IFRS
Accounting

IFRS for SMEs®

Accounting Standard

Transition requirements

IFRS Accounting

IFRS for SMEs® Accounting Standard

Contents

1 Effective date of the Standard

Effective date	
Annual periods beginning **on or after 1 January 2027**. For example:	
Annual period ends	**Date of initial application**
31 December	1 January 2027
30 June	1 July 2027

2 Overview of the transition requirements

General requirement
Apply the amended requirements **retrospectively** Exceptions apply if: • retrospective application is **impracticable**; or • the specific transition requirements require or permit **prospective** application or provide other **relief**

2 Overview of the transition requirements (continued)

Specific transition requirements for amendments to:

Section		Section	
3	*Financial Statement Presentation*	19	*Business Combinations and Goodwill*
9	*Consolidated and Separate Financial Statements*	23	*Revenue from Contracts with Customers*
11	*Financial Instruments*	26	*Share-based Payment*
12	*Fair Value Measurement*	28	*Employee Benefits*
15	*Joint Arrangements*	29	*Income Tax*
16	*Investment Property*	30	*Foreign Currency Translation*
17	*Property, Plant and Equipment*	34	*Specialised Activities*
18	*Intangible Assets other than Goodwill*		

3 Specific transition requirements

<table>
<tr><th colspan="2">Section 9 Consolidated and Separate Financial Statements</th></tr>
<tr><td colspan="2">Apply the amended definition of ‘control’ at the date of initial application.</td></tr>
<tr><th>Consolidating an investee not previously consolidated</th><th>No longer consolidating an investee previously consolidated</th></tr>
<tr><td>Measure the assets, liabilities and non-controlling interests as if the investee had been consolidated from the date control was obtained</td><td>Retrospectively:
• remove the effects of consolidation
• apply other relevant sections in the Standard</td></tr>
<tr><td colspan="2">If restatement for prior periods is impracticable, adjust the earliest period practicable</td></tr>
</table>

3 Specific transition requirements (continued)

Section 19 *Business Combinations and Goodwill*
Apply the revised Section 19 **prospectively**

Previous business combinations	**New** business combinations
Do not adjust: • assets and liabilities • any contingent consideration balances	Apply the **revised** Section 19

Date of initial application

3 Specific transition requirements (continued)

Section 23 *Revenue from Contracts with Customers*

Accounting policy choice to apply the revised Section 23 either:

- **retrospectively** → restatement of comparative information
- **prospectively** → no restatement of comparative information

Retrospective application = more useful trend information

Prospective application = simpler and less costly

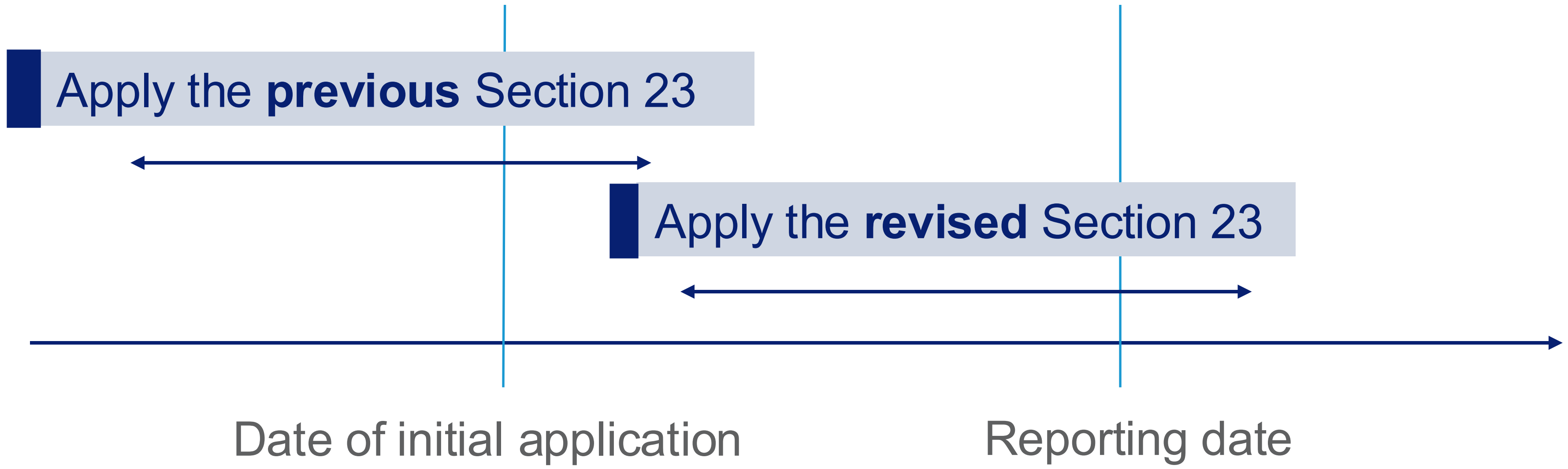
3 Specific transition requirements (continued)

Section 23 *Revenue from Contracts with Customers* (continued)
If **retrospective** application is chosen**, three optional exemptions** are available: • no restatement of completed contracts • simplified approach to accounting for variable consideration • simplified approach to accounting for the effects of contract modifications
If an exemption is used, disclose that fact
Disclose adjustments made for the annual period immediately before the date of initial application

3 Specific transition requirements (continued)

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

If **prospective** application is chosen, account for a contract based on when it begins:



3 Specific transition requirements (continued)

Section 23 *Revenue from Contracts with Customers* (continued)
Other requirements if **prospective** application is chosen: • apply the related consequential amendments at the same time • disclose: o that comparative information is not restated o the nature of the change in accounting policy o the accounting policy for recognising revenue from contracts in progress at the date of initial application; and o the amount of revenue recognised for those contracts in the current period

3 Specific transition requirements (continued)

Other specific transition requirements in Appendix A include:

Section		Summary of transition requirements
12	*Fair Value Measurement*	Prospective application of new section
17	*Property, Plant and Equipment*	Prospective application of amendments to depreciation requirements
18	*Intangible Assets other than Goodwill*	Prospective application of amendments to amortisation requirements
28	*Employee Benefits*	Retrospective application of measurement simplifications for defined benefit obligations No adjustment to employee benefit costs included in asset carrying amounts
30	*Foreign Currency Translation*	Prospective application of amendments required or permitted

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4 Disclosure

Disclosure of changes in accounting policies
• nature of the change • adjustments made to each financial statement line item for each prior period presented, to the extent practicable • adjustments made for periods before those presented, to the extent practicable • explanation if making those adjustments is impracticable
No disclosure of adjustments is required if comparative information has not been restated

5 Key takeaways

Transition to the third edition of the Standard

- In general, **retrospective** application is required
- But there are **exceptions**

Planning for transition:

- Identify amended requirements that have an impact on the SME
- Consider the applicable transition requirements, for example:
    - if retrospective application is required, is it practicable for all periods presented?
    - is prospective application required or permitted instead?
    - are other exemptions or reliefs available?

Supporting materials

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Resources available on the IFRS Foundation's website

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

- Project summary
- Feedback statement
- Educational modules
- Marked-up Standard
- Webcasts
- Quarterly newsletter
- Podcasts
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