
Accounting Standards Advisory Forum meeting

Date	March 2025
Project	Second comprehensive review of the <i>IFRS for SMEs</i> Accounting Standard
Topic	<i>IFRS for SMEs</i> Accounting Standard
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IFRS for SMEs[®]

Accounting Standard

Third Edition



Purpose of the session

This session aims to provide ASAF members with an overview of the second comprehensive review of the *IFRS for SMEs* Accounting Standard, including the major changes to the Standard.

Questions for ASAF members:

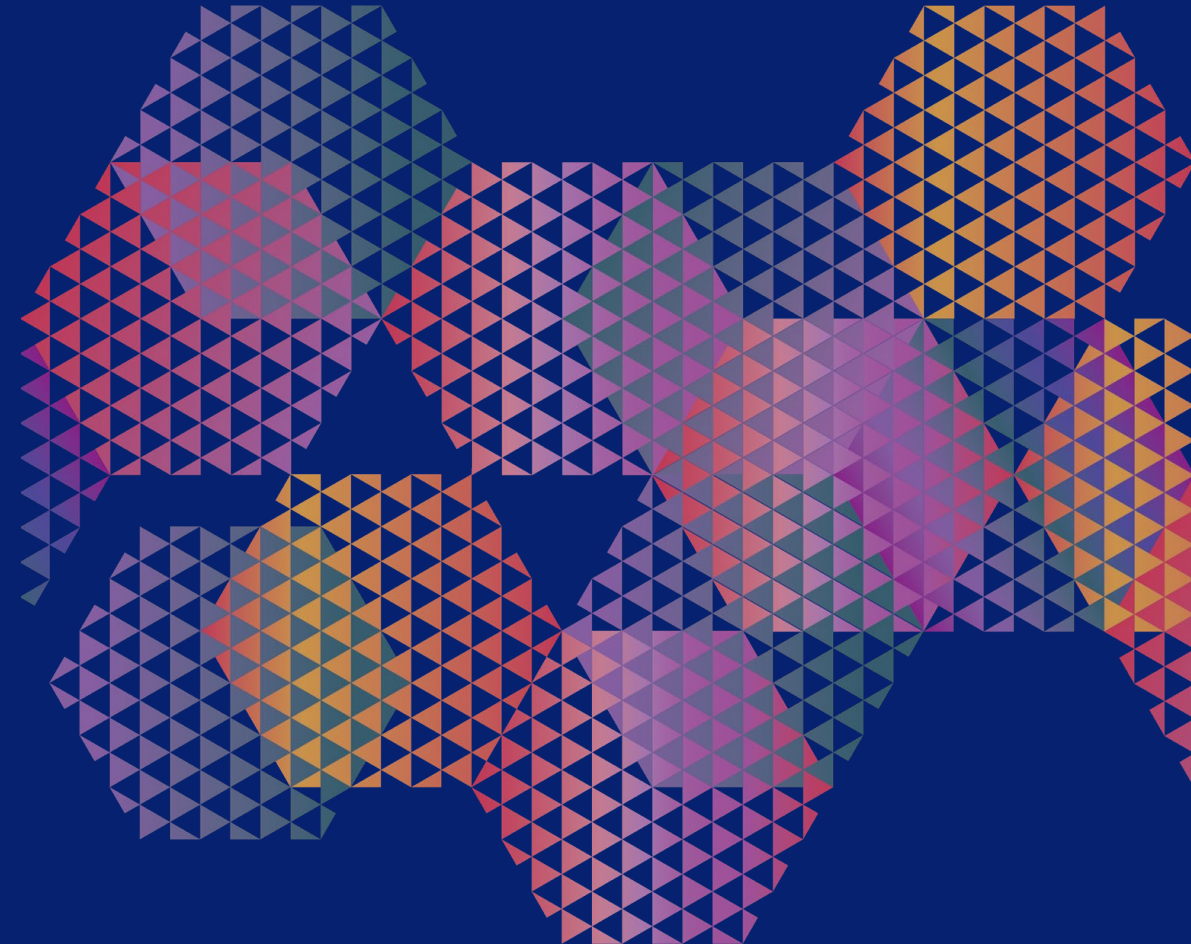
Do ASAF members have any comments/questions?

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Accounting Standard

Second comprehensive
review of the *IFRS for
SMEs* Accounting Standard

ASAF March 2025



Agenda

Introducing the *IFRS for SMEs* Accounting Standard

Background to the second comprehensive review

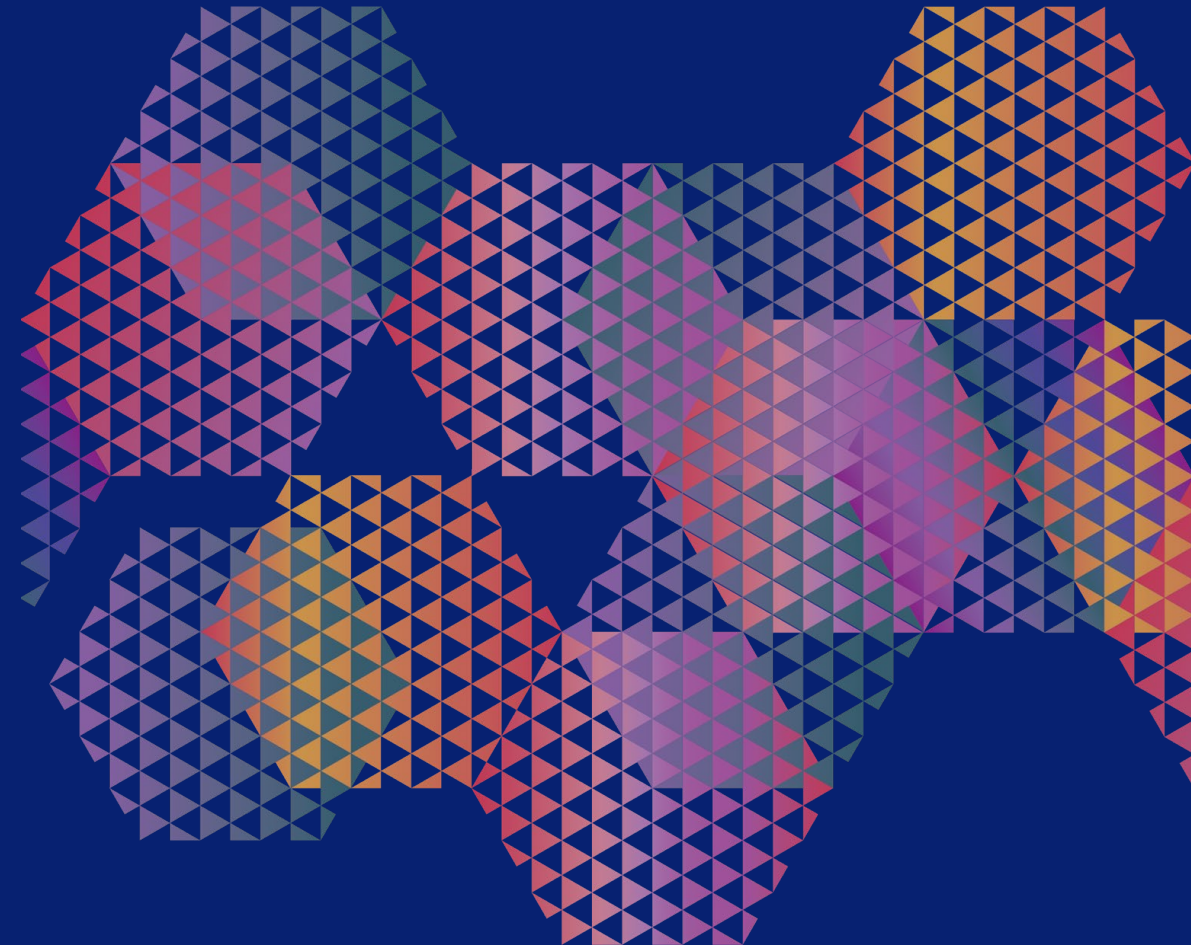
Third edition of the *IFRS for SMEs* Accounting Standard

Supporting implementation

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Introducing the *IFRS for SMEs*
Accounting Standard



Introduction

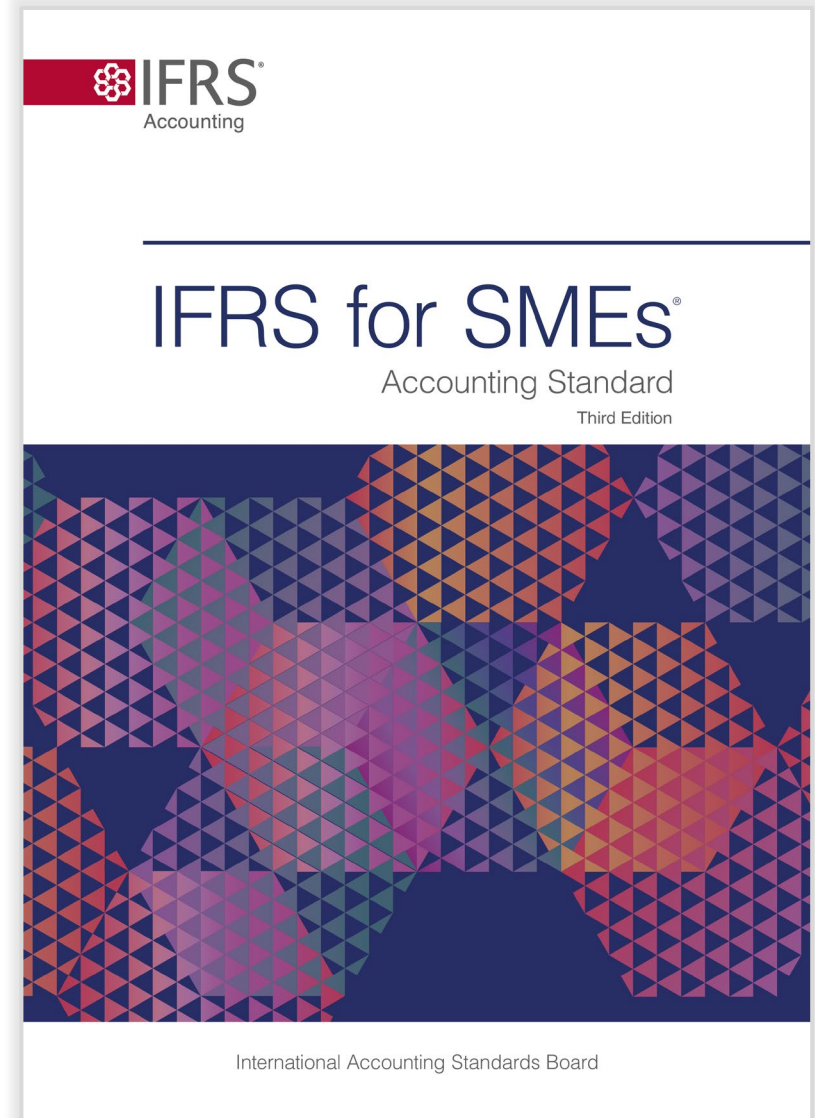
The *IFRS for SMEs* Accounting Standard

Scope of the *IFRS for SMEs* Accounting Standard

Adoption of the *IFRS for SMEs* Accounting Standard

The *IFRS for SMEs* Accounting Standard

- A single Standard based on **full IFRS** Accounting Standards
- **Tailored** for entities without public accountability that publish general purpose financial statements
- Focuses on the **information needs of lenders and other users** of SMEs' financial statements



Costs and benefits

Keeping the Standard simple for SMEs and useful to users of SMEs' financial statements

In assessing the costs and benefits of amending the Standard, the IASB considers:

Limited resources
of SMEs



Preparers



Information needs of users of
SMEs' financial statements
(mainly lenders)



Users

IFRS for SMEs Accounting Standard

Entities with public accountability

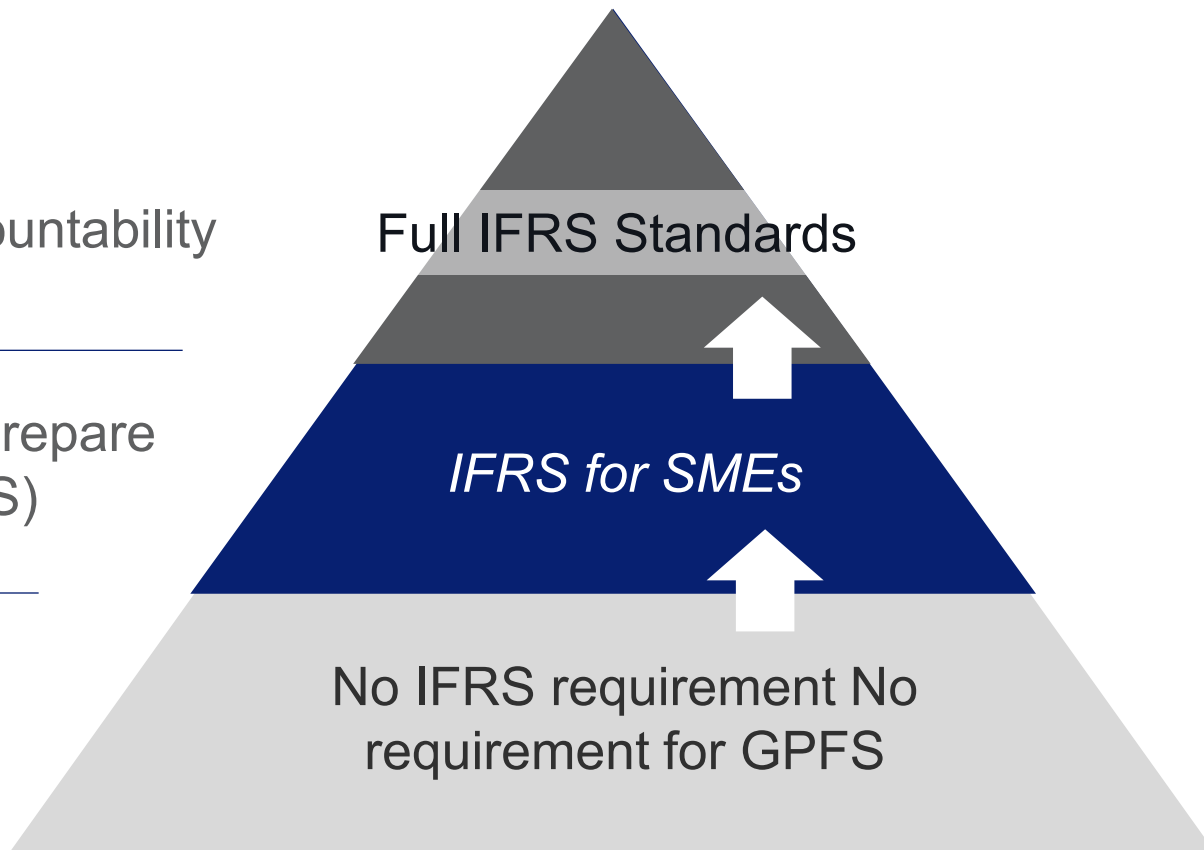
Full IFRS Standards

Entities **without** public accountability, that prepare general purpose financial statements (GPFS)

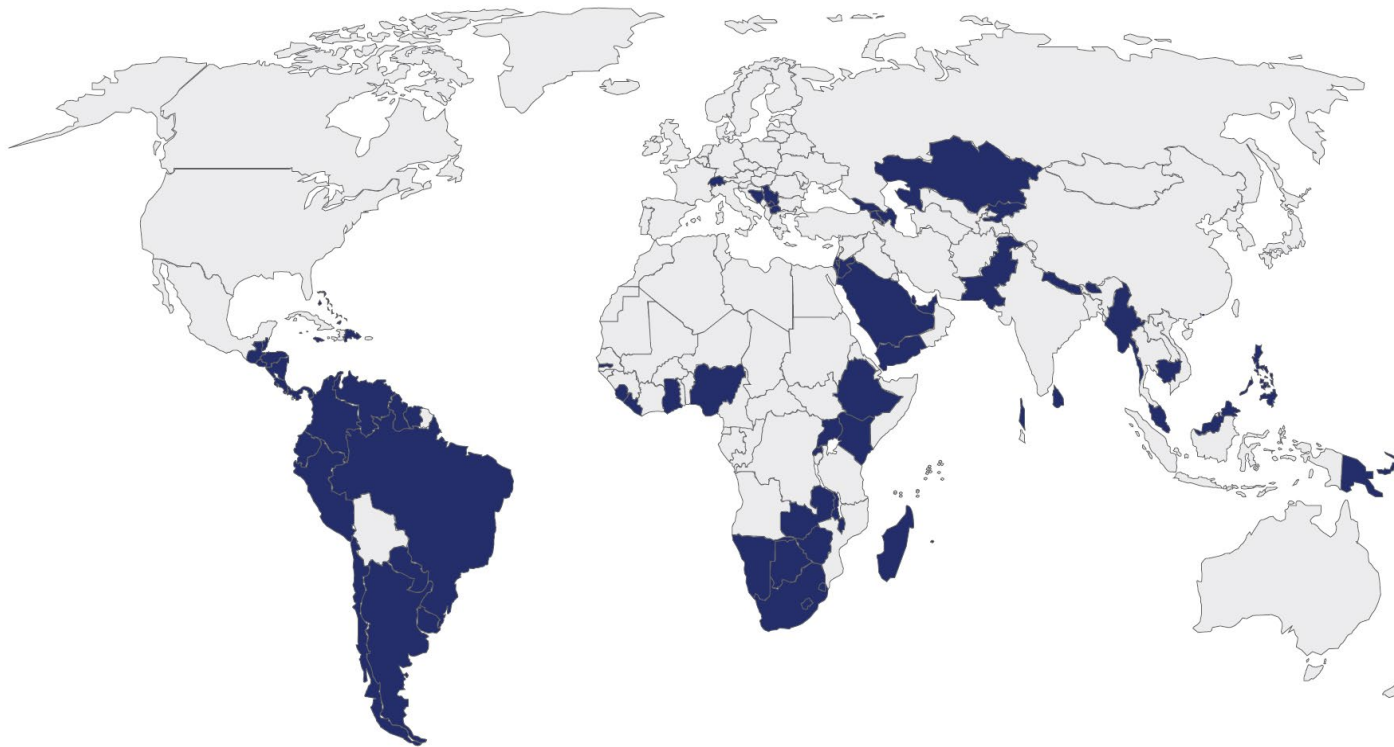
IFRS for SMEs

For example, financial statements prepared for tax purposes

No IFRS requirement No requirement for GPFS



Adoption of the *IFRS for SMEs* Accounting Standard



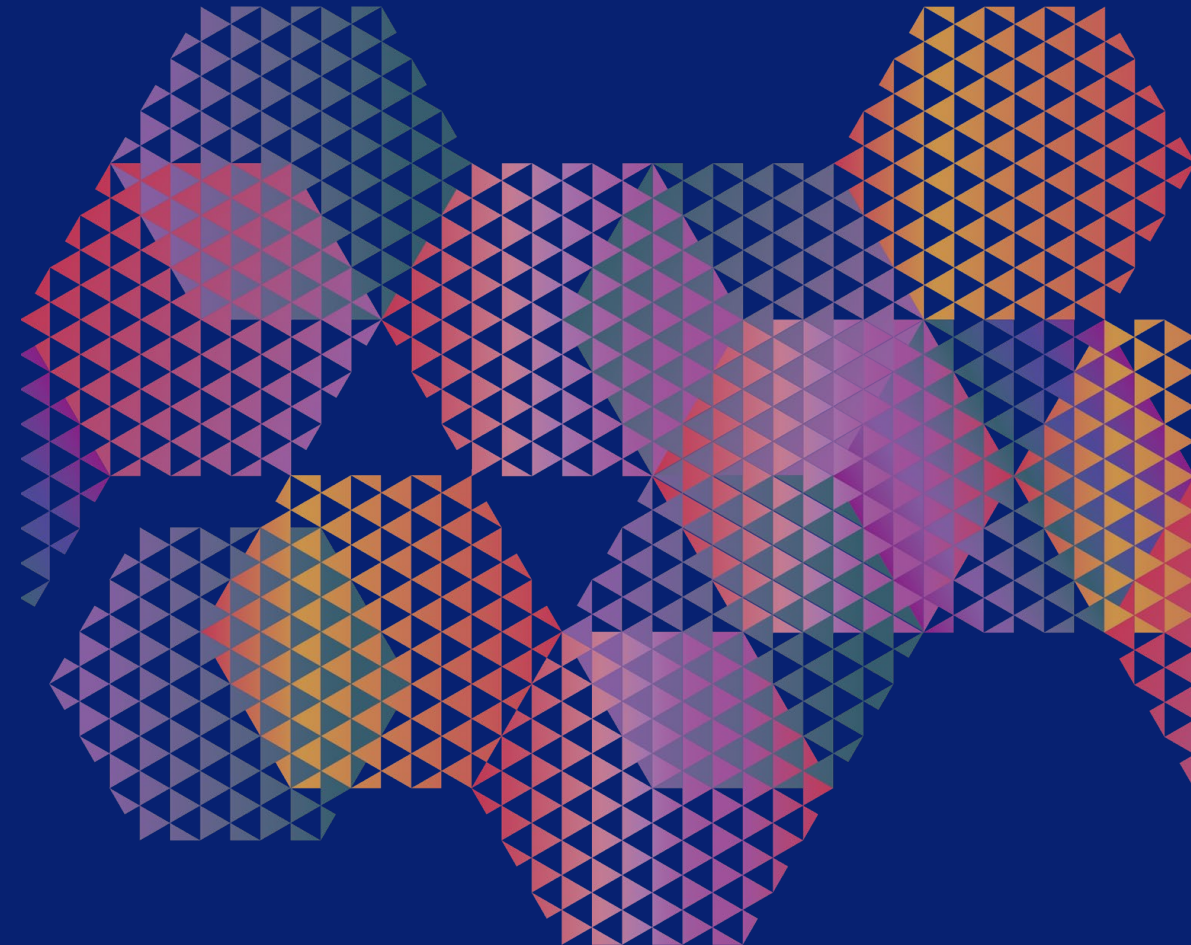
85 of 168 jurisdictions
require or permit use of
the *IFRS for SMEs*
Accounting Standard
(August 2024)

 *IFRS for SMEs* Accounting Standard is required or permitted

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Background to the second
comprehensive review



Background to the second comprehensive review

Timeline of the second comprehensive review

Stakeholder feedback and IASB discussions

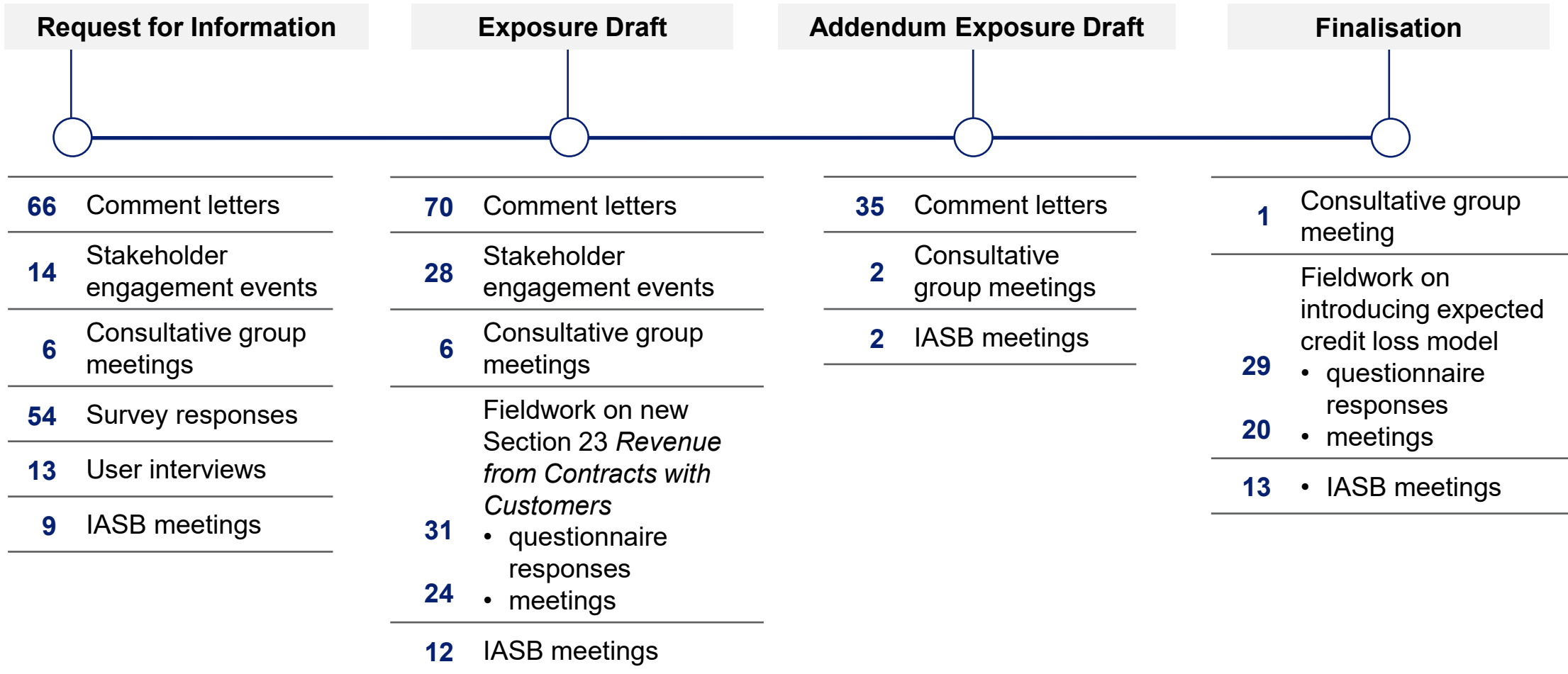
Framework for the second comprehensive review

Scope of the second comprehensive review

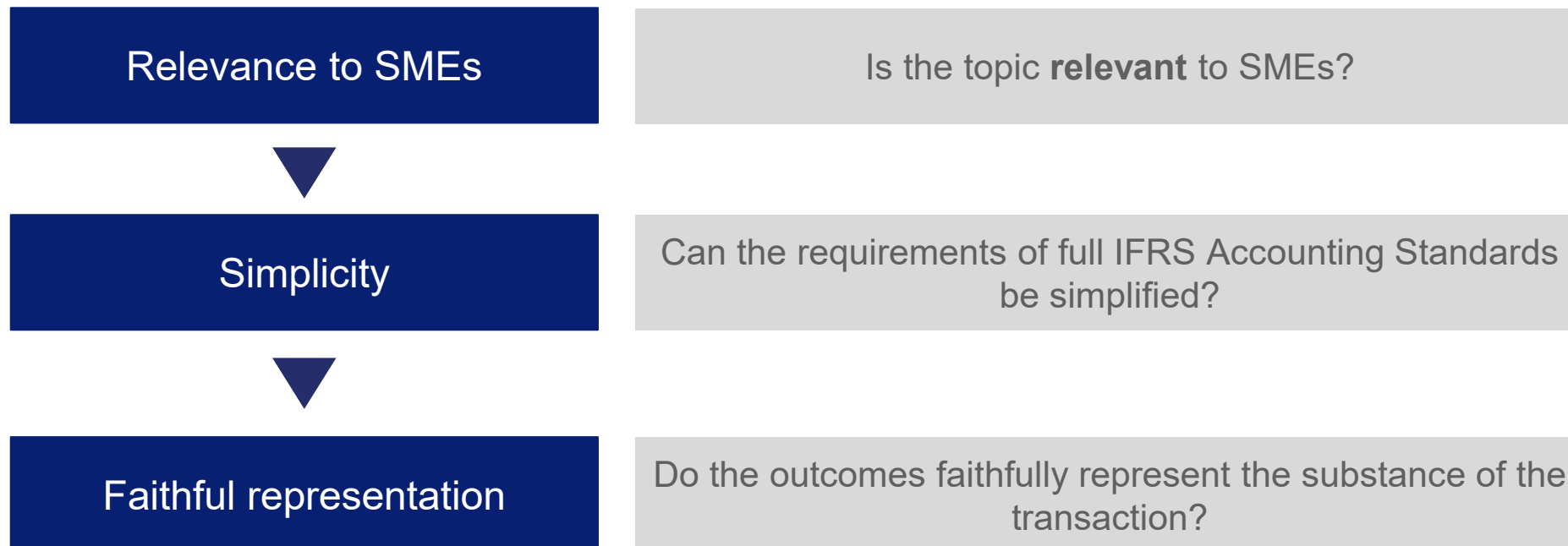
Timeline of the second comprehensive review



Stakeholder feedback and IASB discussions



Framework for the second comprehensive review



Scope of the second comprehensive review

Scope

- A** Requirements in full IFRS Accounting Standards issued:
- since the first review that had an effective date on or before 1 January 2019
 - before the first review that did not result in amendments to the Standard in 2015
- B** Other topics brought to the IASB's attention relating to the Standard

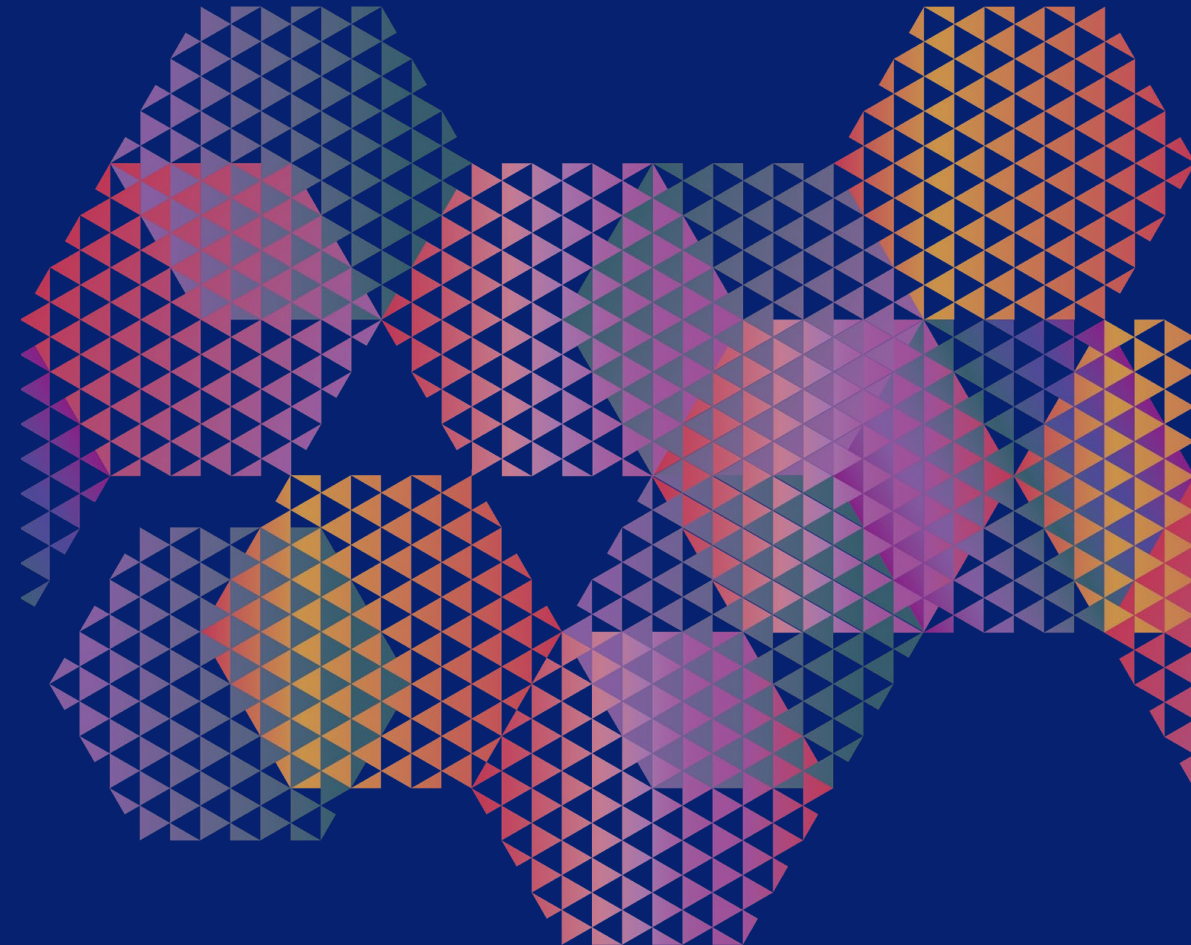
Scope of the second comprehensive review (continued)

Standards in scope	<i>The Conceptual Framework</i>	<i>IFRS 13 Fair value measurement</i>	Other amendments to IFRS Accounting Standards and IFRIC Interpretations
	<i>IFRS 3 Business Combinations</i>	<i>IFRS 14 Regulatory Deferral Accounts</i>	
	<i>IFRS 9 Financial Instruments</i>	<i>IFRS 15 Revenue from Contracts with Customers</i>	
	<i>IFRS 10 Consolidated Financial Statements</i>		
	<i>IFRS 11 Joint Arrangements</i>	<i>IFRS 16 Leases</i>	

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Third edition of the *IFRS for SMEs* Accounting Standard



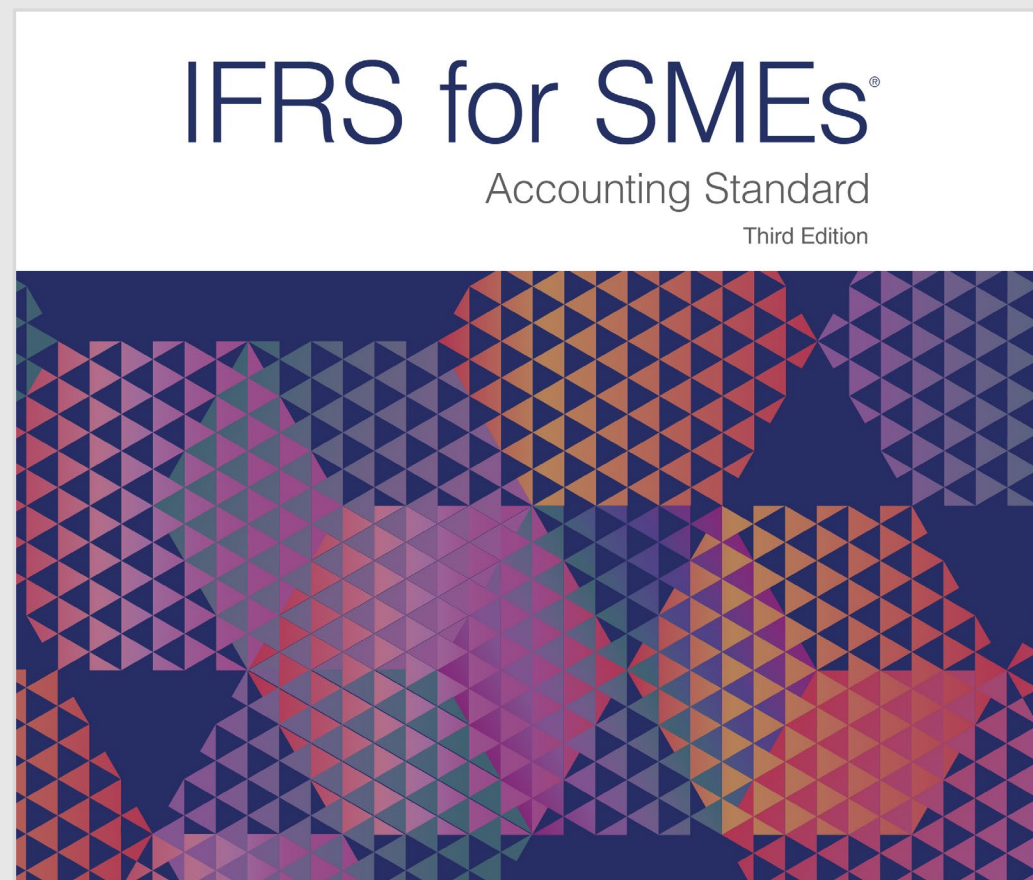
Third edition of the *IFRS for SMEs* Accounting Standard

Changes in the third edition of the *IFRS for SMEs* Accounting Standard

User needs—improving disclosures

Transition to the third edition of the *IFRS for SMEs* Accounting Standard

Changes in the third edition of the *IFRS for SMEs* Accounting Standard



Section 2 *Concepts and Pervasive Principles*

Reflecting improvements from the 2018 *Conceptual Framework for Financial Reporting*



- **introduce new concepts** relating to measurement, presentation, disclosure, and guidance on derecognition
- **update definitions** and recognition criteria for assets and liabilities
- **clarify the concepts** of prudence, stewardship, measurement uncertainty and substance over form
- **add an overriding principle** that the requirements in other sections of the Standard take precedence over Section 2
- **retain the concept of ‘undue cost or effort’**

Section 9 *Consolidated and Separate Financial Statements*

Reflecting improvements from IFRS 10 *Consolidated Financial Statements*



- **update the definition** of ‘control’ in Section 9 to align with that in IFRS 10
- **control** becomes the single basis for consolidation
- **introduce requirements** when a parent loses control of a subsidiary
- **retain the rebuttable presumption** that control exists when an investor owns a majority of the voting rights of an investee

Section 11 *Financial Instruments*

Reflecting some improvements from IFRS 9 *Financial Instruments*

- **remove the option** to apply the recognition and measurement requirements in IAS 39 *Financial Instruments: Recognition and Measurement*
- **supplement the classification requirements, by adding a principle** for classification and measurement of financial instruments based on contractual cash flow characteristics
- **require disclosure of** an analysis of the age of financial assets
- **add the definition of** ‘financial guarantee contract’
- **simplify** the requirements for intragroup financial guarantee contracts issued for nil consideration
- **retain** incurred loss model for the impairment of financial assets measured at amortised cost
- **retain** hedge accounting and derecognition requirements



New Section 12 *Fair Value Measurement*

Reflecting improvements from IFRS 13 *Fair Value Measurement*.



- **bring together** the guidance for measuring assets and liabilities at fair value
- **update the definition** of fair value to align with that in IFRS 13
- **update the requirements** relating to fair value measurement with the principles of the fair value hierarchy in IFRS 13
- **update the disclosure requirements** relating to fair value with those in IFRS 13

The requirements for ‘when’ to use fair value measurement remain unchanged

Section 19 *Business Combinations and Goodwill*

Reflecting improvements from IFRS 3 *Business Combinations*

- **update the definition** of ‘business’ to align with that in IFRS 3
- **introduce new requirements:**
 - to recognise contingent consideration at fair value
 - for step acquisitions
 - to recognise acquisition-related costs in profit or loss
- **introduce new guidance** if a new entity is formed in a business combination
- **clarify** that an acquirer cannot recognise a contingent liability that is not a liability
- **update references** to the definitions of ‘asset’ and ‘liability’ consistent with the revised Section 2



Section 23 *Revenue from Contracts with Customers*

Reflecting improvements from IFRS 15 *Revenue from Contracts with Customers*

- **language**—Section 23 uses simple concise language which is different from the language in IFRS 15
- **recognition and measurement**, including simplifications for:
 - warranties—no assessment required as to whether a warranty provides a customer with a service in addition to the assurance
 - customer options—material rights arising from a contract with a customer are accounted for separately only if an entity can do so without undue cost or effort
 - contract costs—costs to obtain a contract are recognised as expenses when incurred
- **disclosure**—Section 23 includes simplifications of the disclosure requirements in IFRS 15



Other amendments—responding to feedback

Section 22 *Liabilities and equity*

relief from offsetting amounts unpaid for equity instruments from equity

Section 28 *Employee Benefits*

clarify the measurement simplification for defined benefit obligations in paragraph 28.19

Section 29 *Income Taxes*

amend the **offsetting requirements** to align with IAS 12

Other amendments

Section 3 Financial Statement Presentation

Section 10 Accounting Policies, Estimates and Error

- Update definitions of **‘material’** and **‘accounting estimates’**

Section 7 Statement of Cash Flows

- disclose a reconciliation of **changes in liabilities** arising from financing activities
 - disclose information about an SMEs’ **supplier finance arrangements**
-

Other amendments (continued)

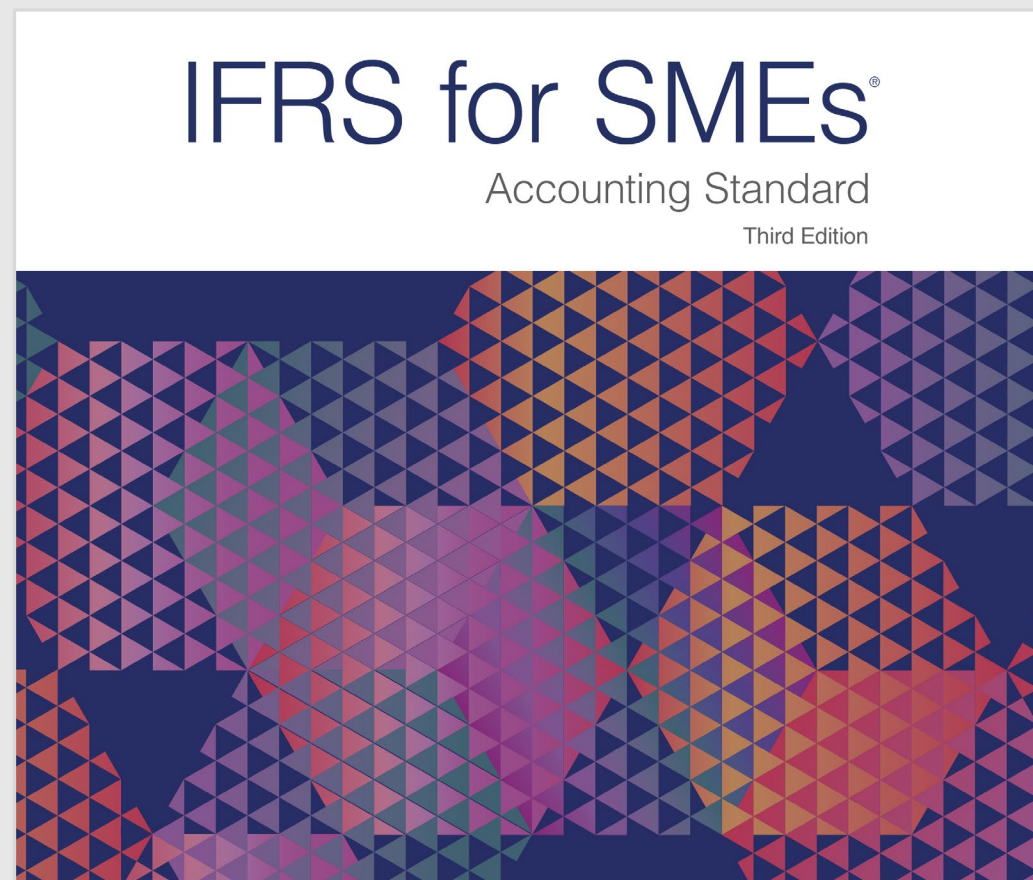
Section 17 Property, Plant and Equipment

If at initial recognition **bearer plants** can be measured separately from the produce on them, without undue cost or effort (initially or on an ongoing basis) they are accounted for as property, plant and equipment

Section 30 Foreign Currency Translation

- require a consistent approach in:
 - assessing whether a **currency can be exchanged** into another currency; and
 - **estimating the exchange rate** to use (and the disclosures to provide) when a currency cannot be exchanged into another currency
- **provide guidance on advance consideration** in a foreign currency

User needs—improving disclosures



User needs—improving disclosures

Information about cash flows and liquidity is important, including about an SME's ability to repay debt

- require disclosure of changes in liabilities arising from financing activities (Section 7)
- require disclosure of a maturity analysis for financial liabilities (Section 11)
- improve disclosure of supplier finance arrangements to address liquidity and cash flow information needs (Section 7)
- require disclosure of an analysis of the age of trade receivables and other financial assets (Section 11)

User needs—improving disclosures (continued)

Information on revenue is important for understanding of an SME's business

- require disclosures that help users understand the nature, timing and uncertainty of revenue and cash flows from contracts with customers (Section 23)

Improved information on assumptions would be helpful

- require disclosure of assumptions for measuring defined benefit plans (Section 28)
- add examples of judgements that an SME is required to disclose (Section 8)

User needs—improving disclosures (continued)

Information would be improved if more disaggregation of:

- other payables;
- other receivables
- loans from related parties

- require the disaggregation of line items in the statement of financial position when such presentation is relevant (Section 4);
- require disclosure of amounts an SME incurred for key management personnel services provided by a separate management entity (Section 33)
- clarify the requirement to disclose information about commitments between an SME and its related parties (Section 33)

Further detail on an SME's significant operating expenses is necessary

- clarify how an SME aggregates information in financial statements and add guidance on materiality (Section 3)

Transition to the third edition of the *IFRS for SMEs Accounting Standard*



Effective date and transition requirements

Effective date

The third edition of the *IFRS for SMEs* Accounting Standard is effective for annual periods beginning on or after 1 January 2027. Earlier application is permitted.

Transition requirements

SMEs are required to apply the amended and revised sections in the third edition of the Standard retrospectively.

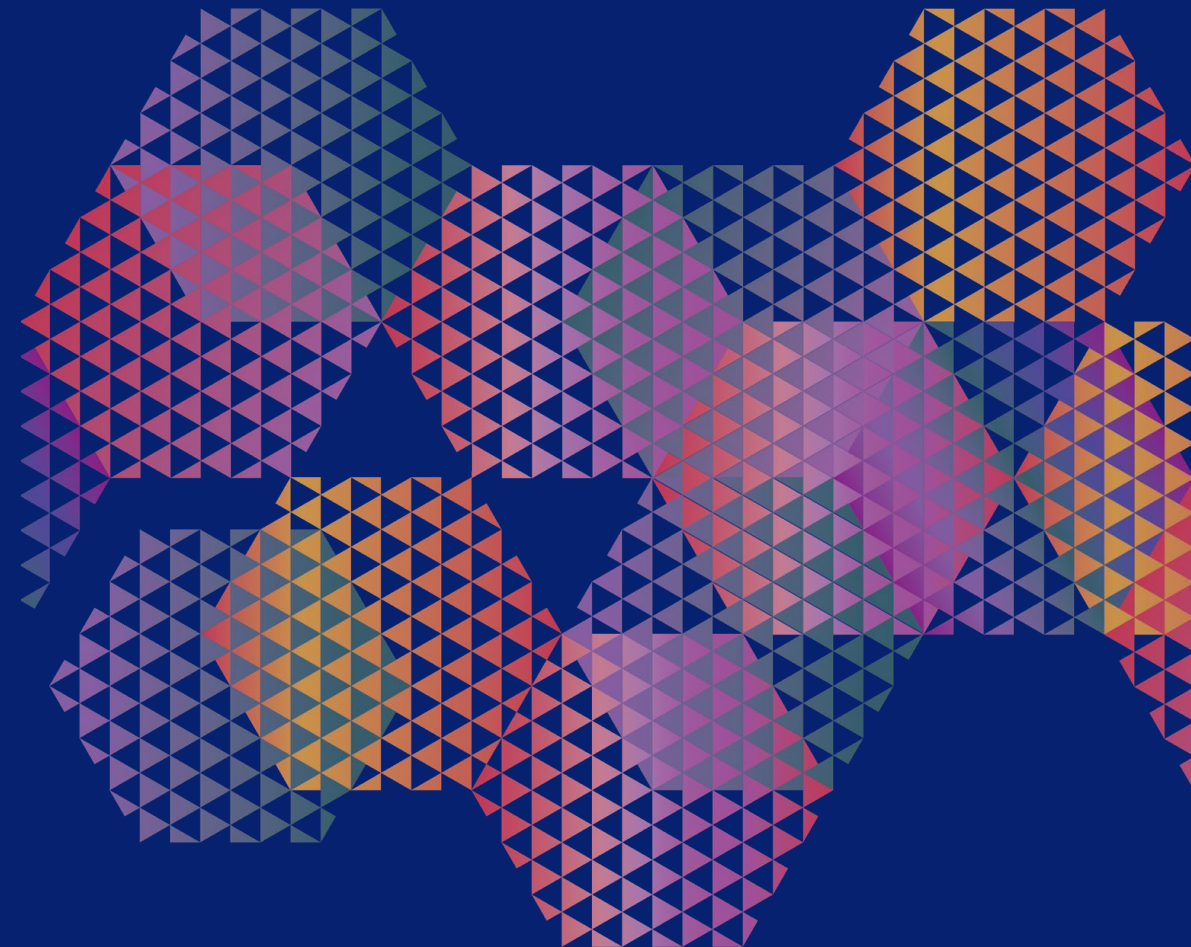
Some relief from retrospective application is available, for example:

- Section 9 *Consolidated and Separate Financial Statements*;
- Section 12 *Fair Value Measurement*;
- Section 19 *Business Combinations and Goodwill*; and
- Section 23 *Revenue from Contracts with Customers*.

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Supporting implementation



Resources available on the IFRS Foundation's website



<https://www.ifrs.org/supporting-implementation/supporting-materials-for-the-ifrs-for-smes>



Project
summary



Feedback
Statement



Educational
modules



Webcasts



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