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## 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<sup>®</sup>

Accounting Standard

Third Edition



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## 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?

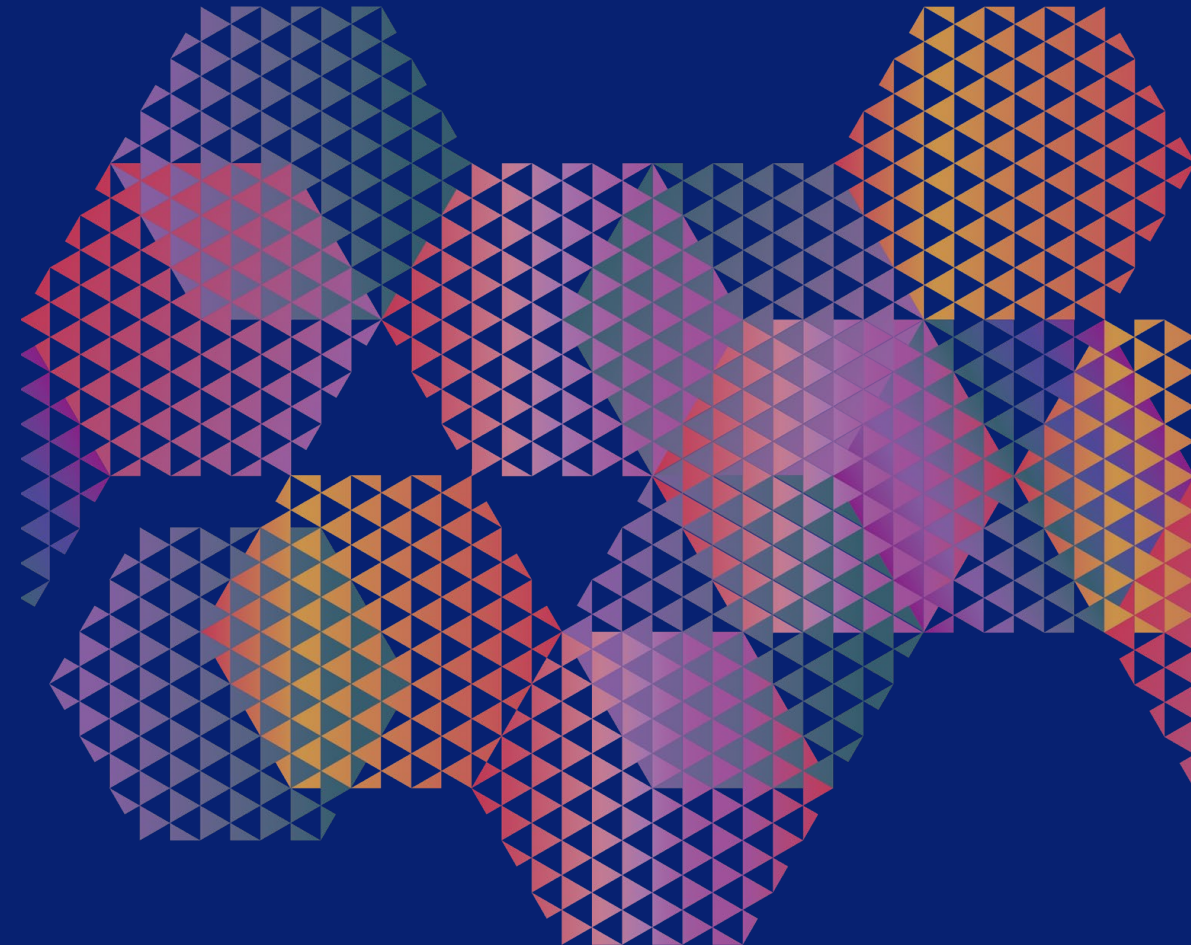
# IFRS for SMEs<sup>®</sup>

Accounting Standard

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

ASAF March 2025



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## Agenda

Introducing the *IFRS for SMEs* Accounting Standard

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Background to the second comprehensive review

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Third edition of the *IFRS for SMEs* Accounting Standard

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Supporting implementation

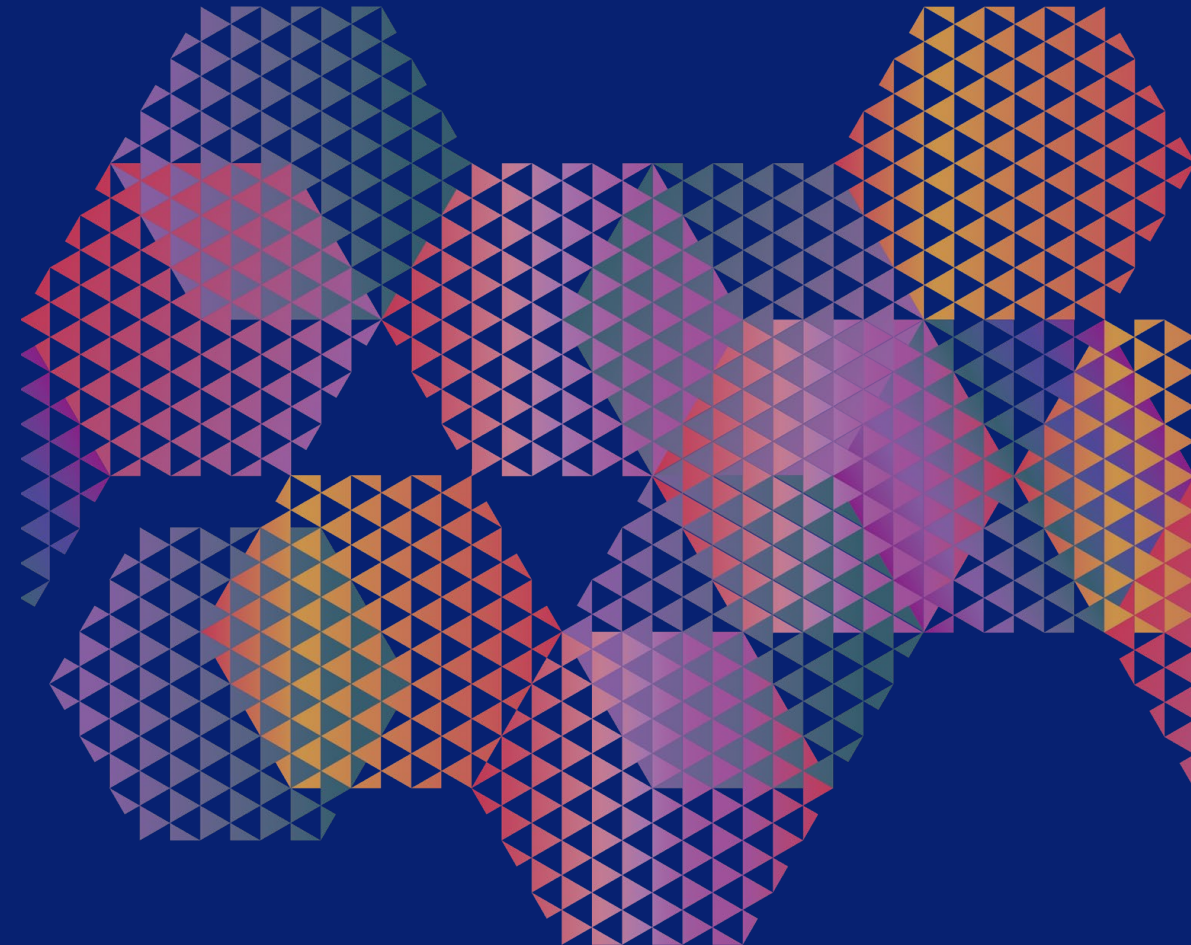
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Introducing the *IFRS for SMEs*  
Accounting Standard



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## Introduction

The *IFRS for SMEs* Accounting Standard

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Scope of the *IFRS for SMEs* Accounting Standard

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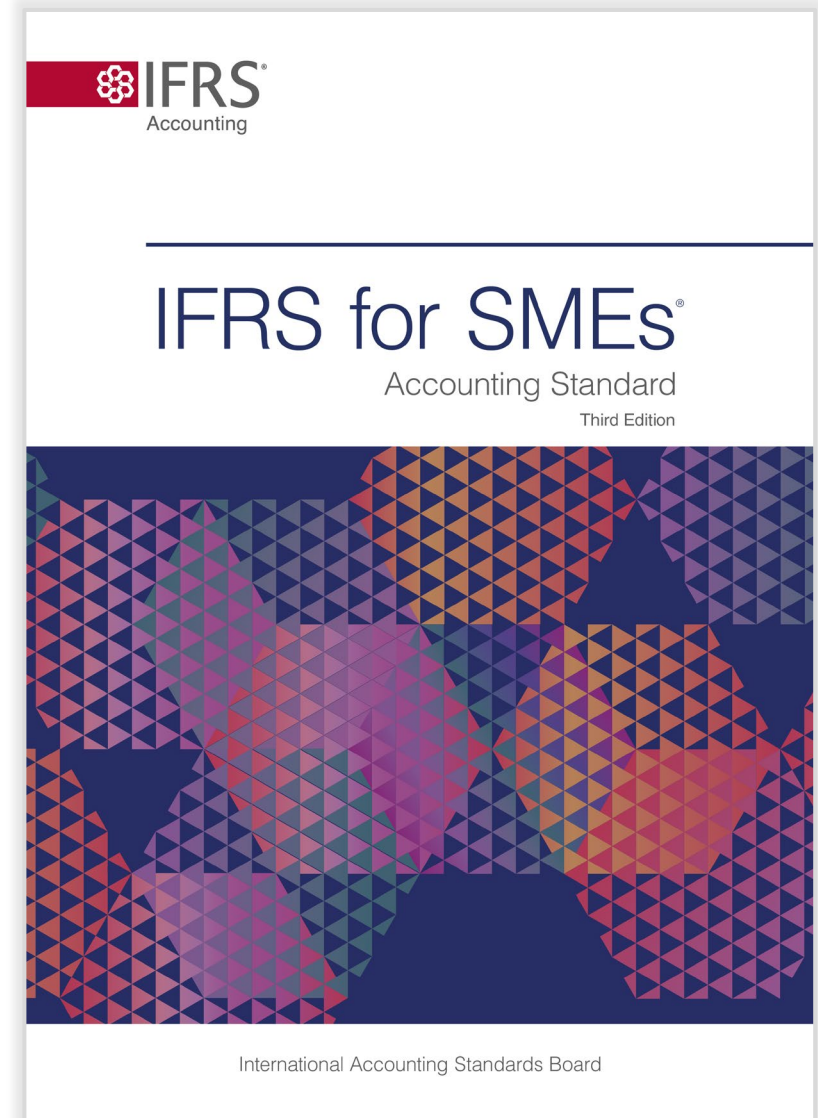
Adoption of the *IFRS for SMEs* Accounting Standard

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## 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**

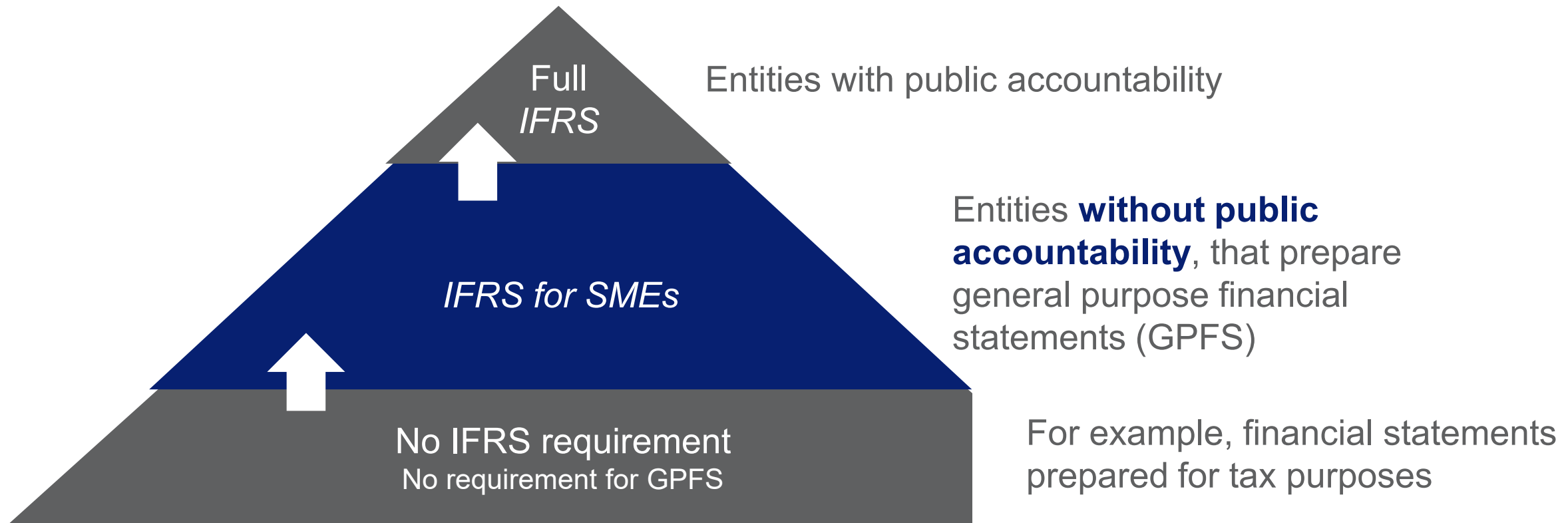


Information needs of users of  
SMEs' financial statements  
(mainly lenders)



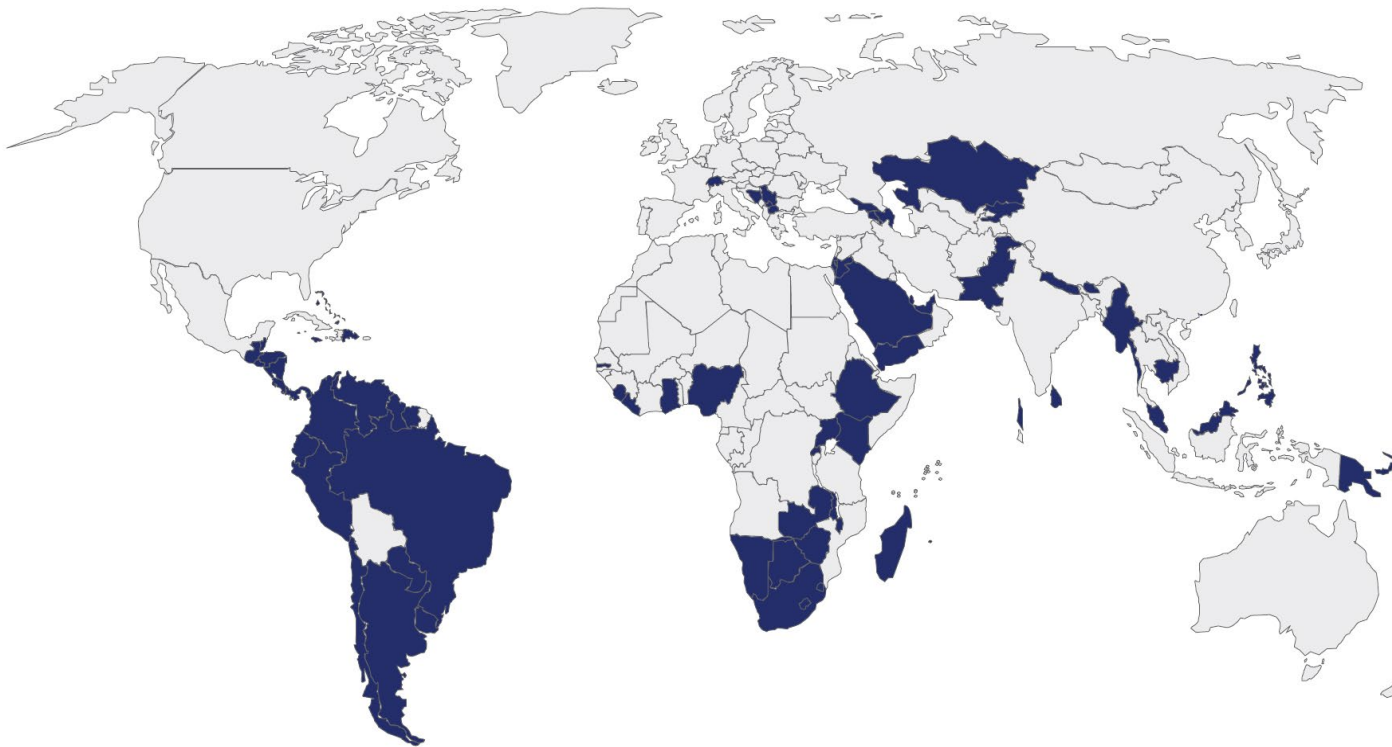
**Users**

## *IFRS for SMEs* Accounting Standard



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## 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)

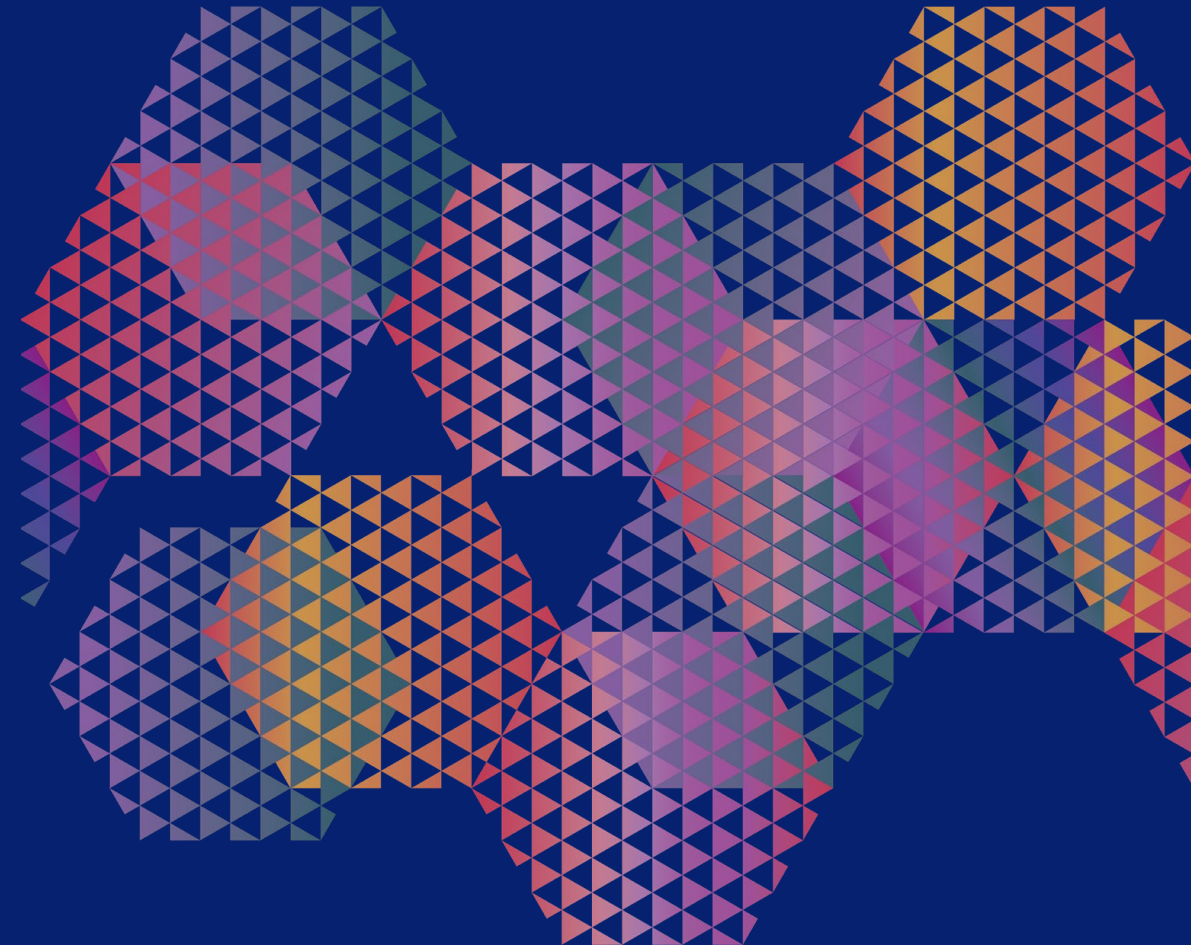
 *IFRS for SMEs* Accounting Standard is required or permitted

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Background to the second  
comprehensive review



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# Background to the second comprehensive review

Timeline of the second comprehensive review

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Stakeholder feedback and IASB discussions

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Framework for the second comprehensive review

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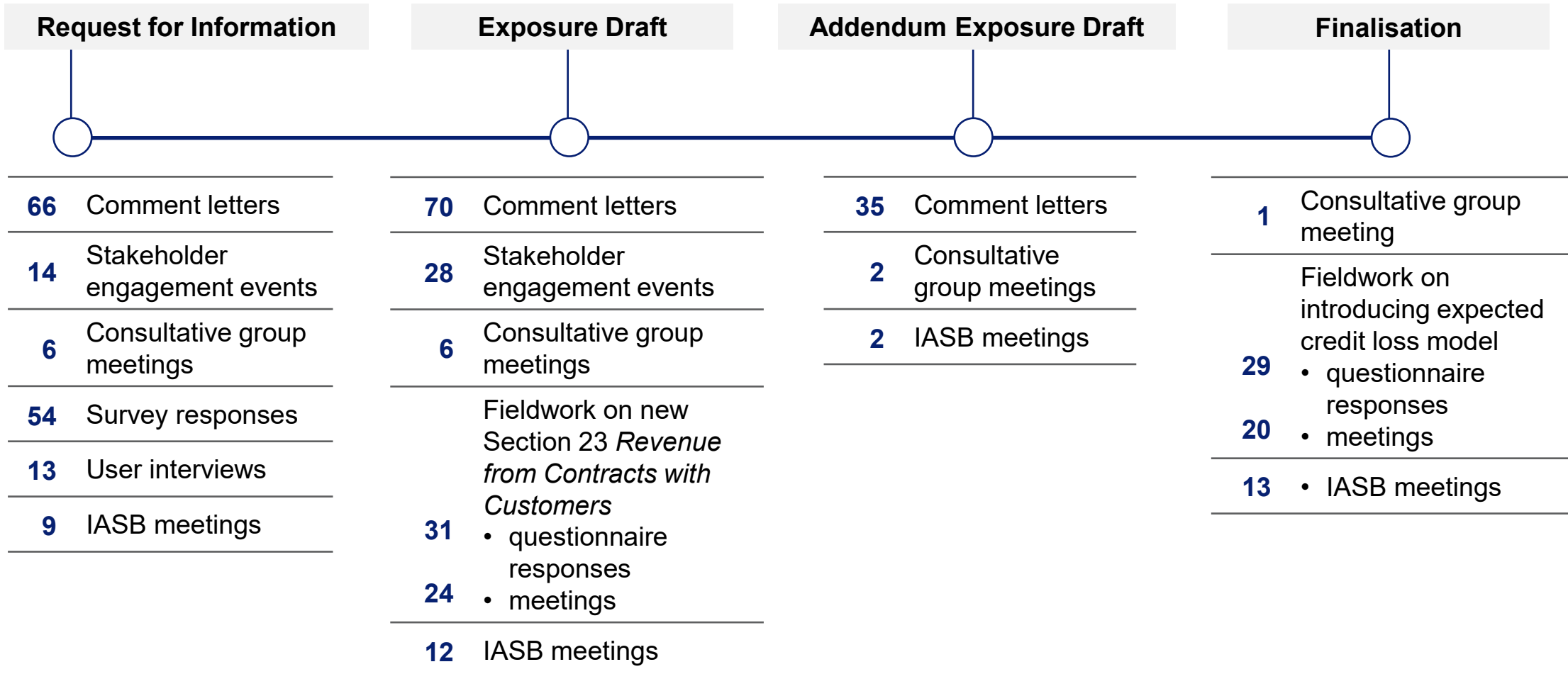
Scope of the second comprehensive review

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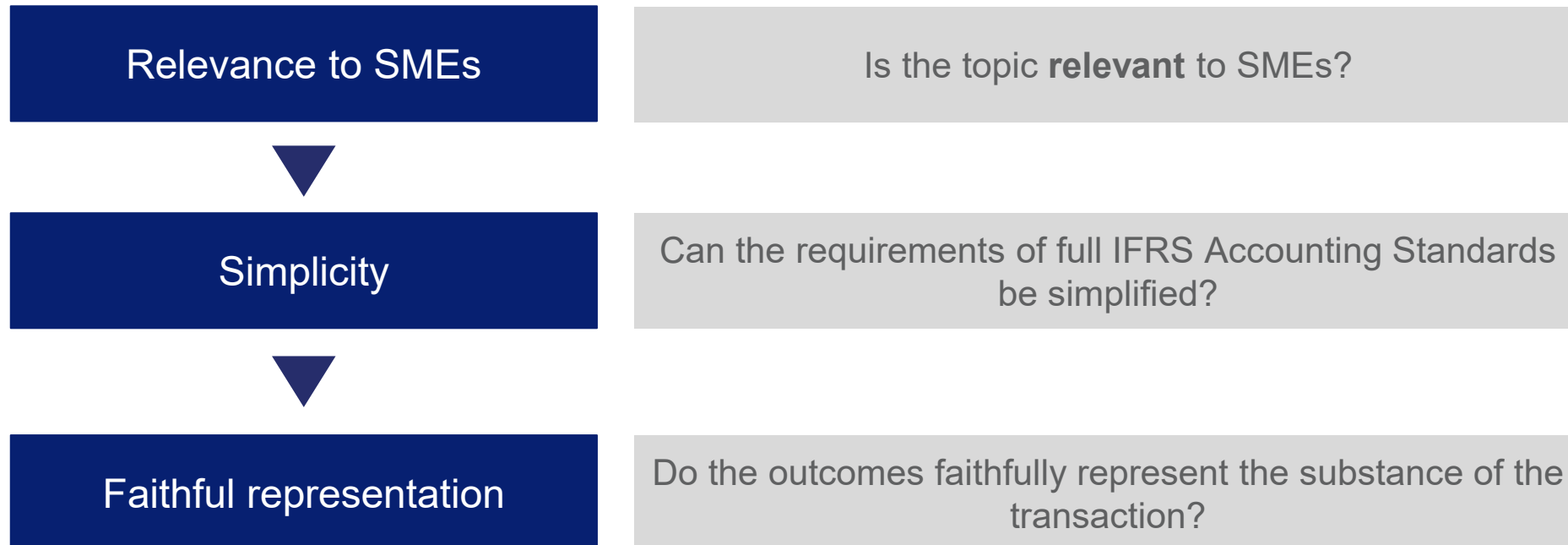
## Timeline of the second comprehensive review



## 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)

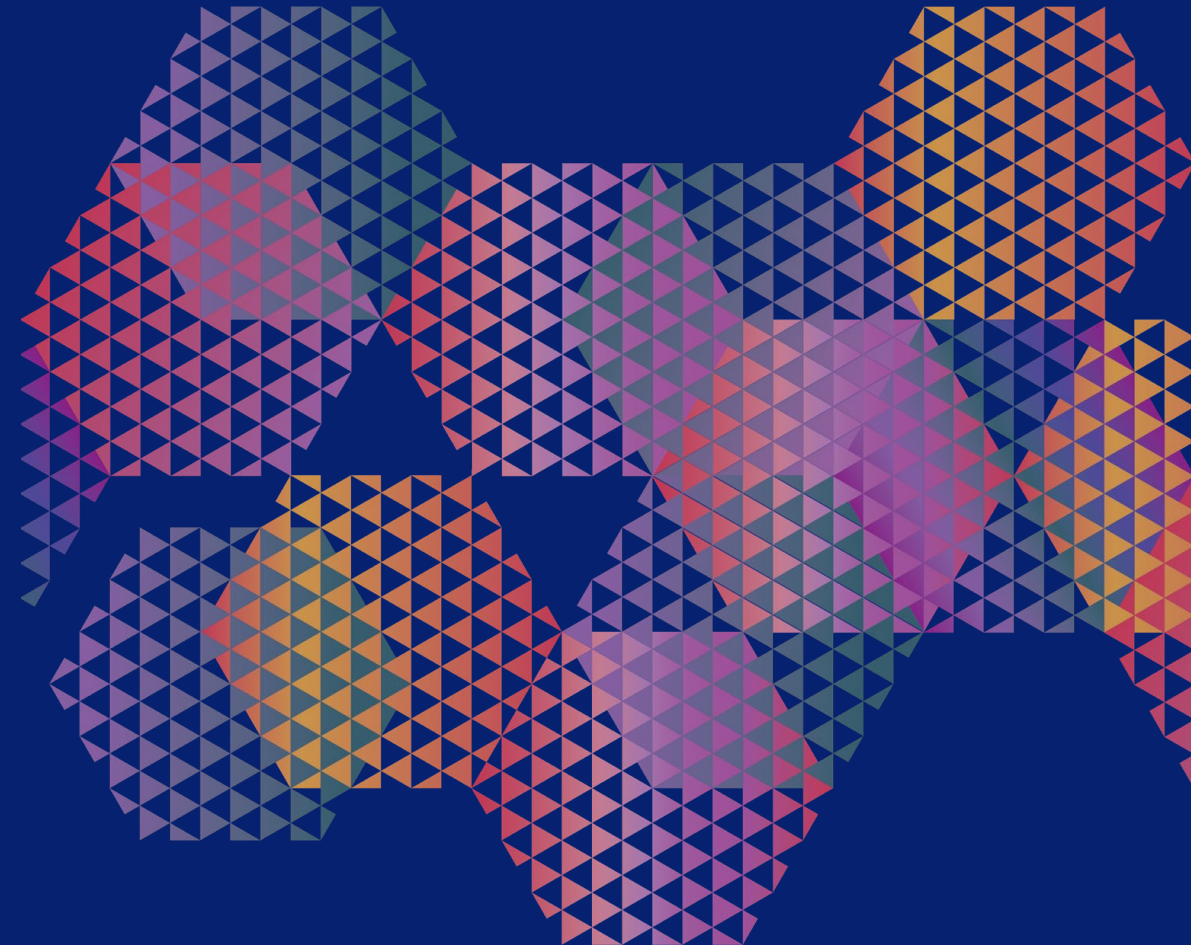
<b>Standards in scope</b>	<i>The Conceptual Framework</i>	<i>IFRS 13 Fair value measurement</i>	Other amendments to IFRS Accounting Standards and IFRIC Interpretations
	<i>IFRS 3 Business Combinations</i>	<i>IFRS 14 Regulatory Deferral Accounts</i>	
	<i>IFRS 9 Financial Instruments</i>	<i>IFRS 15 Revenue 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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Accounting Standard

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Third edition of the *IFRS for SMEs* Accounting Standard



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## Third edition of the *IFRS for SMEs* Accounting Standard

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

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User needs—improving disclosures

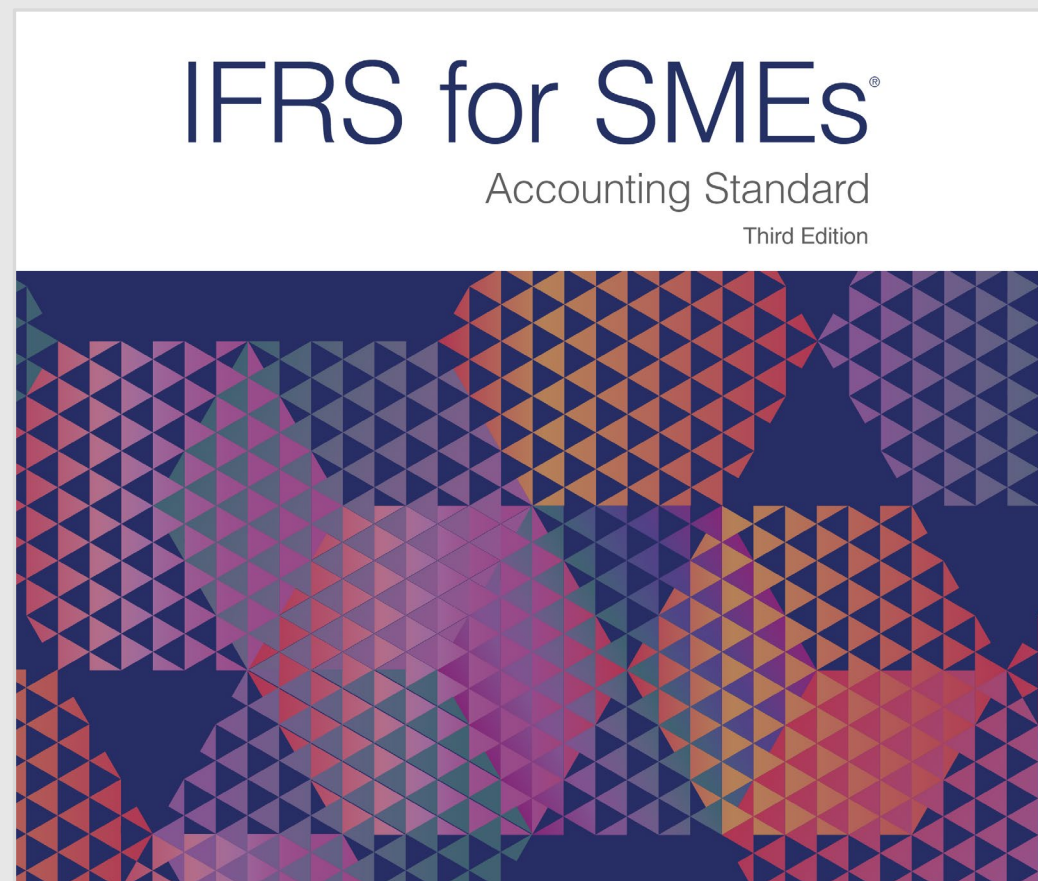
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Transition to the third edition of the *IFRS for SMEs* Accounting Standard

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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

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## 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

<b>Section 22 <i>Liabilities and equity</i></b>	<b>relief from offsetting amounts</b> unpaid for equity instruments from equity
<b>Section 28 <i>Employee Benefits</i></b>	<b>clarify the measurement simplification</b> for defined benefit obligations in paragraph 28.19
<b>Section 29 <i>Income Taxes</i></b>	amend the <b>offsetting requirements</b> to align with IAS 12

## Other amendments

### **Section 7 *Statement of Cash Flows***

Reflecting improvements to IAS 7  
*Statement of Cash Flows*

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

### **Section 30 *Foreign Currency Translation***

IAS 21 *The Effects of Changes*  
reflecting improvements to from *Foreign*  
*Exchange Rates about lack of*  
*exchangeability*

IFRIC 22 *Foreign Currency*  
*Transactions and Advance*  
*Consideration*

- 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

## Other amendments (continued)

**Section 3 *Financial Statement Presentation***

**Section 10 *Accounting Policies, Estimates and Error***

Update definitions of '**material**' and '**accounting estimates**'

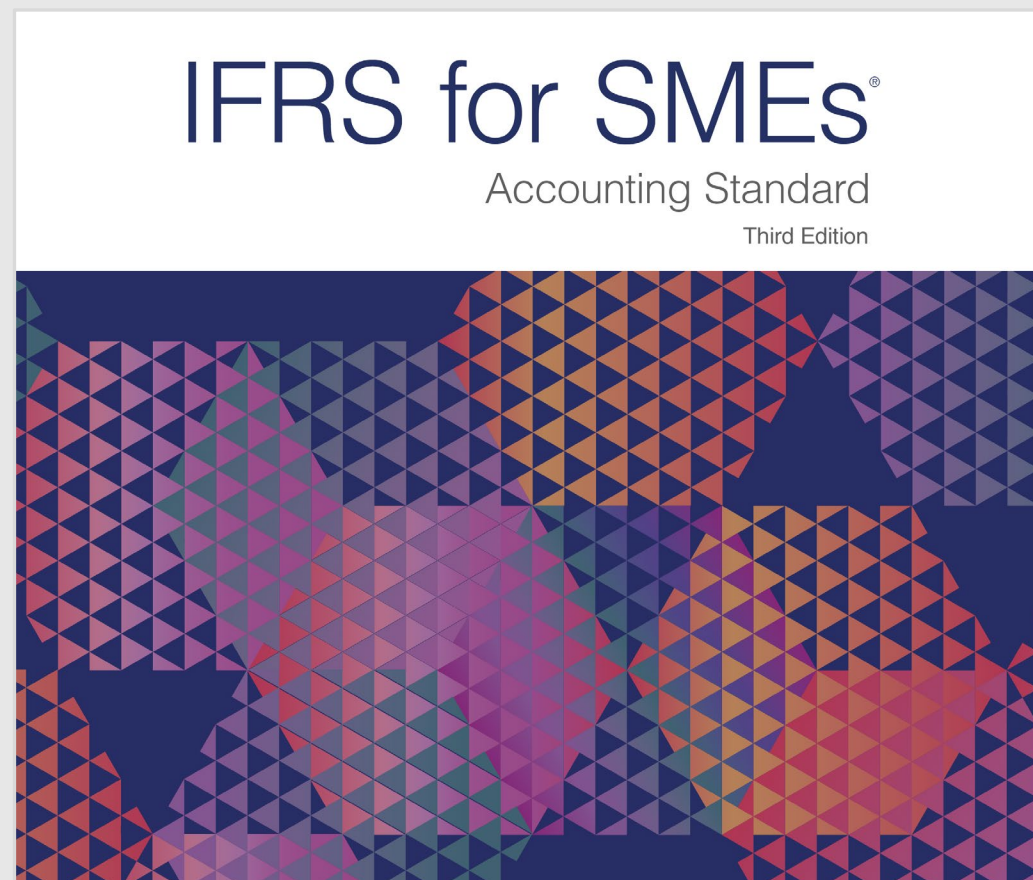
**Section 17 *Property, Plant and Equipment***

Accounting for bearer plants

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

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## 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)

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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:

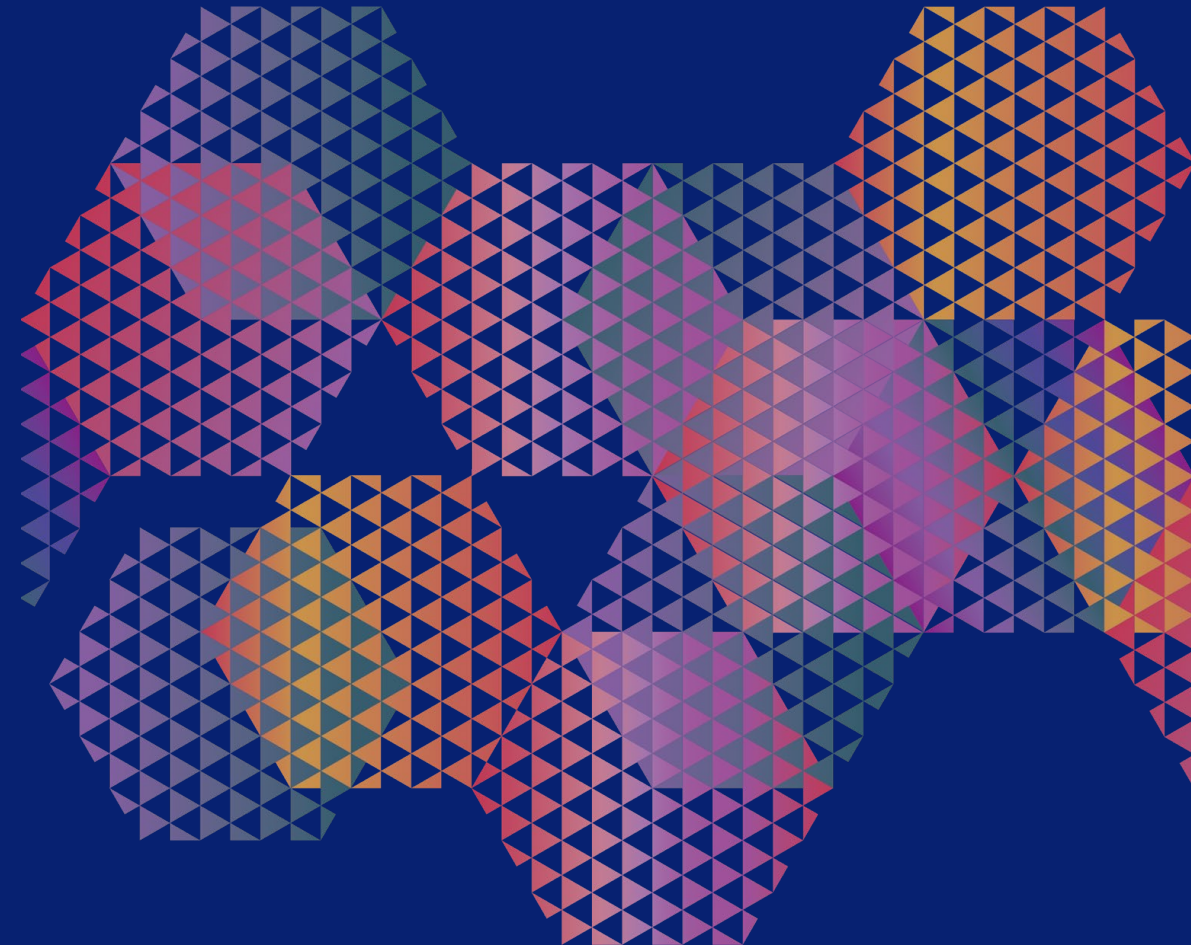
- Section 9 *Consolidated and Separate Financial Statements*;
- Section 12 *Fair Value Measurement*;
- Section 19 *Business Combinations and Goodwill*; and
- Section 23 *Revenue from Contracts with Customers*.

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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



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## Accounting Standard

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