, the obligation meets the definition of a financial liability, and is classified as such, except for those instruments classified as equity instruments in accordance with paragraph 22.4.~~ ~~22.4 Some financial instruments that meet the definition of a liability are classified as equity because they represent the residual interest in the net assets of the entity:~~ ~~(a) a puttable instrument is a financial instrument that gives the holder the right to sell that instrument back to the issuer for cash or another financial asset or is automatically redeemed or repurchased by the issuer on the occurrence of an uncertain future event or the death or retirement of the instrument holder. A puttable instrument that has all of the following features is classified as an equity instrument:~~ ~~(i) it entitles the holder to a pro rata share of the entity's net assets in the event of the entity's liquidation. The entity's net assets are those assets that remain after deducting all other claims on its assets.~~ ~~(ii) the instrument is in the class of instruments that is subordinate to all other classes of instruments.~~ ~~(iii) all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features.~~		are offset. The IFRS for SMEs Standard includes a general requirement in paragraph 2.52 that an entity shall not offset assets and liabilities or income and expenses unless required or permitted by the IFRS for SMEs Standard. Section 22 has no offset requirements. -The IFRS for SMEs Standard includes an undue cost or effort exemption from the requirement to measure own equity instruments at fair value in the scenario when the entity renegotiates the terms of a financial liability and, by issuing equity instruments to the creditor, extinguishes the liability fully or partially. Full IFRS Standards require such equity instruments to be measured at fair value if that fair value can be measured reliably. - The IFRS for SMEs Standard also includes an undue cost or effort exemption from the requirement for an entity to measure the liability to distribute a non-cash asset to its owners (that is not ultimately controlled by the same party or parties before and after the distribution) at the fair value of the non-cash assets to be distributed. Full IFRS Standards always require fair value measurement.		

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~~(iv) apart from the contractual obligation for the issuer to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity, and it is not a contract that will or may be settled in the entity's own equity instruments.~~ ~~(v) the total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the entity over the life of the instrument (excluding any effects of the instrument).~~ ~~(b) instruments, or components of instruments, that are subordinate to all other classes of instruments are classified as equity if they impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation.~~ ~~22.5 The following are examples of instruments that are classified as liabilities instead of equity:~~ ~~(a) an instrument is classified as a liability if the distribution of net assets on liquidation is subject to a maximum amount (a ceiling). For example, if on liquidation the holders of the instrument receive a pro rata share of the net assets, but this amount is limited to a ceiling and the excess net assets are distributed to a charity organisation or the government, the instrument is not classified as equity.~~ ~~(b) a puttable instrument is classified as equity if, when the put option is exercised, the holder receives a pro rata share of the net assets of the entity measured in accordance with this Standard. However, if the holder is entitled to an amount measured on some other basis (such as local GAAP), the instrument is classified as a liability~~ ~~(c) an instrument is classified as a liability if it obliges the entity to make payments to the holder before liquidation, such as a mandatory dividend.~~ ~~(d) a puttable instrument that is classified as equity in a subsidiary's financial statements is classified as a liability in its parent entity's consolidated financial statements.~~		-Excludes requirements for some types of instruments that SMEs is unlikely to encounter. For example, foreign currency denominated pro rata rights issues, financial instruments with contingent settlement provisions and derivative financial instruments with settlement options.		

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~~(e) a preference share that provides for mandatory redemption by the issuer for a fixed or determinable amount at a fixed or determinable future date, or gives the holder the right to require the issuer to redeem the instrument at or after a particular date for a fixed or determinable amount, is a financial liability.~~ ~~22.6 Members' shares in co-operative entities and similar instruments are equity if:~~ ~~(a) the entity has an unconditional right to refuse redemption of the members' shares; or~~ ~~(b) redemption is unconditionally prohibited by local law, regulation or the entity's governing charter.~~ ~~**Original issue of shares or other equity instruments**~~ ~~22.7 An entity shall recognise the issue of shares or other equity instruments as equity when it issues those instruments and another party is obliged to provide cash or other resources to the entity in exchange for the instruments:~~ ~~(a) if the equity instruments are issued before the entity receives the cash or other resources, the entity shall present the amount receivable as an offset to equity in its statement of financial position, not as an asset;~~ ~~(b) if the entity receives the cash or other resources before the equity instruments are issued, and the entity cannot be required to repay the cash or other resources received, the entity shall recognise the corresponding increase in equity to the extent of consideration received; and~~ ~~(c) to the extent that the equity instruments have been subscribed for but not issued, and the entity has not yet received the cash or other resources, the entity shall not recognise an increase in equity.~~ ~~22.8 An entity shall measure equity instruments, other than those issued as part of a business combination or those accounted for in accordance with paragraphs 22.15A–22.15B, at the fair value of the cash or other resources received or receivable, net of transaction costs.~~				

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~~If payment is deferred and the time value of money is material, the initial measurement shall be on a present value basis.~~ ~~22.9 An entity shall account for the transaction costs of an equity transaction as a deduction from equity. Income tax relating to the transaction costs shall be accounted for in accordance with Section 29 Income Tax.~~ ~~22.10 How the increase in equity arising on the issue of shares or other equity instruments is presented in the statement of financial position is determined by applicable laws. For example, the par value (or other nominal value) of shares and the amount paid in excess of par value may be required to be presented separately.~~ ~~Sale of options, rights and warrants~~ ~~22.11 An entity shall apply the principles in paragraphs 22.7–22.10 to equity issued by means of sales of options, rights, warrants and similar equity instruments.~~ **~~Capitalisation or bonus issues of shares and share splits~~** ~~22.12 A capitalisation or bonus issue (sometimes referred to as a stock dividend) is the issue of new shares to shareholders in proportion to their existing holdings. For example, an entity may give its shareholders one dividend or bonus share for every five shares held. A share split (sometimes referred to as a stock split) is the dividing of an entity's existing shares into multiple shares. For example, in a share split, each shareholder may receive one additional share for each share held. In some cases, the previously outstanding shares are cancelled and replaced by new shares. Capitalisation and bonus issues and share splits do not change total equity. An entity shall reclassify amounts within equity as required by applicable laws.~~ **~~Convertible debt or similar compound financial instruments~~** ~~22.13 On issuing convertible debt or similar compound financial instruments that contain both a liability and an equity component, an~~				

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~~entity shall allocate the proceeds between the liability component and the equity component. To make the allocation, the entity shall first determine the amount of the liability component as the fair value of a similar liability that does not have a conversion feature or similar associated equity component. The entity shall allocate the residual amount as the equity component. Transaction costs shall be allocated between the debt component and the equity component on the basis of their relative fair values.~~ ~~22.14 The entity shall not revise the allocation in a subsequent period.~~ ~~22.15 In periods after the instruments were issued, the entity shall account for the liability component as follows:~~ ~~(a) in accordance with Section 11 Basic Financial Instruments if the liability component meets the conditions in paragraph 11.9. In these cases, the entity shall systematically recognise any difference between the liabilitycomponent and the principal amount payable at maturity as additional interest expense using the effective interest method (see paragraphs 11.15–11.20).~~ ~~(b) in accordance with Section 12 Other Financial Instrument Issues if the liability component does not meet the conditions in paragraph 11.9.~~ ~~**Extinguishing financial liabilities with equity instruments**~~ ~~22.15A An entity may renegotiate the terms of a financial liability with a creditor of the entity with the result that the entity extinguishes the liability fully or partially by issuing equity instruments to the creditor. Issuing equity instruments constitutes consideration paid in accordance with paragraph 11.38. An entity shall measure the equity instruments issued at their fair value. However, if the fair value of the equity instruments issued cannot be measured reliably without undue cost or effort, the equity instruments shall be measured at the fair value of the financial liability extinguished. An entity shall derecognise the financial liability, or part of the financial liability, in accordance with paragraphs 11.36–11.38.~~				

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~~22.15B If part of the consideration paid relates to a modification of the terms of the remaining part of the liability, the entity shall allocate the consideration paid between the part of the liability extinguished and the part that remains outstanding. This allocation should be made on a reasonable basis. If the remaining liability has been substantially modified, the entity shall account for the modification as the extinguishment of the original liability and the recognition of a new liability as required by paragraph 11.37.~~ ~~22.15 C An entity shall not apply paragraphs 22.15A–22.15B to transactions in situations in which:~~ ~~(a) the creditor is also a direct or indirect shareholder and is acting in its capacity as a direct or indirect existing shareholder;~~ ~~(b) the creditor and the entity are controlled by the same party or parties before and after the transaction and the substance of the transaction includes an equity distribution by, or contribution to, the entity; or~~ ~~(c) extinguishing the financial liability by issuing equity instruments is in accordance with the original terms of the financial liability (see paragraphs 22.13–22.15).~~ ~~**Treasury shares**~~ ~~22.16 Treasury shares are the equity instruments of an entity that have been issued and subsequently reacquired by the entity. An entity shall deduct from equity the fair value of the consideration given for the treasury shares. The entity shall not recognise a gain or loss in profit or loss on the purchase, sale, issue or cancellation of treasury shares.~~ ~~**Distributions to owners**~~ ~~22.17 An entity shall reduce equity for the amount of distributions to its owners (holders of its equity instruments). Income tax relating to distributions to owners shall be accounted for in accordance with Section 29.~~				

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~~22.18 Sometimes an entity distributes assets other than cash to its owners ('non-cash distributions'). When an entity declares such a distribution and has an obligation to distribute non-cash assets to its owners, it shall recognise a liability. It shall measure the liability at the fair value of the assets to be distributed unless it meets the conditions in paragraph 22.18A. At the end of each reporting period and at the date of settlement, the entity shall review and adjust the carrying amount of the dividend payable to reflect changes in the fair value of the assets to be distributed, with any changes recognised in equity as adjustments to the amount of the distribution. When an entity settles the dividend payable, it shall recognise in profit or loss any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable.~~ ~~22.18A If the fair value of the assets to be distributed cannot be measured reliably without undue cost or effort, the liability shall be measured at the carrying amount of the assets to be distributed. If prior to settlement the fair value of the assets to be distributed can be measured reliably without undue cost or effort, the liability is remeasured at fair value with a corresponding adjustment made to the amount of the distribution and accounted for in accordance with paragraph 22.18.~~ ~~22.18 B Paragraphs 22.18–22.18A do not apply to the distribution of a non-cash asset that is ultimately controlled by the same party or parties before and after the distribution. This exclusion applies to the separate, individual and consolidated financial statements of an entity that makes the distribution.~~ ~~**Non-controlling interest and transactions in shares of a consolidated subsidiary**~~ ~~22.19 In consolidated financial statements, a non-controlling interest in the net assets of a subsidiary is included in equity. An entity shall treat changes in a parent's controlling interest in a subsidiary that do not result in a loss of control as transactions with owners in their capacity as owners. Accordingly, the carrying amount of the non-controlling interest~~				

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~~shall be adjusted to reflect the change in the parent's interest in the subsidiary's net assets. Any difference between the amount by which the non-controlling interest is so adjusted and the fair value of the consideration paid or received, if any, shall be recognised directly in equity and attributed to owners of the parent. An entity shall not recognise gain or loss on these changes. Also, an entity shall not recognise any change in the carrying amounts of assets (including goodwill) or liabilities as a result of such transactions.~~ **Disclosures** 22.20 If the fair value of the assets to be distributed as described in paragraphs 22.18–22.18A cannot be measured reliably without undue cost or effort, the entity shall disclose that fact and the reasons why a reliable fair value measurement would involve undue cost or effort. ~~Appendix to Section 22~~ ~~Example of the issuer's accounting for convertible debt~~ ~~The Appendix accompanies, but is not part of, Section 22. It provides guidance for applying the requirements of paragraphs 22.13–22.15.~~ ~~On 1 January 20X5 an entity issues 500 convertible bonds. The bonds are issued at par with a face value of CU100 per bond and are for a five-year term, with no transaction costs. The total proceeds from the issue are CU50,000. Interest is payable annually in arrears at an annual interest rate of 4 per cent. Each bond is convertible, at the holder's discretion, into 25 ordinary shares at any time up to maturity. At the time the bonds are issued, the market interest rate for similar debt that does not have the conversion option is 6 per cent.~~ ~~When the instrument is issued, the liability component must be valued first, and the difference between the total proceeds on issue (which is the fair value of the instrument in its entirety) and the fair value of the liability component is assigned to the equity component. The fair value of the liability component is calculated by determining its present value using the discount rate of 6 per cent. These calculations and journal entries are illustrated:~~ ~~CU~~				

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~~Proceeds from the bond issue (A) 50,000~~ ~~Present value of principal at the end of five years (see calculations) 37,363~~ ~~Present value of interest payable annually in arrears for five years 8,425~~ ~~Present value of liability, which is the fair value of liability component (B) 45,788~~ ~~Residual, which is the fair value of the equity component (A) – (B) 4,212~~ ~~The issuer of the bonds makes the following journal entry at issue on 1 January 20X5:~~ ~~Dr Cash~~ ~~Cr Financial Liability – Convertible bond CU50,000 CU45,788~~ ~~Cr Equity CU4,212~~ ~~The CU4,212 represents a discount on issue of the bonds, so the entry could also be shown 'gross':~~ ~~Dr Cash~~ ~~Dr Bond discount~~ ~~Cr Financial Liability – Convertible bond CU50,000 CU4,212 CU50,000~~ ~~Cr Equity CU4,212~~ ~~After issue, the issuer will amortise the bond discount according to the following table:~~ ~~(a) (b) (c) (d) (e)~~ ~~Interest payment Total interest Amortisation of~~ ~~Bond discount Net liability~~ ~~(CU) expense bond discount (CU) = (d) – (c)~~ ~~(CU) = 50,000 – (d)~~ ~~(CU) = 6% × (e) (CU) = (b) – (a)~~ ~~1/1/20X5 4,212 45,788~~ ~~31/12/20X5 2,000 2,747 747 3,465 46,535~~ ~~31/12/20X6 2,000 2,792 792 2,673 47,327~~ ~~31/12/20X7 2,000 2,840 840 1,833 48,167~~ ~~31/12/20X8 2,000 2,890 890 943 49,057~~ ~~31/12/20X9 2,000 2,943 943 0 50,000~~				

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~~Totals 10,000 14,212 4,212~~ ~~At the end of 20X5, the issuer would make the following journal entry:~~ ~~Dr Interest expense~~ ~~Cr Bond discount CU2,747~~ ~~CU747~~ ~~Cr Cash CU2,000~~ ~~Calculations~~ ~~Present value of principal of CU50,000 at 6 per cent~~ ~~CU50,000/(1.06)^5 = CU37,363~~ ~~Present value of the interest annuity of CU2,000 (= CU50,000 × 4 per cent) payable at the end of each of five years~~ ~~The CU2,000 annual interest payments are an annuity—a cash flow stream with a limited number (n) of periodic payments (C), receivable at dates 1 to n. To calculate the present value of this annuity, future payments are discounted by the periodic rate of interest (i) using the following formula:~~ ~~Therefore, the present value of the CU2,000 interest payments is (2,000/.06) × [1 – [(1/1.06)^5] = CU8,425~~ ~~This is equivalent to the sum of the present values of the five individual CU2,000 payments, as follows:~~ ~~CU~~ ~~Present value of interest payment at 31 December 20X5 = 2,000/1.06~~ ~~1,887~~ ~~Present value of interest payment at 31 December 20X6 = 2,000/1.06^2~~ ~~1,780~~ ~~Present value of interest payment at 31 December 20X7 = 2,000/1.06^3~~ ~~1,679~~ ~~Present value of interest payment at 31 December 20X8 = 2,000/1.06^4~~ ~~1,584~~ ~~Present value of interest payment at 31 December 20X9 = 2,000/1.06^5~~ ~~1,495~~ ~~Total 8,425~~ ~~Yet another way to calculate this is to use a table of present value of an ordinary annuity in arrears, five periods, interest rate of 6 per cent per period. (Such tables are easily found on the Internet.) The present value factor is 4.2124. Multiplying this by the annuity payment of CU2,000 determines the present value of CU8,425.~~				

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Section 23 **Revenue** ~~**Scope of this section**~~ ~~23.1 This section shall be applied in accounting for revenue arising from the following transactions and events:~~ ~~(a) the sale of goods (whether produced by the entity for the purpose of sale or purchased for resale);~~ ~~(b) the rendering of services;~~ ~~(c) construction contracts in which the entity is the contractor; and~~ ~~(d) the use by others of entity assets yielding interest, royalties or dividends.~~ ~~23.2 Revenue or other income arising from some transactions and events is dealt with in other sections of this Standard:~~ ~~(a) lease agreements (see Section 20 Leases);~~ ~~(b) dividends and other income arising from investments that are accounted for using the equity method (see Section 14 Investments in Associates and Section 15 Investments in Joint Ventures);~~ ~~(c) changes in the fair value of financial assets and financial liabilities or their disposal (see Section 11 Basic Financial Instruments and Section 12 Other Financial Instrument Issues);~~ ~~(d) changes in the fair value of investment property (see Section 16~~ ~~Investment Property);~~ ~~(e) initial recognition and changes in the fair value of biological assets~~ ~~related to agricultural activity (see Section 34 Specialised Activities); and~~ ~~(f) initial recognition of agricultural produce (see Section 34).~~ ~~**Measurement of revenue**~~	IFRS 15 *Revenue from Contracts with Customers*	**Significant Difference** Section 23 was derived from IAS 11 and IAS 18 and has not been updated to reflect the principles in IFRS 15. Major differences are as follows: - In IFRS for SMEs, the model is based on <u>risks and rewards</u> for establishing the recognition of revenue but in IFRS 15, <u>control of the asset</u> dictates the recognition. - Bundled goods or services that are distinct must be separately recognised under IFRS 15, and any discount or rebates on the contract price must generally be allocated to the separate elements. - Revenue may be recognised earlier under IFRS 15 than under IFRS for SMEs if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), and minimum amounts must be recognised under IFRS 15 if they are not at significant risk of reversal. - The point at which revenue is able to be recognised may be different. Some revenue which is recognised at a point in time at the end of a contract under IFRS for SMEs may have to be reocgnised over the contract term under IFRS 15 and vice versa.	**Retain** While the different principles may affect the amount and timing of the revenue recognised, under both frameworks revenue is either recognised at a point in time or over time (rendering of service and construction contracts). On that basis, the the IFRS for SMEs disclosures should be adapted without adding unnecessary details.	**Disclosures** **General disclosures about revenue** 23.30 An entity shall disclose: (a) the accounting policies adopted for the recognition of revenue, including the methods adopted to determine the stage of completion of transactions involving the rendering of services; and (b) the amount of each category of revenue recognised during the period, showing separately, at a minimum, revenue arising from: (i) the sale of goods; (ii) the rendering of services; (iii) interest; (iv) royalties; (v) dividends; (vi) commissions; (vii) government grants; and (viii) any other significant types of revenue. **Disclosures relating to revenue from construction contracts** 23.31 An entity shall disclose the following: (a) the amount of contract revenue recognised as revenue in the period; (b) the methods used to determine the contract revenue recognised in the period; and (c) the methods used to determine the stage of completion of contracts in progress. 23.32 An entity shall present: (a) the gross amount due from customers for contract work, as an asset; and

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~~23.3 An entity shall measure revenue at the fair value of the consideration received or receivable. The fair value of the consideration received or receivable takes into account the amount of any trade discounts, prompt settlement discounts and volume rebates allowed by the entity.~~ ~~23.4 An entity shall include in revenue only the gross inflows of economic benefits received and receivable by the entity on its own account. An entity shall exclude from revenue all amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes. In an agency relationship, an entity (the agent) shall include in revenue only the amount of its commission. The amounts collected on behalf of the principal are not revenue of the entity.~~ ~~**Deferred payment**~~ ~~23.5 When the inflow of cash or cash equivalents is deferred, and the arrangement constitutes in effect a financing transaction, the fair value of the consideration is the present value of all future receipts determined using an imputed rate of interest. A financing transaction arises when, for example, an entity provides interest-free credit to the buyer or accepts a note receivable bearing a below-market interest rate from the buyer as consideration for the sale of goods. The imputed rate of interest is the more clearly determinable of either:~~ ~~(a) the prevailing rate for a similar instrument of an issuer with a similar credit rating; or~~ ~~(b) a rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.~~ ~~An entity shall recognise the difference between the present value of all future receipts and the nominal amount of the consideration as interest revenue in accordance with paragraphs 23.28 and 23.29 and Section 11.~~ ~~**Exchanges of goods or services**~~ ~~23.6 An entity shall not recognise revenue:~~ ~~(a) when goods or services are exchanged for goods or services that are of a similar nature and value; or~~		- IFRS 15 has specific rules rules on various items such as licenses, warranties, non-refundable upfront fees and consignment arrangements. - IFRS for SMEs has separate guidance for construction contracts. Under IFRS 15, the core principles of revenue recognition apply. - IFRS 15 does not discuss accounting for exchanges of goods and services that are of a similar or dissimilar nature.		(b) the gross amount due to customers for contract work, as a liability.

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~~(b) when goods or services are exchanged for dissimilar goods or services but the transaction lacks commercial substance.~~ ~~23.7 An entity shall recognise revenue when goods are sold or services are exchanged for dissimilar goods or services in a transaction that has commercial substance. In that case, the entity shall measure the transaction:~~ ~~(a) at the fair value of the goods or services received adjusted by the amount of any cash or cash equivalents transferred;~~ ~~(b) if the amount under (a) cannot be measured reliably, then at the fair value of the goods or services given up adjusted by the amount of any cash or cash equivalents transferred; or~~ ~~(c) if the fair value of neither the goods or services received nor the goods or services given up can be measured reliably, then at the carrying amount of the goods or services given up adjusted by the amount of any cash or cash equivalents transferred.~~ **~~Identification of the revenue transaction~~** ~~23.8 An entity usually applies the revenue recognition criteria in this section separately to each transaction. However, an entity applies the recognition criteria to the separately identifiable components of a single transaction when necessary to reflect the substance of the transaction. For example, an entity applies the recognition criteria to the separately identifiable components of a single transaction when the selling price of a product includes an identifiable amount for subsequent servicing. Conversely, an entity applies the recognition criteria to two or more transactions together when they are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole. For example, an entity applies the recognition criteria to two or more transactions together when it sells goods and, at the same time, enters into a separate agreement to repurchase the goods at a later date, thus negating the substantive effect of the transaction.~~				

IFRS for SMEs	Equivalent IFRS standard	Assessment of R&M differences	Recommendation (Retain/Add/ Remove)	Final proposed text on disclosure requirements[1] *(Full text from IFRS for SMEs subject to adjusting for added/removed items and adapting language as necessary eg replacing references to IFRS for SMEs)*
~~23.9 Sometimes, as part of a sales transaction, an entity grants its customer a loyalty award that the customer may redeem in the future for free or discounted goods or services. In this case, in accordance with paragraph 23.8, the entity shall account for the award credits as a separately identifiable component of the initial sales transaction. The entity shall allocate the fair value of the consideration received or receivable in respect of the initial sale between the award credits and the other components of the sale. The consideration allocated to the award credits shall be measured by reference to their fair value, ie the amount for which the award credits could be sold separately.~~ **~~Sale of goods~~** ~~23.10 An entity shall recognise revenue from the sale of goods when all the following conditions are satisfied:~~ ~~(a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;~~ ~~(b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;~~ ~~(c) the amount of revenue can be measured reliably;~~ ~~(d) it is probable that the economic benefits associated with the transaction will flow to the entity; and~~ ~~(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.~~ ~~23.11 The assessment of when an entity has transferred the significant risks and rewards of ownership to the buyer requires an examination of the circumstances of the transaction. In most cases, the transfer of the risks and rewards of ownership coincides with the transfer of the legal title or the passing of possession to the buyer. This is the case for most retail sales. In other cases, the transfer of risks and rewards of ownership occurs at a time different from the transfer of legal title or the passing of possession.~~				

IFRS for SMEs	Equivalent IFRS standard	Assessment of R&M differences	Recommendation (Retain/Add/ Remove)	Final proposed text on disclosure requirements[1] *(Full text from IFRS for SMEs subject to adjusting for added/removed items and adapting language as necessary eg replacing references to IFRS for SMEs)*
~~23.12 An entity does not recognise revenue if it retains significant risks and rewards of ownership. Examples of situations in which the entity may retain the significant risks and rewards of ownership are:~~ ~~(a) when the entity retains an obligation for unsatisfactory performance not covered by normal warranties;~~ ~~(b) when the receipt of the revenue from a particular sale is contingent on the buyer selling the goods;~~ ~~(c) when the goods are shipped subject to installation and the installation is a significant part of the contract that has not yet been completed; and~~ ~~(d) when the buyer has the right to rescind the purchase for a reason specified in the sales contract, or at the buyer's sole discretion without any reason, and the entity is uncertain about the probability of return.~~ ~~23.13 If an entity retains only an insignificant risk of ownership, the transaction is a sale and the entity recognises the revenue. For example, a seller recognises revenue when it retains the legal title to the goods solely to protect the collectability of the amount due. Similarly an entity recognises revenue when it offers a refund if the customer finds the goods faulty or is not satisfied for other reasons and the entity can estimate the returns reliably. In such cases, the entity recognises a provision for returns in accordance with Section 21 Provisions and Contingencies.~~ ~~**Rendering of services**~~ ~~23.14 When the outcome of a transaction involving the rendering of services can be estimated reliably, an entity shall recognise revenue associated with the transaction by reference to the stage of completion of the transaction at the end of the reporting period (sometimes referred to as the percentage of completion method). The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:~~ ~~(a) the amount of revenue can be measured reliably;~~ ~~(b) it is probable that the economic benefits associated with the transaction will flow to the entity;~~				

IFRS for SMEs	Equivalent IFRS standard	Assessment of R&M differences	Recommendation (Retain/Add/ Remove)	Final proposed text on disclosure requirements[1] *(Full text from IFRS for SMEs subject to adjusting for added/removed items and adapting language as necessary eg replacing references to IFRS for SMEs)*
~~(c) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and~~ ~~(d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.~~ ~~Paragraphs 23.21–23.27 provide guidance for applying the percentage of completion method.~~ ~~23.15 When services are performed by an indeterminate number of acts over a specified period of time, an entity recognises revenue on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other act, the entity postpones recognition of revenue until the significant act is executed.~~ ~~23.16 When the outcome of the transaction involving the rendering of services cannot be estimated reliably, an entity shall recognise revenue only to the extent of the expenses recognised that are recoverable.~~ **~~Construction contracts~~** ~~23.17 When the outcome of a construction contract can be estimated reliably, an entity shall recognise contract revenue and contract costs associated with the construction contract as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (often referred to as the percentage of completion method). Reliable estimation of the outcome requires reliable estimates of the stage of completion, future costs and collectability of billings. Paragraphs 23.21–23.27 provide guidance for applying the percentage of completion method.~~ ~~23.18 The requirements of this section are usually applied separately to each construction contract. However, in some circumstances, it is necessary to apply this section to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.~~ ~~23.19 When a contract covers a number of assets, the construction of each asset shall be treated as a separate construction contract when:~~				

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~~(a) separate proposals have been submitted for each asset;~~ ~~(b) each asset has been subject to separate negotiation, and the contractor and customer are able to accept or reject that part of the contract relating to each asset; and~~ ~~(c) the costs and revenues of each asset can be identified.~~ ~~23.20 A group of contracts, whether with a single customer or with several customers, shall be treated as a single construction contract when:~~ ~~(a) the group of contracts is negotiated as a single package;~~ ~~(b) the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin; and~~ ~~(c) the contracts are performed concurrently or in a continuous sequence.~~ **~~Percentage of completion method~~** ~~23.21 This method is used to recognise revenue from rendering services (see paragraphs 23.14–23.16) and from construction contracts (see paragraphs 23.17–23.20). An entity shall review and, when necessary, revise the estimates of revenue and costs as the service transaction or construction contract progresses.~~ ~~23.22 An entity shall determine the stage of completion of a transaction or contract using the method that measures most reliably the work performed. Possible methods include:~~ ~~(a) the proportion that costs incurred for work performed to date bear to the estimated total costs. Costs incurred for work performed to date do not include costs relating to future activity, such as for materials or prepayments.~~ ~~(b) surveys of work performed.~~ ~~(c) completion of a physical proportion of the service transaction or contract work.~~ ~~Progress payments and advances received from customers often do not reflect the work performed.~~ ~~23.23 An entity shall recognise costs that relate to future activity on the transaction or contract, such as for materials or~~				

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~~prepayments, as an asset if it is probable that the costs will be recovered.~~ ~~23.24 An entity shall recognise as an expense immediately any costs whose recovery is not probable.~~ ~~23.25 When the outcome of a contract cannot be estimated reliably:~~ ~~(a) an entity shall recognise revenue only to the extent of contract costs incurred that it is probable will be recoverable; and~~ ~~(b) the entity shall recognise contract costs as an expense in the period in which they are incurred.~~ ~~23.26 When it is probable that total contract costs will exceed total contract revenue on a contract, the expected loss shall be recognised as an expense immediately, with a corresponding provision for an onerous contract (see Section 21).~~ ~~23.27 If the collectability of an amount already recognised as contract revenue is no longer probable, the entity shall recognise the uncollectable amount as an expense instead of as an adjustment of the amount of contract revenue.~~ ~~**Interest, royalties and dividends**~~ ~~23.28 An entity shall recognise revenue arising from the use by others of entity assets yielding interest, royalties and dividends on the bases set out in paragraph 23.29 when:~~ ~~(a) it is probable that the economic benefits associated with the transaction will flow to the entity; and~~ ~~(b) the amount of the revenue can be measured reliably.~~ ~~23.29 An entity shall recognise revenue on the following bases:~~ ~~(a) interest shall be recognised using the effective interest method as described in paragraphs 11.15–11.20;~~ ~~(b) royalties shall be recognised on an accrual basis in accordance with the substance of the relevant agreement; and~~ ~~(c) dividends shall be recognised when the shareholder's right to receive payment is established.~~ **Disclosures** **General disclosures about revenue**				

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23.30 An entity shall disclose: (a) the accounting policies adopted for the recognition of revenue, including the methods adopted to determine the stage of completion of transactions involving the rendering of services; and (b) the amount of each category of revenue recognised during the period, showing separately, at a minimum, revenue arising from: (i) the sale of goods; (ii) the rendering of services; (iii) interest; (iv) royalties; (v) dividends; (vi) commissions; (vii) government grants; and (viii) any other significant types of revenue. **Disclosures relating to revenue from construction contracts** 23.31 An entity shall disclose the following: (a) the amount of contract revenue recognised as revenue in the period; (b) the methods used to determine the contract revenue recognised in the period; and (c) the methods used to determine the stage of completion of contracts in progress. 23.32 An entity shall present: (a) the gross amount due from customers for contract work, as an asset; and (b) the gross amount due to customers for contract work, as a liability.				
Section 24 **Government Grants** **~~Scope of this section~~**	IAS 20 *Accounting for Government Grants and*	**Significant Difference** Recognition and Measurement is significantly different in IFRS for	**Add/Remove** Remove para 24.7 as it is not a	

IFRS for SMEs	Equivalent IFRS standard	Assessment of R&M differences	Recommendation (Retain/Add/ Remove)	Final proposed text on disclosure requirements[1] *(Full text from IFRS for SMEs subject to adjusting for added/removed items and adapting language as necessary eg replacing references to IFRS for SMEs)*
~~24.1 This section specifies the accounting for all **government grants**. A government grant is assistance by government in the form of a transfer of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity.~~ ~~24.2 Government grants exclude those forms of government assistance that cannot reasonably have a value placed upon them and transactions with government that cannot be distinguished from the normal trading transactions of the entity.~~ ~~24.3 This section does not cover government assistance that is provided for an entity in the form of benefits that are available in determining **taxable profit** or tax loss, or are determined or limited on the basis of **income tax** liability. Examples of such benefits are income tax holidays, investment tax credits, accelerated **depreciation** allowances and reduced income tax rates. Section 29 *Income Tax* covers accounting for taxes based on **income**.~~ ~~***Recognition and measurement***~~ ~~24.4 An entity shall recognise government grants as follows:~~ ~~(a) a grant that does not impose specified future performance conditions on the recipient is recognised in income when the grant proceeds are receivable;~~ ~~(b) a grant that imposes specified future performance conditions on the recipient is~~	*Disclosure of Government Assistance*	SMEs (as per FRS for SMEs module published by the IASB): -The IFRS for SMEs Standard is drafted in simple language with less application guidance than is provided in full IFRS Standards. - In the IFRS for SMEs Standard, Section 24 applies to all government grants. In full IFRS Standards, IAS 41 specifies requirements for government grants that are related to a biological asset measured at fair value less costs to sell; IAS 20 applies to all other government grants. For a government grant that is related to a biological asset measured at fair value less costs to sell, the requirements under the IFRS for SMEs Standard are consistent with the requirements of IAS 41. - For other government grants (those within the scope of IAS 20), **recognition and measurement principles** in full IFRS Standards differ from those in the IFRS for SMEs Standard as follows: -IAS 20 contains numerous options (paras 20, 24 of IAS 20) for accounting for government grants. The IFRS for SMEs Standard contains only one option for accounting for all government Grants (para 24.4) .	disclosure requirement Remove para 24.6(b) The R&M differences identified on the left are the result of additional options available under full IFRS. The IFRS for SMEs disclosures can therefore be retained. However, a requirement to disclose the accounting policy and methods of presentation adopted for government grants should be added.	

IFRS for SMEs	Equivalent IFRS standard	Assessment of R&M differences	Recommendation (Retain/Add/ Remove)	Final proposed text on disclosure requirements[1] *(Full text from IFRS for SMEs subject to adjusting for added/removed items and adapting language as necessary eg replacing references to IFRS for SMEs)*
~~recognised in income only when the performance conditions are met; and~~ ~~(c) grants received before the **revenue recognition** criteria are satisfied are recognised as a **liability**.~~ ~~24.5 An entity shall measure grants at the **fair value** of the **asset** received or receivable.~~ ***Disclosures*** 24.6 An entity shall disclose the following: **(a)** the nature and amounts of government grants recognised in the financial statements**;** (b) unfulfilled conditions and other contingencies attaching to government grants that have not been recognised in income; and (c) an indication of other forms of government assistance from which the entity has directly benefited. ~~24.7 For the purpose of the disclosure required by paragraph 24.6(c), government assistance is action by government designed to provide an economic benefit specific to an entity or range of entities qualifying under specified criteria. Examples include free technical or marketing advice, the provision of guarantees and loans at nil or low interest rates.~~		- IAS 20 requires that government grants should not be recognised until there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received. Under Section 24, a government grant is not recognised until the conditions are actually satisfied. -IAS 20 requires government grants to be recognised as income on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Section 24 requires government grants to be recognised as income when specified future performance conditions are met independent of the entity's recognition of the related costs for which the grants are intended to compensate.		

IFRS for SMEs	Equivalent IFRS standard	Assessment of R&M differences	Recommendation (Retain/Add/ Remove)	Final proposed text on disclosure requirements[1] *(Full text from IFRS for SMEs subject to adjusting for added/removed items and adapting language as necessary eg replacing references to IFRS for SMEs)*
Section 25 **Borrowing Costs** ~~**Scope of this section**~~ ~~25.1 This section specifies the accounting for **borrowing costs**. Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs include:~~ ~~(a) interest **expense** calculated using the **effective interest method** as described in Section 11 *Basic Financial Instruments*;~~ ~~(b) finance charges in respect of **finance leases** recognised in accordance with Section 20 *Leases*; and~~ ~~(c) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.~~ ~~***Recognition***~~ ~~25.2 An entity shall recognise all borrowing costs as an expense in **profit or loss** in the period in which they are incurred.~~ ***Disclosures*** 25.3 Paragraph 5.5(b) requires disclosure of finance costs. Paragraph 11.48(b) requires disclosure of total interest expense (using the effective interest method) for **financial liabilities** that are not at **fair value** through profit or loss. This section does not require any additional disclosure.	IAS 23 *Borrowing Costs*	**Significant Difference** -Full IFRS Standards require borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset to be capitalised as part of the cost of the asset. For cost-benefit reasons, the IFRS for SMEs Standard requires such costs to be charged as expenses. - The composition of borrowing costs in full IFRS Standards (see paragraph 6 of IAS 23) and the IFRS for SMEs Standard (see paragraph 25.1) are similar. However, differences between borrowing costs as defined in IAS 23 and Section 25 may arise because the requirements for accounting for the underlying liability may be different. For example, interest expense calculated in accordance with Section 11 Basic Financial Instruments of the IFRS for SMEs Standard might differ from 'interest' calculated on the same instrument in accordance with full IFRS Standards (IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement).	**Add** Section 25 does not require any additional disclosures. Add a disclosures on the amount of borrowing costs capitalised during the period.	
Section 26 Share-based Payment	IFRS 2 *Share Based Payments*	**Simplified**	**Remove** The R&M differences noted in	

~~Scope of this section~~ ~~26.1 This section specifies the accounting for all share-based payment transactions including those that are equity- or cash-settled or those in which the terms of the arrangement provide a choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments.~~ ~~26.1 A A share-based payment transaction may be settled by another group entity (or a shareholder of any group entity) on behalf of the entity receiving the goods or services. This section also applies to an entity that:~~ ~~(a) receives goods or services when another entity in the same group (or a shareholder of any group entity) has the obligation to settle the share-based payment transaction; or~~ ~~(b) has an obligation to settle a share-based payment transaction when another entity in the same group receives the goods or services~~ ~~unless the transaction is clearly for a purpose other than the payment for goods or services supplied to the entity receiving them.~~ ~~26.1 B In the absence of specifically identifiable goods or services, other circumstances may indicate that goods or services have been (or will be) received, in which case this section applies (see paragraph 26.17).~~ ~~26.2 Cash-settled share-based payment transactions include share appreciation rights. For example, an entity might grant share appreciation rights to employees as part of their remuneration package, whereby the employees will become entitled to a future cash payment (instead of an equity instrument), based on the increase in the entity's share price from a specified level over a specified period of time. Or an entity might grant to its employees a right to receive a future cash payment by granting to them a right to shares (including shares to be issued upon the exercise of share options) that are redeemable, either mandatorily (for example, upon cessation of employment) or at the employee's option.~~		The following differences were noted (as per FRS for SMEs module published by the IASB): - There is less guidance on how to account for cancellations and settlements in Section 26 of the IFRS for SMEs Standard than there is in IFRS 2. - IFRS 2 requires that in the rare cases that the fair value of equity instruments granted cannot be estimated reliably, an entity measures the instruments at their intrinsic value (paragraph 24 of IFRS 2). Section 26 of the IFRS for SMEs Standard does not have a similar requirement and so entities are required to use a valuation method to determine the fair value of the equity instruments. - the IFRS for SMEs Standard contains a simplification from IFRS 2 with regards to share-based payment transactions with cash alternatives. (Para 26.15). IFRS 2 requires separate recognition of both, an amount in equity and a liability, under certain circumstances (para 34 -43 of IFRS 2). - The IFRS for SMEs Standard provides a simplification for group entities: when a parent grants an award to employees of its subsidiary and the parent presents consolidated financial statements using either the IFRS for SMEs Standard or full IFRS Standards, the subsidiary is permitted to measure the expense and related capital contribution on a reasonable allocation of the group expense. IFRS 2 does not include a similar simplification and instead provides	left hand side do not affect the basic principles of accounting for SBP. Thus the disclosures can largely be retained. However, remove para 26.22 as this relates to an option that is not available under full IFRS.	

~~Recognition~~ ~~26.3 An entity shall recognise the goods or services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received. The entity shall recognise a corresponding increase in equity if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.~~ ~~26.4 When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, the entity shall recognise them as expenses.~~ ~~Recognition when there are vesting conditions~~ ~~26.5 If the share-based payments granted to employees vest immediately, the employee is not required to complete a specified period of service before becoming unconditionally entitled to those share-based payments. In the absence of evidence to the contrary, the entity shall presume that services rendered by the employee as consideration for the share-based payments have been received. In this case, on the grant date the entity shall recognise the services received in full, with a corresponding increase in equity or liabilities.~~ ~~26.6 If the share-based payments do not vest until the employee completes a specified period of service, the entity shall presume that the services to be rendered by the counterparty as consideration for those share-based payments will be received in the future, during the vesting period. The entity shall account for those services as they are rendered by the employee during the vesting period, with a corresponding increase in equity or liabilities.~~ ~~Measurement of equity-settled share-based payment transactions~~ ~~Measurement principle~~ ~~26.7 For equity-settled share-based payment transactions, an entity shall measure the goods or services received, and the corresponding increase in equity, at the fair value of the goods~~		detailed requirements for accounting for share-based payments among group entities. - IFRS 2 further includes specific requirements in the following areas that are not covered in the IFRS for SMEs Standard. These requirements would not necessarily lead to differences in accounting, for example if the SME considered the IFRS 2 requirements in the absence of requirements in the IFRS for SMEs Standard: • IFRS 2 specifies some additional requirements for measuring the fair value of equity instruments, including: o the effects of expected early exercise are taken into account when measuring the fair value; and o a reload feature is not permitted to be reflected in the fair value of the options granted at measurement date but instead is accounted for as a new option if and when granted. • IFRS 2 specifies some additional requirements for cancellations and settlements, • the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments • the accounting for share-based payment transactions with a net settlement feature for withholding tax obligations • a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.		

~~or services received, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value, and the corresponding increase in equity, by reference to the fair value of the equity instruments granted. To apply this requirement to transactions with employees and others providing similar services, the entity shall measure the fair value of the services received by reference to the fair value of the equity instruments granted, because typically it is not possible to estimate reliably the fair value of the services received.~~ ~~26.8 For transactions with employees (including others providing similar services), the fair value of the equity instruments shall be measured at the grant date. For transactions with parties other than employees, the measurement date is the date when the entity obtains the goods or the counterparty renders service.~~ ~~26.9 A grant of equity instruments might be conditional on employees satisfying specified vesting conditions related to service or performance. An example of a vesting condition relating to service is when a grant of shares or share options to an employee is conditional on the employee remaining in the entity's employ for a specified period of time. Examples of vesting conditions relating to performance are when a grant of shares or share options is conditional on a specified period of service and on the entity achieving a specified growth in profit (a non-market vesting condition) or a specified increase in the entity's share price (a market vesting condition). Vesting conditions are accounted for as follows:~~ ~~(a) all vesting conditions related to employee service or to a non-market performance condition shall be taken into account when estimating the number of equity instruments expected to vest. Subsequently, the entity shall revise that estimate if new information indicates that the number of equity instruments expected to vest differs from previous estimates. On the vesting date, the entity shall revise the estimate to equal the number of equity instruments that ultimately vested. Vesting conditions related to employee service or to a non-market performance condition shall not be taken into account when estimating the fair value of the shares, share options or other equity instruments at the measurement date.~~				

~~(b) all market vesting conditions and non-vesting conditions shall be taken into account when estimating the fair value of the shares, share options or other equity instruments at the measurement date, with no subsequent adjustment to the estimated fair value, irrespective of the outcome of the market or non-vesting condition, provided that all other vesting conditions are satisfied.~~ ~~Shares~~ ~~26.10 An entity shall measure the fair value of shares (and the related goods or services received) using the following three-tier measurement hierarchy:~~ ~~(a) if an observable market price is available for the equity instruments granted, use that price.~~ ~~(b) if an observable market price is not available, measure the fair value of equity instruments granted using entity-specific observable market data such as:~~ ~~(i) a recent transaction in the entity's shares; or~~ ~~(ii) a recent independent fair valuation of the entity or its principal assets.~~ ~~(c) if an observable market price is not available and obtaining a reliable measurement of fair value under (b) is impracticable, indirectly measure the fair value of the shares using a valuation method that uses market data to the greatest extent practicable to estimate what the price of those equity instruments would be on the grant date in an arm's length transaction between knowledgeable, willing parties. The entity's directors should use their judgement to apply the most appropriate valuation method to determine fair value. Any valuation method used shall be consistent with generally accepted valuation methodologies for valuing equity instruments.~~ ~~Share options and equity-settled share appreciation rights~~ ~~26.11 An entity shall measure the fair value of share options and equity-settled share appreciation rights (and the related~~				

~~goods or services received) using the following three-tier measurement hierarchy:~~ ~~(a) if an observable market price is available for the equity instruments granted, use that price.~~ ~~(b) if an observable market price is not available, measure the fair value of share options and share appreciation rights granted using entity-specific observable market data such as (a) for a recent transaction in the share options.~~ ~~(c) if an observable market price is not available and obtaining a reliable measurement of fair value under (b) is impracticable, indirectly measure the fair value of share options or share appreciation rights using an option pricing model. The inputs for the model (such as the weighted average share price, exercise price, expected volatility, option life, expected dividends and the risk-free interest rate) shall use market data to the greatest extent possible. Paragraph 26.10 provides guidance on determining the fair value of the shares used in determining the weighted average share price. The entity shall derive an estimate of expected volatility consistent with the valuation methodology used to determine the fair value of the shares.~~ ~~Modifications to the terms and conditions on which equity instruments were granted~~ ~~26.12 An entity might modify the terms and conditions on which equity instruments are granted in a manner that is beneficial to the employee, for example, by reducing the exercise price of an option or reducing the vesting period or by modifying or eliminating a performance condition. Alternatively an entity might modify the terms and conditions in a manner that is not beneficial to the employee, for example, by increasing the vesting period or adding a performance condition. The entity shall take the modified vesting conditions into account in accounting for the share-based payment transaction, as follows:~~ ~~(a) if the modification increases the fair value of the equity instruments granted (or increases the number of equity instruments granted) measured immediately before and after the modification, the entity shall include the incremental fair value granted in the measurement of the amount recognised for services received as consideration for the equity instruments~~				

~~granted. The incremental fair value granted is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period.~~ ~~(b) if the modification reduces the total fair value of the share-based payment arrangement, or apparently is not otherwise beneficial to the employee, the entity shall nevertheless continue to account for the~~ ~~services received as consideration for the equity instruments granted as if that modification had not occurred.~~ ~~The requirements in this paragraph are expressed in the context of share-based payment transactions with employees. The requirements also apply to share-based payment transactions with parties other than employees if these transactions are measured by reference to the fair value of the equity instruments granted, but reference to the grant date refers to the date that the entity obtains the goods or the counterparty renders service.~~ ~~Cancellations and settlements~~ ~~26.13 An entity shall account for a cancellation or settlement of an equity-settled share-based payment award as an acceleration of vesting, and therefore shall recognise immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.~~ ~~Cash-settled share-based payment transactions~~ ~~26.14 For cash-settled share-based payment transactions, an entity shall measure the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the entity shall remeasure the fair value of the liability at~~				

~~each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.~~ ~~Share-based payment transactions with cash alternatives~~ ~~26.15 Some share-based payment transactions give either the entity or the counterparty a choice of settling the transaction in cash (or other assets) or by transfer of equity instruments. In such a case, the entity shall account for the transaction as a cash-settled share-based payment transaction unless either:~~ ~~(a) the entity has a past practice of settling by issuing equity instruments; or~~ ~~(b) the option has no commercial substance because the cash settlement amount bears no relationship to, and is likely to be lower in value than, the fair value of the equity instrument.~~ ~~In circumstances (a) and (b), the entity shall account for the transaction as an equity-settled share-based payment transaction in accordance with paragraphs 26.7–26.13.~~ ~~Group plans~~ ~~26.16 If a share-based payment award is granted by an entity to the employees of one or more group entities, and the group presents consolidated financial statements using either the IFRS for SMEs or full IFRS, the group entities are permitted, as an alternative to the treatment set out in paragraphs 26.3–26.15, to measure the share-based payment expense on the basis of a reasonable allocation of the expense for the group.~~ ~~Unidentifiable goods or services~~ ~~26.17 If the identifiable consideration received appears to be less than the fair value of the equity instruments granted or the liability incurred, this situation typically indicates that other consideration (ie unidentifiable goods or services) has been (or will be) received. For example, some jurisdictions have programmes by which owners (such as employees) are able to acquire equity without providing goods or services that can be specifically identified (or by providing goods or services that are clearly less than the fair value of the equity instruments granted).~~				

~~This indicates that other consideration has been or will be received (such as past or future employee services). The entity shall measure the unidentifiable goods or services received (or to be received) as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received (or to be received) measured at the grant date. For cash-settled transactions, the liability shall be remeasured at the end of each reporting period until it is settled in accordance with paragraph 26.14.~~ Disclosures 26.18 An entity shall disclose the following information about the nature and extent of share-based payment arrangements that existed during the period: (a) a description of each type of share-based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement, such as vesting requirements, the maximum term of options granted, and the method of settlement (for example, whether in cash or equity). An entity with substantially similar types of share-based payment arrangements may aggregate this information. (b) the number and weighted average exercise prices of share options for each of the following groups of options: (i) outstanding at the beginning of the period; (ii) granted during the period; (iii) forfeited during the period; (iv) exercised during the period; (v) expired during the period; (vi) outstanding at the end of the period; and (vii) exercisable at the end of the period. 26.19 For equity-settled share-based payment arrangements, an entity shall disclose information about how it measured the				

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fair value of goods or services received or the value of the equity instruments granted. If a valuation methodology was used, the entity shall disclose the method and its reason for choosing it. 26.20 For cash-settled share-based payment arrangements, an entity shall disclose information about how the liability was measured. 26.21 For share-based payment arrangements that were modified during the period, an entity shall disclose an explanation of those modifications. 26.22 If the entity is part of a group share-based payment plan, and it measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the group, it shall disclose that fact and the basis for the allocation (see paragraph 26.16). 26.23 An entity shall disclose the following information about the effect of share-based payment transactions on the entity's profit or loss for the period and on its financial position: (a) the total expense recognised in profit or loss for the period; and (b) the total carrying amount at the end of the period for liabilities arising from share-based payment transactions.				
Section 27 **Impairment of Assets** ~~**Objective and scope**~~ ~~27.1 An impairment loss occurs when the carrying amount of an asset exceeds its recoverable amount. This section shall be~~	IAS 2 *Inventories*, IAS 16 *Property, Plant, and Equipment*, IAS 36 *Impairment*	**Modified** Impairment rules in in IFRS for SMEs are somewhat similar to IAS 36, however, drafted in simpler language and with significantly less guidance. IFRS for SMEs includes impairment of Inventory in Section 27.	**Retain** While some R&M differences are noted on the left the basic principles of identifying and measuring	**Disclosures** 27.32 An entity shall disclose the following for each class of assets indicated in paragraph 27.33: (a) the amount of impairment losses recognised in profit or loss during the period

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~~applied in accounting for the impairment of all assets other than the following, for which other sections of this Standard establish impairment requirements:~~ ~~(a) deferred tax assets (see Section 29 Income Tax);~~ ~~(b) assets arising from employee benefits (see Section 28 Employee Benefits);~~ ~~(c) financial assets within the scope of Section 11 Basic Financial Instruments~~ ~~or Section 12 Other Financial Instrument Issues;~~ ~~(d) investment property measured at fair value (see Section 16 Investment Property);~~ ~~(e) biological assets related to agricultural activity measured at fair value less estimated costs to sell (see Section 34 Specialised Activities); and~~ ~~(f) assets arising from construction contracts (see Section 23 Revenue).~~ ~~**Impairment of inventories**~~ ~~Selling price less costs to complete and sell~~ ~~27.2 An entity shall assess at each reporting date whether any inventories are impaired. The entity shall make the assessment by comparing the carrying amount of each item of inventory (or group of similar items—see paragraph 27.3) with its selling price less costs to complete and sell. If an item of inventory (or group of similar items) is impaired, the entity shall reduce the carrying amount of the inventory (or the group) to its selling price less costs to complete and sell. That reduction is an impairment loss and it is recognised immediately in profit or loss.~~ ~~27.3 If it is impracticable to determine the selling price less costs to complete and sell for inventories item by item, the entity may group items of inventory relating to the same product line that have similar purposes or end uses and are produced and~~	*of Assets*, and IAS 38 *Intangible Assets*	The detailed differences are as follows (as per FRS for SMEs module published by the IASB): Applying IAS 2, inventories are measured at the lower of cost and net realisable value. In Section 27, impairment is assessed by comparing the carrying amount of each item of inventory with its selling price less costs to complete and sell. The IFRS for SMEs Standard does not use the term net realisable value but the definition of net realisable value in IAS 2 is consistent with 'selling price less costs to complete and sell'. Applying full IFRS Standards, indefinite life intangible assets and goodwill are assessed for impairment at least an annually . The IFRS for SMEs Standard requires an entity to calculate the recoverable amount of goodwill and other intangible assets (both with finite and indefinite life) only if impairment is indicated. Section 27 includes a list of indicators of impairment, based on both internal and external sources of information, as guidance for SMEs. Other simplifications relate to the allocation of goodwill to individual cash-generating units	impairment are the same. Hence the differences should not lead to any disclosure differences.	and the line item(s) in the statement of comprehensive income (and in the income statement, if presented) in which those impairment losses are included; and (b) the amount of reversals of impairment losses recognised in profit or loss during the period and the line item(s) in the statement of comprehensive income (and in the income statement, if presented) in which those impairment losses are reversed. 27.33 An entity shall disclose the information required by paragraph 27.32 for each of the following classes of asset: (a) inventories; (b) property, plant and equipment (including investment property accounted for by the cost method); (c) goodwill; (d) intangible assets other than goodwill; (e) investments in associates; and (f) investments in joint ventures.

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~~marketed in the same geographical area for the purpose of assessing impairment.~~ ~~**Reversal of impairment**~~ ~~27.4 An entity shall make a new assessment of selling price less costs to complete and sell at each subsequent reporting date. When the circumstances that previously caused inventories to be impaired no longer exist or when there is clear evidence of an increase in selling price less costs to complete and sell because of changed economic circumstances, the entity shall reverse the amount of the impairment (ie the reversal is limited to the amount of the original impairment loss) so that the new carrying amount is the lower of the cost and the revised selling price less costs to complete and sell.~~ ~~**Impairment of assets other than inventories**~~ ~~**General principles**~~ ~~27.5 If, and only if, the recoverable amount of an asset is less than its carrying amount, the entity shall reduce the carrying amount of the asset to its recoverable amount. That reduction is an impairment loss. Paragraphs 27.11–27.20 provide guidance on measuring recoverable amount.~~ ~~27.6 An entity shall recognise an impairment loss immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with the revaluation model in Section 17 Property, Plant and Equipment. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with paragraph 17.15D.~~ ~~**Indicators of impairment**~~ ~~27.7 An entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. If there is no indication of impairment, it is not necessary to estimate the recoverable amount.~~		(or groups of cash-generating units). If goodwill cannot be allocated to individual cash-generating units (or groups of cash-generating units) on a non-arbitrary basis, the IFRS for SMEs Standard allows entities to test goodwill for impairment by determining the recoverable amount of: • the acquired entity in its entirety, if the goodwill relates to an acquired entity that has not been integrated; or • the entire group of entities, excluding any entities not integrated, if the goodwill relates to an entity that has been integrated. Unlike full IFRS Standards, the IFRS for SMEs Standard requires amortisation of goodwill and all intangible assets. When goodwill is fully amortised (its carrying amount is nil) it cannot be further impaired (and reversal of a prior period impairment of goodwill is prohibited). Consequently, applying the IFRS for SMEs Standard, it would no longer be tested for impairment. When estimating value in use, IAS 36 Impairment of Assets provides more extensive guidance on estimating future cash flows than does the IFRS for SMEs Standard. Appendix A of IAS 36		

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~~27.8 If it is not possible to estimate the recoverable amount of the individual asset, an entity shall estimate the recoverable amount of the cash-generating unit to which the asset belongs. This may be the case because measuring recoverable amount requires forecasting cash flows and sometimes individual assets do not generate cash flows by themselves. An asset's cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.~~ ~~27.9 In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:~~ ~~*External sources of information*~~ ~~(a) during the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.~~ ~~(b) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.~~ ~~(c) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect materially the discount rate used in calculating an asset's value in use and decrease the asset's fair value less costs to sell.~~ ~~(d) the carrying amount of the net assets of the entity is more than the estimated fair value of the entity as a whole (such an estimate may have been made, for example, in relation to the potential sale of part or all of the entity).~~ ~~*Internal sources of information*~~		describes the use of present value techniques to measure value in use. IAS 36 also provides more extensive guidance on identifying and allocating (if applicable) corporate assets that relate to a cash-generating unit under impairment review.		

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~~(e) evidence is available of obsolescence or physical damage of an asset.~~ ~~(f) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs and plans to dispose of an asset before the previously expected date.~~ ~~(g) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected. In this context economic performance includes operating results and cash flows.~~ ~~27.10 If there is an indication that an asset may be impaired, this may indicate that the entity should review the remaining useful life, the depreciation (amortisation) method or the residual value for the asset and adjust it in accordance with the section of this Standard applicable to the asset (for example, Section 17 and Section 18 Intangible Assets other than Goodwill), even if no impairment loss is recognised for the asset.~~ ~~**Measuring recoverable amount**~~ ~~27.11 The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If it is not possible to estimate the recoverable amount of an individual asset, references in paragraphs 27.12–27.20 to an asset should be read as references also to an asset's cash-generating unit.~~ ~~27.12 It is not always necessary to determine both an asset's fair value less costs to sell and its value in use. If either of these amounts exceeds the asset's carrying amount, the asset is not impaired and it is not necessary to estimate the other amount.~~ ~~27.13 If there is no reason to believe that an asset's value in use materially exceeds its fair value less costs to sell, the asset's~~				

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~~fair value less costs to sell may be used as its recoverable amount. This will often be the case for an asset that is held for disposal.~~ ~~**Fair value less costs to sell**~~ ~~27.14 Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal (paragraphs 11.27–11.32 provide guidance on fair value measurement).~~ ~~**Value in use**~~ ~~27.15 Value in use is the present value of the future cash flows expected to be derived from an asset. This present value calculation involves the following steps:~~ ~~(a) estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal; and~~ ~~(b) applying the appropriate discount rate to those future cash flows.~~ ~~27.16 The following elements shall be reflected in the calculation of an asset's value in use:~~ ~~(a) an estimate of the future cash flows the entity expects to derive from the asset;~~ ~~(b) expectations about possible variations in the amount or timing of those future cash flows;~~ ~~(c) the time value of money, represented by the current market risk-free rate of interest;~~ ~~(d) the price for bearing the uncertainty inherent in the asset; and~~ ~~(e) other factors, such as illiquidity, that market participants would reflect in pricing the future cash flows the entity expects to~~				

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~~derive from the asset.~~ ~~27.17 In measuring value in use, estimates of future cash flows shall include:~~ ~~(a) projections of cash inflows from the continuing use of the asset;~~ ~~(b) projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and~~ ~~(c) net cash flows, if any, expected to be received (or paid) for the disposal of the asset at the end of its useful life in an arm's length transaction between knowledgeable, willing parties.~~ ~~The entity may wish to use any recent financial budgets or forecasts to estimate the cash flows, if available. To estimate cash flow projections beyond the period covered by the most recent budgets or forecasts an entity may wish to extrapolate the projections based on the budgets or forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified.~~ ~~27.18 Estimates of future cash flows shall not include:~~ ~~(a) cash inflows or outflows from financing activities; or~~ ~~(b) income tax receipts or payments.~~ ~~27.19 Future cash flows shall be estimated for the asset in its current condition. Estimates of future cash flows shall not include estimated future cash inflows or outflows that are expected to arise from:~~ ~~(a) a future restructuring to which an entity is not yet committed; or~~ ~~(b) improving or enhancing the asset's performance.~~				

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~~27.20 The discount rate (rates) used in the present value calculation shall be a pre-tax rate (rates) that reflect(s) current market assessments of:~~ ~~(a) the time value of money; and~~ ~~(b) the risks specific to the asset for which the future cash flow estimates have not been adjusted.~~ ~~The discount rate (rates) used to measure an asset's value in use shall not reflect risks for which the future cash flow estimates have been adjusted, to avoid double-counting.~~ **~~Recognising and measuring an impairment loss for a cash-generating unit~~** ~~27.21 An impairment loss shall be recognised for a cash-generating unit if, and only if, the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss shall be allocated to reduce the carrying amount of the assets of the unit in the following order:~~ ~~(a) first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and~~ ~~(b) then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the cash-generating unit.~~ ~~27.22 However, an entity shall not reduce the carrying amount of any asset in the cash-generating unit below the highest of:~~ ~~(a) its fair value less costs to sell (if determinable);~~ ~~(b) its value in use (if determinable); and~~ ~~(c) zero.~~ ~~27.23 Any excess amount of the impairment loss that cannot be allocated to an asset because of the restriction in paragraph 27.22 shall be allocated to the other assets of the unit pro rata~~				

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~~on the basis of the carrying amount of those other assets.~~ ~~**Additional requirements for impairment of goodwill**~~ ~~27.24 Goodwill, by itself, cannot be sold. Nor does it generate cash flows to an entity that are independent of the cash flows of other assets. As a consequence, the fair value of goodwill cannot be measured directly. Consequently, the fair value of goodwill must be derived from measurement of the fair value of the cash-generating unit(s) of which the goodwill is a part.~~ ~~27.25 For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.~~ ~~27.26 Part of the recoverable amount of a cash-generating unit is attributable to the non-controlling interest in goodwill. For the purpose of impairment testing a non-wholly-owned cash-generating unit with goodwill, the carrying amount of that unit is notionally adjusted, before being compared with its recoverable amount, by grossing up the carrying amount of goodwill allocated to the unit to include the goodwill attributable to the non-controlling interest. This notionally adjusted carrying amount is then compared with the recoverable amount of the unit to determine whether the cash-generating unit is impaired.~~ ~~27.27 If goodwill cannot be allocated to individual cash-generating units (or groups of cash-generating units) on a non-arbitrary basis, then for the purposes of testing goodwill the entity shall test the impairment of goodwill by determining the recoverable amount of either:~~ ~~(a) the acquired entity in its entirety, if the goodwill relates to an acquired entity that has not been integrated (integrated means the acquired business has been restructured or dissolved into the reporting entity or other subsidiaries); or~~				

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~~(b) the entire group of entities, excluding any entities that have not been integrated, if the goodwill relates to an entity that has been integrated.~~ ~~In applying this paragraph, an entity will need to separate goodwill into goodwill relating to entities that have been integrated and goodwill relating to entities that have not been integrated. Also the entity shall follow the requirements for cash-generating units in this section when calculating the recoverable amount of, and allocating impairment losses and reversals to assets belonging to, the acquired entity or group of entities.~~ **~~Reversal of an impairment loss~~** ~~27.28 An impairment loss recognised for goodwill shall not be reversed in a subsequent period.~~ ~~27.29 For all assets other than goodwill, an entity shall assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. Indications that an impairment loss may have decreased or may no longer exist are generally the opposite of those set out in paragraph 27.9. If any such indication exists, the entity shall determine whether all or part of the prior impairment loss should be reversed. The procedure for making that determination will depend on whether the prior impairment loss on the asset was based on:~~ ~~(a) the recoverable amount of that individual asset (see paragraph 27.30); or~~ ~~(b) the recoverable amount of the cash-generating unit to which the asset belongs (see paragraph 27.31).~~ ~~Reversal where recoverable amount was estimated for an individual impaired asset~~ ~~27.30 When the prior impairment loss was based on the recoverable amount of the individual impaired asset, the following requirements apply:~~				

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~~(a) the entity shall estimate the recoverable amount of the asset at the current reporting date.~~ ~~(b) if the estimated recoverable amount of the asset exceeds its carrying amount, the entity shall increase the carrying amount to recoverable amount, subject to the limitation described in (c). That increase is a reversal of an impairment loss. The entity shall recognise the reversal immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with the revaluation model in paragraph 17.15B.~~ ~~Any reversal of an impairment loss of a revalued asset shall be treated as a revaluation increase in accordance with paragraph 17.15C.~~ ~~(c) the reversal of an impairment loss shall not increase the carrying amount of the asset above the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.~~ ~~(d) after a reversal of an impairment loss is recognised, the entity shall adjust the depreciation (amortisation) charge for the asset in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.~~ **~~Reversal when recoverable amount was estimated for a cash-generating unit~~** ~~27.31 When the original impairment loss was based on the recoverable amount of the cash-generating unit to which the asset belongs, the following requirements apply:~~ ~~(a) the entity shall estimate the recoverable amount of that cash-generating unit at the current reporting date.~~ ~~(b) if the estimated recoverable amount of the cash-generating unit exceeds its carrying amount, that excess is a reversal of an impairment loss. The entity shall allocate the~~				

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~~amount of that reversal to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets, subject to the limitation described in (c). Those increases in carrying amounts shall be treated as reversals of impairment losses for individual assets and be recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with the revaluation model in paragraph 17.15B. Any reversal of an impairment loss of a revalued asset shall be treated as a revaluation increase in accordance with paragraph 17.15C.~~ ~~(c) in allocating a reversal of an impairment loss for a cash-generating unit, the reversal shall not increase the carrying amount of any asset above the lower of:~~ ~~(i) its recoverable amount; and~~ ~~(ii) the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.~~ ~~(d) any excess amount of the reversal of the impairment loss that cannot be allocated to an asset because of the restriction in (c) shall be allocated pro rata to the other assets of the cash-generating unit, except for goodwill.~~ ~~(e) after a reversal of an impairment loss is recognised, if applicable, the entity shall adjust the depreciation (amortisation) charge for each asset in the cash-generating unit in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.~~ **Disclosures** 27.32 An entity shall disclose the following for each class of assets indicated in paragraph 27.33: (a) the amount of impairment losses recognised in profit or loss during the period and the line item(s) in the statement of comprehensive income (and in the income statement, if				

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presented) in which those impairment losses are included; and (b) the amount of reversals of impairment losses recognised in profit or loss during the period and the line item(s) in the statement of comprehensive income (and in the income statement, if presented) in which those impairment losses are reversed. 27.33 An entity shall disclose the information required by paragraph 27.32 for each of the following classes of asset: (a) inventories; (b) property, plant and equipment (including investment property accounted for by the cost method); (c) goodwill; (d) intangible assets other than goodwill; (e) investments in associates; and (f) investments in joint ventures.				
Section 28 **Employee Benefits** ~~**Scope of this section**~~ ~~28.1 Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees, including directors and management. This section applies to all employee benefits, except for share-based payment transactions, which are covered by Section 26 Share-based Payment. Employee benefits covered by this section will be one of the following four types:~~ ~~(a) short-term employee benefits, which are employee benefits (other than termination benefits) that are wholly due within twelve months after the end of the period in which the employees render the related service;~~	IAS 19 *Employee Benefits*	**Simplified** Accounting for short term employee benefit in IFRS for SMEs is consistent with full IFRS. Accounting for defined contribution plan in IFRS for SMEs is consistent with full IFRS. The following differences were noted in accounting for defined benefit plans: IAS 19 requires entities to use the projected unit credit method in valuing defined benefit obligations. IFRS for SMEs does not mandate projected unit credit method. It states if an entity is not able, without undue cost or	**Remove** Remove disclosures relating to policy choice not available under full IFRS (recognition of actuarial gains/losses in P&L). The rest should be retained.	

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~~(b) post-employment benefits, which are employee benefits (other than termination benefits) that are payable after the completion of employment;~~ ~~(c) other long-term employee benefits, which are employee benefits (other than post-employment benefits and termination benefits) that are not wholly due within twelve months after the end of the period in which the employees render the related service; and~~ ~~(d) termination benefits, which are employee benefits payable as a result of either:~~ ~~(i) an entity's decision to terminate an employee's employment before the normal retirement date; or~~ ~~(ii) an employee's decision to accept voluntary redundancy in exchange for those benefits.~~ ~~28.2 Employee benefits also include share-based payment transactions by which employees receive equity instruments (such as shares or share options) or cash or other assets of the entity in amounts that are based on the price of the entity's shares or other equity instruments of the entity. An entity shall apply Section 26 in accounting for share-based payment transactions.~~ ~~**General recognition principle for all employee benefits**~~ ~~28.3 An entity shall recognise the cost of all employee benefits to which its employees have become entitled as a result of service rendered to the entity during the reporting period:~~ ~~(a) as a liability, after deducting amounts that have been paid either directly to the employees or as a contribution to an employee benefit fund. If the amount paid exceeds the obligation~~		effort, to use the projected unit credit method to measure its obligation and cost under defined benefit plans, the entity is permitted to make the certain simplifications as per section 28.19. Annual comprehensive valuations are also not necessary. Full IFRS has detailed guidance on actuarial valuation method, attributing benefits to periods of service and actuarial assumptions. IFRS for SMEs standard is silent on this. However, principles on discount rates is similar in both IFRS for SMEs and IAS 19. IAS 19 has detailed guidance on past service cost and gains and losses on settlement. IAS 19 requires entities to recognise Remeasurements of the net defined benefit liability including actuarial gains/loss in OCI where as IFRS for SMEs has an accounting option to either recognise in profit or loss or OCI (para 28.24).		

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~~arising from service before the reporting date, an entity shall recognise that excess as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.~~ ~~(b) as an expense, unless another section of this Standard requires the cost to be recognised as part of the cost of an asset such as inventories or property, plant and equipment.~~ ~~**Short-term employee benefits**~~ ~~Examples~~ ~~28.4 Short-term employee benefits generally include items such as:~~ ~~(a) wages, salaries and social security contributions;~~ ~~(b) short-term compensated absences (such as paid annual leave and paid sick leave) when the absences are expected to occur within twelve months after the end of the period in which the employees render the related employee service;~~ ~~(c) profit-sharing and bonuses payable within twelve months after the end of the period in which the employees render the related service; and~~ ~~(d) non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees.~~ ~~**Measurement of short-term benefits generally**~~ ~~28.5 When an employee has rendered service to an entity during the reporting period, the entity shall measure the amounts~~				

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~~recognised in accordance with paragraph 28.3 at the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.~~ ~~**Recognition and measurement—short-term compensated absences**~~ ~~28.6 An entity may compensate employees for absence for various reasons including annual vacation leave and sick leave. Some short-term compensated absences accumulate—they can be carried forward and used in future periods if the employee does not use the current period's entitlement in full. Examples include annual vacation leave and sick leave. An entity shall recognise the expected cost of accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. The entity shall measure the expected cost of accumulating compensated absences at the undiscounted additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. The entity shall present this amount as a current liability at the reporting date.~~ ~~28.7 An entity shall recognise the cost of other (non-accumulating) compensated absences when the absences occur. The entity shall measure the cost of non-accumulating compensated absences at the undiscounted amount of salaries and wages paid or payable for the period of absence.~~ ~~**Recognition—profit-sharing and bonus plans**~~ ~~28.8 An entity shall recognise the expected cost of profit-sharing and bonus payments only when:~~ ~~(a) the entity has a present legal or constructive obligation to make such payments as a result of past events (this means~~				

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~~that the entity has no realistic alternative but to make the payments); and~~ ~~(b) a reliable estimate of the obligation can be made.~~ ~~**Post-employment benefits: distinction between defined contribution plans and defined benefit plans**~~ ~~28.9 Post-employment benefits include, for example:~~ ~~(a) retirement benefits, such as pensions; and~~ ~~(b) other post-employment benefits, such as post-employment life insurance and post-employment medical care.~~ ~~Arrangements whereby an entity provides post-employment benefits are post-employment benefit plans. An entity shall apply this section to all such arrangements whether or not they involve the establishment of a separate entity to receive contributions and to pay benefits. In some cases, these arrangements are imposed by law instead of by action of the entity. In some cases, these arrangements arise from actions of the entity even in the absence of a formal, documented plan.~~ ~~28.10 Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on their principal terms and conditions:~~ ~~(a) defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and has no legal or constructive obligation to pay further contributions or to make direct benefit payments to employees if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Thus, the amount of the post-employment benefits received by the employee is determined by~~				

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~~the amount of contributions paid by an entity (and perhaps also the employee) to a post-employment benefit plan or to an insurer, together with investment returns arising from the contributions.~~ ~~(b) defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the entity's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the entity. If actuarial or investment experience is worse than expected, the entity's obligation may be increased, and vice versa if actuarial or investment experience is better than expected.~~ ~~**Multi-employer plans and state plans**~~ ~~28.11 Multi-employer plans and state plans are classified as defined contribution plans or defined benefit plans on the basis of the terms of the plan, including any constructive obligation that goes beyond the formal terms. However, if sufficient information is not available to use defined benefit accounting for a multi-employer plan that is a defined benefit plan, an entity shall account for the plan in accordance with paragraph 28.13 as if it was a defined contribution plan and make the disclosures required by paragraph 28.40.~~ ~~**Insured benefits**~~ ~~28.12 An entity may pay insurance premiums to fund a post-employment benefit plan. The entity shall treat such a plan as a defined contribution plan unless the entity has a legal or constructive obligation either:~~				

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~~(a) to pay the employee benefits directly when they become due; or~~ ~~(b) to pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior periods.~~ ~~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. If the entity retains such a legal or constructive obligation, the entity shall treat the plan as a defined benefit plan.~~ ~~**Post-employment benefits: defined contribution plans**~~ ~~**Recognition and measurement**~~ ~~28.13 An entity shall recognise the contribution payable for a period:~~ ~~(a) as a liability, after deducting any amount already paid. If contribution payments exceed the contribution due for service before the reporting date, an entity shall recognise that excess as an asset.~~ ~~(b) as an expense, unless another section of this Standard requires the cost to be recognised as part of the cost of an asset such as inventories or property, plant and equipment.~~ ~~**Post-employment benefits: defined benefit plans**~~ ~~**Recognition**~~				

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~~28.14 In applying the general recognition principle in paragraph 28.3 to defined benefit plans, an entity shall recognise:~~ ~~(a) a liability for its obligations under defined benefit plans net of plan assets—its 'defined benefit liability' (see paragraphs 28.15–28.23); and~~ ~~(b) recognises the net change in that liability during the period as the cost of its defined benefit plans during the period (see paragraphs 28.24–28.27).~~ ~~**Measurement of the defined benefit liability**~~ ~~28.15 An entity shall measure a defined benefit liability for its obligations under defined benefit plans at the net total of the following amounts:~~ ~~(a) the present value of its obligations under defined benefit plans (its defined benefit obligation) at the reporting date (paragraphs 28.16–28.22 provide guidance for measuring this obligation).~~ ~~(b) minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly. Paragraphs 11.27–11.32 provide guidance for determining the fair values of those plan assets.~~ ~~**Inclusion of both vested and unvested benefits**~~ ~~28.16 The present value of an entity's obligations under defined benefit plans at the reporting date shall reflect the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, including~~				

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~~benefits that are not yet vested (see paragraph 28.26) and including the effects of benefit formulas that give employees greater benefits for later years of service. This requires the entity to determine how much benefit is attributable to the current and prior periods on the basis of the plan's benefit formula and to make estimates (actuarial assumptions) about demographic variables (such as employee turnover and mortality) and financial variables (such as future increases in salaries and medical costs) that influence the cost of the benefit. The actuarial assumptions shall be unbiased (neither imprudent nor excessively conservative), mutually compatible and selected to lead to the best estimate of the future cash flows that will arise under the plan.~~ ~~**Discounting**~~ ~~28.17 An entity shall measure its defined benefit obligation on a discounted present value basis. The entity shall determine the rate used to discount the future payments by reference to market yields at the reporting date on high quality corporate bonds. In countries with no deep market in such bonds, the entity shall use the market yields (at the reporting date) on government bonds. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated period of the future payments.~~ ~~**Actuarial valuation method**~~ ~~28.18 If an entity is able, without undue cost or effort, to use the projected unit credit method to measure its defined benefit obligation and the related expense, it shall do so. If defined benefits are based on future salaries, the projected unit credit method requires an entity to measure its defined benefit obligations on a basis that reflects estimated future salary increases. Additionally, the projected unit credit method requires an entity to make various actuarial assumptions in measuring the defined benefit obligation, including discount rates, the~~				

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~~expected rates of return on plan assets, expected rates of salary increases, employee turnover, mortality, and (for defined benefit medical plans) medical cost trend rates.~~ ~~28.19 If an entity is not able, without undue cost or effort, to use the projected unit credit method to measure its obligation and cost under defined benefit plans, the entity is permitted to make the following simplifications in measuring its defined benefit obligation with respect to current employees:~~ ~~(a) ignore estimated future salary increases (ie assume current salaries continue until current employees are expected to begin receiving post-employment benefits).~~ ~~(b) ignore future service of current employees (ie assume closure of the plan for existing as well as any new employees).~~ ~~(c) ignore possible in-service mortality of current employees between the reporting date and the date employees are expected to begin receiving post-employment benefits (ie assume all current employees will receive the post-employment benefits). However, mortality after service (ie life expectancy) will still need to be considered.~~ ~~An entity that takes advantage of the foregoing measurement simplifications must nonetheless include both vested benefits and unvested benefits in measuring its defined benefit obligation.~~ ~~28.20 This Standard does not require an entity to engage an independent actuary to perform the comprehensive actuarial valuation needed to calculate its defined benefit obligation. Nor does it require that a comprehensive actuarial valuation must be done annually. In the periods between comprehensive actuarial valuations, if the principal actuarial assumptions have not changed significantly the defined benefit obligation can be~~				

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~~measured by adjusting the prior period measurement for changes in employee demographics such as number of employees and salary levels.~~ ~~**Plan introductions, changes, curtailments and settlements**~~ ~~28.21 If a defined benefit plan has been introduced or changed in the current period, the entity shall increase or decrease its defined benefit liability to reflect the change, and shall recognise the increase (decrease) as an expense (income) in measuring profit or loss in the current period. Conversely, if a plan has been curtailed (ie benefits or group of covered employees are reduced) or settled (the employer's obligation is completely discharged) in the current period, the defined benefit obligation shall be decreased or eliminated and the entity shall recognise the resulting gain or loss in profit or loss in the current period.~~ ~~**Defined benefit plan asset**~~ ~~28.22 If the present value of the defined benefit obligation at the reporting date is less than the fair value of plan assets at that date, the plan has a surplus. An entity shall recognise a plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.~~ ~~**Cost of a defined benefit plan**~~ ~~28.23 An entity shall recognise the net change in its defined benefit liability during the period, other than a change attributable to benefits paid to employees during the period or to contributions from the employer, as the cost of its defined benefit plans during the period. That cost is recognised either entirely in profit or loss as an expense or partly in profit or loss and partly as an item of other comprehensive income (see paragraph~~				

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~~28.24) unless another section of this Standard requires the cost to be recognised as part of the cost of an asset such as inventories or property, plant and equipment.~~ ~~**Recognition–accounting policy election**~~ ~~28.24 An entity is required to recognise all actuarial gains and losses in the period in which they occur. An entity shall:~~ ~~(a) recognise all actuarial gains and losses in profit or loss; or~~ ~~(b) recognise all actuarial gains and losses in other comprehensive income.~~ ~~as an accounting policy election. The entity shall apply its chosen accounting policy consistently to all of its defined benefit plans and all of its actuarial gains and losses. Actuarial gains and losses recognised in other comprehensive income shall be presented in the statement of comprehensive income.~~ ~~28.25 The net change in the defined benefit liability that is recognised as the cost of a defined benefit plan includes:~~ ~~(a) the change in the defined benefit liability arising from employee service rendered during the reporting period;~~ ~~(b) interest on the defined benefit obligation during the reporting period;~~ ~~(c) the returns on any plan assets and the net change in the fair value of recognised reimbursement rights (see paragraph 28.28) during the reporting period;~~				

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~~(d) actuarial gains and losses arising in the reporting period;~~ ~~(e) increases or decreases in the defined benefit liability resulting from introducing a new plan or changing an existing plan in the reporting period (see paragraph 28.21); and~~ ~~(f) decreases in the defined benefit liability resulting from curtailing or settling an existing plan in the reporting period (see paragraph 28.21).~~ ~~28.26 Employee service gives rise to an obligation under a defined benefit plan even if the benefits are conditional on future employment (in other words, they are not yet vested). Employee service before the vesting date gives rise to a constructive obligation because, at each successive reporting date, the amount of future service that an employee will have to render before becoming entitled to the benefit is reduced. In measuring its defined benefit obligation, an entity considers the probability that some employees may not satisfy vesting requirements. Similarly, although some post-employment benefits (such as post-employment medical benefits) become payable only if a specified event occurs when an employee is no longer employed (such as an illness), an obligation is created when the employee renders service that will provide entitlement to the benefit if the specified event occurs. The probability that the specified event will occur affects the measurement of the obligation, but does not determine whether the obligation exists.~~ ~~28.27 If defined benefits are reduced for amounts that will be paid to employees under government-sponsored plans, an entity shall measure its defined benefit obligations on a basis that reflects the benefits payable under the government plans, but only if:~~				

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~~(a) those plans were enacted before the reporting date; or~~ ~~(b) past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.~~ ~~**Reimbursements**~~ ~~28.28 If an entity is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the entity shall recognise its right to reimbursement as a separate asset. The entity shall measure the asset at fair value. In the statement of comprehensive income (or in the income statement, if presented), the expense relating to a defined benefit plan may be presented net of the amount recognised for a reimbursement.~~ ~~**Other long-term employee benefits**~~ ~~28.29 Other long-term employee benefits generally include, for example:~~ ~~(a) long-term compensated absences such as long-service or sabbatical leave;~~ ~~(b) long-service benefits;~~ ~~(c) long-term disability benefits;~~ ~~(d) profit-sharing and bonuses payable twelve months or more after the end of the period in which the employees render the related service; and~~				

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~~(e) deferred compensation paid twelve months or more after the end of the period in which it is earned.~~ ~~28.30 An entity shall recognise a liability for other long-term employee benefits measured at the net total of the following amounts:~~ ~~(a) the present value of the benefit obligation at the reporting date; minus~~ ~~(b) the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.~~ ~~An entity shall recognise the net change in the liability during the period, other than a change attributable to benefits paid to employees during the period or to contributions from the employer, as the cost of its other long-term employee benefits during the period. That cost is recognised entirely in profit or loss as an expense unless another section of this Standard requires it to be recognised as part of the cost of an asset, such as inventories or property, plant and equipment.~~ ~~**Termination benefits**~~ ~~28.31 An entity may be committed, by legislation, by contractual or other agreements with employees or their representatives or by a constructive obligation based on business practice, custom or a desire to act equitably, to make payments (or provide other benefits) to employees when it terminates their employment. Such payments are termination benefits.~~ ~~**Recognition**~~				

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~~28.32 Because termination benefits do not provide an entity with future economic benefits, an entity shall recognise them as an expense in profit or loss immediately.~~ ~~28.33 When an entity recognises termination benefits, the entity may also have to account for a curtailment of retirement benefits or other employee benefits.~~ ~~28.34 An entity shall recognise termination benefits as a liability and an expense only when the entity is demonstrably committed either:~~ ~~(a) to terminate the employment of an employee or group of employees before the normal retirement date; or~~ ~~(b) to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.~~ ~~28.35 An entity is demonstrably committed to a termination only when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal from the plan.~~ ~~**Measurement**~~ ~~28.36 An entity shall measure termination benefits 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 shall be based on the number of employees expected to accept the offer.~~ ~~28.37 When termination benefits are due more than twelve months after the end of the reporting period, they shall be measured at their discounted present value.~~				

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~~**Group plans**~~ ~~28.38 If a parent entity provides benefits to the employees of one or more subsidiaries in the group, and the parent presents consolidated financial statements using either the IFRS for SMEs or full IFRS, such subsidiaries are permitted to recognise and measure employee benefit expense on the basis of a reasonable allocation of the expense recognised for the group.~~ **Disclosures** **Disclosures about short-term employee benefits** 28.39 This section does not require specific disclosures about short-term employee benefits. **Disclosures about defined contribution plans** 28.40 An entity shall disclose the amount recognised in profit or loss as an expense for defined contribution plans. If an entity treats a defined benefit multi-employer plan as a defined contribution plan because sufficient information is not available to use defined benefit accounting (see paragraph 28.11) it shall disclose the fact that it is a defined benefit plan and the reason why it is being accounted for as a defined contribution plan, along with any available information about the plan's surplus or deficit and the implications, if any, for the entity. **Disclosures about defined benefit plans** 28.41 An entity shall disclose the following information about defined benefit plans (except for any defined multi-employer benefit plans that are accounted for as a defined contribution plans in accordance with paragraph 28.11, for which the disclosures in paragraph 28.40 apply instead). If an entity has more than one defined benefit plan, these disclosures may be				

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made in total, separately for each plan, or in such groupings as are considered to be the most useful: (a) a general description of the type of plan, including funding policy; (b) the entity's accounting policy for recognising actuarial gains and losses (either in profit or loss or as an item of other comprehensive income) and the amount of actuarial gains and losses recognised during the period; (c) if the entity uses any of the simplifications in paragraph 28.19 in measuring its defined benefit obligation, it shall disclose that fact and the reasons why using the projected unit credit method to measure its obligation and cost under defined benefit plans would involve undue cost or effort; (d) the date of the most recent comprehensive actuarial valuation and, if it was not as of the reporting date, a description of the adjustments that were made to measure the defined benefit obligation at the reporting date; (e) a reconciliation of opening and closing balances of the defined benefit obligation showing separately benefits paid and all other changes; (f) a reconciliation of the opening and closing balances of the fair value of plan assets and of the opening and closing balances of any reimbursement right recognised as an asset, showing separately, if applicable: (i) contributions; (ii) benefits paid; and				

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(iii) other changes in plan assets. (g) the total cost relating to defined benefit plans for the period, disclosing separately the amounts: (i) recognised in profit or loss as an expense; and (ii) included in the cost of an asset. (h) for each major class of plan assets, which shall include, but is not limited to, equity instruments, debt instruments, property, and all other assets, the percentage or amount that each major class constitutes of the fair value of the total plan assets at the reporting date; (i) the amounts included in the fair value of plan assets for: (i) each class of the entity's own financial instruments; and (ii) any property occupied by, or other assets used by, the entity. (j) the actual return on plan assets; and (k) the principal actuarial assumptions used, including, when applicable: (i) the discount rates; (ii) the expected rates of return on any plan assets for the periods presented in the financial statements; (iii) the expected rates of salary increases;				

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(iv) medical cost trend rates; and (v) any other material actuarial assumptions used. The reconciliations in (e) and (f) need not be presented for prior periods. A subsidiary that recognises and measures employee benefit expense on the basis of a reasonable allocation of the expense recognised for the group (see paragraph 28.38) shall, in its separate financial statements, describe its policy for making the allocation and shall make the disclosures in (a)–(k) for the plan as a whole. **Disclosures about other long-term benefits** 28.42 For each category of other long-term benefits that an entity provides to its employees, the entity shall disclose the nature of the benefit, the amount of its obligation and the extent of funding at the reporting date. **Disclosures about termination benefits** 28.43 For each category of termination benefits that an entity provides to its employees, the entity shall disclose the nature of the benefit, the amount of its obligation and the extent of funding at the reporting date. 28.44 When there is uncertainty about the number of employees who will accept an offer of termination benefits, a contingent liability exists. Section 21 Provisions and Contingencies requires an entity to disclose information about its contingent liabilities unless the possibility of an outflow in settlement is remote.				
Section 29	IAS 12 *Income Tax*	**Simplified**	**Remove**	

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Income Tax ~~**Scope of this section**~~ ~~29.1 For the purpose of this Standard, income tax includes all domestic and foreign taxes that are based on taxable profit. Income tax also includes taxes, such as withholding taxes, that are payable by a subsidiary, associate or joint venture on distributions to the reporting entity.~~ ~~29.2 This section covers accounting for income tax. It requires an entity to recognise the current and future tax consequences of transactions and other events that have been recognised in the financial statements. These recognised tax amounts comprise current tax and deferred tax. Current tax is income tax payable (recoverable) in respect of the taxable profit (tax loss) for the current period or past periods. Deferred tax is income tax payable or recoverable in future periods, generally as a result of the entity recovering or settling its assets and liabilities for their current carrying amount, and the tax effect of the carryforward of currently unused tax losses and tax credits.~~ ~~29.3 This section does not deal with the methods of accounting for government grants (see Section 24 Government Grants). However, this section does deal with the accounting for temporary differences that may arise from such grants.~~ ~~**Recognition and measurement of current tax**~~ ~~29.4 An entity shall recognise a current tax liability for tax payable on taxable profit for the current and past periods. If the amount paid for the current and past periods exceeds the amount payable for those periods, the entity shall recognise the excess as a current tax asset.~~ ~~29.5 An entity shall recognise a current tax asset for the benefit of a tax loss that can be carried back to recover tax paid in a previous period.~~ ~~29.6 An entity shall measure a current tax liability (asset) at the amount it expects to pay (recover) using the tax rates and laws that have been enacted or substantively enacted by the~~		The IFRS for SMEs standard and full IFRS (IAS 12) share similar principles, but IFRS for SMEs standard is drafted in simpler language and includes less guidance on how to apply the principles. The foolwing key differences are noted (as per FRS for SMEs module published by the IASB): Amendments made to IAS 12 in 2016 clarifies that when an entity assesses whether sufficient future taxable profits will be available against which it can utilise a deductible temporary difference. Section 29 is not updated for this amendement. Section 29 precludes the discounting of current and deferred tax assets and liabilities whereas IAS 12 only precludes the discounting of deferred tax assets and liabilities. Section 29 contains guidance on recognising withholding tax on dividends paid to shareholders. IAS 12 does not contain such guidance. IAS 12 has separate requirements for offsetting deferred tax assets and liabilities to avoid the need for detailed scheduling, whereas under Section 29 the requirements for offsetting deferred tax assets and	Remove disclosure in para 29.41 that is not relevant under full IFRS and rest should be retained	

~~reporting date. An entity shall regard tax rates and tax laws as substantively enacted when the remaining steps in the enactment process have not affected the outcome in the past and are unlikely to do so. Paragraphs 29.32–29.33 provide additional measurement guidance.~~ ~~Recognition of deferred tax~~ ~~General recognition principle~~ ~~29.7 It is inherent in the recognition of an asset or a liability that the reporting entity expects to recover or settle the carrying amount of that asset or liability. If it is probable that recovery or settlement of that carrying amount will make future tax payments larger (smaller) than they would be if such recovery or settlement were to have no tax consequences, this section requires an entity to recognise a deferred tax liability (deferred tax asset) with certain limited exceptions. If the entity expects to recover the carrying amount of an asset or settle the carrying amount of a liability without affecting taxable profit, no deferred tax arises in respect of the asset or liability.~~ ~~29.8 An entity shall recognise a deferred tax asset or liability for tax recoverable or payable in future periods as a result of past transactions or events. Such tax arises from the differences between the carrying amounts of the entity's assets and liabilities in the statement of financial position and the amounts attributed to those assets and liabilities by the tax authorities (such differences are called 'temporary differences'), and the carryforward of currently unused tax losses and tax credits.~~ ~~**Tax bases and temporary differences**~~ ~~29.9 The tax base of an asset is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to an entity when it recovers the carrying amount of the asset. If those economic benefits will not be taxable, the tax base of the asset is equal to its carrying amount.~~ ~~29.10 The tax base of a liability is its carrying amount less any amount that will be deductible for tax purposes in respect of that liability in future periods. In the case of revenue that is received in advance, the tax base of the resulting liability is its carrying amount less any amount of the revenue that will not be taxable in future periods.~~ ~~29.11 Some items have a tax base but are not recognised as assets and liabilities in the statement of financial position. For example, research and development costs are recognised as an expense when determining accounting profit in the period in which they are incurred but may not be permitted as a deduction when determining taxable profit (tax loss) until a later period. The difference between the tax base of the research and~~		liabilities are the same as for offsetting current tax assets and liabilities. However, Section 29 includes an undue cost or effort exemption so that offsetting income tax assets and liabilities would not be required if significant detailed scheduling is required. The exemption is intended to provide similar relief to IAS 12 without including the more complex wording used in IAS 12.		

~~development costs, being the amount that the taxation authorities will permit as a deduction in future periods, and the carrying amount of nil is a deductible temporary difference that results in a deferred tax asset.~~ ~~29.12 Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. In consolidated financial statements, temporary differences are determined by comparing the carrying amounts of assets and liabilities in the consolidated financial statements with the appropriate tax base. The tax base is determined by reference to a consolidated tax return in those jurisdictions in which such a return is filed. In other jurisdictions, the tax base is determined by reference to the tax returns of each entity in the group.~~ ~~29.13 Examples of situations in which temporary differences arise include:~~ ~~(a) the identifiable assets acquired and liabilities assumed in a business combination are recognised at their fair values in accordance with Section 19 Business Combinations and Goodwill, but no equivalent adjustment is made for tax purposes (for example, the tax base of an asset may remain at cost to the previous owner). The resulting deferred tax asset or liability affects the amount of goodwill that an entity recognises.~~ ~~(b) assets are remeasured but no equivalent adjustment is made for tax purposes. For example, this Standard permits or requires certain assets to be remeasured at fair value or to be revalued (for example, Section 16 Investment Property and Section 17 Property, Plant and Equipment).~~ ~~(c) goodwill arises in a business combination, for example, the tax base of goodwill will be nil if taxation authorities do not allow the amortisation or the impairment of goodwill as a deductible expense when taxable profit is determined and do not permit the cost of goodwill to be treated as a deductible expense on disposal of the subsidiary.~~ ~~(d) the tax base of an asset or a liability on initial recognition differs from its initial carrying amount.~~ ~~(e) the carrying amount of investments in subsidiaries, branches and associates or interests in joint ventures becomes different from the tax base of the investment or interest.~~ ~~Not all of these temporary differences will give rise to deferred tax assets and liabilities (see paragraphs 29.14 and 29.16).~~ ~~Taxable temporary differences~~ ~~29.14 A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:~~				

~~(a) the initial recognition of goodwill; or~~ ~~(b) the initial recognition of an asset or a liability in a transaction that:~~ ~~(i) is not a business combination; and~~ ~~(ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).~~ ~~However, for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, a deferred tax liability shall be recognised in accordance with paragraph 29.25.~~ ~~29.15 Some temporary differences arise when income or expense is included in accounting profit in one period but is included in taxable profit in a different period. Such temporary differences are often described as timing differences. The following are examples of temporary differences of this kind that are taxable temporary differences and that therefore result in deferred tax liabilities:~~ ~~(a) interest revenue is included in accounting profit on a time-proportion basis but may, in some jurisdictions, be included in taxable profit when cash is collected. The tax base of any receivable with respect to such revenues is nil, because the revenues do not affect taxable profit until cash is collected.~~ ~~(b) depreciation used when determining taxable profit (tax loss) may differ from that used when determining accounting profit. The temporary difference is the difference between the carrying amount of the asset and its tax base, which is the original cost of the asset less all deductions in respect of that asset permitted by the taxation authorities when~~ ~~determining taxable profit of the current and prior periods. A taxable temporary difference arises, and results in a deferred tax liability, when tax depreciation is accelerated. If the tax depreciation is less rapid than the accounting depreciation, a deductible temporary difference arises resulting in a deferred tax asset (see paragraph 29.16).~~ **~~Deductible temporary differences~~** ~~29.16 A deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or a liability in a transaction that:~~ ~~(a) is not a business combination; and~~ ~~(b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).~~				

~~However, for deductible temporary differences associated with investments in subsidiaries, branches and associates and for interests in joint ventures, a deferred tax asset shall be recognised in accordance with paragraph 29.26.~~ ~~29.17 The following are examples of deductible temporary differences that result in deferred tax assets:~~ ~~(a) retirement benefit costs may be deducted when determining accounting profit at the time that the service is provided by the employee, but deducted when determining taxable profit either when contributions are paid to a fund by the entity or when retirement benefits are paid by the entity. A temporary difference exists between the carrying amount of the liability and its tax base; the tax base of the liability is usually nil. Such a deductible temporary difference results in a deferred tax asset because economic benefits will flow to the entity in the form of a deduction from taxable profits when contributions or retirement benefits are paid.~~ ~~(b) certain assets may be carried at fair value, without an equivalent adjustment being made for tax purposes. A deductible temporary difference arises if the tax base of the asset exceeds its carrying amount.~~ ~~29.18 The reversal of deductible temporary differences results in deductions when taxable profits of future periods are determined. It is probable that taxable profit will be available against which a deductible temporary difference can be utilised when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity that are expected to reverse:~~ ~~(a) in the same period as the expected reversal of the deductible temporary difference; or~~ ~~(b) in periods into which a tax loss arising from the deferred tax asset can be carried back or forward.~~ ~~In such circumstances, the deferred tax asset is recognised in the period in which the deductible temporary differences arise.~~ ~~29.19 When there are insufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, the deferred tax asset is recognised to the extent that:~~ ~~(a) it is probable that the entity will have sufficient taxable profit relating to the same taxation authority and the same taxable entity in the same period as the reversal of the deductible temporary difference (or in the periods into which a tax loss arising from the deferred tax asset can be carried back or forward). When evaluating whether it will have sufficient taxable profit in future periods, an entity ignores taxable amounts~~				

~~arising from deductible temporary differences that are expected to originate in future periods, because the deferred tax asset arising from those deductible temporary differences will itself require future taxable profit in order to be utilised.~~ ~~(b) tax planning opportunities are available to the entity that will create taxable profit in appropriate periods.~~ ~~29.20 When an entity has a history of recent losses, the entity considers the guidance in paragraphs 29.21–29.22.~~ ~~Unused tax losses and unused tax credits~~ ~~29.21 A deferred tax asset shall be recognised for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. When assessing the probability that taxable profit will be available against which the unused tax losses or unused tax credits can be utilised, an entity considers the following criteria:~~ ~~(a) whether the entity has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses or unused tax credits can be utilised before they expire;~~ ~~(b) whether it is probable that the entity will have taxable profits before the unused tax losses or unused tax credits expire;~~ ~~(c) whether the unused tax losses result from identifiable causes which are unlikely to recur; and~~ ~~(d) whether tax planning opportunities are available to the entity that will create taxable profit in the period in which the unused tax losses or unused tax credits can be utilised.~~ ~~To the extent that it is not probable that taxable profit will be available against which the unused tax losses or unused tax credits can be utilised, the deferred tax asset is not recognised.~~ ~~29.22 The existence of unused tax losses is strong evidence that future taxable profit may not be available. Consequently, when an entity has a history of recent losses, the entity recognises a deferred tax asset arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or to the extent that there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the entity.~~ ~~Reassessment of unrecognised deferred tax assets~~ ~~29.23 At the end of each reporting period, an entity reassesses any unrecognised deferred tax assets. The entity recognises a previously unrecognised deferred tax asset to the~~				

~~extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.~~ ~~Investments in subsidiaries, branches and associates and interests in joint ventures~~ ~~29.24 Temporary differences arise when the carrying amount of investments in subsidiaries, branches and associates and interests in joint ventures (for example, in the parent's consolidated financial statements the carrying amount of a subsidiary is the net consolidated assets of that subsidiary, including the carrying amount of any related goodwill) becomes different from the tax base (which is often cost) of the investment or interest. Such differences may arise in a number of different circumstances, for example:~~ ~~(a) the existence of undistributed profits of subsidiaries, branches, associates and joint ventures;~~ ~~(b) changes in foreign exchange rates when a parent and its subsidiary are based in different countries; and~~ ~~(c) a reduction in the carrying amount of an investment in an associate to its recoverable amount.~~ ~~Investments may be accounted for differently in the parent's separate financial statements compared to the consolidated financial statements, in which case the temporary difference associated with that investment may also differ. For example, in the parent's separate financial statement the carrying amount of a subsidiary will depend on the accounting policy chosen in paragraph 9.26.~~ ~~29.25 An entity shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:~~ ~~(a) the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and~~ ~~(b) it is probable that the temporary difference will not reverse in the foreseeable future.~~ ~~29.26 An entity shall recognise a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches and associates and interests in joint ventures, only to the extent that it is probable that:~~ ~~(a) the temporary difference will reverse in the foreseeable future; and~~ ~~(b) taxable profit will be available against which the temporary difference can be utilised.~~ **~~Measurement of deferred tax~~**				

~~29.27 An entity shall measure a deferred tax liability (asset) using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. An entity shall regard tax rates and tax laws as substantively enacted when the remaining steps in the enactment process have not affected the outcome in the past and are unlikely to do so.~~ ~~29.28 When different tax rates apply to different levels of taxable profit, an entity shall measure deferred tax liabilities (assets) using the average enacted or substantively enacted rates that it expects to be applicable to the taxable profit (tax loss) of the periods in which it expects the deferred tax liability to be settled (deferred tax asset to be realised).~~ ~~29.29 The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of the related assets and liabilities. Consequently, an entity measures deferred tax liabilities and deferred tax assets using the tax rate and the tax base that are consistent with the expected manner of recovery or settlement. For example, if the temporary difference arises from an item of income that is expected to be taxable as a capital gain in a future period, the deferred tax expense is measured using the capital gain tax rate and the tax base that is consistent with recovering the carrying amount through sale.~~ ~~29.30 If a deferred tax liability or deferred tax asset arises from a non-depreciable asset measured using the revaluation model in Section 17, the measurement of the deferred tax liability or deferred tax asset shall reflect the tax consequences of recovering the carrying amount of the non-depreciable asset through sale. If a deferred tax liability or asset arises from investment property that is measured at fair value, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale. Accordingly, unless the presumption is rebutted, the measurement of the deferred tax liability or the deferred tax asset shall reflect the tax consequences of recovering the carrying amount of the investment property entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, instead of through sale. If the presumption is rebutted, the requirements of paragraph 29.29 shall be followed.~~ ~~29.31 The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. An entity shall~~				

~~reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that recognised deferred tax asset to be utilised. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.~~ **~~Measurement of both current and deferred tax~~** ~~29.32 An entity shall not discount current or deferred tax assets and liabilities.~~ ~~29.33 In some jurisdictions, income tax is payable at a higher or lower rate if part or all of the profit or retained earnings is paid out as a dividend to shareholders of the entity. In other jurisdictions, income tax may be refundable or payable if part or all of the profit or retained earnings is paid out as a dividend to shareholders of the entity. In both of those circumstances, an entity shall measure current and deferred tax at the tax rate applicable to undistributed profits until the entity recognises a liability to pay a dividend. When the entity recognises a liability to pay a dividend, it shall recognise the resulting current or deferred tax liability (asset) and the related tax expense (income).~~ ~~Withholding tax on dividends~~ ~~29.34 When an entity pays dividends to its shareholders, it may be required to pay a portion of the dividends to taxation authorities on behalf of shareholders. Such an amount paid or payable to taxation authorities is charged to equity as a part of the dividends.~~ **Presentation** Allocation in comprehensive income and equity 29.35 An entity shall recognise tax expense in the same component of total comprehensive income (ie continuing operations, discontinued operations or other comprehensive income) or equity as the transaction or other event that resulted in the tax expense. Current/non-current distinction 29.36 When an entity presents current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position, it shall not				

classify any deferred tax assets (liabilities) as current assets (liabilities). Offsetting 29.37 An entity shall offset current tax assets and current tax liabilities, or offset deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off the amounts and the entity can demonstrate without undue cost or effort that it plans either to settle on a net basis or to realise the asset and settle the liability simultaneously. **Disclosures** 29.38 An entity shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of the current and deferred tax consequences of recognised transactions and other events. 29.39 An entity shall disclose separately the major components of tax expense (income). Such components of tax expense (income) may include: (a) current tax expense (income); (b) any adjustments recognised in the period for current tax of prior periods; (c) the amount of deferred tax expense (income) relating to the origination and reversal of temporary differences; (d) the amount of deferred tax expense (income) relating to changes in tax rates or the imposition of new taxes; (e) the amount of the benefit arising from a previously unrecognised tax loss, tax credit or temporary difference of a prior period that is used to reduce tax expense;				

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(f) adjustments to deferred tax expense (income) arising from a change in the tax status of the entity or its shareholders; (g) deferred tax expense (income) arising from the write-down, or reversal of a previous write-down, of a deferred tax asset in accordance with paragraph 29.31; and (h) the amount of tax expense (income) relating to those changes in accounting policies and errors that are included in profit or loss in accordance with Section 10 Accounting Policies, Estimates and Errors, because they cannot be accounted for retrospectively. 29.40 An entity shall disclose the following separately: (a) the aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income. (b) the aggregate current and deferred tax relating to items that are charged or credited directly to equity. (c) an explanation of any significant differences between the tax expense (income) and accounting profit multiplied by the applicable tax rate. For example such differences may arise from transactions such as revenue that are exempt from taxation or expenses that are not deductible in determining taxable profit (tax loss). (d) an explanation of changes in the applicable tax rate(s) compared with the previous reporting period. (e) for each type of temporary difference and for each type of unused tax losses and tax credits: (i) the amount of deferred tax liabilities and deferred tax assets at the end of the reporting period; and (ii) an analysis of the change in deferred tax liabilities and deferred tax assets during the period. (f) the amount (and expiry date, if any) of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognised in the statement of financial position.				

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(g) in the circumstances described in paragraph 29.33, an explanation of the nature of the potential income tax consequences that would result from the payment of dividends to its shareholders. 29.41 If an entity does not offset tax assets and liabilities in accordance with paragraph 29.37 because it is unable to demonstrate without undue cost or effort that it plans to settle them on a net basis or realise them simultaneously, the entity shall disclose the amounts that have not been offset and the reasons why applying the requirement would involve undue cost or effort.				
Section 30 **Foreign currency translation** ~~**Scope of this section**~~ ~~30.1 An entity can conduct foreign activities in two ways. It may have transactions in foreign currencies or it may have foreign operations. In addition, an entity may present its financial statements in a foreign currency. This section prescribes how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a presentation currency. Accounting for financial instruments that derive their value from the change in a specified foreign exchange rate (for example, foreign currency forward exchange contracts) and hedge accounting of foreign currency items are dealt with in Section 12 Other Financial Instrument Issues.~~ ~~**Functional currency**~~ ~~30.2 Each entity shall identify its functional currency. An entity's functional currency is the currency of the primary economic environment in which the entity operates.~~ ~~30.3 The primary economic environment in which an entity operates is normally the one in which it primarily generates and~~	IAS 21 *The Effects of Changes in Foreign Exchange Rates*	**No significant differences** Recognition and measurement principles for IFRS SMEs is **similar** to IAS 21 except for: **- Disposal of foreign operation that was a subsidiary:** The IFRS for SMEs Standard prohibits any cumulative amount of exchange differences relating to a foreign operation, that were previously recognised in other comprehensive income, from being reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised. IAS 21 requires that the amount is reclassified from equity to profit or loss (see paragraph 48 of IAS 21). - The IFRS for SMEs Standard does not have specific procedures for the translation of the	**Retain**	30.24 In paragraphs 30.26 and 30.27, references to 'functional currency' apply, in the case of a group, to the functional currency of the parent. 30.25 An entity shall disclose the following: (a) the amount of exchange differences recognised in profit or loss during the period, except for those arising on financial instruments measured at fair value through profit or loss in accordance with Section 11 Basic Financial Instruments and Section 12; and (b) the amount of exchange differences arising during the period and classified in a separate component of equity at the end of the period. 30.26 An entity shall disclose the currency in which the financial statements are presented. When the presentation currency is different from the functional currency, an entity shall state that fact and shall disclose the functional currency and the reason for using a different presentation currency.

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~~expends cash. Consequently, the following are the most important factors an entity considers in determining its functional currency:~~ ~~(a) the currency:~~ ~~(i) that mainly influences sales prices for goods and services (this will often be the currency in which sales prices for its goods and services are denominated and settled); and~~ ~~(ii) of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services.~~ ~~(b) the currency that mainly influences labour, material and other costs of providing goods or services (this will often be the currency in which such costs are denominated and settled).~~ ~~30.4 The following factors may also provide evidence of an entity's functional currency:~~ ~~(a) the currency in which funds from financing activities (issuing debt and equity instruments) are generated; and~~ ~~(b) the currency in which receipts from operating activities are usually retained.~~ ~~30.5 The following additional factors are considered in determining the functional currency of a foreign operation, and whether its functional currency is the same as that of the reporting entity (the reporting entity, in this context, being the entity that has the foreign operation as its subsidiary, branch, associate or joint venture):~~ ~~(a) whether the activities of the foreign operation are carried out as an extension of the reporting entity, instead of being carried out with a significant degree of autonomy. An example of the former is when the foreign operation only sells goods imported from the reporting entity and remits the proceeds to it. An example of the latter is when the operation accumulates cash and other monetary items, incurs expenses, generates income and arranges borrowings, all substantially in its local currency.~~		results and financial position of an entity whose functional currency is the currency of a hyperinflationary economy into a different presentation currency, while IAS 21 does have such procedures.		30.27 When there is a change in the functional currency of either the reporting entity or a significant foreign operation, the entity shall disclose that fact and the reason for the change in functional currency.

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~~(b) whether transactions with the reporting entity are a high or a low proportion of the foreign operation's activities.~~ ~~(c) whether cash flows from the activities of the foreign operation directly affect the cash flows of the reporting entity and are readily available for remittance to it.~~ ~~(d) whether cash flows from the activities of the foreign operation are sufficient to service existing and normally expected debt obligations without funds being made available by the reporting entity.~~ **~~Reporting foreign currency transactions in the functional currency~~** **~~Initial recognition~~** ~~30.6 A foreign currency transaction is a transaction that is denominated or requires settlement in a foreign currency, including transactions arising when an entity:~~ ~~(a) buys or sells goods or services whose price is denominated in a foreign currency;~~ ~~(b) borrows or lends funds when the amounts payable or receivable are denominated in a foreign currency; or~~ ~~(c) otherwise acquires or disposes of assets, or incurs or settles liabilities, denominated in a foreign currency.~~ ~~30.7 An entity shall record a foreign currency transaction, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.~~ ~~30.8 The date of a transaction is the date on which the transaction first qualifies for recognition in accordance with this Standard. For practical reasons, a rate that approximates the actual rate at the date of the transaction is often used, for example, an average rate for a week or a month might be used for all transactions in each foreign currency occurring during that~~				

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~~period. However, if exchange rates fluctuate significantly, the use of the average rate for a period is inappropriate.~~ ~~**Reporting at the end of the subsequent reporting periods**~~ ~~30.9 At the end of each reporting period, an entity shall:~~ ~~(a) translate foreign currency monetary items using the closing rate;~~ ~~(b) translate non-monetary items that are measured in terms of historical cost in a foreign currency using the exchange rate at the date of the transaction; and~~ ~~(c) translate non-monetary items that are measured at fair value in a foreign currency using the exchange rates at the date when the fair value was determined.~~ ~~30.10 An entity shall recognise, in profit or loss in the period in which they arise, exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous periods, except as described in paragraph 30.13.~~ ~~30.11 When another section of this Standard requires a gain or loss on a non-monetary item to be recognised in other comprehensive income, an entity shall recognise any exchange component of that gain or loss in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, an entity shall recognise any exchange component of that gain or loss in profit or loss.~~ ~~**Net investment in a foreign operation**~~ ~~30.12 An entity may have a monetary item that is receivable from or payable to a foreign operation. An item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the entity's net investment in that foreign operation, and is accounted for in accordance with paragraph 30.13. Such monetary items may~~				

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~~include long-term receivables or loans. They do not include trade receivables or trade payables.~~ ~~30.13 Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation shall be recognised in profit or loss in the separate financial statements of the reporting entity or the individual financial statements of the foreign operation, as appropriate. In the financial statements that include the foreign operation and the reporting entity (for example, consolidated financial statements when the foreign operation is a subsidiary), such exchange differences shall be recognised in other comprehensive income and reported as a component of equity. They shall not be recognised in profit or loss on disposal of the net investment.~~ **~~Change in functional currency~~** ~~30.14 When there is a change in an entity's functional currency, the entity shall apply the translation procedures applicable to the new functional currency prospectively from the date of the change.~~ ~~30.15 As noted in paragraphs 30.2–30.5, the functional currency of an entity reflects the underlying transactions, events and conditions that are relevant to the entity. Accordingly, once the functional currency is determined, it can be changed only if there is a change to those underlying transactions, events and conditions. For example, a change in the currency that mainly influences the sales prices of goods and services may lead to a change in an entity's functional currency.~~ ~~30.16 The effect of a change in functional currency is accounted for prospectively. In other words, an entity translates all items into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as their historical cost.~~				

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~~**Use of a presentation currency other than the functional currency**~~ ~~**Translation to the presentation currency**~~ ~~30.17 An entity may present its financial statements in any currency (or currencies). If the presentation currency differs from the entity's functional currency, the entity shall translate its items of income and expense and financial position into the presentation currency. For example, when a group contains individual entities with different functional currencies, the items of income and expense and financial position of each entity are expressed in a common currency so that consolidated financial statements may be presented.~~ ~~30.18 An entity whose functional currency is not the currency of a hyperinflationary economy shall translate its results and financial position into a different presentation currency using the following procedures:~~ ~~(a) assets and liabilities for each statement of financial position presented (ie including comparatives) shall be translated at the closing rate at the date of that statement of financial position;~~ ~~(b) income and expenses for each statement of comprehensive income (ie including comparatives) shall be translated at exchange rates at the dates of the transactions; and~~ ~~(c) all resulting exchange differences shall be recognised in other comprehensive income and reported as a component of equity. They shall not subsequently be reclassified to profit or loss.~~ ~~30.19 For practical reasons, an entity may use a rate that approximates the exchange rates at the dates of the transactions, for example an average rate for the period, to translate income and expense items. However, if exchange rates fluctuate significantly, the use of the average rate for a period is inappropriate.~~				

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~~30.20 The exchange differences referred to in paragraph 30.18(c) result from:~~ ~~(a) translating income and expenses at the exchange rates at the dates of the transactions and assets and liabilities at the closing rate; and~~ ~~(b) translating the opening net assets at a closing rate that differs from the previous closing rate.~~ ~~When the exchange differences relate to a foreign operation that is consolidated but not wholly-owned, accumulated exchange differences arising from translation and attributable to the non-controlling interest are allocated to, and recognised as part of, non-controlling interest in the consolidated statement of financial position.~~ ~~30.21 An entity whose functional currency is the currency of a hyperinflationary economy shall translate its results and financial position into a different presentation currency using the procedures specified in Section 31 Hyperinflation.~~ ~~**Translation of a foreign operation into the investor's presentation currency**~~ ~~30.22 In incorporating the assets, liabilities, income and expenses of a foreign operation with those of the reporting entity, the entity shall follow normal consolidation procedures, such as the elimination of intragroup balances and intragroup transactions of a subsidiary (see Section 9 Consolidated and Separate Financial Statements) and the translation procedures set out in paragraphs 30.17–30.21. However, an intragroup monetary asset (or liability), whether short-term or long-term, cannot be eliminated against the corresponding intragroup liability (or asset) without showing the results of currency fluctuations in the consolidated financial statements. This is because the monetary item represents a commitment to convert one currency into another and exposes the reporting entity to a gain or loss through currency fluctuations. Accordingly, in the consolidated financial statements, a reporting entity continues to~~				

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~~recognise such an exchange difference in profit or loss or, if it arises from the circumstances described in paragraph 30.13, the entity shall recognise it as other comprehensive income.~~ ~~30.23 Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation shall be treated as assets and liabilities of the foreign operation. Thus, they shall be expressed in the functional currency of the foreign operation and shall be translated at the closing rate in accordance with paragraph 30.18.~~ **Disclosures** 30.24 In paragraphs 30.26 and 30.27, references to 'functional currency' apply, in the case of a group, to the functional currency of the parent. 30.25 An entity shall disclose the following: (a) the amount of exchange differences recognised in profit or loss during the period, except for those arising on financial instruments measured at fair value through profit or loss in accordance with Section 11 Basic Financial Instruments and Section 12; and (b) the amount of exchange differences arising during the period and classified in a separate component of equity at the end of the period. 30.26 An entity shall disclose the currency in which the financial statements are presented. When the presentation currency is different from the functional currency, an entity shall state that fact and shall disclose the functional currency and the reason for using a different presentation currency. 30.27 When there is a change in the functional currency of either the reporting entity or a significant foreign				

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operation, the entity shall disclose that fact and the reason for the change in functional currency.				
Section 31 Hyperinflation ~~Scope of this section~~ ~~31.1 This section applies to an entity whose functional currency is the currency of a hyperinflationary economy. It requires such an entity to prepare financial statements that have been adjusted for the effects of hyperinflation.~~ ~~Hyperinflationary economy~~ ~~31.2 This section does not establish an absolute rate at which an economy is deemed hyperinflationary. An entity shall make that judgement by considering all available information including, but not limited to, the following possible indicators of hyperinflation:~~ ~~(a) the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power.~~ ~~(b) the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency.~~ ~~(c) sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short.~~ ~~(d) interest rates, wages and prices are linked to a price index.~~ ~~(e) the cumulative inflation rate over three years is approaching, or exceeds, 100 per cent.~~ ~~Measuring unit in the financial statements~~ ~~31.3 All amounts in the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy shall be stated in terms of the measuring unit current~~	IAS 29 *Financial Reporting in Hyperinflationary Economies*	**No Significant Difference** However, there is an option in full IFRS which is not in IFRS for SMEs: When a reliable general price index is not available, full IFRS Standards allow entities to use an estimate based, for example, on the movements in the exchange rate between the functional currency and a relatively stable foreign currency. The IFRS for SMEs Standard contains no such guidance. Full IFRS further provides guidance on how to remeasure financial statements that have been prepared on a current cost approach.	**Remove/Add** Remove paragraph 31.15(c) that is not required under full IFRS Add requirement to disclose the accounting policy if the financial statements have been prepared on a current cost approach.	

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~~at the end of the reporting period. The comparative information for the previous period required by paragraph 3.14, and any information presented in respect of earlier periods, shall also be stated in terms of the measuring unit current at the reporting date.~~ ~~31.4 The restatement of financial statements in accordance with this section requires the use of a general price index that reflects changes in general purchasing power. In most economies there is a recognised general price index, normally produced by the government, that entities will follow.~~ ~~Procedures for restating historical cost financial statements~~ ~~Statement of financial position~~ ~~31.5 Statement of financial position amounts not expressed in terms of the measuring unit current at the end of the reporting period are restated by applying a general price index.~~ ~~31.6 Monetary items are not restated because they are expressed in terms of the measuring unit current at the end of the reporting period. Monetary items are money held and items to be received or paid in money.~~ ~~31.7 Assets and liabilities linked by agreement to changes in prices, such as index-linked bonds and loans, are adjusted in accordance with the agreement and presented at this adjusted amount in the restated statement of financial position.~~ ~~31.8 All other assets and liabilities are non-monetary:~~ ~~(a) some non-monetary items are carried at amounts current at the end of the reporting period, such as net realisable value and fair value, so they are not restated. All other non-monetary assets and liabilities are restated.~~ ~~(b) most non-monetary items are carried at cost or cost less depreciation; hence they are expressed at amounts current at their date of acquisition. The restated cost, or cost less depreciation, of each item is determined by applying to its historical cost and accumulated depreciation the change in a general price index from the date of acquisition to the end of the reporting period.~~				

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~~(ba) some non-monetary items are carried at amounts current at dates other than that of acquisition or the reporting date, for example, property, plant and equipment that has been revalued at some earlier date. In these cases, the carrying amounts are restated from the date of the revaluation.~~ ~~(c) the restated amount of a non-monetary item is reduced, in accordance with Section 27 Impairment of Assets, when it exceeds its recoverable amount.~~ ~~31.9 At the beginning of the first period of application of this section, the components of equity, except retained earnings and any revaluation surplus, are restated by applying a general price index from the dates the components were contributed or otherwise arose. Any revaluation surplus that arose in previous periods is eliminated. Restated retained earnings are derived from all the other amounts in the restated statement of financial position.~~ ~~31.10 At the end of the first period and in subsequent periods, all components of owners' equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later. The changes for the period in owners' equity are disclosed in accordance with Section 6 Statement of Changes in Equity and Statement of Income and Retained Earnings.~~ ~~Statement of comprehensive income and income statement~~ ~~31.11 All items in the statement of comprehensive income (and in the income statement, if presented) shall be expressed in terms of the measuring unit current at the end of the reporting period. Consequently, all amounts need to be restated by applying the change in the general price index from the dates when the items of income and expenses were initially recognised in the financial statements. If general inflation is approximately even throughout the period, and the items of income and expense arose approximately evenly throughout the period, an average rate of inflation may be appropriate.~~ ~~Statement of cash flows~~				

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~~31.12 An entity shall express all items in the statement of cash flows in terms of the measuring unit current at the end of the reporting period.~~ ~~Gain or loss on net monetary position~~ ~~31.13 In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power, and an entity with an excess of monetary liabilities over monetary assets gains purchasing power, to the extent the assets and liabilities are not linked to a price level. An entity shall include in profit or loss the gain or loss on the net monetary position. An entity shall offset the adjustment to those assets and liabilities linked by agreement to changes in prices made in accordance with paragraph 31.7 against the gain or loss on net monetary position.~~ ~~Economies ceasing to be hyperinflationary~~ ~~31.14 When an economy ceases to be hyperinflationary and an entity discontinues the preparation and presentation of financial statements prepared in accordance with this section, it shall treat the amounts expressed in the presentation currency at the end of the previous reporting period as the basis for the carrying amounts in its subsequent financial statements.~~ **Disclosures** 31.15 An entity to which this section applies shall disclose the following: (a) the fact that financial statements and other prior period data have been restated for changes in the general purchasing power of the functional currency; (b) the identity and level of the price index at the reporting date and changes during the current reporting period and the previous reporting period; and (c) amount of gain or loss on monetary items.				

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Section 32 **Events after the End of the Reporting Period** ~~Scope of this section~~ ~~32.1 This section defines events after the end of the reporting period and sets out principles for recognising, measuring and disclosing those events.~~ ~~Events after the end of the reporting period defined~~ ~~32.2 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. There are two types of events:~~ ~~(a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the end of the reporting period); and~~ ~~(b) those that are indicative of conditions that arose after the end of the reporting period (non-adjusting events after the end of the reporting period).~~ ~~32.3 Events after the end of the reporting period include all events up to the date when the financial statements are authorised for issue, even if those events occur after the public~~	IAS 10 *Events after the reporting date*	**No significant difference** Smaller differences relate to: - full IFRS Standards, through IFRIC 17 Distribution of Non-cash Assets to Owners, provides more guidance on when to recognise a dividend payable in the financial statements; - the IFRS for SMEs Standard is drafted in simpler language than that used in full IFRS Standards; and - guidance on going concern is specifically included in IAS 10 whereas it is in Section 3 Financial Statement Presentation of the IFRS for SMEs Standard; IFRS for SMEs standard does not discuss going concern assumption becoming inappropriate after the end of the reporting period.	**Retain**	Disclosure Date of authorisation for issue 32.9 An entity shall disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the entity's owners or others have the power to amend the financial statements after issue, the entity shall disclose that fact. Non-adjusting events after the end of the reporting period 32.10 An entity shall disclose the following for each category of non-adjusting event after the end of the reporting period: (a) the nature of the event; and (b) an estimate of its financial effect or a statement that such an estimate cannot be made. 32.11 The following are examples of non-adjusting events after the end of the reporting period that would generally result in disclosure; the disclosures will reflect information that becomes known after the

~~announcement of profit or loss or other selected financial information.~~ ~~Recognition and measurement~~ ~~Adjusting events after the end of the reporting period~~ ~~32.4 An entity shall adjust the amounts recognised in its financial statements, including related disclosures, to reflect adjusting events after the end of the reporting period.~~ ~~32.5 The following are examples of adjusting events after the end of the reporting period that require an entity to adjust the amounts recognised in its financial statements, or to recognise items that were not previously recognised:~~ ~~(a) the settlement after the end of the reporting period of a court case that confirms that the entity had a present obligation at the end of the reporting period. The entity adjusts any previously recognised provision related to this court case in accordance with Section 21 Provisions and Contingencies or recognises a new provision. The entity does not merely disclose a contingent liability. Instead, the settlement provides additional evidence to be considered in determining the provision that should be recognised at the end of the reporting period in accordance with Section 21.~~ ~~(b) the receipt of information after the end of the reporting period indicating that an asset was impaired at the end of the reporting period or that the amount of a previously recognised impairment loss for that asset needs to be adjusted. For example:~~ ~~(i) the bankruptcy of a customer that occurs after the end of the reporting period usually confirms that a loss existed at the end of the reporting period on a trade receivable and that the entity needs to adjust the carrying amount of the trade receivable; and~~ ~~(ii) the sale of inventories after the end of the reporting period may give evidence about their selling price at the end of~~				end of the reporting period but before the financial statements are authorised for issue: (a) a major business combination or disposal of a major subsidiary; (b) announcement of a plan to discontinue an operation; (c) major purchases of assets, disposals or plans to dispose of assets, or expropriation of major assets by government; (d) the destruction of a major production plant by a fire; (e) announcement, or commencement of the implementation, of a major restructuring; (f) issues or repurchases of an entity's debt or equity instruments; (g) abnormally large changes in asset prices or foreign exchange rates; (h) changes in tax rates or tax laws enacted or announced that have a significant effect on current and deferred tax assets and liabilities; (i) entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees; and (j) commencement of major litigation arising solely out of events that occurred after the end of the reporting period.

~~the reporting period for the purpose of assessing impairment at that date.~~ ~~(c) the determination after the end of the reporting period of the cost of assets purchased, or the proceeds from assets sold, before the end of the reporting period.~~ ~~(d) the determination after the end of the reporting period of the amount of profit-sharing or bonus payments, if the entity had a legal or constructive obligation at the end of the reporting period to make such payments as a result of events before that date (see Section 28 Employee Benefits).~~ ~~(e) the discovery of fraud or errors that show that the financial statements are incorrect.~~ ~~Non-adjusting events after the end of the reporting period~~ ~~32.6 An entity shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the end of the reporting period.~~ ~~32.7 Examples of non-adjusting events after the end of the reporting period include:~~ ~~(a) a decline in market value of investments between the end of the reporting period and the date when the financial statements are authorised for issue. The decline in market value does not normally relate to the condition of the investments at the end of the reporting period, but reflects circumstances that have arisen subsequently. Consequently, an entity does not adjust the amounts recognised in its financial statements for the investments. Similarly, the entity does not update the amounts disclosed for the investments as at the end of the reporting period, although it may need to give additional disclosure in accordance with paragraph 32.10.~~ ~~(b) an amount that becomes receivable as a result of a favourable judgement or settlement of a court case after the reporting date but before the financial statements are authorised for issue. This would be a contingent asset at the reporting date (see paragraph 21.13) and disclosure may be required by paragraph 21.16. However, agreement on the amount of~~				

~~damages for a judgement that was reached before the reporting date, but was not previously recognised because the amount could not be measured reliably, may constitute an adjusting event.~~ ~~Dividends~~ ~~32.8 If an entity declares dividends to holders of its equity instruments after the end of the reporting period, the entity shall not recognise those dividends as a liability at the end of the reporting period. The amount of the dividend may be presented as a segregated component of retained earnings at the end of the reporting period.~~ Disclosure Date of authorisation for issue 32.9 An entity shall disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the entity's owners or others have the power to amend the financial statements after issue, the entity shall disclose that fact. Non-adjusting events after the end of the reporting period 32.10 An entity shall disclose the following for each category of non-adjusting event after the end of the reporting period: (a) the nature of the event; and (b) an estimate of its financial effect or a statement that such an estimate cannot be made. 32.11 The following are examples of non-adjusting events after the end of the reporting period that would generally result in disclosure; the disclosures will reflect information that becomes known after the end of the reporting period but before the financial statements are authorised for issue: (a) a major business combination or disposal of a major subsidiary;				

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(b) announcement of a plan to discontinue an operation; (c) major purchases of assets, disposals or plans to dispose of assets, or expropriation of major assets by government; (d) the destruction of a major production plant by a fire; (e) announcement, or commencement of the implementation, of a major restructuring; (f) issues or repurchases of an entity's debt or equity instruments; (g) abnormally large changes in asset prices or foreign exchange rates; (h) changes in tax rates or tax laws enacted or announced that have a significant effect on current and deferred tax assets and liabilities; (i) entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees; and (j) commencement of major litigation arising solely out of events that occurred after the end of the reporting period.				
Section 33 **Related Party Disclosures** **Scope of this section** ~~33.1 This section requires an entity to include in its financial statements the disclosures necessary to draw attention to the possibility that its financial position and profit or loss have been~~	IAS 24 *Related Party Disclosures*	**No significant difference** IAS 24 only discusses disclosures, there are no R&M differences.	**Retain**	Disclosure of parent-subsidiary relationships 33.5 Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been related party transactions. An entity shall disclose the name of its parent and, if different, the ultimate controlling party. If

~~affected by the existence of related parties~~ **~~and by transactions and outstanding balances with such~~ parties.** ~~Related party defined~~ ~~33.2 A related party is a person or entity that is related to the entity that is preparing its financial statements (the reporting entity):~~ ~~(a) a person or a close member of that person's family is related to a reporting entity if that person:~~ ~~(i) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;~~ ~~(ii) has control or joint control over the reporting entity; or~~ ~~(iii) has significant influence over the reporting entity.~~ ~~(b) an entity is related to a reporting entity if any of the following conditions applies:~~ ~~(i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).~~ ~~(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).~~ ~~(iii) both entities are joint ventures of the same third entity.~~ ~~(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.~~ ~~(v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.~~ ~~(vi) the entity is controlled or jointly controlled by a person identified in (a).~~ ~~(vii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.~~ ~~(viii) a person identified in (a)(ii) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).~~ ~~33.3 In considering each possible related party relationship, an entity shall assess the substance of the relationship and not merely the legal form.~~ ~~33.4 In the context of this Standard, the following are not necessarily related parties:~~ ~~(a) two entities simply because they have a director or other member of key management personnel in common;~~				neither the entity's parent nor the ultimate controlling party produces financial statements available for public use, the name of the next most senior parent that does so (if any) shall also be disclosed. Disclosure of key management personnel compensation 33.6 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Compensation includes all employee benefits (as defined in Section 28 Employee Benefits) including those in the form of share-based payment (see Section 26 Share-based Payment). Employee benefits include all forms of consideration paid, payable or provided by the entity, or on behalf of the entity (for example, by its parent or by a shareholder), in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of goods or services provided to the entity. 33.7 An entity shall disclose key management personnel compensation in total. Disclosure of related party transactions 33.8 A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. Examples of related party transactions that are common to SMEs include, but are not limited to: (a) transactions between an entity and its principal owner(s); (b) transactions between an entity and another entity when both entities are under

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~~(b) two venturers simply because they share joint control over a joint venture;~~ ~~(c) any of the following simply by virtue of their normal dealings with an entity (even though they may affect the freedom of action of an entity or participate in its decision-making process):~~ ~~(i) providers of finance;~~ ~~(ii) trade unions;~~ ~~(iii) public utilities; or~~ ~~(iv) government departments and agencies.~~ ~~(d) a customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business, merely by virtue of the resulting economic dependence.~~ **Disclosures** Disclosure of parent-subsidiary relationships 33.5 Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been related party transactions. An entity shall disclose the name of its parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces financial statements available for public use, the name of the next most senior parent that does so (if any) shall also be disclosed. Disclosure of key management personnel compensation 33.6 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Compensation includes all employee benefits (as defined in Section 28 Employee Benefits) including those in the form of share-based payment (see Section 26 Share-based Payment). Employee benefits include all forms of consideration paid, payable or provided by the entity, or on behalf of the entity (for example, by its parent or by a shareholder), in exchange for services rendered to the entity. It also includes such				the common control of a single entity or person; and (c) transactions in which an entity or person that controls the reporting entity incurs expenses directly that otherwise would have been borne by the reporting entity. 33.9 If an entity has related party transactions, it shall disclose the nature of the related party relationship as well as information about the transactions, outstanding balances and commitments necessary for an understanding of the potential effect of the relationship on the financial statements. Those disclosure requirements are in addition to the requirements in paragraph 33.7 to disclose key management personnel compensation. At a minimum, disclosures shall include: (a) the amount of the transactions; (b) the amount of outstanding balances and: (i) their terms and conditions, including whether they are secured and the nature of the consideration to be provided in settlement; and (ii) details of any guarantees given or received. (c) provisions for uncollectable receivables related to the amount of outstanding balances; and (d) the expense recognised during the period in respect of bad or doubtful debts due from related parties. Such transactions could include purchases, sales or transfers of goods or services;

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consideration paid on behalf of a parent of the entity in respect of goods or services provided to the entity. 33.7 An entity shall disclose key management personnel compensation in total. Disclosure of related party transactions 33.8 A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. Examples of related party transactions that are common to SMEs include, but are not limited to: (a) transactions between an entity and its principal owner(s); (b) transactions between an entity and another entity when both entities are under the common control of a single entity or person; and (c) transactions in which an entity or person that controls the reporting entity incurs expenses directly that otherwise would have been borne by the reporting entity. 33.9 If an entity has related party transactions, it shall disclose the nature of the related party relationship as well as information about the transactions, outstanding balances and commitments necessary for an understanding of the potential effect of the relationship on the financial statements. Those disclosure requirements are in addition to the requirements in paragraph 33.7 to disclose key management personnel compensation. At a minimum, disclosures shall include: (a) the amount of the transactions; (b) the amount of outstanding balances and: (i) their terms and conditions, including whether they are secured and the nature of the consideration to be provided in settlement; and (ii) details of any guarantees given or received. (c) provisions for uncollectable receivables related to the amount of outstanding balances; and (d) the expense recognised during the period in respect of bad or doubtful debts due from related parties.				leases; guarantees; and settlements by the entity on behalf of the related party or vice versa. 33.10 An entity shall make the disclosures required by paragraph 33.9 separately for each of the following categories: (a) entities with control, joint control or significant influence over the entity; (b) entities over which the entity has control, joint control or significant influence; (c) key management personnel of the entity or its parent (in the aggregate); and (d) other related parties. 33.11 An entity is exempt from the disclosure requirements of paragraph 33.9 in relation to: (a) a state (a national, regional or local government) that has control, joint control or significant influence over the reporting entity; and (b) another entity that is a related party because the same state has control, joint control or significant influence over both the reporting entity and the other entity. However, the entity must still disclose a parent-subsidiary relationship as required by paragraph 33.5. 33.12 The following are examples of transactions that shall be disclosed if they are with a related party: (a) purchases or sales of goods (finished or unfinished); (b) purchases or sales of property and other assets;

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Such transactions could include purchases, sales or transfers of goods or services; leases; guarantees; and settlements by the entity on behalf of the related party or vice versa. 33.10 An entity shall make the disclosures required by paragraph 33.9 separately for each of the following categories: (a) entities with control, joint control or significant influence over the entity; (b) entities over which the entity has control, joint control or significant influence; (c) key management personnel of the entity or its parent (in the aggregate); and (d) other related parties. 33.11 An entity is exempt from the disclosure requirements of paragraph 33.9 in relation to: (a) a state (a national, regional or local government) that has control, joint control or significant influence over the reporting entity; and (b) another entity that is a related party because the same state has control, joint control or significant influence over both the reporting entity and the other entity. However, the entity must still disclose a parent-subsidiary relationship as required by paragraph 33.5. 33.12 The following are examples of transactions that shall be disclosed if they are with a related party: (a) purchases or sales of goods (finished or unfinished); (b) purchases or sales of property and other assets; (c) rendering or receiving of services; (d) leases; (e) transfers of research and development; (f) transfers under licence agreements; (g) transfers under finance arrangements (including loans and equity contributions in cash or in kind); (h) provision of guarantees or collateral; (i) settlement of liabilities on behalf of the entity or by the entity on behalf of another party; and (j) participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities.				(c) rendering or receiving of services; (d) leases; (e) transfers of research and development; (f) transfers under licence agreements; (g) transfers under finance arrangements (including loans and equity contributions in cash or in kind); (h) provision of guarantees or collateral; (i) settlement of liabilities on behalf of the entity or by the entity on behalf of another party; and (j) participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities. 33.13 An entity shall not state that related party transactions were made on terms equivalent to those that prevail in arm's length transactions unless such terms can be substantiated. 33.14 An entity may disclose items of a similar nature in the aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity

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Section 34 **Specialised Activities** ~~Scope of this section~~	Paragraph 34.1-34.10 is relevant to IAS 41 *Agriculture* Paragraph 34.11-34.11F is relevant to IFRS 6 *Exploration for and Evaluation of Mineral Resources* Paragraph 34.12-34.16 is relevant to Interpretation 12 *Service concession arrangements*	**IAS 41 *Agriculture*** **Modified** IFRS for SMEs does not include any guidance on government grants as it has not scoped out government grant from section 24. (para 34-38 of IAS 41 which is related to government grant). However, accounting for government grants under section 24 is consistent with requirements for government grants in IAS 41. Bearer plants are accounted for under IAS 16 in full IFRS, but as biological assets at FV under IFRS for SMEs. Full IFRS requires measuring at fair value unless FV cannot be measured realibly and there is a presumption that it can be measured reliably (paragraph 30). In contrast, IFRS for SMEs only requires FV measurement if the FV is readily available 'without undue cost or effort'. Specific guidance on FV measurement included in IFRS for SMEs (para 34.6) is included in IFRS 13 in full IFRS. IFRS for SMEs	IAS 41 **Add**: Leave the disclosures in IFRS for SMEs as is and remove reference to undue cost and effort in para 34.10 (d) IFRS 6 **Retain**: No disclosures are specified in IFRS for SMEs. Interpretation 12 **Retain:** No disclosures are specified in IFRS for SMEs.	IAS 41 34.7 An entity shall disclose the following with respect to its biological assets measured at fair value: (a) a description of each class of its biological assets. (b) the methods and significant assumptions applied in determining the fair value of each category of agricultural produce at the point of harvest and each category of biological assets. (c) a reconciliation of changes in the carrying amount of biological assets between

~~34.1 This section provides guidance on financial reporting by SMEs involved in three types of specialised activities—agriculture, extractive activities, and service concessions.~~ ~~Agriculture~~ ~~34.2 An entity using this Standard that is engaged in agricultural activity shall determine its accounting policy for each class of its biological assets as follows:~~ ~~(a) the entity shall use the fair value model in paragraphs 34.4–34.7 for those biological assets for which fair value is readily determinable without undue cost or effort; and~~ ~~(b) the entity shall use the cost model in paragraphs 34.8–34.10 for all other biological assets.~~ ~~Recognition~~ ~~34.3 An entity shall recognise a biological asset or agricultural produce when, and only when:~~ ~~(a) the entity controls the asset as a result of past events;~~ ~~(b) it is probable that future economic benefits associated with the asset will flow to the entity; and~~ ~~(c) the fair value or cost of the asset can be measured reliably without undue cost or effort.~~ ~~Measurement—fair value model~~ ~~34.4 An entity shall measure a biological asset on initial recognition and at each reporting date at its fair value less costs to sell. Changes in fair value less costs to sell shall be recognised in profit or loss.~~ ~~34.5 Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying Section 13 Inventories or another applicable section of this Standard.~~		standard does not directly use the terms market/income/cost approach. But the principles are same as in full IFRS. IFRS 6 *Exploration for and evaluation of mineral resources* - **No significant difference** **Interpretation 12 Service concession arrangements** **No significant difference** However, any R&M differences between full IFRS and IFRS for SMEs in section 11,12,23 and 18 may need to be considered as these sections link those section mentioned above.		the beginning and the end of the current period. The reconciliation shall include: (i) the gain or loss arising from changes in fair value less costs to sell; (ii) increases resulting from purchases; (iii) decreases resulting from harvest; (iv) increases resulting from business combinations; (v) net exchange differences arising on the translation of financial statements into a different presentation currency and on the translation of a foreign operation into the presentation currency of the reporting entity; and (vi) other changes. This reconciliation need not be presented for prior periods. Disclosures—cost model 34.10 An entity shall disclose the following with respect to its biological assets measured using the cost model: (a) a description of each class of its biological assets; (b) an explanation of why fair value cannot be measured reliably; (c) the depreciation method used; (d) the useful lives or the depreciation rates used; and

~~34.6 In determining fair value, an entity shall consider the following:~~ ~~(a) if an active market exists for a biological asset or agricultural produce in its present location and condition, the quoted price in that market is the appropriate basis for determining the fair value of that asset. If an entity has access to different active markets, the entity shall use the price existing in the market that it expects to use.~~ ~~(b) if an active market does not exist, an entity uses one or more of the following, when available, in determining fair value:~~ ~~(i) the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the date of that transaction and the end of the reporting period;~~ ~~(ii) market prices for similar assets with adjustment to reflect differences; and~~ ~~(iii) sector benchmarks such as the value of an orchard expressed per export tray, bushel or hectare and the value of cattle expressed per kilogram of meat.~~ ~~(c) in some cases, the information sources listed in (a) or (b) may suggest different conclusions as to the fair value of a biological asset or agricultural produce. An entity considers the reasons for those differences, to arrive at the most reliable estimate of fair value within a relatively narrow range of reasonable estimates.~~ ~~(d) in some circumstances, fair value may be readily determinable without undue cost or effort even though market determined prices or values are not available for a biological asset in its present condition. An entity shall consider whether the present value of expected net cash flows from the asset discounted at a current market determined rate results in a reliable measure of fair value.~~ Disclosures—fair value model				(e) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.

34.7 An entity shall disclose the following with respect to its biological assets measured at fair value: (a) a description of each class of its biological assets. (b) the methods and significant assumptions applied in determining the fair value of each category of agricultural produce at the point of harvest and each category of biological assets. (c) a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period. The reconciliation shall include: (i) the gain or loss arising from changes in fair value less costs to sell; (ii) increases resulting from purchases; (iii) decreases resulting from harvest; (iv) increases resulting from business combinations; (v) net exchange differences arising on the translation of financial statements into a different presentation currency and on the translation of a foreign operation into the presentation currency of the reporting entity; and (vi) other changes. This reconciliation need not be presented for prior periods. ~~Measurement—cost model~~ ~~34.8 The entity shall measure at cost less any accumulated depreciation and any accumulated impairment losses those biological assets whose fair value is not readily determinable without undue cost or effort.~~ ~~34.9 The entity shall measure agricultural produce harvested from its biological assets at fair value less estimated costs to sell at the point of harvest. Such measurement is the cost at that~~				

~~date when applying Section 13 or other sections of this Standard.~~ Disclosures—cost model 34.10 An entity shall disclose the following with respect to its biological assets measured using the cost model: (a) a description of each class of its biological assets; (b) an explanation of why fair value cannot be measured reliably without undue cost or effort; (c) the depreciation method used; (d) the useful lives or the depreciation rates used; and (e) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period. ~~Exploration for and evaluation of mineral resources~~ ~~34.11 An entity using this Standard that is engaged in the exploration for, or evaluation of, mineral resources shall determine an accounting policy that specifies which expenditures are recognised as exploration and evaluation assets in accordance with paragraph 10.4 and apply the policy consistently. An entity is exempt from applying paragraph 10.5 to its accounting policies for the recognition and measurement of exploration and evaluation assets.~~ ~~34.11 A The following are examples of expenditures that might be included in the initial measurement of exploration and evaluation assets (the list is not exhaustive):~~ ~~(a) acquisition of rights to explore;~~ ~~(b) topographical, geological, geochemical and geophysical studies;~~				

~~(c) exploratory drilling;~~ ~~(d) trenching;~~ ~~(e) sampling; and~~ ~~(f) activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.~~ ~~Expenditures related to the development of mineral resources shall not be recognised as exploration and evaluation assets.~~ ~~34.11B Exploration and evaluation assets shall be measured on initial recognition at cost. After initial recognition, an entity shall apply Section 17 Property, Plant and Equipment and Section 18 Intangible Assets other than Goodwill to the exploration and evaluation assets according to the nature of the assets acquired subject to paragraphs 34.11D–34.11F. If an entity has an obligation to dismantle or remove an item, or to restore the site, such obligations and costs are accounted for in accordance with Section 17 and Section 21 Provisions and Contingencies.~~ ~~34.11C Exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. An entity shall measure, present and disclose any resulting impairment loss in accordance with Section 27 Impairment of Assets, except as provided by paragraph 34.11F.~~ ~~34.11D For the purposes of exploration and evaluation assets only, paragraph 34.11E shall be applied instead of paragraphs 27.7–27.10 when identifying an exploration and evaluation asset that may be impaired. Paragraph 34.11E uses the term 'assets' but applies equally to separate exploration and evaluation assets or a cash-generating unit.~~ ~~34.11 E One or more of the following facts and circumstances indicate that an entity should test exploration and evaluation assets for impairment (the list is not exhaustive):~~				

~~(a) the period for which the entity has the right to explore in the specific area has expired during the period, or will expire in the near future, and is not expected to be renewed;~~ ~~(b) substantive expenditure on further exploration for, and evaluation of, mineral resources in the specific area is neither budgeted nor planned;~~ ~~(c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or~~ ~~(d) sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.~~ ~~The entity shall perform an impairment test, and recognise any impairment loss, in accordance with Section 27.~~ ~~34.11 F An entity shall determine an accounting policy for allocating exploration and evaluation assets to cash-generating units or groups of cash-generating units for the purpose of assessing such assets for impairment.~~ Service concession arrangements ~~34.12 A service concession arrangement is an arrangement whereby a government or other public sector body (the grantor) contracts with a private operator to develop (or upgrade), operate and maintain the grantor's infrastructure assets such as roads, bridges, tunnels, airports, energy distribution networks, prisons or hospitals. In those arrangements, the grantor controls or regulates what services the operator must provide using the assets, to whom, and at what price, and also controls any significant residual interest in the assets at the end of the term of the arrangement.~~ ~~34.13 There are two principal categories of service concession arrangements:~~				

~~(a) in one, the operator receives a financial asset—an unconditional contractual right to receive a specified or determinable amount of cash or another financial asset from the government in return for constructing or upgrading a public sector asset, and then operating and maintaining the asset for a specified period of time. This category includes guarantees by the government to pay for any shortfall between amounts received from users of the public service and specified or determinable amounts.~~ ~~(b) in the other, the operator receives an intangible asset—a right to charge for use of a public sector asset that it constructs or upgrades and then operates and maintains for a specified period of time. A right to charge users is not an unconditional right to receive cash because the amounts are contingent on the extent to which the public uses the service.~~ ~~Sometimes, a single contract may contain both types: to the extent that the government has given an unconditional guarantee of payment for the construction of the public sector asset, the operator has a financial asset; to the extent that the operator has to rely on the public using the service in order to obtain payment, the operator has an intangible asset.~~ ~~Accounting—financial asset model~~ ~~34.14 The operator shall recognise a financial asset to the extent that it 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 operator shall measure the financial asset at fair value. Thereafter, it shall follow Section 11 Basic Financial Instruments and Section 12 Other Financial Instrument Issues in accounting for the financial asset.~~ ~~Accounting—intangible asset model~~ ~~34.15 The operator shall recognise an intangible asset to the extent that it receives a right (a licence) to charge users of the public service. The operator shall initially measure the intangible asset at fair value. Thereafter, it shall follow Section 18 in accounting for the intangible asset.~~				

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~~Operating revenue~~ ~~34.16 The operator of a service concession arrangement shall recognise, measure and disclose revenue in accordance with Section 23 Revenue for the services it performs.~~				
Section 35 **Transition to the IFRS for SMEs**	IFRS 1 *First-time Adoption of International Financial Reporting Standards*	*N/A*	No disclosures required	
IFRS standards not covered in IFRS for SMEs standard	IFRS 8, IAS 33, IFRS 4 do not have equivalent sections in IFRS for SMEs standard. IFRS 5 and IFRS 13 are not directly covered.	**Excluded** IFRS 8 and IAS 33 only apply if entity is in process of listing – ie has public accountability. So should not be needed for tier 2. Similarly, insurers would typically have public accountability – at least per the current wording of AASB 1053, Appendix A. While IFRS 5 and IFRS 13 do not have separate sections, they are covered in other sections as appropriate - eg PPE, Intangible assets, impairment. IFRS 5 provides that assets held for sale must be measured at lower of carrying amount and fair value less costs to sell. Under IFRS for SMEs, plans to dispose of asset is an impairment indicator and would require impairment testing per section	No additional disclosures required. The main difference in relation to IFRS 5 is that full IFRS requires separate presentation of assets held for sale in the statement of financial position, and separate disclosure of the results of discontinuing operations in the statement of profit or loss, which is not required under IFRS for SMEs. However, this is a presentation difference and since	

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		27. 27.13 states FVLCTS is used when assets are held for sale – so same outcome.	IFRS for SMEs does not require this presentation, it should also not be required in the proposed disclosure standard. However, consider a separate disclosure on the face for discontinued operations and assets held for sale should be added	