



**SUMMARY OF STANDARDS ISSUED/ADOPTED BY THE BOARD OF THE BOTSWANA
ACCOUNTANCY OVERSIGHT AUTHORITY**

DURING THE PERIOD 1 JANUARY 2014 TO 31 DECEMBER 2016

ANNEXURE A: STANDARDS AND CODES AND CODES ADOPTED IN 2014:

- i) International Financial Reporting Standards (IFRSs) developed by the International Accounting Standards Board (IASB) and its successor organisations;
- ii) International Financial Reporting Standards for Small and Medium Enterprises (IFRS for SMEs) developed by the International Accounting Standards Board and its successor organisations;
- iii) International Standards on Auditing (ISAs) developed by the International Auditing and Assurance Standards Board (IAASB) and its successor organisations;
- iv) International Public Sector Accounting Standards (IPSASs) developed by the International Public Sector Accounting Standards Board (IPSASB) and its successor organisations;
- v) International Education Standards (IESs) developed by the International Accounting Education Standards Board (IAESB) and its successor organisations;
- vi) Code of Ethics for Professional Accountants developed by the International Ethics Standards Board for Accountants (IESBA) and its successor organisations.

ANNEXURE B: STANDARDS AND CODES ADOPTED IN 2015:

- i) GAAP in Botswana for entities not required to comply with IFRSs developed by the Botswana Institute of Chartered Accountants (BICA);
- ii) International Standards on Quality Control 1 (ISQC 1) developed by the International Auditing and Assurance Standards Board (IAASB) and its successor organisations;
- iii) International Standards on Review Engagements (ISRE) developed by the International Auditing and Assurance Standards Board (IAASB) and its successor organisations;
- iv) International Standards on Assurance Engagements (ISAE) developed by the International Auditing and Assurance Standards Board (IAASB) and its successor organisations;
- v) International Standards on Related Services (ISRS) developed by the International Auditing and Assurance Standards Board (IAASB) and its successor organisations;
- vii) Standards for the Professional Practice of Internal Auditing (Standards) developed by the The Institute of Internal Auditors (IIA) and its successor organisations;
- viii) International Standards of Supreme Audit Institutions (ISSAI) and INTOSAI Guidance for Good Governance (INTOSAI GOV) developed by the International Organisation of Supreme Audit Institutions (INTOSAI) and its successor organisations;

ANNEXURE C: STANDARDS AND CODES ADOPTED IN 2016:

GUIDELINES ON ELIGIBILITY FOR APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARD FOR SMALL AND MEDIUM SIZED ENTITIES (IFRS FOR SMEs)

1.0 Introduction

- 1.1** In 2015, the International Accounting Standards Board (IASB) released a new version of International Financial Reporting Standard for Small and Medium Sized Entities (IFRS for SMEs) that incorporates amendments to the first IFRS for SMEs issued in July 2009. This standard takes effect for annual reporting periods beginning on or after 1st January 2017, with early application permitted.
- 1.2** This Standard is a welcome development in the accountancy profession in Botswana especially since Botswana has legislated compliance with full IFRS through the Companies Act 2003. The SMEs Standard will significantly reduce the compliance burden on companies in Botswana as a significant number of companies in Botswana are eligible to use it as a financial reporting framework. The IASB has left the responsibility with the respective jurisdictions to guide their members as to what constitutes an SME and, consequently, being eligible to use the IFRS for SMEs. Compared to full IFRS, the IFRS for SMEs is less onerous and, consequently, less complex to comply with. Further, revisions to IFRS for SMEs are not expected to be made more frequently than once every three years.

2.0 Types and Forms of Companies in Botswana in Terms of the Companies Act 2003

- 2.1** According to Section 19 (2) of the Companies Act, 2003, companies are classified into the following:
- a) a company limited by shares;
 - b) a close company; or
 - c) a company limited by guarantee.
- 2.2** Section 19 (4) states that every company limited by shares or by guarantee shall be a public company unless it is stated in its application for incorporation or its constitution that it is a private company.

3.0 Classification of Companies and Financial Reporting in Terms of the Companies Act 2003.

3.1 According to the Companies Regulations 2007, companies can be either:

- a) Exempt and therefore not subject to audit; or
- b) Non-Exempt and therefore subject to audit.

3.2 Public companies are subject to audit regardless of size. Non-exempt companies should fall within thresholds established from time to time. Currently the thresholds are:

- a) Total assets of at least P5 million; or
- b) Annual turnover of at least P10 million

in the preceding, financial year.

3.3 The major consequences of being a non-exempt company are that the financial statements of the company should comply with IFRS and should be audited in accordance with International Standards on Auditing (ISAs). This also applies to public companies.

4.0 The Scope of the IFRS for SMEs.

a) Authority of the IFRS for Small and Medium-sized Entities

4.1 According to P13 of the IFRS for SMEs 2015:

*Decisions on which entities are required or permitted to use the International Accounting Standards Board's standards rest with legislative and regulatory authorities and standard-setters in individual jurisdictions. This is true for **full International Financial Reporting Standards** and for the **IFRS for Small and Medium-sized Entities**. However, a clear definition of the class of entity for which the IFRS for Small and Medium-sized Entities is intended – as set out in Section 1 of the Standard – is essential so that:*

- (a) the IASB can decide on the accounting and disclosure requirements that are appropriate for that class of entity; and)*
- (b) the legislative and regulatory authorities, standard-setters, and reporting entities and their auditors will be informed of the intended scope of applicability of the IFRS for Small and Medium-sized Entities.*

A clear definition is also essential so that entities that are not small or medium-sized entities, and therefore are not eligible to use the Standard, do not assert

that they are following the IFRS for Small and Medium-Sized Entities (see paragraph 1.5).”

b) Description of small and medium-sized entities as per the IFRS for SMEs

4.2 The Small and Medium Sized entities for which the IFRS for SMEs is intended shall have the following characteristics:

- (a) do not have **public accountability**; and
- (b) publish **general purpose financial statements** for external users. Examples of external users include **owners** who are not involved in managing the business, existing and potential creditors, and credit rating agencies.

4.3 An entity has public accountability if:

- (a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or
- (b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks.

4.4 Some entities may also hold assets in a fiduciary capacity for a broad group of outsiders because they hold and manage financial resources entrusted to them by clients, customers or members not involved in the management of the entity. However, if they do so for reasons incidental to a primary business (as for example, travel or real estate agents, schools, charitable organizations, co-operative enterprises requiring a nominal membership deposit, and sellers that receive payment in advance of delivery of the goods or services such as utility companies), they are not considered to be publicly accountable.

4.5 If a publicly accountable entity uses this Standard, its financial statements shall not be described as conforming to the IFRS for Small and Medium-sized Entities – even if law or regulation in its jurisdiction permits or requires this IFRS to be used by publicly accountable entities.

4.6 A **subsidiary** whose **parent** uses **full IFRSs**, or that is part of a consolidated **group** that uses full IFRSs, is not prohibited from using this IFRS in its own financial statements if that subsidiary by itself does not have public accountability. If its financial statements are described as conforming to the IFRS for Small and Medium-sized Entities, it must comply with all of the provisions of this IFRS.”

4.7 A parent entity (including the ultimate parent or any intermediate parent) assesses its eligibility to use this Standard in its **separate financial statements** on the basis of its own status without considering whether other group entities have, or the group as a whole has, public accountability. If a parent entity by itself does not have public accountability, it may present its separate financial statements in accordance with this Standard (see Section 9 Consolidated and Separate Financial Statements), even if it presents its **consolidated financial statements** in accordance with full IFRS or another set of generally accepted accounting principles (GAAP), such as its national accounting standards. Any financial statements prepared in accordance with this Standard shall be clearly distinguished from financial statements prepared in accordance with other requirements.

5.0 Application of the IFRS FOR SMEs by the Botswana Accountancy Oversight Authority through the Financial Reporting Act, 2010 and the Financial Reporting (Public Interest Entities) Regulations, 2016.

5.1 In accordance with the Financial Reporting Act, 2010 (the Act), Public Interest Entities (PIEs) are publicly accountable and are therefore not eligible to use the IFRS for SMEs.

5.2 For purposes of this Act "Public Interest Entity" means:

- a) any entity that has issued equity or debt securities for public subscription, and which is listed in a stock exchange;
- b) any bank, deposit taking institution, or other similar institution that is subject to supervision by the Bank of Botswana;
- c) any insurance company, pension and provident fund, collective investment undertaking, and any other similar institution that is subject to supervision by the Non-Bank Financial Institutions Regulatory Authority; or
- d) any entity which, if at the end of the preceding accounting year, exceeded at least two of the following thresholds:
 - i) annual revenue of P300 million;
 - ii) 200 employees;
 - iii) total assets of P200 million; or
 - iv) total liabilities of P100 million, not including shareholder's equity; or
- e) any entity required under any enactment to file financial statements and reports with a Government department or authority, in accordance with

section 56 (1) of the Act. This category includes Parastatals and state-owned enterprises.

- 5.3. All other entities not included in a) to e) above, may apply the IFRS for SMEs except where the entities are required by legal provisions or other regulations to comply with a specific financial reporting framework other than the IFRS for SMEs.

6.0 Audit Reporting Consideration

- 6.1. The IFRS for SMEs constitutes an acceptable financial reporting framework for entities within the scope of the IFRS for SMEs, as determined by the Botswana Accountancy Oversight Authority. It is **also a “comprehensive accounting framework”**.
- 6.2. Consequently, an auditor can express an opinion that financial statements are “presented fairly”, in all material respects, in accordance with the IFRS for SMEs financial reporting framework.
- 6.3. When an auditor issues an audit report on an entity applying the IFRS for SMEs, the audit report should identify the accounting framework as the ‘International Financial Reporting Standard for Small and Medium-sized Entities’.

7.0 Transitional Arrangements

The transitional arrangements for first time adopter of the IFRS for SMEs, regardless of whether its previous accounting framework was Full IFRS or another set of GAAP, shall be as per section 35 of the IFRS for SMEs Standard.

References:

- 1) Companies Act, 2003
- 2) IFRS for SMEs – 2015
- 3) Financial Reporting Act, 2010
- 4) Financial Reporting (Public Interest Entities) Regulations, 2016

By order of the Board

Botswana Accountancy Oversight Authority: 8 December 2016.