



Third Edition of the IFRS for SMEs Standard

November 2025



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Overview of Amendments

A nighttime photograph of a city skyline across a body of water. In the foreground, a curved, elevated highway or bridge with streetlights and palm trees is visible. The bridge has two prominent, tall, white, sail-like structures. The city lights are visible in the background across the water.

01

Updates to Section 1 Small and Medium-sized Entities

Updates to Section 1

1. Public Accountability Definition

There is a clarification of the definition of 'public accountability' to ensure proper application of the standards.

Current version	Revised version
<p>Small and medium-sized entities are entities that:</p> <ul style="list-style-type: none">a) do not have public accountability, andb) publish general purpose financial statements for external users. <p>Examples of external users include owners who are not involved in managing the business, existing and potential creditors, and credit rating agencies.</p>	<p>Small and medium-sized entities are entities that:</p> <ul style="list-style-type: none">a) do not have public accountability; andb) publish general purpose financial statements for external users. <p>Examples of external users include existing and potential investors, lenders and other creditors and credit rating agencies.</p>

- No expected change in the scope of entities eligible to apply the Standard

Updates to Section 1

1. Public Accountability Definition cont'd

There is a clarification of the definition of 'public accountability' to ensure proper application of the standards.

Current version	Revised version
<p>An entity has public accountability if:</p> <ul style="list-style-type: none">a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), orb) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. <p>Most banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks would meet this second criterion.</p>	<p>An entity has public accountability if:</p> <ul style="list-style-type: none">a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); orb) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses <p>(for example, banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks often meet this second criterion).</p>

- No expected change in the scope of entities eligible to apply the Standard

02

Updates to Section 2 Concepts and Pervasive Principles

Updates to Section 2

Revised to align with the 2018 Conceptual Framework

- Objectives of financial statements
- Qualitative characteristics of financial statements
- Definition of reporting period, going concern assumption, the reporting entity
- Definitions of assets, liabilities, equity, income and expenses
- General recognition and derecognition
- General measurement bases
- Offsetting

- Will help SMEs apply judgement in developing accounting policies
- Will benefit users indirectly as SMEs improve the quality of information in the financial statements

03

Updates to Section 3 Financial Statement Presentation

Updates to Section 3

1. Clarification of the definition of 'material' and its application.

Current version	Revised version
<ul style="list-style-type: none">▪ Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users made on the basis of the financial statements.▪ Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances.	<ul style="list-style-type: none">▪ Information is material if omitting, misstating or obscuring it could, individually or collectively, reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.▪ Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

2. Amendment to require entities to disclose 'material accounting policy information' instead of 'significant accounting policies'.

04

Updates to Section 6

Statement of Changes in Equity and
Statement of Income and Retained Earnings

Updates to Section 7

Statement of Cash Flows

Updates to Section 8

Notes to the Financial Statements

Updates to Section 10

Accounting Policies, Estimates and Errors

Updates to Sections 6 & 7

Section 6 - Statement of Changes in Equity and Statement of Income and Retained Earnings

Addition of a requirement to disclose:

- the amount of dividends proposed (or declared) before the financial statements were authorised for issue but not recognised as a distribution to owners during the period
- the amount per share
- and the amount of any cumulative preference dividends not recognised.

Section 7 – Statement of Cash Flows

- Addition of a requirement to disclose a reconciliation of changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash flows.
- Addition of requirements to disclose information about supplier finance arrangements

- Will provide information about changes in liabilities and cash and non-cash flows, which users find important.
- Intended to enable users to obtain the information that they need to understand the effects of these arrangements on SME liabilities and cash flows.

Updates to Sections 6 & 7 cont'd

Example disclosure of a reconciliation of changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash flows.

Cash flows from financing activities		
Payment of finance lease liabilities	(24,130)	(18,423)
Repayment of borrowings	(100,000)	–
Dividends paid	(150,000)	(100,000)
<i>Net cash used in financing activities</i>	<u>(274,130)</u>	<u>(118,423)</u>

27. Reconciliation of liabilities arising from financing activities

	Interest payable	Bank loan	Finance leases	Total
	CU	CU	CU	CU
1 January 20X1	–	(150,000)	(82,931)	(232,931)
Cash payments	–	6,300	25,000	31,300
Interest	–	(7,500)	(6,577)	(14,077)
Non-cash finance costs	(1,200)	1,200	–	–
31 December 20X1	<u>(1,200)</u>	<u>(150,000)</u>	<u>(64,508)</u>	<u>(215,708)</u>
Cash payments	–	106,700	31,000	137,700
Interest	–	(7,500)	(6,870)	(14,370)
Non-cash finance costs	(800)	800	–	–
Finance leases entered into	–	–	(60,000)	(60,000)
31 December 20X2	<u>(2,000)</u>	<u>(50,000)</u>	<u>(100,378)</u>	<u>(152,378)</u>



Source: IFRS Accounting, IFRS for SMEs Accounting Standard: *Basic for Conclusions and Illustrative Financial Statements*

Updates to Sections 8 & 10

Section 8 – Notes to the Financial Statements

- Addition of examples of the types of judgements management might make in the process of applying the SME's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Section 10 – Accounting Policies, Estimates and Errors

- Amendment to introduce the definition of 'accounting estimate' to help entities distinguish changes in accounting estimates from changes in accounting policies.



Polling question 1

The revised definition of “public accountability” in Section 1 is expected to:

- A Expand the scope of entities eligible to apply the Standard
- B Narrow the scope
- C Clarify without changing the scope
- D Not sure

05

Updates to Section 9 Consolidated and Separate Financial Statements

Updates to Section 9

Amendment to the definition of 'control' and clarification of the application of the rebuttable presumption

Current version	Revised version
<p>Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities</p>	<ul style="list-style-type: none">▪ An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.▪ Thus, an investor controls an investee if the investor has all the following:<ul style="list-style-type: none">a) power over the investee;b) exposure, or rights, to variable returns from its involvement with the investee; andc) the ability to use its power over the investee to affect the amount of the investor's returns.

- SMEs will have a single basis for assessing control which removes uncertainty about which requirements in Section 9 apply to various SMEs.
- SMEs with simple group structures will not be affected
- The rebuttable presumption will make this control model easier to apply

Updates to Section 9 cont'd

Amendments to set out requirements when a parent loses control of a subsidiary and to require entities to measure any retained interest in a former subsidiary at its fair value at the date control is lost.

9.18 The income and expenses of a subsidiary are included in the consolidated financial statements from the acquisition date until the date on which the parent loses ~~ceases to control~~ of the subsidiary. ~~When a parent ceases to control a subsidiary, the difference between the proceeds from the disposal of the subsidiary and its carrying amount at the date that control is lost is recognised in profit or loss in the consolidated statement of comprehensive income (or the income statement, if presented) as the gain or loss on the disposal of the subsidiary. The cumulative amount of any exchange differences that relate to a foreign subsidiary recognised in other comprehensive income in accordance with Section 30 Foreign Currency Translation is not reclassified to profit or loss on disposal of the subsidiary.~~

9.18A If a parent loses control of a subsidiary, the parent:

- (a) derecognises:
 - (i) the assets (including any goodwill) and liabilities at their carrying amounts at the date control is lost in the former subsidiary; and
 - (ii) the carrying amount of any non-controlling interests in the former subsidiary at the date control is lost (including any components of other comprehensive income attributable to them);
- (b) recognises:
 - (i) the fair value of the consideration received, if any, from the transaction or event that resulted in the loss of control; and
 - (ii) any interest retained in the former subsidiary at its fair value at the date control is lost; and
- (c) recognises the gain or loss associated with the loss of control attributable to the former controlling interest in profit or loss.



Source: IFRS Accounting, IFRS for SMEs Accounting Standard: *Basic for Conclusions and Illustrative Financial Statements*

06

Updates to Section 11 Financial Instruments

Main Updates to Section 11

- Relocation of the requirements in the previous Section 12 to a separate part of this section (Part II Other Financial Instrument Issues).
 - Relocation to the new Section 12 of the requirements for estimating fair value and disclosing information about fair value measurements.
 - Removal of the option for an entity to apply the recognition and measurement requirements of IAS 39
 - Addition of a supplementary principle for classifying debt instruments based on their contractual cash flow characteristics.
 - Addition of requirements to disclose an analysis of the age of financial assets and a maturity analysis of financial liabilities.
- The removal of the fallback to IAS 39 will result in all SMEs applying consistent and simplified requirements. This will reduce costs for users of SMEs' financial statements.
 - Supplementing the list of examples in Section 11 with the principle provides a clear rationale for SMEs to classify financial instruments and makes the Standard easier to apply if an SME holds a financial instrument that does not match the characteristics in the examples.
 - The ageing analysis disclosure will provide users of SMEs' financial statements with an age profile of financial assets, enabling users to assess an SME's exposure to credit risk and information about future cash flows.
 - The IASB does not expect the ageing analysis to be costly for SMEs to prepare because a similar analysis would be expected to be provided by most SMEs' reporting systems for the purpose of managing receivables.

What significant area did not change in Section 11?

Section 11 still contains the incurred loss model for impairment of financial assets at amortized cost.

The expected credit loss model was NOT introduced!

Impairment of financial assets measured at cost or amortised cost

Recognition

- 11.21 At the end of each reporting period, an entity shall assess whether there is objective evidence of impairment of any financial assets that are measured at cost or amortised cost. If there is objective evidence of impairment, the entity shall recognise an impairment loss in profit or loss immediately.
- 11.22 Objective evidence that a financial asset or group of assets is impaired includes observable data that come to the attention of the holder of the asset about the following loss events:
- (a) significant financial difficulty of the issuer or obligor;
 - (b) a breach of contract, such as a default or delinquency in interest or principal payments;
 - (c) the creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the creditor would not otherwise consider;
 - (d) it has become **probable** that the debtor will enter bankruptcy or other financial reorganisation; or
 - (e) observable data indicating that there has been a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, even though the decrease cannot yet be identified with the individual financial assets in the group, such as adverse national or local economic conditions or adverse changes in industry conditions.
- 11.23 Other factors may also be evidence of impairment, including significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the debtor or issuer operates.
- 11.24 An entity shall assess the following financial assets individually for impairment:
- (a) all equity instruments regardless of significance; and
 - (b) other financial assets that are individually significant.
- An entity shall assess other financial assets for impairment ~~financial assets~~ either individually or grouped on the basis of similar credit risk characteristics.

Source: IFRS Accounting, IFRS for SMEs Accounting Standard: *Basic for Conclusions and Illustrative Financial Statements*

Polling question #2

What term replaces “significant accounting policies” in the revised Section 3?

- A Key accounting principles
- B Material accounting policy information
- C Critical disclosures
- D Accounting estimates

07

Updates to Section 12 Fair Value Measurement

Updates to Section 12

- A new section that sets out the requirements for measuring fair value and disclosing information about fair value measurements.
 - Measurement principles of fair value
 - Valuation techniques – income, cost, market value approaches
 - Fair value hierarchy – level 1, 2 & 3 inputs
 - Fair value disclosures
- The amendments do not change the requirements for when to measure assets and liabilities at fair value.
 - As fair value requirements are in one section now, this improves accessibility of the requirements for SMEs applying the Standard.
 - The definition of fair value from IFRS 13 is clearer and more comprehensive than the definition in the second edition of the Standard.
 - The new definition and guidance will lead to greater clarity and consistency when SMEs estimate fair values.
 - Users will benefit from greater consistency in the measurement of fair value and improved disclosures on fair value.

08

Updates to Section 19 Business Combinations and Goodwill

Updates to Section 19

Section revised to align with IFRS 3 (2008) Business Combinations and subsequent amendments, including Definition of a Business (2018) and Reference to the Conceptual Framework (2020).

- Identifying a business combination – definition of a business and optional concentration test

Current version	Revised version
<p>An integrated set of activities and assets conducted and managed for the purpose of providing:</p> <ul style="list-style-type: none"> a) a return to investors, or b) lower costs or other economic benefits directly and proportionately to policyholders or participants. <p>A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. If goodwill is present in a transferred set of activities and assets, the transferred set shall be presumed to be a business.</p>	<p>A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. A business consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs. These are the three elements of a business and their definitions:</p> <ul style="list-style-type: none"> a) an input is any economic resource that creates outputs or has the ability to contribute to the creation of outputs when one or more processes are applied to it. Examples of inputs include employees, non-current assets, intellectual property and the ability to obtain access to necessary materials or rights. b) a process is any system, standard, protocol, convention or rule that, when applied to an input or inputs, creates outputs or has the ability to contribute to the creation of outputs. c) an output is the result of inputs and processes applied to those inputs that provide goods or services to customers, generate investment income or generate other income from ordinary activities.

- The new definition of a business is clearer and simpler and will help SMEs to decide when to apply Section 19
- Will make the Standard easier to apply and will make comparing information in SMEs' financial statements easier for users.

Updates to Section 19

- Application of the acquisition method in a business combination as opposed to the purchase method – but intangible assets acquired only recognized if FV can be measured reliably

CURRENT – PURCHASE METHOD

19.7 Applying the purchase method involves the following steps:

- identifying an acquirer.
- measuring the cost of the business combination.
- allocating, at the acquisition date, the cost of the business combination to the assets acquired and liabilities and provisions for **contingent liabilities** assumed.

REVISED – ACQUISITION METHOD

19.7 To apply the acquisition method, an entity shall:

- identify the acquirer;
- identify the acquisition date;
- recognise and measure the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- recognise and measure goodwill or a gain from a bargain purchase.

- The acquisition method of accounting views a business combination from the perspective of an acquirer. SMEs that apply the acquisition method provide users of financial statements with relevant information to assess the initial investments made and the subsequent performance of those investments.
- The IASB concluded that the costs of applying the amendments are justified and will be outweighed by the benefits for users.

Source: IFRS Accounting, IFRS for SMEs Accounting Standard: *Basic for Conclusions and Illustrative Financial Statements*

Updates to Section 19

- Measurement of NCI – but still no option to use FV
- Recognition and measurement of goodwill or a bargain purchase – but can still amortize goodwill
- Acquisition-related costs – expensed as incurred
- Measurement period
- Disclosures relating to business combinations





09

Updates to Section 23

Revenue from Contracts with Customers

Updates to Section 23

Section revised to align with IFRS 15 Revenue from Contracts with Customers with simplifications.

- Five-step revenue recognition model

IFRS 15	Revised Section 23
<ul style="list-style-type: none"> Step 1–Identify the contract(s) with the customer; Step 2–Identify the performance obligations in the contract; Step 3–Determine the transaction price; Step 4–Allocate the transaction price to the performance obligations; and Step 5–Recognise revenue when (or as) the entity satisfies a performance obligation. 	<ul style="list-style-type: none"> Step 1–Identify the contract(s) with a customer; Step 2–Identify the promises in the contract; Step 3–Determine the transaction price; Step 4–Allocate the transaction price to the promises in the contract; and Step 5–Recognise revenue when (or as) the entity fulfils a promise.

- SMEs will benefit from applying a single comprehensive framework in determining when and how much revenue to recognise for goods and services.
- Will result in changes to the accounting for only some revenue transactions for some SMEs. Some SMEs will be required to make systems and operational changes to apply the requirements in the revised section.

Updates to Section 23 cont'd

- Simplifications regarding constraining variable consideration:

IFRS 15	Revised Section 23
<p>An entity shall include in the transaction price some or all of an amount of variable consideration estimated in accordance with paragraph 53 only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.</p>	<p>An entity shall include in the transaction price an amount of variable consideration estimated in accordance with paragraph 23.28 only to the extent that it is highly probable that an entity will become entitled to this amount when the uncertainty associated with the variable consideration is later resolved.</p>

Updates to Section 23 cont'd

- Guidance on accounting for contract costs – as an expense
- Simplified disclosure requirements
- Guidance on contract assets or liabilities
- Updated disclosures
- Principal v agent considerations

- Will benefit users of SMEs' financial statements by improving consistency in accounting for revenue and the revenue disclosures required by the Standard.
- The resulting disclosures will represent an SME's performance more faithfully and will allow users to compare revenue information between SMEs and to understand the amount, timing and uncertainty of SMEs' revenue and cash flows from contracts with customers.

Polling question #3

What model for impairment of financial assets is retained in Section 11?

- A Expected credit loss model
- B Incurred loss model
- C Fair value model
- D Historical cost model

10

Updates to Section 28 Employee Benefits

Main Updates to Section 28

- Addition of a requirement for an entity that applies the measurement simplification for its defined benefit obligation to disclose its assumptions for measuring its obligation.
 - Amendment to require a more detailed reconciliation of the opening and closing balances of a defined benefit obligation and the opening and closing balances of plan assets and any recognised reimbursement rights
 - Removal of the requirement to disclose the total cost related to defined benefit plans for the period
 - Addition of a requirement to disclose the expected contributions to the defined benefit plan for the next annual reporting period.
- Clarifying how to apply the simplification will reduce diversity in practice and result in consistent information for users of SMEs' financial statements. SMEs that do not currently apply the simplification in paragraph 28.19 of the Standard are unaffected.

11

Other updates

Other updates

Section 4 - Statement of Financial Position

- Amendment to require the disaggregation of line items in the statement of financial position when such presentation is relevant to an understanding of an entity's financial position.
- Removal of the requirement to disaggregate trade and other receivables to separately show receivables arising from accrued income not yet billed as a consequence of the revised Section 23.

Section 5 - Statement of Comprehensive Income and Income Statement

- Editorial amendments only



Other updates

Section 9 - Consolidated and Separate Financial Statements

- Removal of the requirement to disclose the basis for concluding that control exists when the parent does not own more than half of the voting power in the other entity.
- Addition of a requirement to disclose information on losing control of a subsidiary if the entity retains an interest in the former subsidiary.
- Amendment to specify that a parent that is exempt in accordance with paragraph 9.3 from preparing consolidated financial statements is permitted to present separate financial statements as its only financial statements
- Relocation of requirements on changes in a parent's controlling interest in a subsidiary from Section 22 to this section.
- Amendment to specify that a parent that is exempt in accordance with paragraph 9.3 from preparing consolidated financial statements is permitted to present separate financial statements as its only financial statements
- Amendment to require additional information for an entity that prepares separate financial statements.

Other updates cont'd

Section 11 – Financial Instruments

- Amendment to exclude from the scope of this section financial guarantee contracts issued at nil consideration when the specified debtor is another entity within the group, and also clarify that other issued financial guarantee contracts are in the scope of this section.
- Clarification that debt instruments that have prepayment features with negative compensation payments can still meet the criteria to be measured at amortised cost.
- Clarification of the reclassification requirements for financial instruments.

Section 11 – Financial Instruments cont'd

- Consequential amendments to initial measurement requirements in this section arising from the revised Section 23.
- Relocation to this section of the requirements in the previous Section 23 Revenue on the recognition of revenue from dividends.
- Relocation to the new Section 12 of the requirements for estimating fair value and disclosing information about fair value measurements
- Consequential amendment to the scope of this section for contracts for contingent consideration in a business combination arising from the revised Section 19 Business Combinations and Goodwill.

Other updates cont'd

Section 14 – Investment in Associates

- Clarification of the treatment of long-term interests in an associate or jointly controlled entity that form part of the entity's net investment in an associate or jointly controlled entity.



Section 15 – Joint Arrangements

- Replacement of the term 'joint venture' with 'joint arrangement'.
- Amendment of the definition of 'joint control' to align it with the definition of 'control' in Section 9 Consolidated and Separate Financial Statements.
- Amendments to require an entity that does not have joint control of a joint arrangement to account for its interest based on the type of arrangement.
- Removal of the requirement for entities to disclose their share of the capital commitments of joint ventures.

Other updates cont'd

Section 16 – Investment Property

- Clarification that determining whether a transaction meets both the definition of 'business combination' and 'investment property' requires separate application of this section and Section 19.
- Clarification that an entity shall transfer a property to, or from, investment property only when there is evidence of a change in use.
- Relocation to the new Section 12 of the requirement to disclose information about fair value measurements.

Section 17 – Property, Plant and Equipment

- Amendment to include bearer plants that are separately measurable without undue cost or effort within the scope of this section.
- Clarification of the factors considered in determining the useful life of an asset stating that expected future reductions in the selling price of an item produced using the asset could indicate the expectation of technical or commercial obsolescence of that asset.
- Clarification that a depreciation method based on revenue is not appropriate.
- Consequential amendments arising from the revised Section 23.
- Relocation to the new Section 12 of the requirement to disclose information about fair value measurements.

Other updates cont'd

Section 18 – Intangible assets other than Goodwill

- Clarification of the definition of 'asset' used in this section.
- Addition of a rebuttable presumption that amortisation methods based on revenue are not appropriate, with details of the limited circumstances in which the presumption may be rebutted.

Section 20 - Leases

- Editorial amendments only

Section 21 – Provisions and Contingencies

- Clarification of the definition of 'liability' used in this section
- Removal of requirements relating to contingent

consideration in a business combination from the scope of this section as a consequence of the revised Section 19

- Amendment to include financial guarantee contracts issued at nil consideration when the specified debtor is another entity within the group within the scope of this section and specify additional disclosures.
- Removal of the example on customer refunds from the Appendix to this section as a consequence of the revised Section 23.
- Relocation of the guidance on restructuring costs from the Appendix to this section and the addition of examples.

Other updates cont'd

Section 22 – Liabilities and Equity

- Removal of contracts for contingent consideration in a business combination from the scope exclusions of this section as a consequence of the revised Section 19
- Addition of a relief from presenting the amount receivable as an offset to equity when equity instruments are issued before the receipt of cash or other resources when laws or regulations prohibit such presentation
- Relocation of the requirements on transactions in shares of a consolidated subsidiary to Section 9

Section 24 – Government Grants

- Editorial amendments only

Section 25 – Borrowing Costs

- Editorial amendments only

Other updates cont'd

Section 26 – Share-based payment

- Amendments to specify which transactions that occur when businesses or entities restructure their equity, or combine or form a jointly controlled entity, are included or excluded from the scope of this section.
- Clarification of the definition of 'fair value' used in this section.
- Clarification of whether requirements apply only to share based payment transactions with employees and others providing similar services.
- Clarification of the definition of 'vesting conditions' by separately defining a 'performance condition' and a 'service condition'.
- Addition of requirements on the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments.

Other updates cont'd

Section 28 – Employee Benefits

- Clarification that an entity is required to assess the depth of the market for high quality corporate bonds at a currency level.
- Clarification that an entity using the measurement simplification for its defined benefit obligation measures the obligation at the current termination amount, assuming all the entity's employees terminate their employment at the reporting date.
- Amendments to align the requirements on the timing of the recognition of termination benefits with the requirements on the recognition of restructuring costs in the scope of Section 21 Provisions and Contingencies.
- Addition of a requirement for an entity that recognises and measures employee benefit expense on the basis of a reasonable allocation of the expense recognised for the group to disclose its contribution towards the group plan.
- Addition of an option for an entity that recognises and measures employee benefit expense on the basis of a reasonable allocation of the expense recognised for the group to disclose information about the group plan by cross-reference to the financial statements of another group entity if specific criteria are met.
- Addition of a requirement to disclose information about contingent liabilities arising from post-employment benefit obligations if required by Section 21.

Other updates cont'd

Section 29 – Income Tax

- Clarification of the requirements for when a deferred tax asset is recognised for unrealised losses.
- Addition of requirements on how to reflect the effects of uncertainty in the accounting for income taxes.
- Amendments to the requirements for offsetting income tax assets and liabilities.

Section 30 – Foreign Currency Translation

- Addition of requirements to apply a consistent approach to assessing whether a currency is exchangeable into another currency, and to determining the exchange rate to use and the disclosures to provide.
- Addition of a requirement for determining the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.

Section 33 – Related Party Disclosures

- Amendment of the heading related to the disclosure of controlling party relationships.
- Addition of a requirement to disclose amounts incurred by an entity for the provision of key management services that are provided by a separate management entity.
- Clarification of the requirement to disclose information about commitments between an entity and its related parties.

Other updates cont'd

Section 33 – Related Party Disclosures cont'd

- Replacement of the term 'state' with 'government'.
- Addition of commitments as an example of a related party transaction
- Addition of a disclosure requirement for an entity that applies the exemption from disclosing information about the entity's relationship, and transactions, with government-related entities

Section 34 - Specialised Activities

- Addition of a requirement to account for bearer plants that, at initial recognition, can be measured separately without undue cost or effort, in accordance with Section 17 Property, Plant and Equipment

- Removal of requirements on fair value measurement as a consequence of the new Section 12
- Relocation to the new Section 12 of the requirement to disclose information about the fair value measurement of biological assets
- Addition of a requirement to treat exploration and evaluation assets as a separate class of assets and make the disclosures required by either Section 17 or Section 18 Intangible Assets other than Goodwill.

12

Topics not amended or updated in the third edition of the Standard

Topics not amended or updated

- Section 20 “Leases” not updated to align to IFRS 16 “Leases”.
- Section 11 “Financial Instruments” not updated for use of the expected credit loss model of IFRS 9, the incurred loss model retained
- Section 18 “Intangible Assets” not updated for capitalization of development costs.
- IFRS for SMEs Accounting Standard not updated for IFRS 14 “Regulatory Deferral Accounts”



Polling question #4

What term is used instead of “performance obligations” in the revised Section 23 compared to IFRS 15?

- A Deliverables
- B Promises
- C Milestones
- D Commitments

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Transition & effective date

Transition & effective date

Effective for annual periods beginning on or after **1 January 2027**. Earlier application is permitted. If an entity applies the third edition of the IFRS for SMEs Accounting Standard for an earlier period, the entity shall disclose that fact.

Application is retrospective except as stated in Appendix A paragraphs A4-A49, with the date of initial application being the beginning of the reporting period in which an entity first applies the third edition of the Standard.



Transition & effective date cont'd

Examples of relief available from the retrospective application:

- Section 12 Fair Value Measurement will be applied prospectively
- Section 19 Business Combinations and Goodwill will be applied prospectively to business combinations for which the acquisition date is on or after the date of initial application
- SMEs applying Section 23 Revenue from Contracts with Customers can apply their current revenue recognition policy to contracts already in progress at the date of initial application
- Simplifications are available for entities that previously applied the recognition and measurement requirements of IAS 39 for financial instruments
- If the transition to the new definition of control in Section 9 Consolidated and Separate Financial Statements' results in previously consolidated entities no longer being controlled (or vice versa for entities which previously had not been consolidated) and retrospective application is impracticable, preparers can make the adjustments from the earliest period practicable, which might be the year of adoption.

WRAP UP

MAIN CHANGES SUMMARIZED:

Section	Changes
Section 7 Statement of Cash Flows	<ul style="list-style-type: none">■ Disclosure of a reconciliation of changes in liabilities arising from financing activities■ Disclosures on supplier finance arrangements
Section 9 – Consolidated and Separate Financial Statements	<ul style="list-style-type: none">■ Definition of control■ Requirement for a parent entity that loses control of a subsidiary to measure its retained interest in the former subsidiary at fair value at the date control is lost.
Section 11 – Financial Instruments	<ul style="list-style-type: none">■ Merger of Section 11 and 12 into part 1 and part 2 of Section 11■ Removal of the fall-back to IAS 39■ Some alignment of IFRS 9 principles but incurred loss model retained!
Section 12 – Fair Value Measurement	<ul style="list-style-type: none">■ New section which combines the fair value measurement requirements in other sections of the second edition of the Standard into a single section.■ Aligns overall to the requirements of IFRS 13.
Section 19 – Business Combinations and Goodwill	<ul style="list-style-type: none">■ Definition of a business■ Acquisition costs expensed as incurred
Section 23 – Revenue from Contracts with Customers	<ul style="list-style-type: none">■ Revised to align to the principles of IFRS 15 with simplifications

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