



## Brewing Over

# IFRS vs IFRS for SMEs - Part 1

In comparing Full IFRS and IFRS for SMEs, this series of articles highlights some of the similarities and differences between the two accounting frameworks.

This article is the first installment in this series of similarities and differences between IFRS and IFRS for SMEs. This article addresses standards which IFRS includes aimed at publicly listed companies. IFRS for SMEs does not address the following topics.

- IAS 34, Interim Financial Reporting
- IFRS 8, Operating Segments
- IAS 33, Earnings Per Share

### IAS 34, Interim Financial Reporting

This standard in IFRS does not mandate which entities should be required to publish interim financial reports, how frequently, or how soon after the end of an interim period. However, governments, securities regulators, stock exchanges, and accountancy bodies often require entities whose debt or equity securities are publicly traded to publish interim financial reports.

This standard applies if an entity is required or elects to publish an interim financial report in accordance with IFRS. Publicly traded entities are encouraged to provide interim financial reports that conform to the recognition and measurement principles of IFRS, and disclosure principles set out in IAS 34. Therefore, an entity preparing such interim reports would continue to apply its IFRS accounting policies, yet comply with the disclosure requirements of IAS 34, which allows for preparation of *condensed* financial statements, as opposed to IAS 1 *Presentation of Financial Statements* which is relevant for a complete set of financial statements.

### IAS 33, Earnings per Share

IAS 33 requires an entity to provide a measure of the interest of each ordinary share of an entity in the performance of the entity at the end of a reporting period.

Basic earnings per share shall be calculated by



dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period.

IAS 33 requires also Diluted earnings per share to be disclosed. Dilution arises where there is a reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions. Diluted earnings per share is calculated similar to basic earnings per share, however both the numerator and denominator are adjusted for the effects of the dilutive instruments.

This standard shall apply to:

(a) the separate or individual financial statements of an entity:

(i) whose ordinary shares or potential ordinary shares are traded in a public market or

(ii) that files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing ordinary shares in a public market; and

(b) the consolidated financial statements of a group with a parent meeting either of the abovementioned criteria.

## IFRS 8, Operating Segments

An operating segment is a component of an entity:

(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),

(b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

(c) for which discrete financial information is available.

This standard shall apply to the same entities listed above who are required to apply IAS 33.

Disclosure of segment reporting provides transparency to users, as it breaks a company down into reportable segments. Information disclosed is based on internal management reports, both in the identification of segments and measurement of disclosed segment information. This information is required to be reconciled to IFRS disclosures.



**Conclusion:**

Entity's reporting on IFRS for SMEs are not required to present Interim financial reporting, Earnings per share or Segment reporting. However, if an entity on this reporting framework wishes to present the above, they shall describe the basis for presenting such information in line with the requirements of IFRS

for SMEs Section 10, Accounting Policies, Estimates and Errors.

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