

Developing processes for Georgian input to the IASB on updating the IFRS for SMEs

Participants: Train the Trainer workshop attendees, both English and Georgian groups (88 in total)

Date: 13:00 to 14:30 on Thursday 3 October

Venue: Big Hall Ministry of Finance, Tbilisi, Georgia

Purpose of this paper: this paper aims to provide information to frame a strategic discussion on co-ordinating Georgian feedback on International Accounting Standards Board (IASB) due process documents relating to:

- amending/updating the International Financial Reporting Standard for Small and Medium-sized Entities (the IFRS for SMEs); and
- the non-mandatory guidance that takes the form of Questions and Answers (Q&As) issued by the IFRS Foundation SME Implementation Group. (SMEIG)¹

Background

The need to establish a mechanism for co-ordinating Georgian input is urgent because:

- The SMEIG draft Q&A on *Application of the undue cost or effort exemption for investment property on transition to the IFRS for SMEs* is open for comment until 7 October 2019; and
- the IASB expects, before the end of 2019, to release for public comment a Request for Information (RfI) to inform its 2019 Comprehensive Review of the IFRS for SMEs.²

SMEIG draft Q&A

The SMEIG draft Q&A responds to a question from stakeholders about the application of the undue cost or effort exemption for investment property on the date of transition to the IFRS for SMEs. The draft Q&A concludes that additional cost or effort due to the lapse of time between the date of transition and the date of preparing the first IFRS for SMEs financial statements is not considered.

RfI 2019 Comprehensive Review of the IFRS for SMEs

The RfI is expected to be focused on seeking responses to questions about how, if at all, to align the IFRS for SMEs with amendments to full IFRS that were not incorporated in developing the IFRS for SMEs (2015). Because amendments to full IFRS were made while developing the IFRS for SMEs (2009), some amendments issued before 2009 were not considered in developing the IFRS for SMEs (2009). Moreover, because of the limited scope in developing the IFRS for SMEs (2015) the implications of such amendments to full IFRS were not considered when developing the IFRS for SMEs (2015). Consequently, the IASB is

¹ see <https://www.ifrs.org/supporting-implementation/supporting-materials-for-the-ifrs-for-smes/sme-qas/#English>

² see <https://www.ifrs.org/projects/work-plan/>

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currently formulating its preliminary views of which requirements in the IFRS for SMEs should be updated to align with full IFRS.

Comment letter co-ordination mechanisms in other jurisdictions: without diminishing the rights of others to develop their own comment letters to the IASB, to ensure that the Georgian view is heard by the IASB when amending the IFRS for SMEs, that view must be captured and submitted in a co-ordinated way that has the maximum possible authority.

The IASB works with national standard-setters (NSS), a role filled by SARAS in Georgia, as 'important partners' towards the objective of global financial reporting standards important partners.³ In particular, the IASB encourage NSS to respond to due process documents by providing comment letters, and to undertake outreach to better understand the effects of proposed new Standards in their jurisdictions.

Nevertheless, there is a wide range of jurisdiction specific comment letter co-ordination mechanisms employed by others. For example, the comment letter development and submission process is co-ordinated by and carries the authority of, amongst others:

- domestic standard-setters (for example, the AASB⁴ in Australia)⁵
- formalised collections of the regional standard-setters (for example, GLENIF/GLASS⁶ in Latin America)
- IFRS endorsement advice bodies (for example, EFRAG⁷ in the EU)
- domestic PAOs⁸ (SAICA)⁹ in South Africa

Jurisdictional incentives

Because many Georgian entities prepare their financial statements in accordance with the IFRS for SMEs, it is important that the Georgian voice be heard in the process of amending the IFRS for SMEs.

Georgian perspectives might be different from other jurisdictions. For example, the IFRS for SMEs is not used in many of the world's biggest economies that arguably have the 'loudest voices' in the process of setting IFRS. Those jurisdictions might have incentives to steer the IFRS for SMEs more closely to full IFRS because their SMEs do not carry the cost of such complexity and their listed companies would benefit from their qualifying foreign subsidiaries using an SME Standard that is essentially a reduced disclosure framework (ie IFRS for SMEs disclosures and full IFRS recognition and measurement).

³ See <https://www.ifrs.org/national-standard-setters/>

⁴ The Australian Accounting Standards Board (AASB) a function of the Australian Financial Reporting Council (FRC)

⁵ See <https://www.ifrs.org/national-standard-setters/>

⁶ Group of Latin American Accounting Standards (GLASS/GLENIF) see http://www.cpc.org.br/Seminario/includes/download/10/09_Glenif_Glass.pdf

⁷ European Financial Reporting Advisory Group (EFRAG) see <http://www.efrag.org>

⁸ Professional Accountancy Organisation (PAO)

⁹ The South African Institute of Chartered Accountants (SAICA)