

IFRS for SMEs® Accounting Standard

What it is: the IFRS for SMEs Accounting Standard has been realigned with recent developments in full IFRS Accounting Standards since the 2nd edition (2015), filtered through an assessment of relevance to SMEs, simplicity and cost-benefit considerations and faithful representation.

ISSUED FEBRUARY 2025

EFFECTIVE 1 JANUARY 2027

EARLY APPLICATION PERMITTED

REVISED & NEW SECTIONS

- **S2 Concepts and Pervasive Principles** – aligned to the 2018 Conceptual Framework; clarification of status of S2 in relation to other sections.
- **S9 Consolidated & Separate FS** – revised 'control' definition; retained rebuttable presumption of control with majority of voting power; any retained interest on loss of control measured at fair value.
- **S11 Financial Instruments** – IAS 39 option removed; new cash-flow classification principle for basic financial instruments; new ageing & maturity disclosures; new guidance on financial guarantee contracts.
- **S12 Fair Value Measurement (NEW)** – a single section containing a comprehensive framework for fair value measurement aligned to IFRS 13; new disclosure requirements to fair value measurements.
- **S15 Joint Arrangements** – aligned to IFRS 11; 'joint arrangement' terminology; definition of joint-control aligned to definition of control in S9; new guidance added for parties to a joint arrangement who do not have joint control.
- **S19 Business Combinations & Goodwill** – substantially aligned to IFRS 3 (2008) acquisition method; new guidance for contingent consideration, step-acquisitions; enhanced definition of a business; acquisition costs now expensed.
- **S23 Revenue from Contracts with Customers (NEW)** – aligned with IFRS 15 five-step model (see below), but with several simplifications and expedients added.
- **S29 Income Tax** – new guidance on uncertain tax treatments (aligned IFRIC 23); deferred tax on unrealised losses; clarification of offsetting rules.

FURTHER TARGETED AMENDMENTS

- **S14 Associates** – long-term interests treated as part of the net investment.
- **S16 Investment Property** – transfer in/out only on a change in use.
- **S17 & S34 (bearer plants)** – measured under S17; revenue-based depreciation prohibited; S34 adds exploration & evaluation as a separate asset class.
- **S18 Intangible Assets** – revenue-based amortisation presumed inappropriate.
- **S21 Provisions & Contingencies** – intragroup nil-consideration financial guarantees in scope.
- **S22 Liabilities & Equity** – relief where law bars offsetting a share receivable against equity.
- **S26 Share-based Payment** – performance vs service conditions clarified; guidance added for net-settlement (tax) features.
- **S28 Employee Benefits** – bond rate assessed at currency level for DBPs; expanded DBP disclosures.

TARGETED & DISCLOSURE CHANGES

- **S3 & S8 Disclosure Initiative** – disclose 'material accounting policy information'; clarified 'material'; focus on disclosure of material information.
- **S4 & S6 Presentation** – disaggregate SFP line items where relevant; disclose proposed/declared unrecognised dividends.
- **S7 Statement of Cash Flows** – new disclosure requirement for financing-liability reconciliation; new disclosure requirements for supplier finance arrangements.
- **S10 Accounting Estimates** – new definition of accounting estimates (input/technique = estimate; measurement basis = policy).
- **S30 Foreign Currency Translation** – new guidance for lack of exchangeability; new guidance on advance-consideration in foreign currency (aligned to IFRIC 22).
- **S33 Related Party Disclosures** – KMP services rendered by a management entity included in definition of related party; clarification of relationships through 'government' and new disclosure requirements for such relationships; disclosure of commitments as related party transactions.

WHAT HAS NOT CHANGED

- **Goodwill** – still amortised; life ≤10 yrs where not reliably estimable.
- **Leases** – no IFRS 16 model; still operating/finance.
- **Borrowing & development costs** – still expensed.
- **Impairment of financial assets** – incurred-loss model retained.

TRANSITION

General rule – apply retrospectively per Section 10, unless a specific relief applies.

Specific relief from full retrospective application for S9 Consolidated & Separate FS, S12 Fair Value Measurement, S19 Business Combinations & Goodwill and S23 Revenue.

SPOTLIGHT — THE NEW REVENUE MODEL (SECTION 23): THE BIGGEST CHANGE FOR MOST SMES

1

Identify the contract
with the customer

2

Identify distinct promises
goods & services

3

Determine the price
expected consideration

4

Allocate the price
on relative stand-alone prices

5

Recognise revenue
as/when control transfers

Significant new disclosure requirements for revenue: disaggregation of revenue, contract balances, judgements, information about promises in contracts with customers.