
What IFRS 19 and the *IFRS for SMEs* Accounting Standard mean for global reporting

Plenary session

Presenters



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Agenda

- 1 Financial reporting requirements
- 2 IFRS 19 *Subsidiaries without Public Accountability: Disclosures*
- 3 *IFRS for SMEs* Accounting Standard
- 4 A global solution
- 5 Supporting implementation

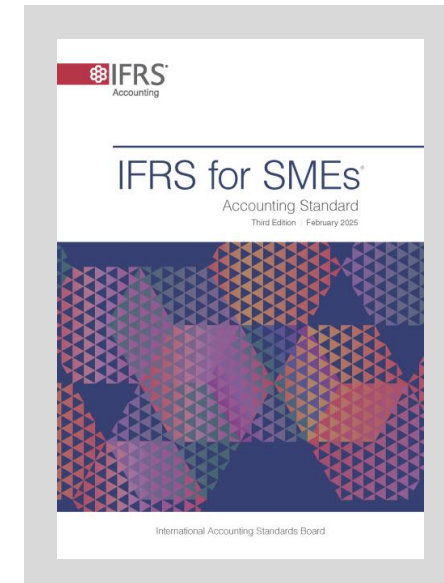
Overview

The presentation explains how IFRS 19 *Subsidiaries without Public Accountability: Disclosures* and the third edition of the *IFRS for SMEs* Accounting Standard support financial reporting for non-publicly accountable entities

IASB Accounting Standards

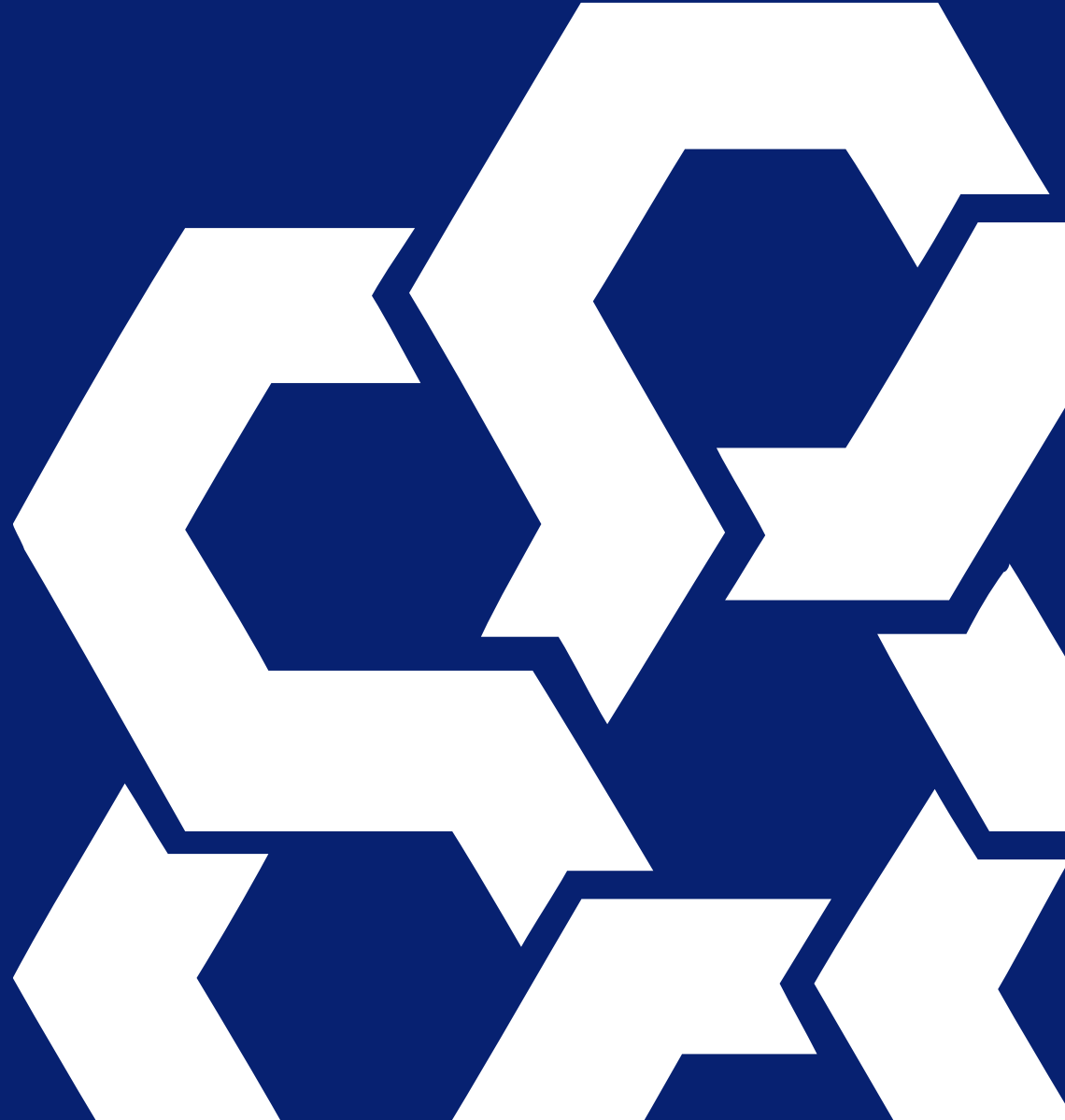


IFRS Accounting Standards

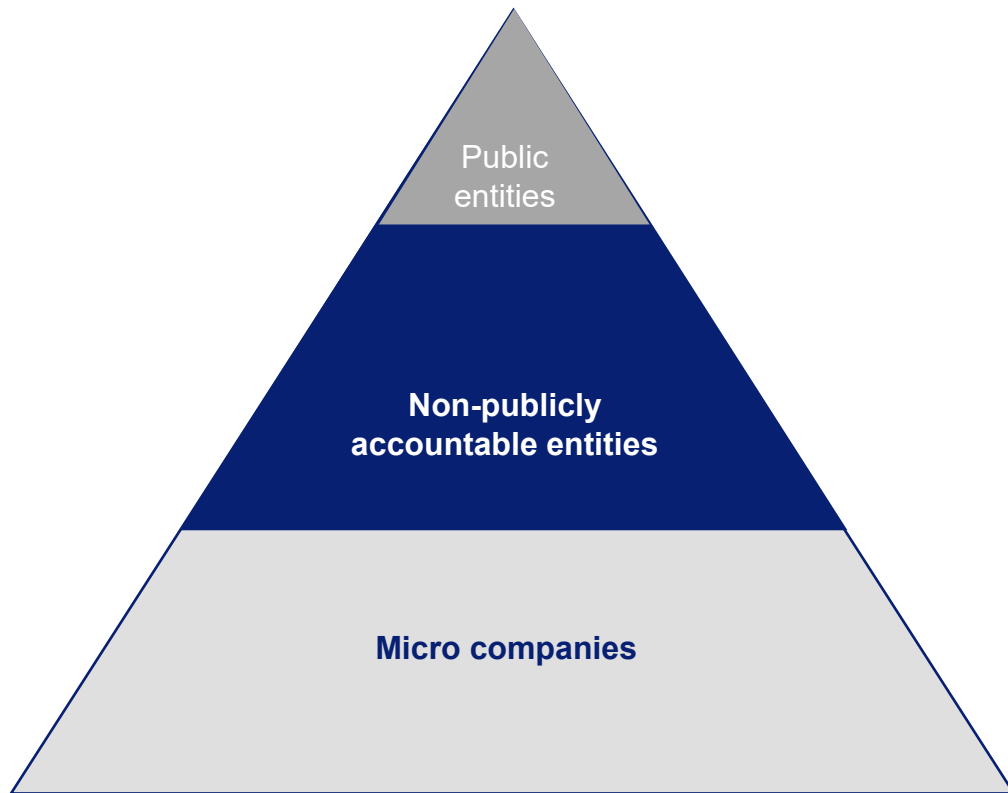


IFRS for SMEs
Accounting Standard

Financial reporting frameworks



Jurisdictional financial reporting frameworks differ

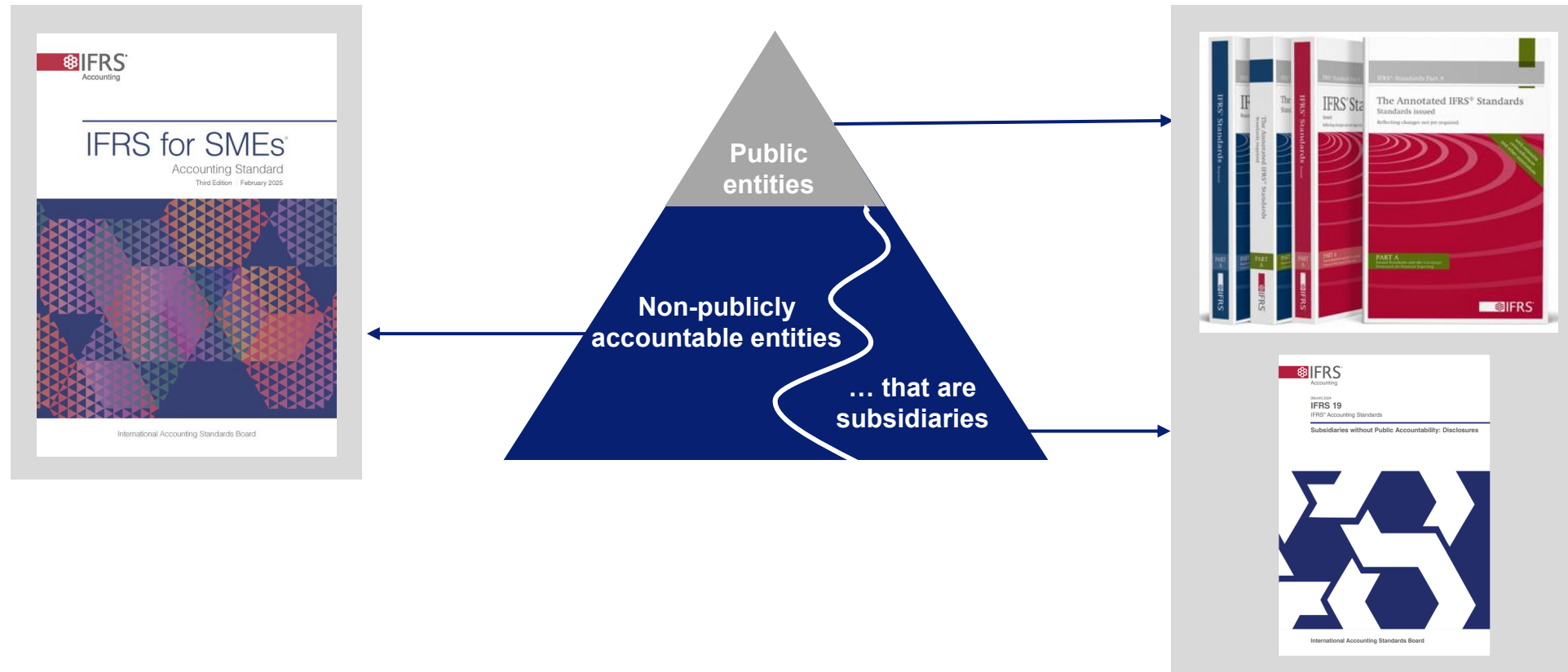


Financial reporting frameworks designed to meet jurisdiction's needs



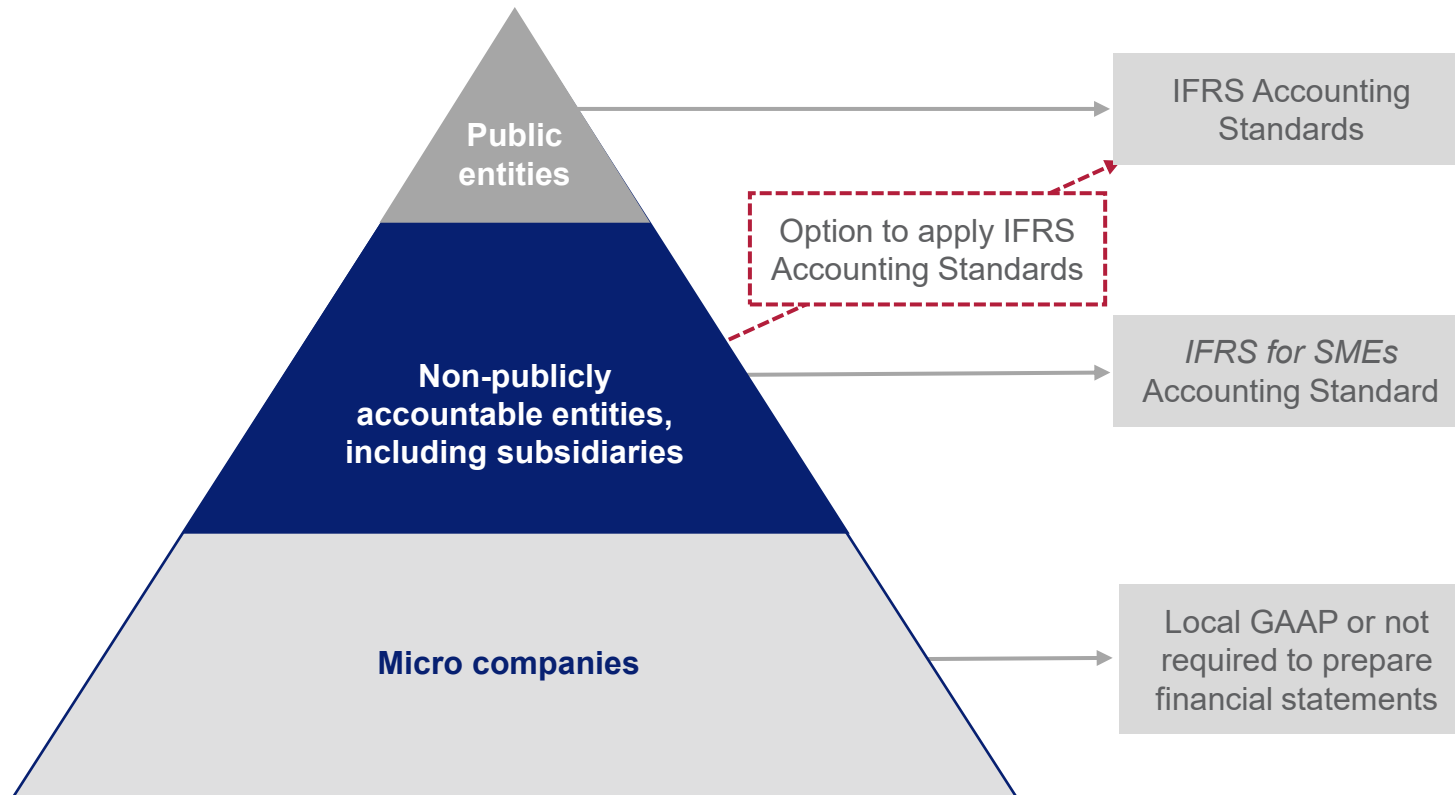
- Economic and regulatory requirements differ by jurisdiction
- Expertise, professional and market infrastructures differ
- History of financial reporting
- Development of the jurisdiction's economy

IASB Accounting Standards and financial reporting frameworks



A typical framework for jurisdictions adopting IASB Accounting Standards

Financial reporting frameworks designed to meet jurisdiction needs



IASB Accounting Standards

IFRS Accounting
Standards



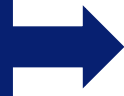
provide a global financial reporting language allowing investors to allocate resources across economies

IFRS 19



works alongside other IFRS Accounting Standards enabling eligible subsidiaries to use group accounting policies while providing disclosures proportionate to the needs of their users of financial statements

IFRS for SMEs
Accounting
Standard



developed in response to international demand for the IASB to develop global standards for small and medium-sized entities. The Standard is a set of high-quality financial reporting principles tailored for SMEs and users of their financial statements

IFRS 19 Subsidiaries without Public Accountability: Disclosures



How IFRS 19 supports foreign direct investment

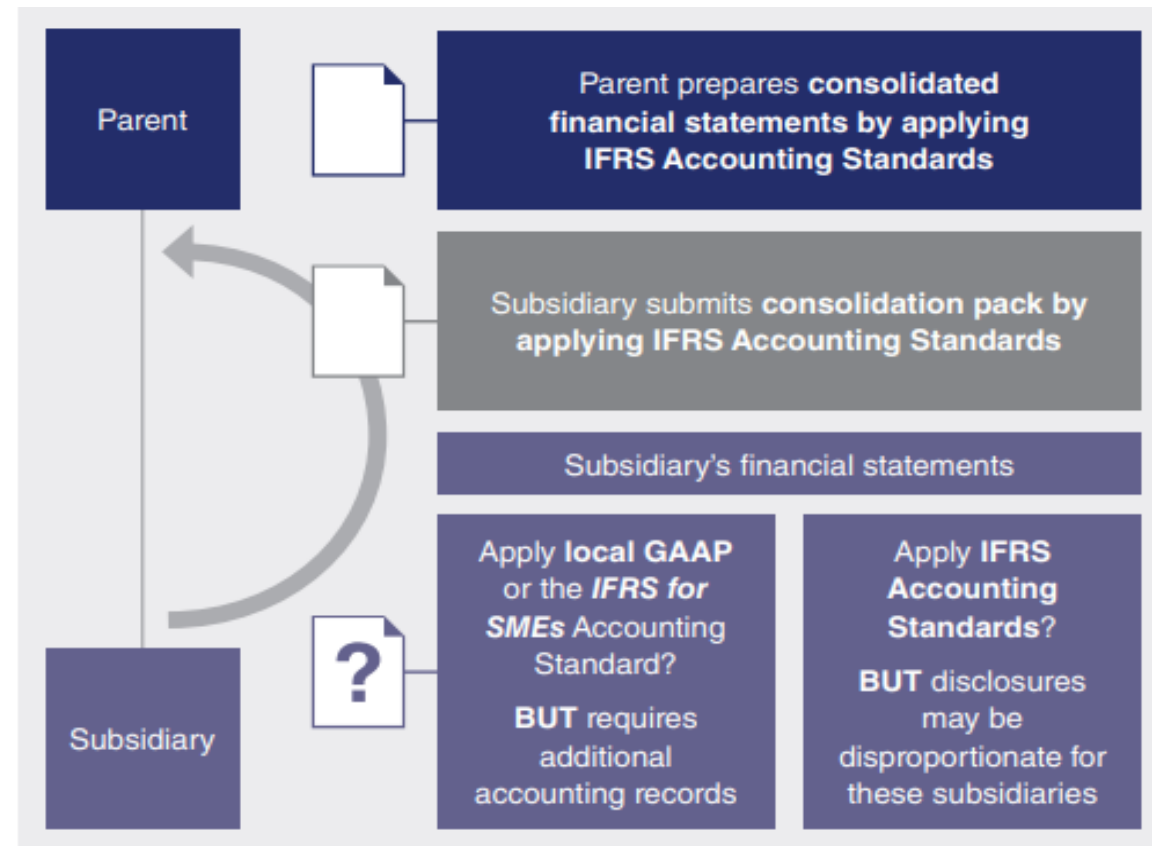


The importance of foreign direct investment:

- Economic growth
- Knowledge transfer
- Employment opportunities
- Access to global markets

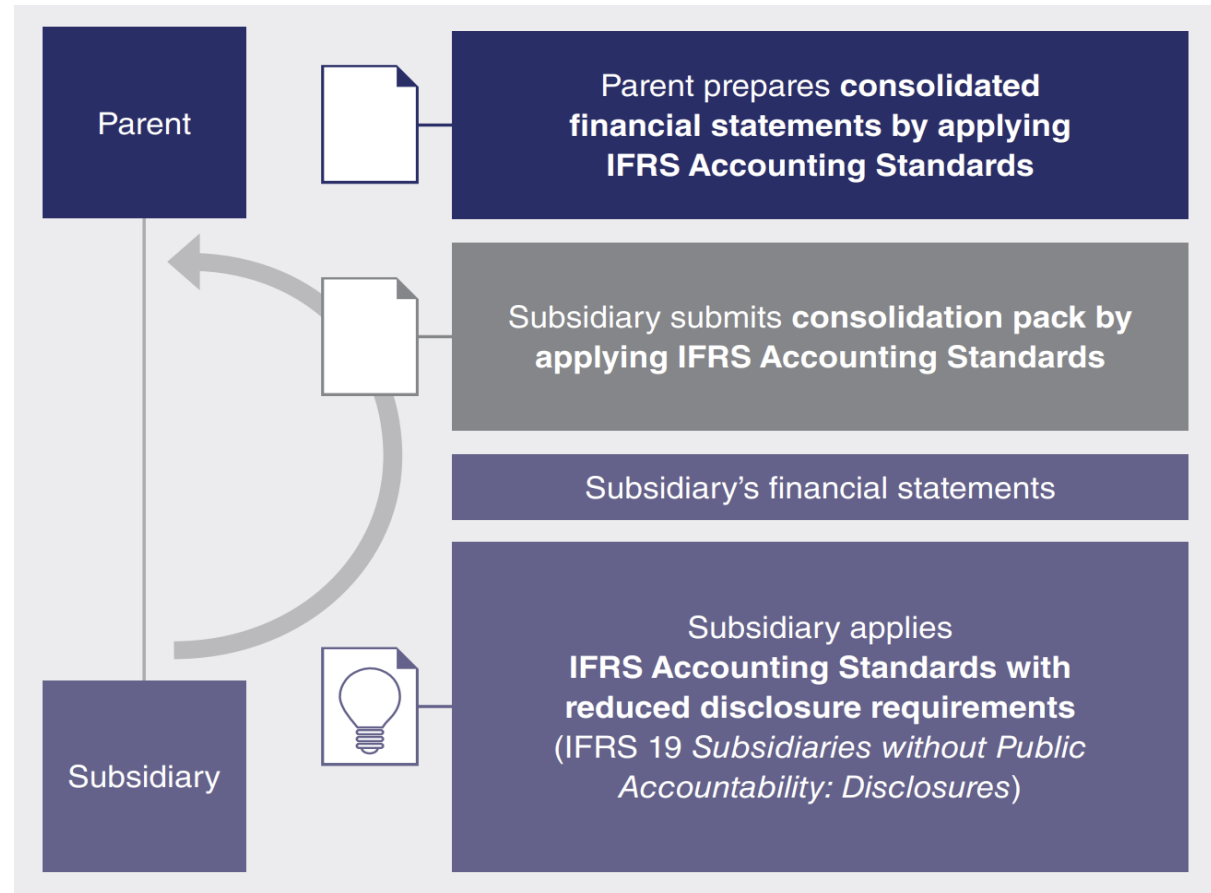
Why IFRS 19?

- There is a cost to companies of different financial reporting frameworks—**dual reporting requirements**
- Subsidiaries to report to a parent using IFRS Accounting Standards which are not designed for them



Why IFRS 19?

IFRS 19 reduces costs, permitting the global financial reporting language to be applied throughout the group



IFRS 19 at a glance



The Standard permits eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements



Applying IFRS 19 can simplify reporting systems and processes and thereby reduce the costs of preparing, auditing and using eligible subsidiaries' financial statements; IFRS 19 aims at reducing reporting costs in the overall ecosystem



The Standard is effective from 1 January 2027, early application permitted

Definition of an eligible subsidiary

Eligible subsidiaries

An eligible subsidiary is an entity:

- that does **not have public accountability**; and
- whose parent prepares consolidated financial statements available for public use that comply with IFRS Accounting Standards.

Entities with public accountability:



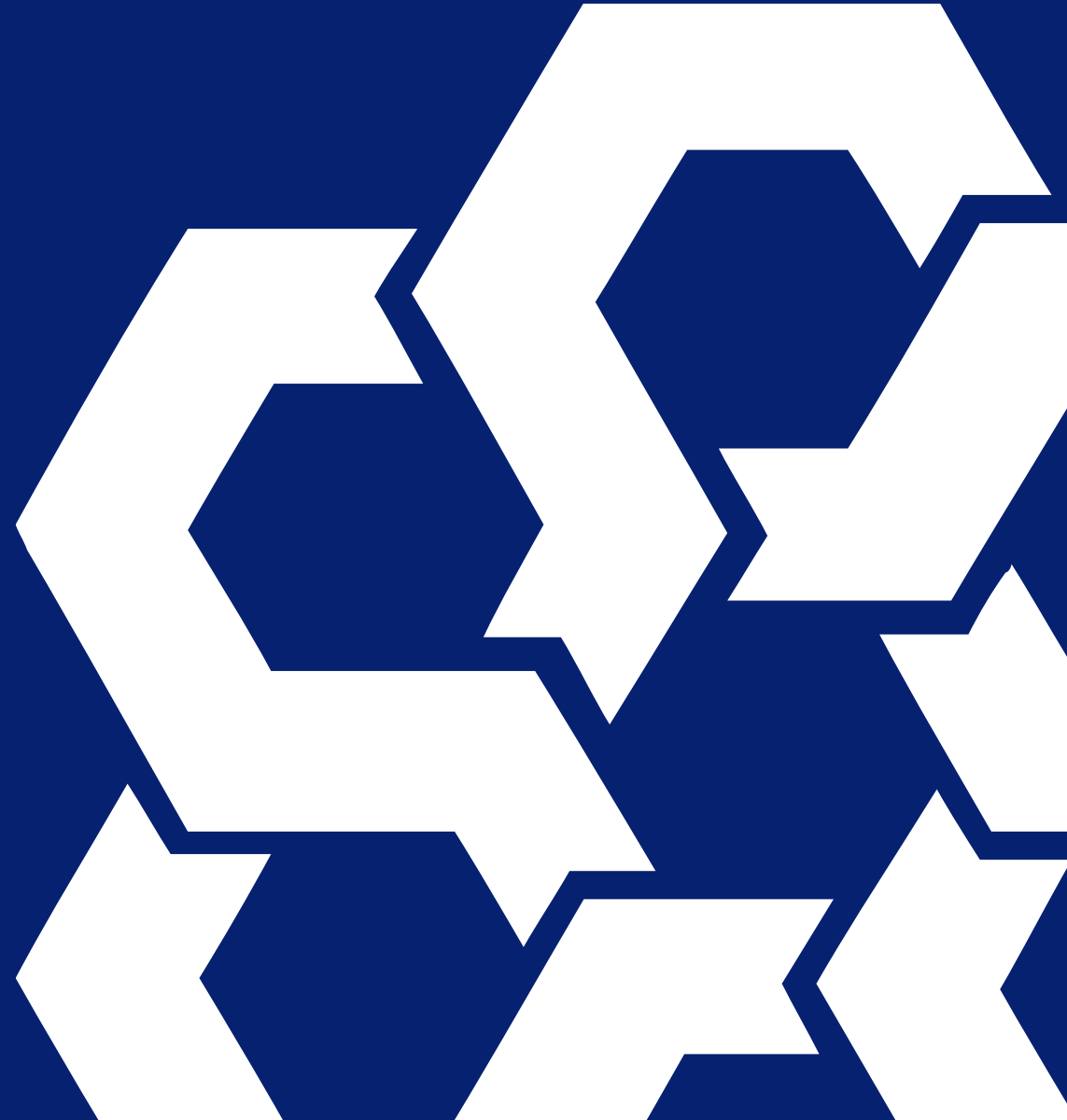
its equity or debt
instruments are traded
in a public market

or



it holds assets in a fiduciary
capacity (for example, banks
and insurance companies)

IFRS for SMEs Accounting Standard



Why small and medium-sized entities are important

SMEs have a crucial role in the global economy:

- **Employment**, SMEs generate 60-70% of global employment, especially in emerging and developing economies
- **Economic growth** 55% of GDP in developed economies
- **Innovation and entrepreneurship**
- **Resilience and flexibility**
 - SMEs tend to be more resilient and adaptable during economic downturns
 - Smaller size allows for faster decision-making and innovation under pressure

Why small and medium-sized entities are important

The contribution that small and medium-sized enterprises (SMEs) make in driving positive social, environmental and economic change is often ignored. Yet, these businesses play significant roles in shaping the growth, innovation and sustainability of our local, regional and global economies.

The World
Economic
Forum

Small-and medium-sized enterprises (SMEs) represent over 90 per cent of the business population, 60-70% of employment and 55% of GDP in developed economies.

The World
Trade
Organization

Across OECD countries, SMEs represent around 99% of all firms, are a main source of employment and generate 50% to 60% of value added on average. Moreover, SMEs are vital for nurturing local communities and driving economies' and societies' major transitions.

OECD

Why a small and medium-sized accounting standard?

- The information needs of users of SMEs' financial statements differ from users of publicly accountable entities, users of SME financial statements are mostly lenders
- Users of SMEs' financial statements often have access to management information and therefore use the financial statements in a different way
- The knowledge and resources of expertise accounting is restricted
- SMEs cannot bear the costs of publicly accountable entities



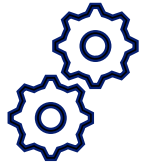
**SMEs need a standard that is less complex
than IFRS Accounting Standards**

IFRS for SMEs Accounting Standard at a glance



A single Standard based on full IFRS Accounting Standards

Simplified for small and medium-sized entities:



- excluding topics not relevant to typical SMEs
- using simpler option if IFRS Accounting Standards have options
- simplifying recognition and measurement requirements
- reducing disclosures



Focuses on the information needs of lenders and other users of SMEs' financial statements



The third edition of the Standard is effective 1 January 2027, early application permitted

Definition of small and medium-sized entities

Small and medium-sized entities

Small and medium-sized entities are entities that:

- do **not have public accountability**; and
- publish general purpose financial statements for external users.

Entities with public accountability:



its equity or debt instruments are traded in a public market

or



it holds assets in a fiduciary capacity (for example, banks and insurance companies)

Main changes to the *IFRS for SMEs* Accounting Standard



Section 2 *Concepts and Pervasive Principles*



Section 9 *Consolidated and Separate Financial Statements*



Section 11 *Financial Instruments*
(previously *Basic Financial Instruments*)



Section 12 *Fair Value Measurement*
(a new section)

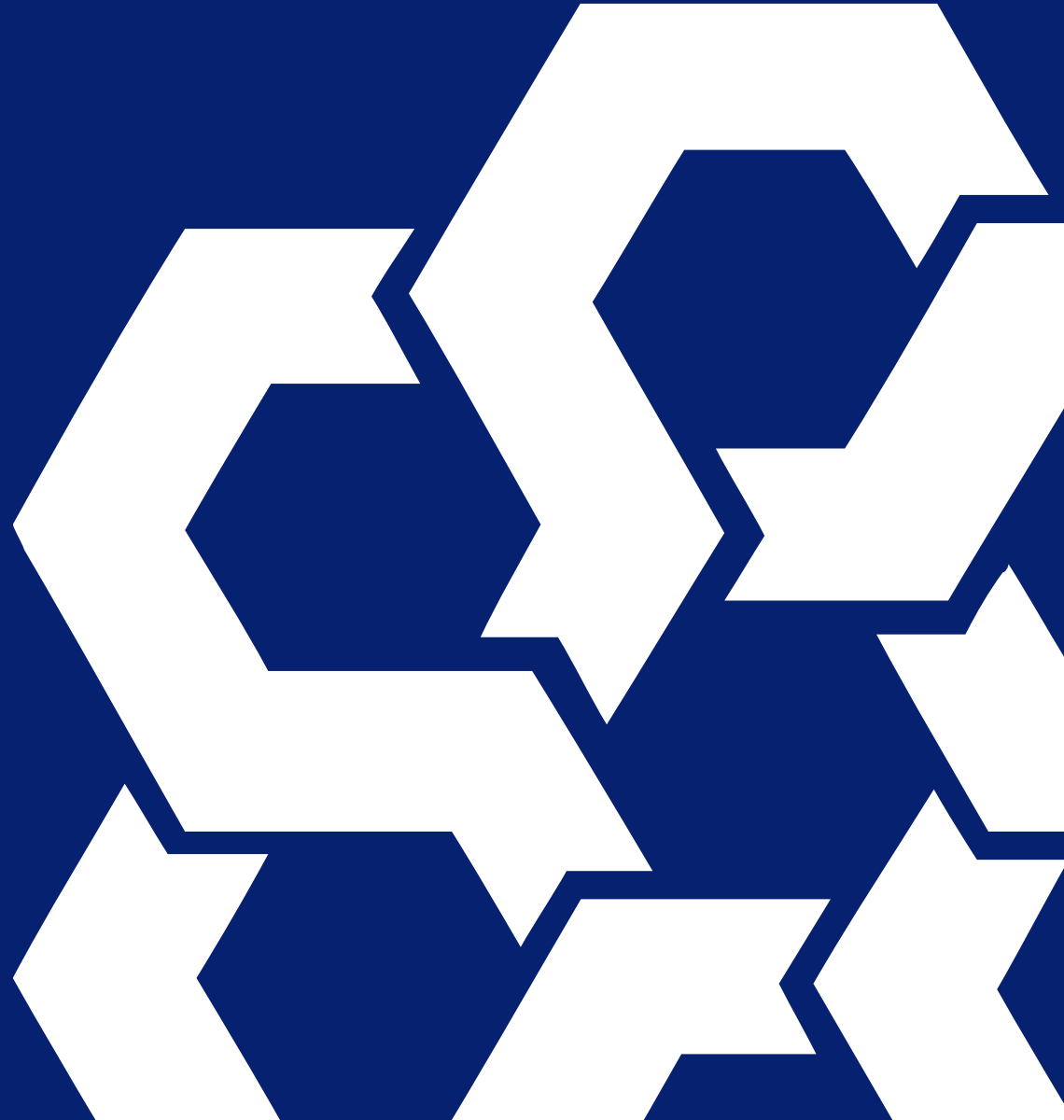


Section 19 *Business Combinations and Goodwill*



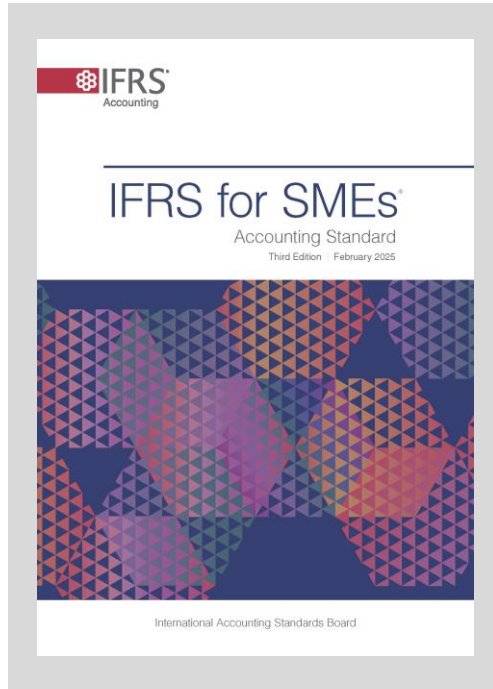
Section 23 *Revenue from Contracts with Customers*
(previously *Revenue*)

A global solution



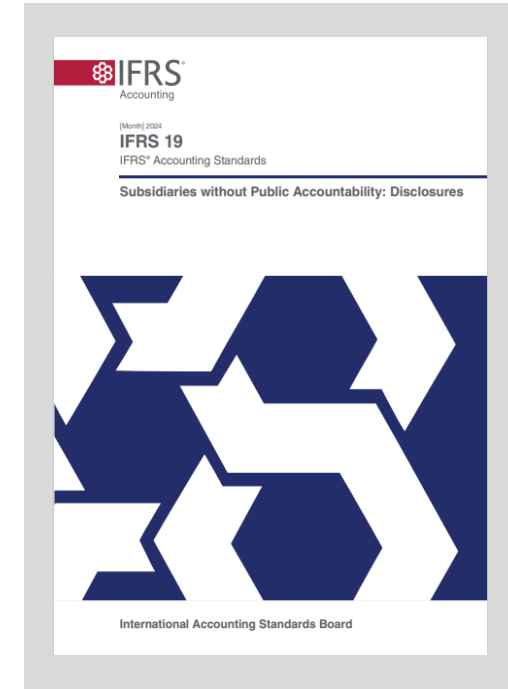
A global solution: financial reporting of non-publicly accountable entities

IFRS for SMEs Accounting Standard



Tailored and proportionate financial reporting solutions for non-publicly accountable entities and users of their financial statements

IFRS 19 (eligible subsidiaries)

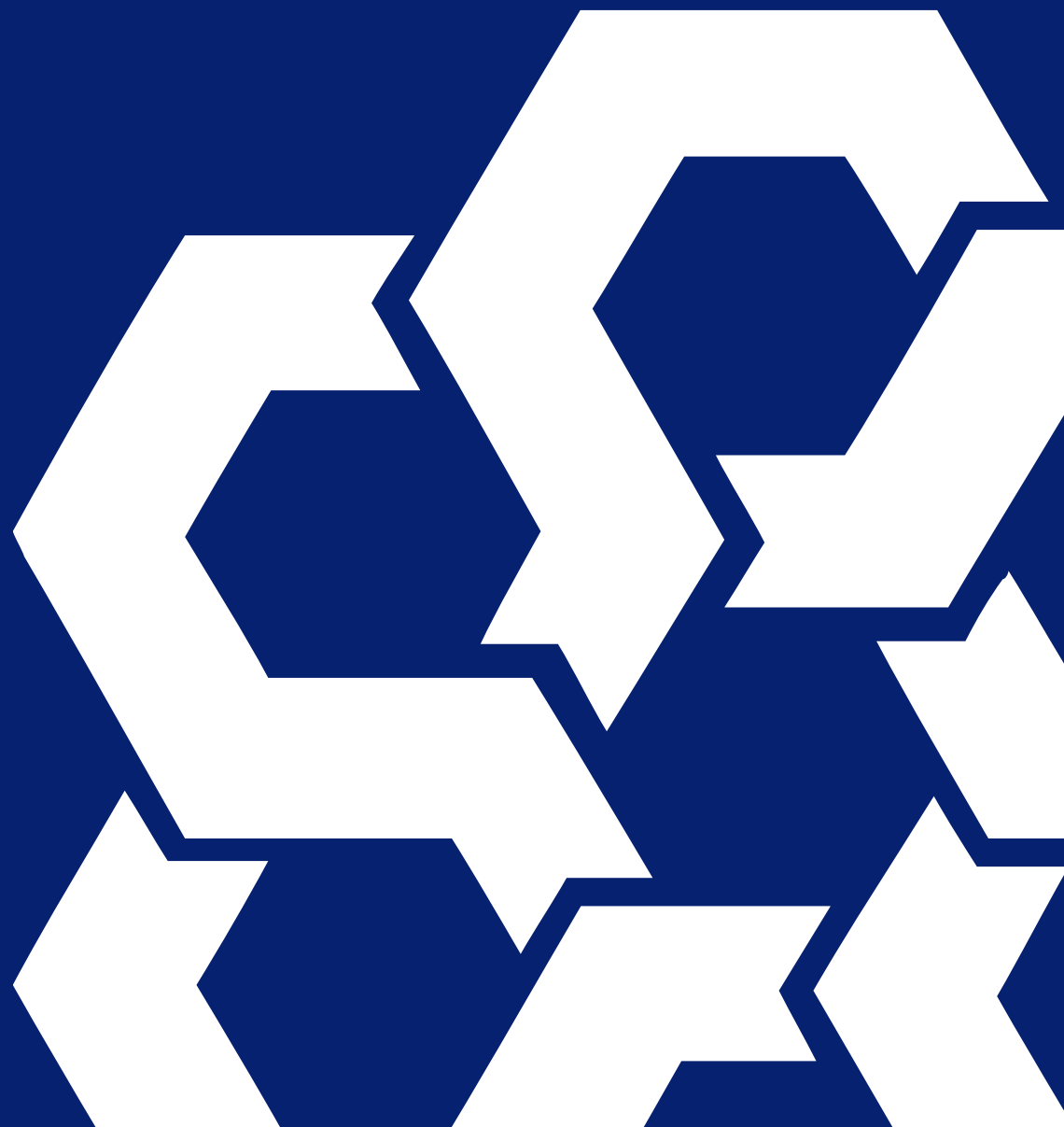


Discussion

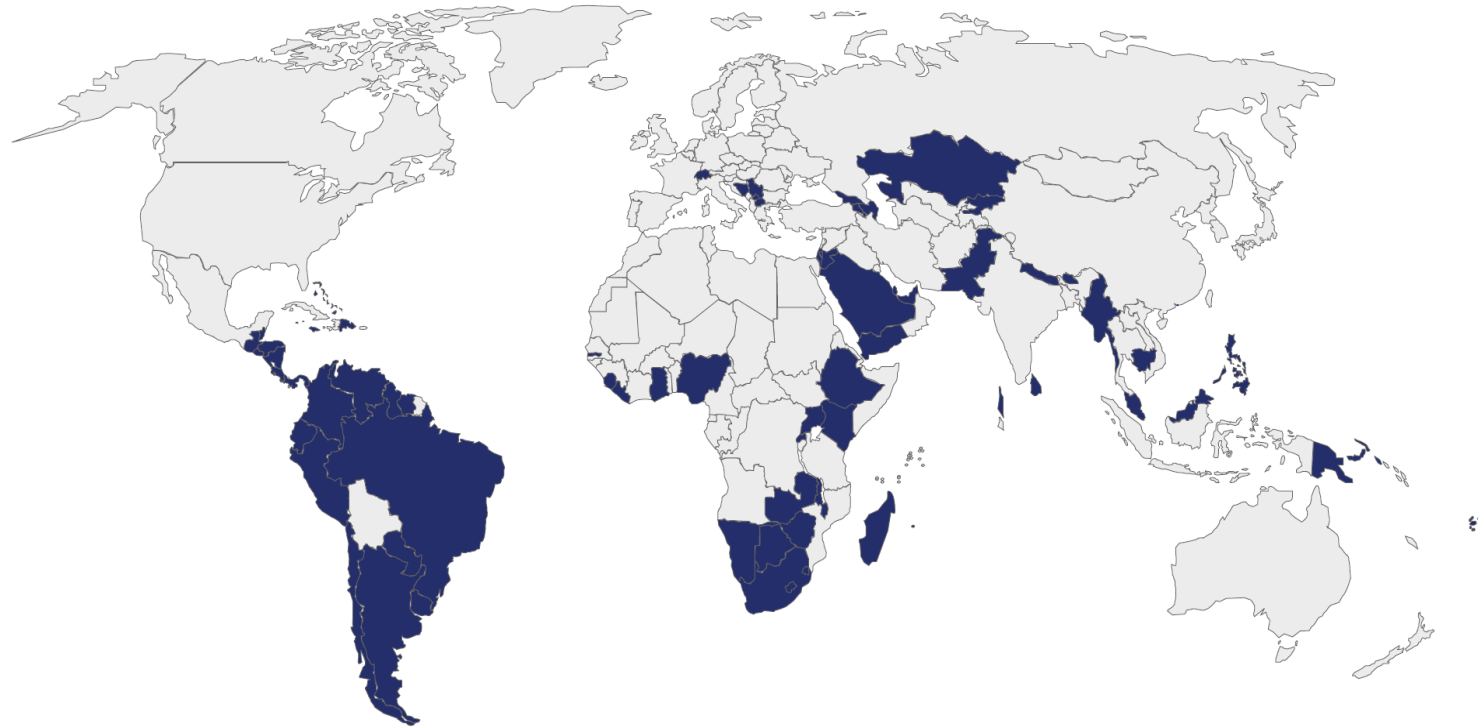
Discussion questions

- What are the financial reporting requirements in your jurisdiction for non-publicly accountable entities?
- How does the financial reporting framework in your jurisdiction distinguish between publicly and non-publicly accountable entities?

Supporting implementation



Adoption of the *IFRS for SMEs* Accounting Standard



87 of 168 jurisdictions
require or permit use of the
IFRS for SMEs Accounting
Standard (June 2025)

 *IFRS for SMEs* Accounting Standard is required or permitted

Supporting implementation

Standard setting

Ensure the Standard provides useful information to users of SMEs' financial statements for resource allocation

Issue the third edition of the *IFRS for SMEs* Accounting Standard

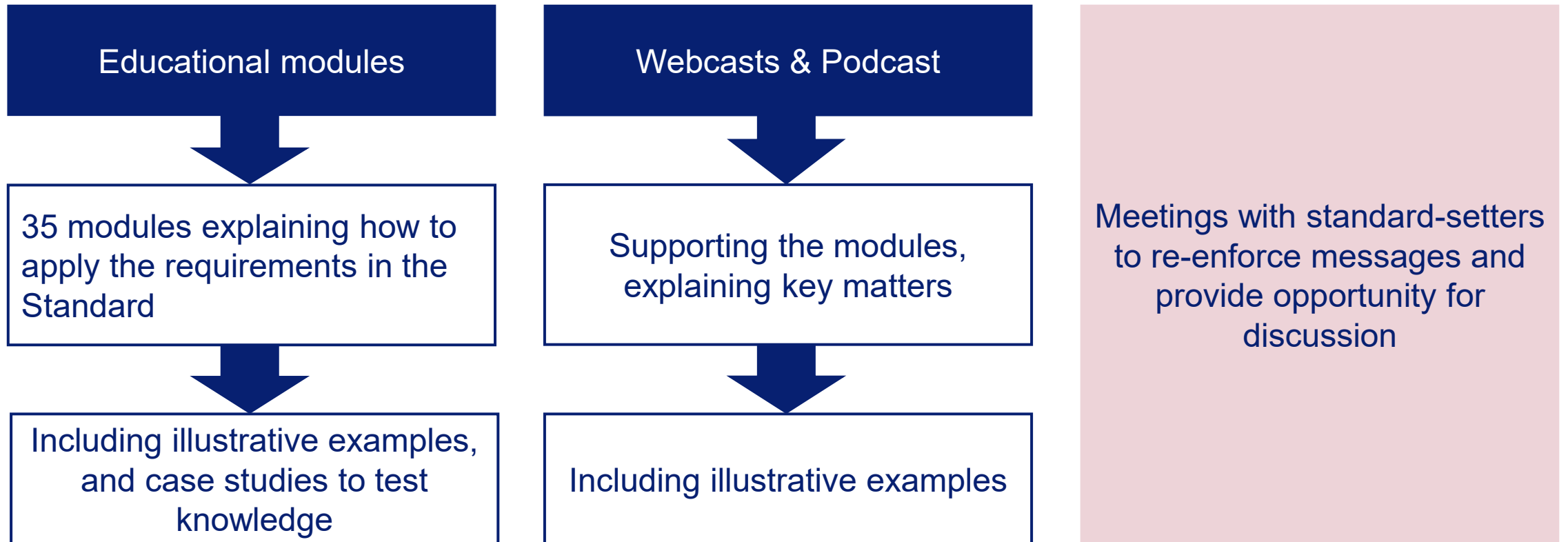
Education

Support implementation of the third edition of the *IFRS for SMEs* Accounting Standard

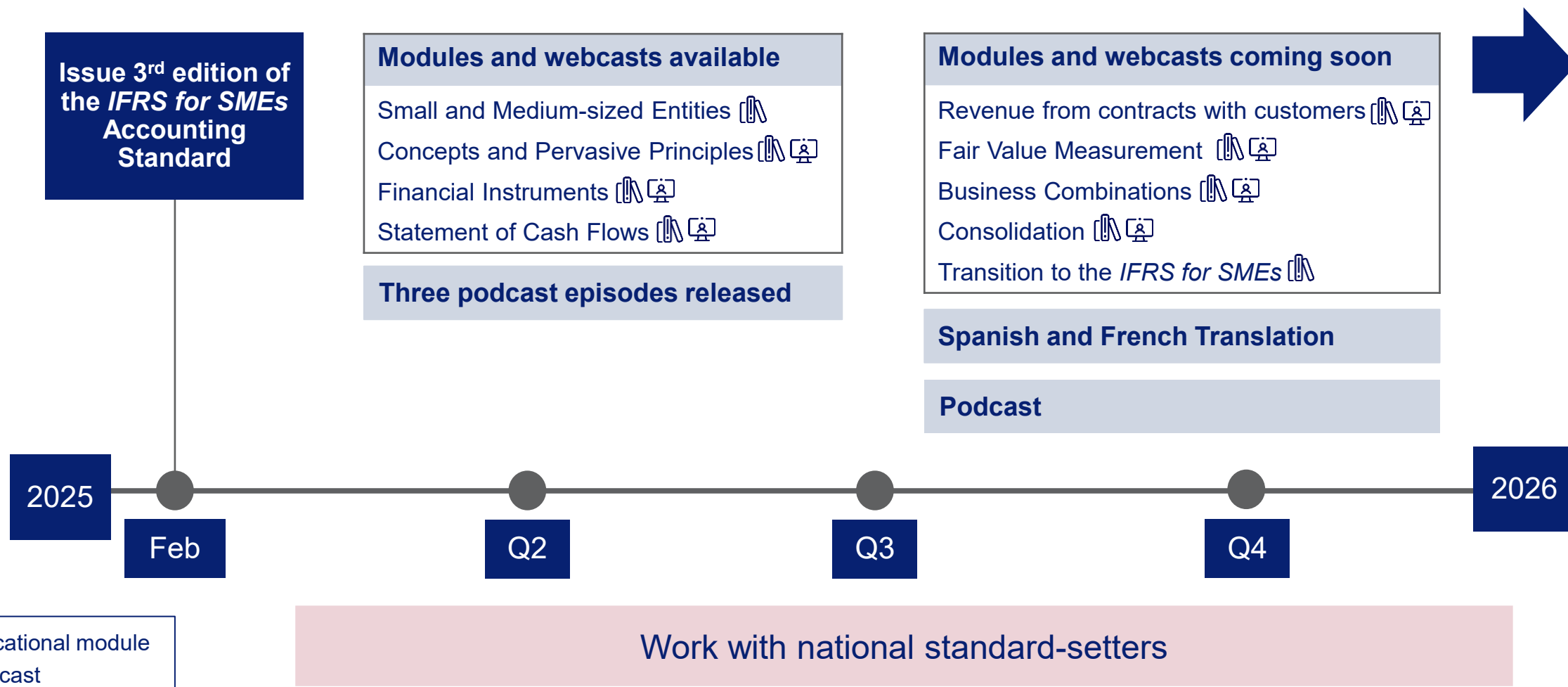
- Update educational modules
- Publish webcasts and podcasts to support the educational modules

Work with regional groups and jurisdictions to support implementation

Supporting implementation (continued)



Supporting implementation (continued)



Resources available on the IFRS Foundation's website



<https://www.ifrs.org/supporting-implementation/2025-ifrs-for-smes-supporting-materials/>



Project
summary



Marked-up
Standard



Educational
modules



Webcasts



Feedback
Statement



Quarterly
newsletter



Podcasts



SMEIG
Q&As

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