New accounting rules a blessing for SMEs

IFRS for SMEs will lead to benefits such as better access to capital, improved transparency, and differential reporting will thus bring a significant change in the way we account, recognize, measure, and present financial statements. If you are an SME that qualifies to use IFRS for SMEs, should you adopt the new standard when the need arises (soon)? The answer is generally yes. IASB has cited the following benefits for an entity that adopts the standards: improved access to credit and capital, improved transparency, reporting quality and comparability, auditing efficiencies, ease of reporting and disclosure burden, and availability of education and training materials. Research by Hope, Thomas and Yapi (April 2010) based on 31,000 SMEs in 68 developing countries and emerging markets, and by Chen, Ho and Wang (July 2010) based on 7,000 SMEs in emerging markets, appear to support the benefits of a high quality, transparent and comparable financial reporting standards. There will definitely be some transition costs. You will need to make some adjustments in your existing accounting policies and processes, staff training, and first-year adoption pain in providing comparable, but a simplified stand-alone accounting standard with much less recognition, measurement and disclosure burden will be most attractive to many.

For further information on IFRS for SMEs, visit www.ifrs.org/IFRSforSMEs/IFRSforSMEs.htm

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