**Comparison of IFRS for SME solutions from the full version
of IAS / IFRS**

Main differences between IFRS for SMEs and IFRS full version come from IASB´s endeavour not to require unreasonable responsibilities, which would lead to inadequate effort. The differences can be divided into following groups:

1. **The differences developed from abandoning alternative accounting policies (in comparison with the IFRS full version where it still exists):**
* Intangible assets (their evaluation is according to their acquisition costs, which can be corrected by accumulated amortization and impairment losses),
* Bookkeeping property, plant and equipments (they are also evaluated according to their acquisition costs, which can be corrected by accumulated depreciation and impairment losses),
* Investments in property (it should be evaluated by the real value, if it is not reliable and discoverable without inadequate costs and efforts, they should be recorded as a long-term assets),
* Recording of investment in joint companies (in the case the proportionate consolidation cannot be used),
* recording grants (there is missing reference about grants, which are declining value of a long-term assets, this means that all grants are recorded as a revenue immediately – in the case of an unconditional grants; or after complying with the criteria in the case of conditional grants).
1. **The differences arising from abolishing partial areas, which exists in full version of the IAS/IFRS system but are not valid in IFRS for SMEs:**
* Interim financial reporting,
* Recognition and presenting earnings per share (basic and diluted),
* Segment reporting,
* Long-term assets held for selling and discontinued operations.

IFRS for SMEs does not cover these partial areas, but an accounting entity recording transactions from these areas is obliged to disclose the way of their presentation. This means that small- and medium-sized entity is not required to follow the full version of the IAS/IFRS system, but it can decide for its own way of disclosures and presentation.

1. **The differences arising from simplification of full version:**
* The differences in recording or assessing of:
* the borrowing costs are always recorded as an expense and it is not allowed to activate them to assets´ purchase price,
* the development and research expenditures are always recorded as an expense, it is not allowed to activate intangible assets of their own production,
* the intangible assets must have a determinable useful life, whereas assets with indeterminable useful life are considered to have ten years of useful life. This means that all intangible assets, including goodwill, must be amortized,
* the biological assets are assessed in the real value only if it can be determined without inadequate costs and efforts, otherwise historical price can be used,
* the financial instruments must be divided into groups of basic financial instruments, which are assessed in the purchase price or the amortized purchased price, and the group of other financial instruments, which are assessed by the real value – the way of influencing company´s trading income directly. The abolishment of assets is also simplified (from statement of financial position),
* the refunds connected with shares – assessment is according to the real value, which is determined according to the best estimation of company’s management,
* The useful life, the residual value and the approaches for the depreciation for lands, property, equipments and other intangible assets are not required to be revised at each end of accounting period, but only when there is an estimation that they have not changed from last year’s final accounts.
* The different requirements for disclosure and recording the simplified accounting system mean lower requirements for disclosure of accounting information not only in the final statements but also in the comments to final statements.

d) **The differences connected with the process of updating and applying to the IAS/IFRS system (or IFRS for SMEs).** The individual solution will not be changed in the single sections; the IASB is going to revise each standard as one.[7] The IASB is going to change the current standard according to the users of this accounting system and also according to the new changes in the IFRS full version.

When accounting entities apply the IFRS for SMEs in the first year, it should proceed in conformity with 35th chapter of this standard (it is simplified compared to the IFRS 1 – First time adoption of IFRS) and it does not matter if it is coming from the IFRS full version or from national accounting system.

Many differences in the IFRS full version and IFRS for SMEs decline the difference between IAS/IFRS system and the Czech accounting system (according to the Accounting Law, the Ordinance and the Czech Accounting Standards). It can be clearly seen in the case of assessing long-term assets, biological assets and intangible assets, where using the real value was eliminated and this is very similar to Czech legal rules.

Despite many different specialists’ opinions on the way of simplification of IFRS for SMEs from full version, it is important to note that IFRS for SMEs is the fundamental element of financial accounting harmonization

- **the horizontal level** – accounting entities on the European stage (or worldwide) present their accounting data on comparable accounting principles and methods,

- **the vertical level** – accounting entities during their expansion (they will be public traded entities) come from simplified to more precise accounting system, but still on the same principles. This means that accounting data of one entity are comparable for the whole business period.

The above is part of the contribution of authors: Hinke, Zborková: ANALYSIS OF THE CURRENT HARMONIZATION PROCESS FOR FINANCIAL REPORTING STANDARDS IN THE EUROPEAN UNION AND ITS PROGRESS, scientific conference IBIMA, 2012