



# Decision usefulness of the accounting standard 'IFRS for SMEs': Qualitative evidence from Sri Lanka

Academic Discussant: Dr. Helen Yang CPA & CA  
Senior Fellow of Higher Education Academy (SFHEA)  
La Trobe Business School

Email: [Helen.yang@latrobe.edu.au](mailto:Helen.yang@latrobe.edu.au)

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# Research objective and contributions

- Research Objective: Identify users and the use of Sri Lankan SME financial statements prepared under IFRS for SMEs.
- Contribution: An emerging country's context of stakeholders' perception of the users, the use, and the usefulness of general purpose financial statements of SME based on 41 interviews.

Some observations:

- The title of the paper indicates that the paper is about the “Decision usefulness of the IFRS for SMEs” in Sri Lanka. Better alignment is needed with the stated research objective.
- Clarity is needed in terms of: users, user groups, and stakeholders of the financial statements of SMEs (pp. 6-8). See Hansye et al. (2021), also see Albu et al. (2013).
- Clarity is also needed in terms of users of financial information versus users of financial statement (p. 9)
- Definition of SME in Sri Lanka's context

# Literature review

- Clarity is needed to explain the *IFRS for SME* Objective of financial statements of small and medium-sized entities (See Section 2, p. 5 para 2).

IFRS for SME (2.2-2.3) Objective of financial statement is to “provide information about the financial position, performance and cash flows of the entity that is useful for economic decision-making by a broad range of users of the financial statements who are not in a position to demand reports tailored to meet their particular information needs” (2.2) and “Financial statements also show the results of the stewardship of management—the accountability of management for the resources entrusted to it” (2.3)

- Care should be taken regarding the paper’s assertion that the IASB consultation process gave little consideration to users’ participation and “the decision-usefulness approach ... not based on scientific approach” (see p. 5, para 2 and para 3).

Suggest the paper includes more current literature relevant to the topic. For example, Hansye et al. (2021) “Second Comprehensive Review of the IFRS for SMEs Standard Project, User survey and user interview feedback summary”.

# Research design

- Justification for the research methodology (e.g. why interviews?)
- Justification for the selection of participant groups, in particular, owners-managers
- The time period of the interviews being conducted (see Albu et al., 2013 for example)

# Interpretation of findings

- Owner-managers (pp.17-20): The comments of owner-managers need to be placed in the context of the objectives of IFRS for SMEs, which is for external users.
- Need to distinguish institutional factors (e.g. lack of accounting knowledge, credibility of auditors, faithfulness of financial information presented, etc) from *the IFRS for SMEs* when discuss the use and usefulness of SME statements prepared under *IFRS for SMEs* in Sri Lanka (pp. 12-23).
- Discussion of findings and conclusion can be strengthened by referring to the relevant literature based in developed and emerging economies, and considering a suitable theoretical framework (pp. 24-29).

# References

- Albu, C. N. *et al.* (2013). Implementation of IFRS for SMEs in Emerging Economies: Stakeholder Perceptions in the Czech Republic, Hungary, Romania and Turkey. *Journal of International Financial Management & Accounting*, 24(2), 140-175. doi: <https://doi.org/10.1111/jifm.12008>
- Hansye *et al.* (2021) Second Comprehensive Review of the IFRS for SMEs Standard Project, User survey and user interview feedback summary, <https://www.ifrs.org/content/dam/ifrs/meetings/2021/february/sme-implementation-group/ap5-user-survey-and-interview-summary.pdf>
- Quagli, A., & Paoloni, P. (2012). How is the IFRS for SME accepted in the European context? An analysis of the homogeneity among European countries, users and preparers in the European commission questionnaire. *Advances in Accounting*, 28(1), 147-156. doi: <https://doi.org/10.1016/j.adiac.2012.03.003>
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