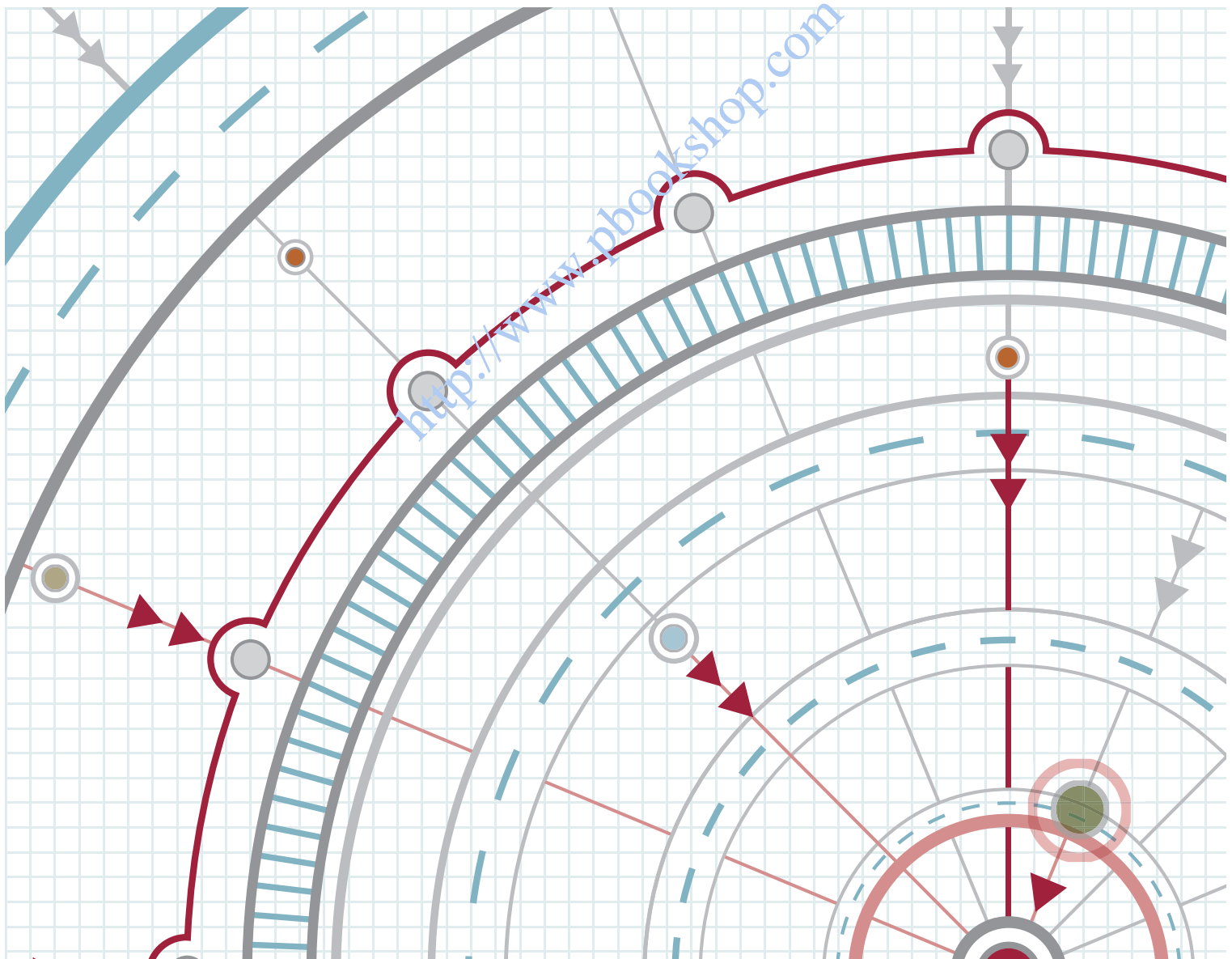


2014

IFRS Foundation[®]

IFRS[®] as global standards: a pocket guide

Paul Pacter



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Foreword

When the International Accounting Standards Board (IASB) replaced the International Accounting Standards Committee (IASC) as the worldwide accounting standard-setter in 2001, very few countries even permitted the use of International Accounting Standards (IAS).

Today, the vision of global accounting standards is shared by almost every country in the world. More than 100 countries require the use of International Financial Reporting Standards (IFRS), while most other jurisdictions permit the use of IFRS in at least some circumstances. We are not yet at the point in which IFRS adoption is total and complete, but it is an impressive achievement in such a short period of time.

The IASB has no power to mandate the use of IFRS in any country. Adoption of IFRS requires an assessment by legislators or regulators of the public benefit of providing high quality and transparent information to capital providers who make investment, lending and credit decisions. In most cases, that assessment has resulted in adoption of IFRS in full and without modification.

Some of the questions I am most frequently asked about IFRS are: who actually uses IFRS? Which countries? Which companies? Which financial statements? Required or permitted? Do jurisdictions modify IFRS before they are adopted locally? What about small and to medium-sized entities (SMEs)?

The shortage of authoritative information in this area meant that we were only able to estimate the use of IFRS globally. It also led to legitimate questions being asked by some about the true extent of IFRS usage. In late 2012, the IFRS Foundation began a project to gather that information—to enable it to get the full picture of IFRS use around the world. The project has been led by former IASB member Paul Pacter. Paul and his team obtained information from surveys of individual jurisdictions and other sources, and drafted jurisdiction profiles on the use of IFRS. To ensure accuracy, those drafts were reviewed by the standard-setter in each jurisdiction, by international audit firms and regulators and others.

We have now posted on our website comprehensive IFRS profiles for 130 countries or other jurisdictions. This guide provides a summary of that information. Those profiles tell a remarkable story of progress towards IFRS as global accounting standards that exceeds even our own estimates about the extent and consistency of IFRS adoption.

Hans Hoogervorst
Chairman, International Accounting Standards Board
July 2014

Botswana


Accounting Standards required for publicly accountable entities (listed companies and financial institutions)

Listed companies and financial institutions: All must use IFRS in their consolidated financial statements. In addition, the Botswana Companies Act requires some other companies also to use IFRS (this is discussed further below).

Separate company financial statements: IFRS.

IFRS endorsement

Which standards do companies follow? IFRS as issued by the IASB.

The auditor's report asserts compliance with: IFRS.

Modifications to IFRS: None.

Endorsement process for new or amended IFRSs? The process of adoption involves the review of the Standard by, and recommendation from, the Botswana Institute of Chartered Accountants (BICA) Technical Committee. The BICA Technical Committee's recommendation is presented to the BICA Council. On approval of the BICA Council, the adoption is finalised. To date, the BICA has adopted all Standards without modification.

Accounting standards required for SMEs

Which standards do SMEs follow? Companies that do not have public accountability (their securities are not publicly traded and they are not a financial institution) and that meet the threshold to be an 'exempt company' under the Botswana Companies Act may use the *IFRS for SMEs*. An exempt company is one that satisfies all three of the following conditions:

- turnover less than Pula 10 million (approximately US\$1.7 million);
- assets less than Pula 5 million (approximately US\$600,000), and
- company is not a subsidiary of a holding company.

A company that does not satisfy all three of the above conditions or that has public accountability must use full IFRS.

Brazil


Accounting standards required for publicly accountable entities (listed companies and financial institutions)

Listed companies other than financial institutions: IFRS is required for all companies whose securities are publicly traded and for most financial institutions whose securities are not publicly traded, for both consolidated and separate (individual) company financial statements.

Separate company financial statements: IFRS (see above).

IFRS endorsement

Which standards do companies follow? IFRS as issued by the IASB, but some options have been eliminated, for example, the revaluation of property, plant and equipment under IAS 16 *Property, Plant and Equipment* and revaluation of intangible assets under IAS 38 *Intangible Assets*.

The auditor's report asserts compliance with: IFRS.

Modifications to IFRS: Brazil modified IFRS to:

- require that, in separate company financial statements, the equity method must be used to account for investments in subsidiaries, associates and joint ventures; and
- prohibit early adoption.

Endorsement process for new or amended IFRSs? The Comitê de Pronunciamentos Contábeis (CPC, the Brazilian Accounting Pronouncements Committee) approves standards that are identical to IFRS as issued by the IASB. The Comissão de Valores Mobiliários (CVM, Securities and Exchange Commission of Brazil) endorses CPC standards for public entities. The Conselho Federal de Contabilidade (CFC) endorses CPC standards for non-public entities. In addition, the Brazilian Institute of Independent Auditors (IBRACON) is the official entity authorised to annually translate and publish the IFRS Red Book.

Accounting standards required for SMEs

Which standards do SMEs follow? All SMEs are required to use the *IFRS for SMEs* unless they choose to use full IFRS—with one exception: some micro and small entities (gross revenue less than R\$3.6 million, which is approximately US\$1.8 million) are authorised to use a simplified set of accounting standards established under Resolution CFC 1418/2012.

Overview of IFRS continued...

However, IFRS 14 introduces limited changes to some previous GAAP accounting practices for regulatory deferral account balances, which are primarily related to the presentation of these accounts.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise. The core principle in that framework is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

To recognise revenue under IFRS 15, an entity applies the following five steps:

- identify the contract(s) with the customer.
- identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to a customer goods or services that are distinct.
- determine the transaction price. The transaction price is the amount of consideration to which a company expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer.
- allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service.
- recognise revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

International Accounting Standards

IAS 1 Presentation of Financial Statements

IAS 1 sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. It requires an entity to present a complete set of financial statements at least annually, with comparative amounts for the preceding year (including comparative amounts in the notes). A complete set of financial statements comprises:

- a statement of financial position as at the end of the period;
- a statement of profit and loss and other comprehensive income for the period;
- a statement of changes in equity for the period;
- a statement of cash flows for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information; and
- a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

An entity whose financial statements comply with IFRS must make an explicit and unreserved statement of such compliance in the notes. An entity must not describe financial statements as complying with IFRS unless they comply with all the requirements of IFRS. The application of IFRS, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation. IAS 1 also deals with going concern issues, offsetting and changes in presentation or classification.

IAS 2 Inventories

IAS 2 provides guidance for determining the cost of inventories and the subsequent recognition of the cost as an expense, including any write-down to net realisable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned by:

- specific identification of cost for items of inventory that are individually significant; and
- the first-in, first-out or weighted average cost formula for large quantities of individually insignificant items.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories is recognised as an expense in the period the write-down or loss occurs.

IAS 7 Statement of Cash Flows

IAS 7 prescribes how to present information about historical changes in an entity's cash and cash equivalents in a statement of cash flows.