

# **INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF UGANDA**



## **IFRS for SMEs**

**International Financial Reporting Standard (IFRS) for Small and  
Medium-sized Entities (SMEs)**

### **IMPLEMENTATION GUIDELINES**

**11 DECEMBER 2009**

## **1.0 INTRODUCTION.**

### **1.1 Establishment of ICPAU.**

The Institute of Certified Public Accountants of Uganda (ICPAU) was established in 1992 by The Accountants Act, Cap 266. The functions of the Institute, as prescribed by the Act, are:

- (i) To regulate and maintain the standard of accountancy in Uganda;
- (ii) To prescribe or regulate the conduct of accountants in Uganda.

### **1.2 International Financial Reporting Standards.**

Since 1998, the Council of ICPAU has adopted International Financial Reporting Standards (IFRSs, IASs, SIC and IFRIC Interpretations) as issued by the International Accounting Standards Board (IASB), without amendment, for application in Uganda.

International Financial Reporting Standards set out recognition, measurement, presentation and disclosure requirements dealing with transactions and other events and conditions that are important in general purpose financial statements.

### **1.3 *IFRS for SMEs.***

The International Financial Reporting Standard for Small and Medium-size Entities (*IFRS for SMEs*) is a self-contained standard, designed to meet the needs and capabilities of small and medium-sized entities (*SMEs*).

The *IFRS for SMEs* was issued by the International Accounting Standards Board on 9 July 2009.

### **1.4 *Full IFRSs.***

The *full IFRSs* refers to International Financial Reporting Standards other than the *IFRS for SMEs*.

### **1.5 General Purpose Financial Statements**

IFRSs are designed to apply to the general purpose financial statements and other financial reporting of all profit-oriented entities. General purpose financial statements are those directed to general financial information needs of a wide range of users who are not in a position to demand reports tailored to meet their particular information needs.

## 2.0 SMALL AND MEDIUM-SIZED ENTITIES (SMEs).

The *IFRS for SMEs* is intended for use by small and medium sized entities (SMEs). The Institute has developed the definition of an SME in Uganda below to facilitate adoption of the standard.

### 2.1 Definition of an SME in Uganda.

A small and medium sized entity is defined as an entity:

- a) That does not have **public accountability**;
- b) That publishes **general purpose financial statements** for external users. External users include but are not limited to;
  - i. Owners not involved in day to day management;
  - ii. Lenders;
  - iii. Existing and potential suppliers;
  - iv. Existing and potential customers;
  - v. Credit rating agencies;
  - vi. The Uganda Revenue Authority; and
  - vii. Regulatory bodies such as Bank of Uganda, Electricity Regulatory Authority and the Uganda Insurance Commission.
- c) Whose debt and equity instruments is **NOT** traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or is **NOT** in the process of issuing such instruments for trading in a public market; and
- d) That does **NOT** hold funds in a fiduciary capacity for a broad group of outsiders as one of its primary businesses such as banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks.

### 2.2 Public Accountability.

The Institute has designated certain entities as being publicly accountable. These entities **SHALL NOT** use the *IFRS for SMEs* as a framework for financial reporting.

Publicly accountable entities include, but are not limited to:

- a. Entities whose debt or equity instruments are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or are in the process of issuing such instruments for trading in a public market.

- b. Entities that hold assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. In Uganda, these include, but are not limited to:
  - i. Banks, credit institutions, micro-finance deposit taking institutions and similar/ related financial institutions. These include commercial banks, post office savings banks, merchant banks, mortgage banks, building societies, acceptance houses, discount houses and finance houses.
  - ii. Non-regulated micro-finance institutions and SACCOs (savings and credit cooperative organizations).
  - iii. Insurance and re-insurance companies.
  - iv. Mutual funds and collective investment schemes (including unit trusts).
  - v. Security brokers/ dealers.
  - vi. Pension and Retirement Benefit Schemes.
- c. Public organisations, in which the State owns the whole or part of the proprietary interest or which is otherwise controlled directly or indirectly by the State, including parastatals, state enterprises, commissions and authorities.
- d. Private organisations in which the State has a non-controlling equity interest.

### **2.3 Subsidiaries of Publicly Accountable Entities.**

Subsidiaries of publicly accountable parents, that are not themselves publicly accountable, are eligible to apply the *IFRS for SMEs* in preparing their statutory financial statements. However, the accounting policies under the *IFRS for SMEs* may differ from those under the *full IFRSs*, so the financial results may have to be restated for group reporting purposes. In such cases, it may be more efficient for the subsidiary to continue to prepare its statutory financial statements under the *full IFRSs*.

### **3.0 APPLICATION OF THE *IFRS FOR SMEs*.**

Publicly accountable entities **SHALL** present their financial statements in compliance with the *full IFRS*.

All entities that meet the definition of SMEs, and prepare general purpose financial statements, **may opt whether or not to comply** with the *full IFRSs* or the *IFRS for SMEs* and should indicate this in their financial statements.

If a publicly accountable entity uses the IFRS for SMEs, its financial statements **shall not** be described as conforming to the IFRS for SMEs even if law or regulation in Uganda permits or requires this IFRS to be used by publicly accountable entities.

### **4.0 EFFECTIVE DATE.**

The IFRS for SMEs becomes operative for financial statements covering periods beginning on or after **1 January 2010**. Earlier application is encouraged.

### **5.0 MAINTENANCE.**

The Council of ICPAU will continue to monitor the adoption of the *IFRS for SMEs* and will issue further guidance as and when may be appropriate.