The Relevance of International Financial Reporting Standards for Small and Medium-Sized Entities (IFRS for SMEs) in Swaziland

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The purpose of this study is to explore the relevance of adopting International Financial Reporting Standards (IFRS) for small and medium-sized entities (SMEs) in Swaziland. The study further seeks to determine if IFRS for SMEs can be the solution to better reporting by local SMEs. There has been a growing need for different reporting standards for small firms and big firms over the years due to the unique challenges and attributes they face especially in the area of financial reporting. This research is based on a statistical analysis of questionnaires completed by accountants from SMEs in Swaziland as well as other stakeholders who have a direct or an indirect interest in the financial statements of SMEs. These stakeholders included audit firms and the financial institutions. The sampling rate of 10% was applied across each industry to come up with a sample of 60 SMEs. Furthermore, a 100% sampling rate on the other stakeholders was applied. These were nine financial institutions and eight audit firms. The findings from the study revealed that SMEs in Swaziland are having challenges with the current reporting framework but to some extent, the framework is suitable. Most SMEs are not aware of IFRS for SMEs, therefore the accounting profession in Swaziland (SIA) has a huge role to play in training auditors and accountants in the country. Overall, IFRS for SMEs is applicable in Swaziland.

Keywords: relevance, International Financial Reporting Standards (IFRS), small and medium-sized entities (SMEs)

Background Information

Over the past few years, the accounting profession has released a number of standards. In 2009, the International Accounting Standards Board (IASB) issued an International Financial Reporting Standard (IFRS) designed for use by small and medium-sized entities (SMEs), which are estimated to represent more than 95% of all companies (IFRS, 2009). The standard is a result of a five-year development process with extensive consultation of SMEs worldwide (House, 2005; Vasek, 2011). The IFRS for SMEs is a self-contained standard of 230 pages, designed to meet the needs and capabilities of SMEs (Flower, 2004; Sanders, Lindberg, & Seifert, 2013). These standards have been adopted even in Swaziland by both the public and private entities. The release of this standard is aimed at providing a simplified, self-contained set of standards that are appropriate for smaller, non-listed companies. External users of financial statements are said to have different needs and this

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difference depends on whether entities are publicly accountable or not (Schiebel, 2006). The development of IFRS for SMEs by the IASB was based on this difference in needs of external users. Global financial reporting standards for SMEs would make a comparison across borders possible. The IASB's answer is an independent IFRS for SMEs which aims at meeting the needs of external users of financial statements of non-publicly accountable entities. IFRS for SMEs does not contain an effective date; instead, it comes into effect from the date determined by the national regulator in each jurisdiction.

Academic research provides enough evidence on the major changes in the accounting world. From the International Accounting Standards Committee (IASC) in 1973 which has origins from the Accountants' International Study Group formed in 1966, to the International Accounting Standards Board formed in April 2001 (Pope & McLeay, 2011). The main goal of the IASB is among others to provide a simplified, self-contained set of standards that are appropriate for smaller, non-listed companies but still based on full IFRS. In addition to this goal, the aim is also to make modifications based on users' needs and cost-benefit considerations and to remove choices for accounting treatment, eliminate topics that are not generally relevant to SMEs, and simplify recognition and measurement, thereby allowing the board to shrink the guidance by over 85% compared to full IFRS.

Literature Review

What is IFRS?

Yang (2010) defined IFRS as a single set of high-quality, understandable, enforceable, and globally accepted financial reporting standards developed by the IASB. The IFRS for SMEs was released in July 2009 by the IASB, tailored for the needs and capabilities of smaller entities (Pacter, 2007). According to PricewaterhouseCoopers (PwC, 2010), IFRS for SMEs is separate from the full IFRS and is available for any jurisdiction to adopt whether or not it has adopted full IFRS. In summarizing the definition of the IFRS for SMEs, Pacter (2007) stated that the IFRS for SMEs is a simplified version of the full IFRS where irrelevant topics to smaller entities have been omitted and the number of required disclosures has been significantly reduced.

SMEs Definition

Pacter (2007) defined SMEs as entities that do not have public accountability and that publish general-purpose financial statements for external users. Holgate (2007) stated that by "public accountability", the IASB means listed companies and banks and similar financial institutions. So a (non-financial) private company, however large, would be an "SME" under this approach. Simpson (2008) stated that the draft of the IFRS for SMEs and some discussion papers on this subject have been criticized for focusing on entities that are not defined as SMEs in developing nations' term, but are instead more aligned to the United States of America's definition of an SME as well as not taking into account the uniqueness and challenges of SMEs in developing countries. Contrary to the IASB's definition of SMEs, the Swazi Government in 2002 defined SMEs as shown in Table 1.

In the Swazi context, SMEs are entities with a total value of assets ranging from E50,000 to E3,000,000, which has a staff population ranging from a minimum of four people to a maximum of 50 people, and has a turnover of about E60,000 to E3,000,000 per year. For the purposes of this study, the Swazi definition of SMEs will be considered.

Table 1

Definition of SMEs in Swaziland

	Micro	Small	Medium
Value of assets	Under E50,000	E50,000 to E500,000	E500,000 to E3,000,000
Staff employed	1 to 3 people	4 to 10 people	11 to 50 people
Turnover	E60,000	E60,000	E60,000 to E3,000,000

Note. Source: Government of Swaziland (2002). $1 ≈ E9.00.

Main Differences Between Full IFRS and IFRS for SMEs

The changes to full IFRS in preparing the IFRS for SMEs were made as follows: topics omitted, recognition and measurement simplifications, only the simpler option included, simplified redrafting, and disclosure reductions (Jerman & Ivankovič, 2011). Among the several differences between IFRS for SMEs and full IFRS includes the exclusion of topics in IFRS for SMEs such as earnings per share, interim financial reporting, segment reporting, and special accounting for assets held for sale. Under IFRS for SMEs, goodwill is amortized and only tested for impairment when there is a triggering event, instead of being subject to a full impairment test each year. Development costs are expensed under IFRS for SMEs while they are capitalized under full IFRS. Table 2 shows some of the other differences between the full IFRS and IFRS for SMEs.

Table 2

Differences Between Full IFRS and IFRS for SMEs

Full IFRS	IFRS for SMEs
Standards numbered as they are published	Organized by topics, following an order very similar to the UK's Financial Reporting Standard for Smaller Entities (FRSSE)
Almost 3,000 pages	Under 300 pages
Around 3,000 disclosure points	About 300 disclosure points
Updated almost monthly	Updated once every two or three years

Note. Source: Pacter (2009).

Framework of IFRS for SMEs

Pacter (2007) stated that when developing the IFRS for SMEs, the IASB extracted the fundamental concepts from the IASB's conceptual framework and the principles from the IFRS, with appropriate modifications in the light of users' needs and cost-benefit consideration. The first type of modification is the fact that some topics which were seen to be irrelevant for SMEs were omitted from the IFRS for SMEs. The second type of modification is that while the full IFRS allows accounting policy options, only the simpler options were included in the IFRS for SMEs. On the third type of modification, the IASB considered the simplifications of the recognition and measurement principles in full IFRS to suit the SMEs in the IFRS for SMEs. Finally on the fourth type of modification, the IASB considered rewriting the IFRS for SMEs in plain English.

Common Information Needs of External Users of SMEs' Financial Statements

While doing the research literature on common information needs of external users of SMEs' financials, Schiebel (2006) indicated that the research literature identifies banks, equity investors whether simultaneously managing the entities or not, and tax authorities as the main users of SMEs' financial statements; venture capitalists, business angels, and grant-awarding bodies seem to have become users of SMEs' financial statements more recently. Sian and Roberts (2006) stated that the main uses for SME financial statements by banks are to determine capacity to repay and to assess profitability, security, and liquidity. Owners utilize

financial reports for a variety of functions including determining remuneration awards. Tax authorities would want to determine gross profit, assess directors' fees, look at tax provisions, ensure that expenses are reasonable, and check for a clean audit report.

Impact of IFRS for SMEs on SMEs

PwC (2010) indicated that converting from either Generally Accepted Accounting Principles (GAAP) or full IFRS to IFRS for SMEs requires a commitment of management focus, resources, and funding. The transition will have implications on processes, systems, people, and taxes, and may be costly, complex, and time-consuming. Pacter (2007) stated that the introduction of IFRS for SMEs will reduce the work load faced by SMEs in preparing their financial reports when using the full IFRS. He further stated that the use of IFRS for SMEs will enhance the comparability of financial statements, improve corporate transparency, increase the quality of financial reporting, and hence benefit investors in the SMEs sector.

On-going Debates to the IFRS for SMEs Application

There seems to be a general support for differential reporting rules. For instance, research conducted in Australia, questioning practitioners, suggested that 97% of those questioned supported the need for differential reporting (Holmes, Kent, & Downey, 2009). Similarly, the AICPA's research into private company reporting suggested that "GAAP for private companies should be developed" and that "fundamental changes should be made in the current GAAP standards-setting process to ensure that the financial reporting needs of private companies are met" (American Accounting Association's Financial Accounting Standards Committee [AAAFASC], 2008, p. 191). However, there is far less consensus on how the standards for SMEs should be set and the precise entities which fall into this category.

The draft for IFRS for SMEs has generated more discussion than the full IFRS (Shearer & Sleigh-Johnson, 2007) but also the accounting standard could hold a key to better reporting system that will be unique to the needs of SMEs. The heat illuminates from the view that the IASB has not focused on the smallest companies (micro-sized entities) in developing the standard; rather, it had in mind a company with around 50 employees (Pacter, 2007). There have been certain arguments in favor of and against an international standard for SMEs. The arguments in favor of an international standard for SMEs have varying reasons from the view that it would be beneficial for SMEs in some transitional economies especially those required to apply full IFRS as a result of World Bank directions (AICPA, 2005), to the view that an international standard for SMEs would mitigate the cost/benefit argument used against full IFRS and create a defined and consistent regulatory framework for those small enterprises maturing to a capital market listing (Barker & Noonan, 2005). Moreover, Baskerville and Cordery (2006) also supported the internationalization of SME standard when they added that it would be beneficial to any SME that has users located in different jurisdictions or that wish to use financial statements of other SMEs and further argued that accounting is about reporting economic events and if the event is the same across countries then the reporting should be the same across countries.

Statement of the Problem

Schiebel (2006), supported by Simpson (2008), stated that there is a growing need for different reporting standards for big firms and small firms over the years due to unique attributes and challenges of SMEs especially in the area of financial reporting as well as the increasingly significant roles they play in the economies of most countries. Simpson (2008) further argued that SMEs need a financial accounting and reporting framework which would be simple, understandable, and user-friendly.

IASB has developed IFRS for SMEs to provide a simplified, self-contained set of standards that are appropriate for smaller, non-listed companies but still based on full IFRS. The draft for IFRS for SMEs has generated more debate than the full IFRS (Shearer & Sleigh-Johnson, 2007). However, the accounting standard could hold a key to better reporting system that will be unique to the needs of SMEs in Swaziland. The question that is still left unanswered is whether the IFRS for SMEs will address the needs of SMEs in developing counties. This study focuses on the relevance of IFRS for SMEs in Swaziland so as to determine if IFRS for SMEs can be the answer to better reporting by local SMEs.

Objectives

Main Objective

The main objective of this paper is to determine the relevance of IFRS for SMEs in Swaziland.

Sub-objectives

The sub-objectives of this research are as follows:

(1) To determine the extent to which the economic environment in Swaziland is conducive for the adoption of the IFRS for SMEs;

(2) To understand the benefits and costs of IFRS for SMEs in Swaziland;

(3) To evaluate the views of stakeholders on the adoption of IFRS for SMEs;

(4) To evaluate the suitability of current reporting frameworks.

Research Methodology

Research Design

Research design refers to the program that guides the investigator in the process of collecting, analyzing, and interpreting observations (C. F. Nachmias & D. Nachmias, 1996). This research was conducted in the form of a survey. According to Bryman and Bell (2007), a survey is a cross-sectional design in relation to which data are collected predominantly by self-completion questionnaires or by self-structured interviews on more than one case and at a single point in time in order to collect a body of quantitative or quantifiable data in connection with two or more variables which are then examined to detect patterns of relationship. A survey was used because it provides a quick, efficient, and accurate means of assessing information about a population.

Sources of Data

Both primary and secondary data were used in data collection because they reduce biasness when used together as they complement each other. Sources of primary data used include questionnaires and personal interviews.

Population

The population consisted of companies in the SME sector in Swaziland which was obtained from the Ministry of Commerce, Industry, and Trade, SME Unit. In selecting these entities, we followed the Swazi definition of SMEs, that is, all companies with no public obligation. Our population also consisted of audit firms in Swaziland, the Swaziland Institute of Accountants (SIA), Swaziland Revenue Authority (SRA) as well as the financial institutions involved in SME finance which was obtained from the Ministry of Commerce, Industry, and Trade.

Sampling

Bryman and Bell (2007) defined a sampling frame as a listing of all the individuals or objects to be sampled for the study. They further described a sample as the segment of the population that is selected for investigation. It is a subset of the population. Four sub-groups were solicited for participation. The first group represents those entities that can be classified as SMEs using the Swazi definition. Our sample covered 60 SMEs which were sampled from 600 SMEs as listed by the Ministry of Commerce, Industry, and Trade. The sampling procedure used is the probability sampling method which ensured that each unit of the population had a chance of being selected. The stratified random sampling method which is the process of selection whereby identified sub-groups in the population are represented was used. It involves dividing the population into homogeneous sub-groups and then taking a random sample from each. This sampling technique was preferred because the population is divided into several strata comprising the different major industries that most SMEs operate in. For purposes of our study, we considered SMEs from various industries in the Manzini-Matsapha-Mbabane corridor.

Table 3 summarizes the industries, number of SMEs per the particular industry as well as the rate effected for sampling purposes and the sample size for the study.

Table 3

SMEs in Various Industries Which Were Sampled for the Study

Type of industry	Number of SMEs per industry	Sampling rate (%)	Sample size
Agriculture	150	10	15
Construction	50	10	5
Manufacturing	200	10	20
Retail	100	10	10
Service	50	10	5
Other	50	10	5
Total	600	10	60

Note. Source: Research data 2011/2012.

In the second group, eight audit firms involved in the audit of SMEs were solicited to give their views. The sampling technique used was non-probability as the population consists of only a few firms and thus we specifically used purposive sampling. In the third group, nine financial institutions that are directly involved in the finance of SMEs in Swaziland were also solicited. Like the audit firms, we specifically used purposive sampling which is a non-probability sampling method because some institutions were solemnly incorporated for financing and developing Swazi SMEs. In the last group, The SIA and SRA also provided their opinions on the likely impact on the financial environment in the country and the tax requirements for SMEs.

Data Collection Instruments and Procedures

Questionnaires

Questionnaires were used for this study. They were dropped and picked by the researcher. Open-ended and close-ended questions were used. Questionnaires were sent to all the 60 SMEs we sampled, all the nine financial institutions, and finally, all the eight audit firms.

Interviews

Interviews are face-to-face, interpersonal role situation in which an interviewer asks the respondents questions designed to elicit answers pertinent to the research questions (C. F. Nachmias & D. Nachmias, 1996). Interviews were used in interviewing the SIA and the SRA. A convenient date to both the respondents and researchers was agreed for conducting the interviews.

Data Analysis

This encompasses various ways in which primary data from questionnaires and interviews were analyzed. The techniques used are given below. Data from questionnaires were analyzed statistically using Statistical Package for the Social Sciences (SPSS 20). The analysis of data using SPSS allowed us to draw valid and reliable conclusions and recommendations. Data from interviews and some from questionnaires especially open-ended questions were analyzed qualitatively in the form of discussion.

A detailed layout and analysis of the data collected in the research is presented. This is followed by a detailed discussion of findings in line with the research questions and objectives. Tables 4, 5, and 6 present the results pertaining to the number of questionnaires distributed against the number of responses received.

Table 4

Stakeholders Who Have Interest in SMEs Reporting

Type of institution	Questionnaires sent	Questionnaires received	Response rate (%)
Financial institutions	9	9	100.00
Audit firms	8	8	100.00
Total	17	17	100.00

Note. Source: Research data 2011/2012.

Table 4 above shows a 100% response rate from the stakeholders who have a direct or an indirect interest in the financial statements of SMEs.

Table 5

Number of SMEs Sampled for the Study

Users of IFRS for SMEs	Questionnaires sent	Questionnaires received	Response rate (%)
SMEs	60	50	83.33
Total	60	50	83.33

Note. Source: Research data 2011/2012.

Table 5 above gives a summary of the response rate of 83.33% from the SMEs which were sampled for the study. Out of 60 questionnaires that were sent, only 50 questionnaires were received.

Table 6

Overall Participants Who Were Involved in the Study

Type of respondent	Questionnaires sent	Questionnaires received	Response rate (%)
Stakeholders	17	17	100.00
Users	60	50	83.33

Note. Source: Research data 2011/2012.

The above tables show a high return rate on the stakeholders who have an interest in SME reporting than the SMEs. The overall response rate was 87%.

Suitability of Current Reporting Frameworks

Industries from which SMEs sample was drawn and reporting framework used. Firstly, the results on the suitability of current reporting frameworks that SMEs follow in Swaziland were analyzed to see whether a transition to IFRS for SMEs would be possible. The respondents were found to be operating in a number of industries as presented below in Table 7.

Table 7

Various Industries From Which SMEs Sample Was Drawn

Type of industry	Frequency	Percentage (%)	Valid percentage (%)	Cumulative (%)
Agriculture	10	20.0	20.0	20.0
Retail	9	18.0	18.0	38.0
Construction	8	16.0	16.0	54.0
Manufacturing	5	10.0	10.0	64.0
Service	12	24.0	24.0	88.0
Other	6	12.0	12.0	100.0
Total	50	100.0	100.0	

Note. Source: Research data 2011/2012.

As can be seen from Table 7, most of the SMEs visited during the study operate in the service, agriculture, and retail industries. A small number of the respondents are involved in manufacturing and other industries. Of these respondents, 48% follow IFRS, 41% follow GAAP, and 11% follow other frameworks. In determining if the current reporting frameworks are suitable for their needs, all the SMEs responded that the frameworks do meet their specific needs. The response rate was therefore 100% in favor of the suitability of current reporting frameworks.

We further investigated whether the reporting frameworks that the SMEs follow meet the stakeholders' needs.
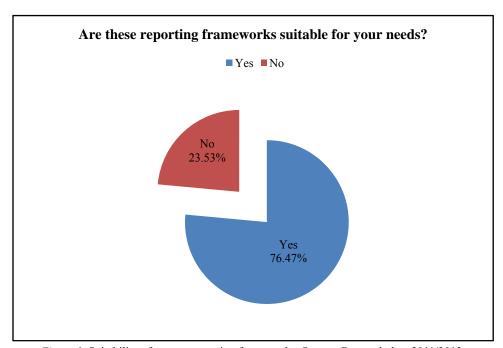

Figure 1. Suitability of current reporting frameworks. Source: Research data 2011/2012.

According to Figure 1 above, 76.47% of the stakeholders indicated that the reporting frameworks do meet their needs and 23.53% said that they did not meet their needs. The larger portion consists of all the financial institutions and a few auditors who stated that the financial statements from SMEs were clear irrespective of whether or not they followed a particular framework. On the other hand, 24% stated that, as auditors, it is important that they pass an opinion on adherence to accounting principles and for them to do that, the SMEs need to clarify the specific framework that they follow and most of their clients do not meet these needs. Stakeholders interviewed indicated that the current reporting frameworks that SMEs follow are suitable for tax purposes. Furthermore, some stakeholders stated that they do not assess whether an entity follows any particular framework but they look for transparency and proper presentation of financial statements and so far, the current frameworks meet that.

Conduciveness of the Economic Environment

In determining the conduciveness of the environment, the respondents were asked of their awareness and understanding of the IFRS for SMEs.
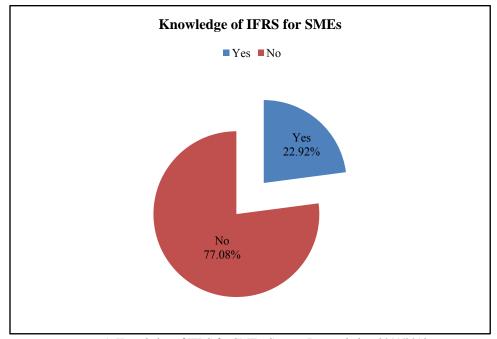

Figure 2. Knowledge of IFRS for SMEs. Source: Research data 2011/2012.

Figure 2 above shows that only 22.92% of the respondents have the knowledge of IFRS for SMEs, while 77.08% of them had no such knowledge. Further investigations proved that those who knew about the standard were those who actually prepare their own financial statements, while those who did not know only relied on third parties like external accounting services, use of consultants and the auditors for their financial statements preparation. On the other hand, out of all the stakeholders who were sampled for the study, 56% had the knowledge about the standard and these were all the audit firms since they deal with accounting standards on a daily basis and a couple of the micro-finance houses. The remaining 44% had no knowledge of the standard and this comprised all the financial institutions and the other organizations which were part of the study.

Main Challenges With Current Reporting Frameworks

Figure 3 below shows that a majority of the respondents stated that there is a lack of proper documentation, financial expertise and resources like time and finances to train staff. A small percentage (7.69%) indicated other challenges which included the fact that current frameworks had too many disclosures that they do not understand. Another prevalent challenge is that auditors mostly complain about their reporting.
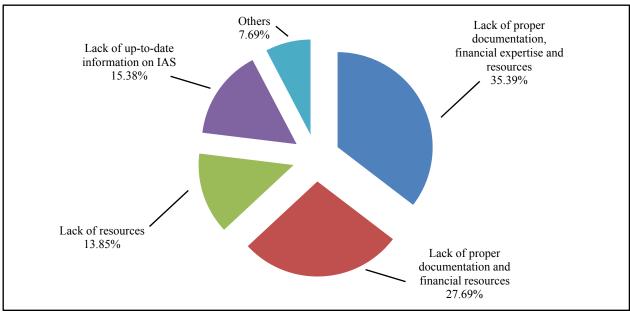

Figure 3. Main challenges with current reporting frameworks. Source: Research data 2011/2012.

Benefits and Costs of IFRS for SMEs in Swaziland

Although most of the SMEs have no knowledge of the subject matter, they did give us an opinion on the anticipated benefits and costs. Our analysis is based on a few respondents that had indicated some benefits and all the auditing firms and discussions with the SIA and SRA.
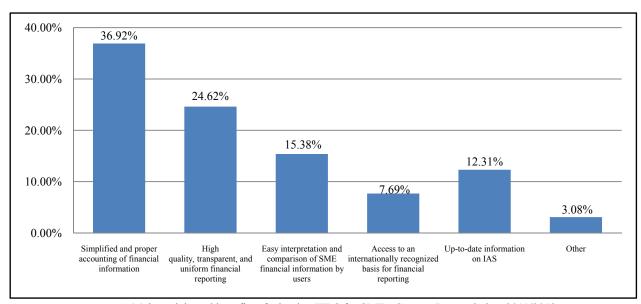

Figure 4. Main anticipated benefits of adopting IFRS for SMEs. Source: Research data 2011/2012.

From Figure 4, it is clear that a higher percentage of the stakeholders indicated that they will benefit from the simplified and proper accounting of financial information and the reports will also be of high quality, transparent, and uniform. A significant portion of the stakeholders added that they anticipate easy interpretation of SMEs financial statements especially by users. This was elaborated by the fact that they foresee a situation where interpretation will be very easy due to transparency and uniformity of financial statements throughout different clients in different industries.

There was a non-significant percentage (3.08%) of the respondents who indicated other few benefits which was mainly: attraction of foreign direct investment to SMEs in Swaziland, that is, ease of access to international markets through the use of an internationally recognized basis for financial reporting. The costs as anticipated by the stakeholders and users are summarized in Figure 5 below.
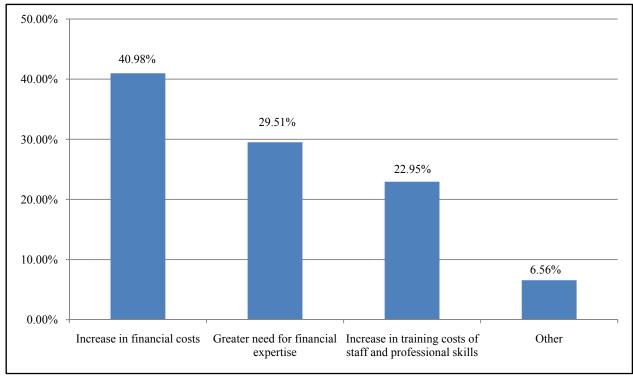

Figure 5. Main anticipated costs of adopting IFRS for SMEs. Source: Research data 2011/2012.

Figure 5 shows that as projected by IASB in 2009 when they released IFRS for SMEs, there will be an increase in financial costs. Hence, a significantly high percentage of our respondents anticipate: a greater need for appropriate resources in terms of assets, like an effective and efficient accounting information system which most SMEs currently do not have and also a huge requirement for substantial project management team. In addition, there were concerns that there will be a need for financial expertise which they emphasized will mean more costs. Moreover, a significant portion of our respondents indicated that there will be incremental training costs on top of the need for financial expertise and professional skills. Lastly, there was a minority of the respondents (6.56%) who indicated other reasons, like extensive engagement in research of the standard, so as to increase their knowledge and also possible complications during a transition from current frameworks to IFRS for SMEs which may not have been addressed by the IASB especially for the smaller SMEs.

Relevance of IFRS for SMEs in Swaziland

In this last section, we address the fundamental objective of this study. We have presented all our findings and here we analyze this objective in relation to the above sections. In addition, we look at whether or not IFRS for SMEs is appropriate for Swaziland and whether or not it will bring about an improvement in financial reporting in the country. The two questions were directed to the stakeholders because they are the ones who use, analyze, and interpret SMEs' financial statements.

Figure 6 presents the analysis of the appropriateness of IFRS for SMEs in Swaziland.
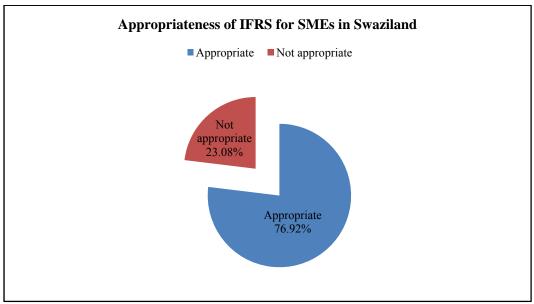

Figure 6. Appropriateness of IFRS for SMEs in Swaziland. Source: Research data 2011/2012.

In Figure 6, a high percentage of 76.92% of the stakeholders are of the opinion that IFRS for SMEs is appropriate in Swaziland. These stakeholders comprise mostly the SIA, SRA, and the audit firms who have knowledge of the standard. However, even the other financial institutions visited during the study also indicated that the standard is appropriate. The main reasons mentioned were that the standard has been developed specifically for SMEs and so they believe that the standard does meet the needs of SMEs and the stakeholders. The remaining 23.08% indicated that the standard is not appropriate arguing that the definition of SMEs by IASB is too broad and therefore most SMEs in Swaziland could be said to be the smallest of SMEs when the standard has not mentioned anything about the small, micro, and medium-sized entities (SMMEs), which they believe are dominant in Swaziland.

These revelations support evidence from another related study conducted in the Netherlands (Sian & Roberts, 2006) which suggests that many small firms' managers do not consider financial reporting and its regulation to be a key issue for them and they do not expect to gain much by disclosing financial accounting information or appreciate the usefulness of the financial statements to third parties. Therefore, they have no interest in financial reporting.

Improvement in SMEs' Reporting by Adopting IFRS for SMEs

Figure 7 below shows the results of the question presented to the stakeholders about whether or not they foresee better reporting by SMEs if IFRS for SMEs is adopted.
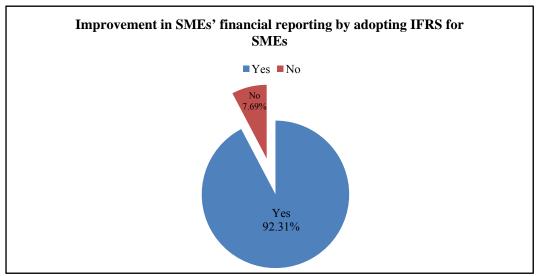
Improvement in SMEs' financial reporting by adopting IFRS for SMEs

■ Yes ■ No

No
7.69%

Yes
92.31%

Figure 7. Improvement in SMEs' reporting by adopting IFRS for SMEs. Source: Research data 2011/2012.

It is clearly shown that a convincing 92.31% of the stakeholders believe that IFRS for SMEs will improve the financial reporting of SMEs in Swaziland. The reasons given were mainly that the standard is international and promises transparent and better reporting by any SME worldwide. They state that they cannot dispute the fact that if the conditions were appropriate, SMEs in Swaziland would report better under IFRS for SMEs. However, a small percentage of the stakeholders (7.69%) believe that the standard is not appropriate.

Applicability of IFRS for SMEs in Swaziland

Finally, on whether or not IFRS for SMEs is applicable in Swaziland, Table 8 presents the results of our analysis.

Table 8

Applicability of IFRS for SMEs in Swaziland

Applicability of IFRS for SMEs		Frequency	Percentage (%)	Valid percentage (%)	Cumulative percentage (%)
	Yes	43	64.2	79.6	79.6
Valid	No	11	16.4	20.4	100.0
	Total	54	80.6	100.0	
Missing	0.00	13	19.4		
Total		67	100.0		

Note. Source: Research data 2011/2012.

The above Table 8 displays the results of the total sample. Of all the respondents, 64.2% believe that IFRS for SMEs is applicable in Swaziland. The reason given by the respondents includes the fact that the standard has been developed specifically for SMEs and has fewer disclosures than full IFRS. Also, the standard promises to provide better reporting for all SMEs worldwide through high-quality transparent accounting information, thus boosting investor confidence in SMEs' performance and ultimately enhancing capital injection by the investors which include some of the financial institutions visited. On the other hand, 16.4% indicated that the standard is not applicable and 19.4% did not respond to the question. The latter group reasons were that they could not comment on something they did not know or understand.

Conclusion

The study set out to determine the applicability of IFRS for SMEs in Swaziland. The study went further to evaluate the extent to which the economic environment in Swaziland is conducive to the adoption of the standard. In addition to this, the study also aimed at analyzing the benefits and costs of IFRS for SMEs in Swaziland and examining the views of various stakeholders who have a direct or an indirect association with the financial reporting of SMEs in Swaziland on the adoption of IFRS for SMEs and the suitability of current reporting frameworks.

The study found that a majority of the respondents perceive that IFRS for SMEs is relevant for Swaziland. They believe that the standard ensures simplicity, comparability, harmony, and transparency in financial reporting. However, a reasonable percentage also perceives that the standard is inapplicable and equally large were those who could not provide an opinion due to the lack of knowledge of the standard. Furthermore, the study was able to establish that the environment in Swaziland is not conducive for the adoption of IFRS for SMEs since the SMEs and stakeholders have little or no knowledge, understanding, and interest on the subject under study.

Recommendations

The recommendations coming out of this study will be useful for several parties, including regulatory bodies, entities, academics, and accounting professionals. First, it is important for all stakeholders to participate in training workshops and continuous development courses. In these workshops, an appreciation of the importance of a comprehensive understanding of reporting frameworks would be made. In addition, there is a need for an educational drive towards knowledge and understanding of international reporting frameworks like IFRS for SMEs, provided by auditors during audit meetings with clients where they present their opinion on company operations. Finally, lessons on IFRS for SMEs by SIA will ensure that there will be qualified accountants who will understand the financial and accounting treatment of transactions.

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Appendix 1: Questionnaire for Auditing Firms/Financial Institutions

To the respondents:

This study is aimed at establishing the relevance of International Financial Reporting Standards for small and medium-sized entities (IFRS for SMEs) in Swaziland. Information gathered will solely be used for the purposes of this research and high level of confidentiality shall be maintained over the data.

Your honesty and objectivity will go a long way in enhancing an accurate analysis of data and the credibility of the results. Your cooperation is greatly appreciated and you are kindly requested to answer this questionnaire with utmost good faith.

Thank you,

Seedwell T. M. Sithole

Instructions on Responding to the Questions:

1. Please tick the appropriate response for close-ended questions.

2. Please fill out the respective spaces for open-ended questions.

Questions

1. What type of institution is your organization?

(   ) Commercial bank

(   ) Building society

(   ) Finance house

(   ) Government parastatal

(   ) Audit firm

(   ) Other (specify) _____

2. What is the percentage of your clients who are SMEs under the IASB's definition of SMEs?

(   ) 1%-20%

(   ) 20%-40%

(   ) 40%-60%

(   ) 80%+

3. Currently, which financial reporting framework(s) do the SMEs that you deal with follow, if any?

(   ) GAAP

(   ) IFRS

(   ) None

(   ) Other (specify) _____

4. Are these reporting frameworks suitable for your needs?

(   ) Yes

(   ) No

5. Please state your reason(s) for the answer given above.

_____

6. If the answer to Question 3 is none, can you briefly explain how the financial statements of such companies are used to meet your specific needs?

_____

7. What are the main challenges that you face, if any, when interpreting the financial statements of SMEs in Swaziland? (Can choose more than one answer)

(   ) Lack of proper accounting of financial information

(   ) Lack of adherence to IAS

(   ) Lack of up-to-date information on IAS

(   ) Low-quality and non-transparent financial reporting

(   ) Lack of uniformity in financial reporting

(   ) Other (specify) _____

8. In 2009, the IASB issued IFRS for SMEs; do you know what it is?

(   ) Yes

(   ) No

9. If your response is yes to the above question, what is your opinion on the appropriateness of IFRS for SMEs in Swaziland?

(   ) Appropriate

(   ) Not appropriate

10. Please state your reason(s) for the answer given above.

_____

11. Do you foresee a better reporting by SMEs if they were to follow IFRS for SMEs as a reporting framework?

(   ) Yes

(   ) No

12. Please state your reason(s) for the answer given above.

_____

13. What could be the main benefits and costs to you if SMEs were to follow IFRS for SMEs as their reporting framework? (Can choose more than one answer)

Benefits

(   ) Proper accounting of financial information

(   ) High-quality, transparent, and uniform financial reporting

(   ) Easy interpretation and comparison of SME financial information by users

(   ) Other (specify) _____

Costs

(   ) Increase in financial costs

(   ) Greater need for financial expertise and professional skills

(   ) Increase in training costs of staff

(   ) Other (specify) _____

14. Taking all your responses into account, is IFRS for SMEs applicable in Swaziland?

(   ) Yes

(   ) No

15. Please state your reason(s) for the answer given above.

_____

Thank you for your cooperation.

Appendix 2: Questionnaire for SMEs

To the respondents:

This study is aimed at establishing the relevance of International Financial Reporting Standards for small and medium-sized entities (IFRS for SMEs) in Swaziland. Information gathered will solely be used for the purposes of this research and high level of confidentiality shall be maintained over the data.

Your honesty and objectivity will go a long way in enhancing an accurate analysis of data and the credibility of the results. Your cooperation is greatly appreciated and you are kindly requested to answer this questionnaire with utmost good faith.

Thank you,

Seedwell T. M. Sithole

Instructions on Responding to the Questions

1. Please tick the appropriate response for close-ended questions.

2. Please fill out the respective spaces for open-ended questions.

Questions

1. What kind of business are you in?

(   ) Agriculture

(   ) Retail

(   ) Construction

(   ) Manufacturing

(   ) Service

(   ) Other (specify) _____

2. How many employees are you currently employing?

(   ) 0-10

(   ) 11-20

(   ) 21-50

(   ) 50+

3. Currently, are you following any financial reporting framework(s)?

(   ) Yes

(   ) No

4. If yes, please choose the reporting framework your company follows.

(   ) GAAP

(   ) IFRS

(   ) Other (specify) _____

5. If yes to Question 3, is the particular reporting framework suitable for your company?

(   ) Yes

(   ) No

6. Please state your reason(s) for the answer given above.

_____

7. Do you know what IFRS for SMEs is?

(   ) Yes

(   ) No

8. If your answer to the above question is yes, can you briefly explain what you understand it to be?

_____

9. Is IFRS for SMEs suitable for your company?

(   ) Yes

(   ) No

10. Please state your reason(s) for the answer given above.

_____

11. Who are the main users of your financial statements? (Can choose more than one answer)

(   ) Management

(   ) Employees

(   ) Investors

(   ) Government

(   ) Other (specify) _____

12. What are the main challenges in preparing your financial statements to meet your users' needs? (Can choose more than one answer)

(   ) Lack of proper documentation of financial information

(   ) Lack of financial expertise, i.e., financial accountants

(   ) Lack of resources, e.g., time, finances to train staff

(   ) Lack of up-to-date information on IAS

(   ) Other (specify) _____

13. What could be the main benefits and costs to you if IFRS for SMEs was your reporting framework? (Can choose more than one answer)

Benefits

(   ) Simplified and proper accounting of financial information

(   ) High-quality, transparent, and uniform financial reporting

(   ) Easy interpretation and comparison of SME financial information by users

(   ) Access to an internationally recognized basis for financial reporting

(   ) Up-to-date information on IAS

(   ) Other (specify) _____

Costs

(   ) Increase in financial costs

(   ) Greater need for financial expertise

(   ) Increase in training costs of staff and professional skills

(   ) Other (specify) _____

14. Taking all your responses into account, is IFRS for SMEs applicable in Swaziland?

(   ) Yes

(   ) No

15. Please state your reason(s) for the answer given above.

_____

Thank you for your cooperation.

Appendix 3: Interview Guide – SIA/SRA

To the respondents:

This study is aimed at establishing the relevance of International Financial Reporting Standards for small and medium-sized entities (IFRS for SMEs) in Swaziland. Information gathered will solely be used for the purposes of this research and high level of confidentiality shall be maintained over the data.

Your honesty and objectivity will go a long way in enhancing an accurate analysis of data and the credibility of the results. Your cooperation is greatly appreciated and you are kindly requested to answer this questionnaire with utmost good faith.

Thank you,

Seedwell T. M. Sithole

1. Can you briefly explain your understanding of the IFRS for SMEs?

_____

2. In your opinion, is IFRS for SMEs appropriate for SMEs in Swaziland?

(   ) Appropriate

(   ) Not appropriate

3. Is the financial environment suitable for the adoption of IFRS for SMEs in Swaziland?

(   ) Suitable

(   ) Not suitable

4. In your own opinion, what tax laws are likely to be affected should the IFRS for SMEs be adopted in Swaziland?

_____

5. For purposes of tax assessment, do you think SMEs have to follow a particular reporting framework?

(   ) Yes

(   ) No

6. If the response for the above question is yes, are these reporting frameworks suitable for assessment?

(   ) Yes

(   ) No

7. Please state your reason(s) for the answer given above.

_____

8. Will IFRS for SMEs improve financial reporting for SMEs in Swaziland?

(   ) Improve

(   ) Not improve

9. What does IFRS for SMEs imply on the SMEs sector?

_____

10. What could be the main benefits and costs to the accounting profession in Swaziland if SMEs were to follow IFRS for SMEs as their reporting framework?

Benefits

_____

Costs

_____

11. Are there any additional topics that need to be addressed in order to provide a comprehensive set of standards?

_____

12. Taking all your responses into account, is IFRS for SMEs applicable in Swaziland?

(   ) Yes

(   ) No

13. Please state your reason(s) for the answer given above.

_____

Thank you for your cooperation