Adoption of the IFRS for SMEs: Key points

Two key benefits of transitioning to the IFRS for SMEs are improved access to international lenders and improved quality and comparability of financial reporting.

On first time adoption, the entity should be able to make an explicit and unreserved statement of compliance with the IFRS for SMEs.

At its date of transition MMC will have to make the following adjustments to the opening statement of financial position:
- Recognize items whose recognition is required by the IFRS for SMEs,
- Do not recognize items if the IFRS for SMEs does not permit recognition,
- Reclassify items if required by the IFRS for SMEs,
- Measure items under the IFRS for SMEs, and
- Ensure the accounting policies applied comply with the IFRS for SMEs.

Note that the IFRS for SMEs provides some optional and mandatory exemptions from the adjustments above for certain transactions and balances.

A complete set of financial statements under the IFRS for SMEs comprises:
- A statement of financial position,
- A statement of comprehensive income (presented in one or two statements),
- A statement of changes in equity (in specific circumstances this may be combined with the statement of comprehensive income to give a statement of income and retained earnings),
- A cash flow statement, and
- Notes (including a summary of significant accounting policies and other explanatory notes).

MMC needs to prepare consolidated financial statements because it controls MMCA. MMCB is not a subsidiary of MMC because another party has control over MMCB by virtue of an agreement.