IFRS for SMEs Third Edition - Summary of Changes

The International Accounting Standards Board (IASB) has issued the Third Edition of the IFRS for SMEs Accounting Standard, effective for annual periods beginning on or after 1 January 2027, with earlier application permitted. This new edition brings significant updates, aiming to enhance the quality and relevance of financial reporting for small and medium-sized entities. Below is summary of the key changes, with practical examples relevant to businesses operating in Botswana.

Section 1: Small and Medium-sized Entities

- **Update:** Clarified the definition of 'public accountability'.
- **Detail:** The third edition refines the criteria for public accountability, particularly focusing on entities that hold assets in a fiduciary capacity for a broad group of outsiders as one of their *primary businesses*. This distinction is crucial for determining eligibility to use the IFRS for SMEs. Entities that hold assets in a fiduciary capacity for reasons *incidental* to their primary business are generally not considered publicly accountable.
- **Example:** A cooperative credit union that holds deposits for its members as a primary business is now explicitly considered publicly accountable and, therefore, cannot use IFRS for SMEs. Conversely, a travel agency that temporarily holds customer deposits for flight and accommodation bookings, where this is incidental to its core service of arranging travel, is *not* considered publicly accountable and can continue to apply IFRS for SMEs.

Section 2: Concepts and Pervasive Principles

- **Update:** Aligned with the 2018 Conceptual Framework, with enhanced guidance on materiality and prudence.
- **Detail:** This section has been revised to ensure consistency with the IASB's updated Conceptual Framework. Key enhancements include a clearer definition of materiality, emphasizing that information is material if its omission, misstatement, or obscuring could reasonably influence the decisions of primary users. It also reinforces the concept

of prudence, ensuring assets and income are not overstated, and liabilities and expenses are not understated, supporting the faithful representation of financial information.

- **Example:** A small manufacturing firm must now rigorously assess whether omitting a warranty liability for a new product line, even if the individual amounts seem small, would obscure users' understanding of its true financial position. Furthermore, in valuing inventory, the company must apply prudence, ensuring that the valuation does not overstate assets, reflecting the principle of not overstating assets or income.

Section 3: Financial Statement Presentation

- **Update:** Required disclosure of 'material accounting policy information' instead of 'significant accounting policies' and clarified requirements for disaggregation.
- **Detail:** The shift from "significant" to "material" accounting policies emphasizes that entities should focus on disclosing policies that are truly material to the financial statements. Additionally, the standard now explicitly requires disaggregation of line items in the statement of financial position when such presentation is relevant to understanding the entity's financial position, promoting greater transparency.
- **Example:** A tech company offering Software-as-a-Service (SaaS) must now disclose its revenue recognition policy as *material* accounting policy information, especially given the complexities of subscription billing and service delivery. Additionally, a large retail chain might need to disaggregate its "Trade and other payables" to separately show significant balances owed to local suppliers versus international suppliers if this disaggregation provides more relevant information about its financial position.

Section 4: Statement of Financial Position

- **Update:** Requires disaggregation of line items when relevant and removed specific disaggregation for accrued income not yet billed.
- **Detail:** The amendment reinforces the principle that line items should be disaggregated when it enhances the understanding of an entity's financial position. The previous requirement to separately show receivables arising from accrued income not yet billed has been removed due to the comprehensive revision of Section 23, which now provides detailed guidance on revenue recognition.
- **Example:** A construction company undertaking multiple long-term projects must now present 'contract assets' and 'contract liabilities' separately if they are material, providing a clearer view of its financial position related to ongoing contracts. This disaggregation helps stakeholders understand the financial impact of different project stages.

Section 5: Statement of Comprehensive Income and Income Statement

- **Update:** Editorial amendments only.
- **Detail:** This section primarily underwent minor editorial adjustments to improve clarity and consistency with other revised sections. No substantive changes were introduced regarding the presentation of comprehensive income or the income statement.
- **Example:** A retail company will continue to present its income statement in the same manner as before, as the changes are non-substantive.

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

- **Update:** Required disclosure of dividends proposed but not yet declared.
- **Detail:** Entities are now required to disclose the amount of dividends proposed (or declared) before the financial statements were authorised for issue but not yet recognised as a distribution to owners during the reporting period. This includes the amount per share, providing users with a more complete picture of future distributions.
- **Botswana Example:** An owner managed business in that typically proposes dividends at its annual general meeting after the year-end must now disclose the total amount of these proposed dividends and the amount per share in its financial statements, even though they are not yet a recognised liability.

Section 7: Statement of Cash Flows

- **Update:** Requires reconciliation of changes in liabilities arising from financing activities, added disclosures for supplier finance arrangements.
- **Detail:** A new requirement mandates a reconciliation between the opening and closing balances of liabilities arising from financing activities, encompassing both cash and non-cash changes. Furthermore, specific disclosures are now required for supplier finance arrangements (e.g., reverse factoring), including key terms, carrying amounts, and payment due dates, to enhance transparency regarding liquidity and financing risks.
- **Example:** A large wholesaler that utilises reverse factoring arrangements to manage its payables must now disclose a detailed reconciliation of its financing liabilities, including the amounts settled through these arrangements. This helps banks and other creditors understand the true nature of its cash outflows and financing structure.

Section 8: Notes to the Financial Statements

- **Update:** Requires disclosure of material accounting policy information, significant judgments, and key sources of estimation uncertainty.
- **Detail:** This section now explicitly requires entities to disclose not only material accounting policy information, but also significant judgments made by management in

applying accounting policies (excluding estimations), and key assumptions about the future that carry a significant risk of material adjustment to asset and liability carrying amounts in the next financial year.

- **Example:** A software development company must now disclose the judgments made in determining whether a complex software licensing contract includes a distinct performance obligation for post-sale support. Additionally, a mining exploration company would need to disclose the key assumptions (e.g., commodity price forecasts, success rates) used in estimating the recoverable amount of its exploration assets, given the inherent uncertainties.

Section 9: Consolidated and Separate Financial Statements

- **Update:** Updated the definition of 'control' to align with IFRS 10.
- **Detail:** The definition of control has been revised to align with the principles in full IFRS 10 *Consolidated Financial Statements*. Control is now defined as an investor's exposure, or rights, to variable returns from its involvement with an investee and its ability to affect those returns through its power over the investee. This involves assessing power, variable returns, and the link between them.
- **Example:** A holding company that owns 45% of the voting rights in a subsidiary, but through a contractual agreement with other shareholders, has the current ability to direct the subsidiary's relevant activities (e.g., operating and financing policies), would now be deemed to have control and must consolidate the subsidiary. This is a more nuanced assessment than just majority ownership.

Section 10: Accounting Policies, Estimates and Errors

- **Update:** Introduced a clear definition of 'accounting estimate' and clarified the distinction between changes in accounting policies and changes in accounting estimates.
- **Detail:** The standard now provides a specific definition for 'accounting estimate' as monetary amounts in financial statements subject to measurement uncertainty. It clarifies that changes in inputs or measurement techniques used to develop an estimate are changes in accounting estimates, to be applied prospectively, unless they result from the correction of a prior period error. This helps entities differentiate and correctly apply retrospective vs. prospective accounting.
- **Example:** A construction company that initially estimated the useful life of its heavy machinery to be 10 years, but due to new information on wear and tear, revises it to 7 years, is making a change in accounting estimate. This change will be applied prospectively, affecting depreciation in current and future periods, rather than restating prior financial statements.

Section 11: Financial Instruments

- **Update:** Removed the option to apply IAS 39, and introduced new disclosure requirements for financial assets and liabilities.

- **Detail:** The previous option for entities to apply the recognition and measurement requirements of IAS 39 *Financial Instruments: Recognition and Measurement* has been removed, streamlining the standard. New requirements have been added for disclosing an analysis of the age of financial assets (e.g., trade receivables) and a maturity analysis of financial liabilities, by reference to due dates, providing more granular information about credit and liquidity risks.
- **Example:** A microfinance institution will no longer have the option to apply IAS 39 for its financial instruments. Instead, it must apply the specific requirements of Section 11. It will also need to provide a detailed age analysis of its loan portfolio (e.g., loans overdue by 30-60 days, 60-90 days, etc.) and a maturity analysis of its borrowings, enhancing transparency for regulators and investors.

Section 12: Fair Value Measurement

- **Update:** A new, dedicated section that sets out comprehensive requirements for measuring fair value and disclosing fair value measurements.
- **Detail:** This is a significant addition, introducing a standalone section for fair value measurement, aligning with the principles of IFRS 13 *Fair Value Measurement*. It provides guidance on the objective of fair value (an exit price from a market participant perspective), measurement principles (e.g., highest and best use for non-financial assets), valuation techniques (market, cost, income approaches), and the fair value hierarchy (Level 1, 2, and 3 inputs), promoting consistency and comparability.
- **Example:** A property development company valuing its investment properties at fair value must now apply the detailed guidance in Section 12. This includes considering the "highest and best use" of the land, using appropriate valuation techniques (e.g., market approach based on comparable property sales in the country), and categorizing the inputs into the fair value hierarchy (e.g., using Level 2 inputs if directly observable market prices are not available).

Section 13: Inventories

- **Update:** Consequential amendments arising from the revised Section 23 (Revenue from Contracts with Customers).
- **Detail:** This section has been updated to reflect the changes in the new revenue standard. Specifically, it clarifies that the disclosure requirements of this section apply to 'returns assets' classified as inventory, which arise from customer contracts with a right of return. This ensures consistent accounting for goods returned by customers.
- **Example:** A large electronics retail chain, which offers a 30-day return policy, must now ensure that any returned goods, classified as 'returns assets' under the new revenue standard, are subsequently accounted for and disclosed as inventory in accordance with Section 13.

Section 14: Investments in Associates

- **Update:** Clarified the treatment of long-term interests in an associate that, in substance, form part of the entity's net investment.
- **Detail:** The standard now provides clearer guidance on how to treat long-term interests in an associate (e.g., preference shares or long-term loans) that are, in substance, part of the investor's net investment because settlement is neither planned nor likely in the foreseeable future. These interests are now considered when assessing impairment of the investment as a single asset and when determining the point at which an investor ceases to recognise its share of losses.
- **Example:** An investment firm has a 25% equity stake in a local retail associate and has also provided a long-term, interest-free loan to that associate, with no expectation of early repayment. Under the new guidance, when assessing impairment of its investment in the associate, the firm must consider both the equity stake and the long-term loan as a single unit of account for impairment testing.

Section 15: Joint Arrangements

- **Update:** Replaced the term 'joint venture' with 'joint arrangement' and aligned the definition of 'joint control' with the updated definition of 'control' in Section 9.
- **Detail:** The terminology has been updated to align with full IFRS 11 *Joint Arrangements*. The definition of 'joint control' now explicitly requires "unanimous consent" of the parties sharing control over the relevant activities, mirroring the more stringent control definition in Section 9. This ensures that only arrangements truly demonstrating joint control are accounted for as such.
- **Example:** Two construction companies forming a consortium for a major government infrastructure project would now refer to their collaboration as a 'joint arrangement'. For this to be classified as a jointly controlled entity, decisions on critical aspects of the project, such as budget approvals and major sub-contractor selections, must explicitly require the unanimous consent of both companies.

Section 16: Investment Property

- **Update:** Clarified that determining whether a transaction meets both the definition of 'business combination' and 'investment property' requires separate application of this section and Section 19. Also clarified transfer criteria.
- **Detail:** The updated guidance clarifies that when acquiring a property, an entity must first assess if the acquisition constitutes a business combination (under Section 19) or merely an asset acquisition. If it's an asset acquisition, then Section 16 applies to determine if it's investment property. Transfers to or from investment property are now explicitly linked to a "change in use," providing clearer criteria for reclassification.
- **Example:** A property holding company acquires a building. It must first determine if the acquisition includes processes and inputs that constitute a business (e.g., existing tenant contracts, maintenance staff) under Section 19. If not, it then applies Section 16. If the company later decides to use a previously rented office floor for its own

administrative purposes, this constitutes a "change in use," requiring a transfer from investment property to property, plant and equipment.

Section 17: Property, Plant and Equipment

- **Update:** Requires bearer plants to be accounted for under PPE and clarifies that revenue-based depreciation methods are not appropriate.
- **Detail:** This section now specifically includes bearer plants (e.g., fruit trees, grapevines) within its scope, provided they can be measured separately from their produce without undue cost or effort. A significant clarification is that depreciation methods based on revenue generated by an asset are explicitly deemed inappropriate, ensuring that depreciation reflects the consumption of economic benefits rather than sales performance.
- **Example:** A large-scale citrus fruit farm, must now account for its orange trees as property, plant and equipment, depreciating them over their productive lives. The farm cannot use a depreciation method based on the volume or value of oranges harvested, but rather on the expected pattern of economic benefit consumption of the trees themselves.

Section 18: Intangible Assets other than Goodwill

- **Update:** Added a rebuttable presumption that amortisation methods based on revenue are not appropriate.
- **Detail:** Similar to PPE, this section introduces a rebuttable presumption against using revenue-based amortisation methods for intangible assets. This presumption can only be rebutted in limited circumstances, such as when the intangible asset's use rights are defined by a fixed total amount of revenue, or when revenue and the consumption of the asset's economic benefits are highly correlated.
- **Botswana Example:** A software developer that licenses its accounting software to clients cannot amortise its software development costs based on the revenue generated from licenses, unless it can demonstrate a very strong correlation between revenue and the consumption of the software's economic benefits, or if the license itself is structured around a fixed revenue cap.

Section 19: Business Combinations and Goodwill

- **Update:** Section revised to align with IFRS 3 (2008) Business Combinations and subsequent amendments.
- **Detail:** This section has undergone a comprehensive revision to align with the principles of IFRS 3 (2008), including updates related to the definition of a business and the Conceptual Framework. This means more detailed guidance on identifying the acquirer, determining the acquisition date, recognising and measuring identifiable assets and liabilities (including contingent liabilities and contingent consideration), and accounting for goodwill or bargain purchases.

- **Example:** A retail group acquiring a smaller competitor must now apply the revised Section 19. This involves a more rigorous assessment of whether the acquired entity constitutes a "business" (including inputs, processes, and outputs), detailed fair value measurement of all acquired assets and assumed liabilities, and a clear calculation and subsequent amortisation of any goodwill arising from the acquisition.

Section 20: Leases

- **Update:** Editorial amendments only.
- **Detail:** This section primarily received editorial refinements to ensure consistency and clarity throughout the standard. No substantive changes were made to the accounting for leases.
- **Example:** A logistics company leasing a fleet of vehicles will continue to apply the same classification and accounting for its leases (finance or operating) as before, as the changes are non-substantive.

Section 21: Provisions and Contingencies

- **Updated:** Clarifies the definition of 'liability' for this section and added specific requirements and disclosures for financial guarantee contracts issued within a group.
- **Detail:** The section clarifies that a liability, for the purpose of provisions, is a present obligation arising from past events, whose settlement is expected to result in an outflow of economic benefits. Crucially, it now explicitly brings financial guarantee contracts issued at nil consideration within a group (e.g., a parent guaranteeing a subsidiary's loan) into its scope, requiring specific recognition and disclosure rules for these, including their nature, uncertainties, and maximum potential payment.
- **Example:** A holding company that provides a guarantee for a bank loan taken out by one of its subsidiaries, without charging a fee, must now recognise this as a financial guarantee contract under Section 21. It must disclose the nature of the guarantee, any uncertainties regarding the outflow of resources, and the maximum amount it could be required to pay if the guarantee is called upon.

Section 22: Liabilities and Equity

- **Update:** Added a relief from presenting amounts receivable as an offset to equity when laws or regulations prohibit such presentation.
- **Detail:** This amendment provides flexibility for entities when local laws or regulations prohibit the offsetting of amounts receivable (e.g., from uncalled share capital) against equity. If such a prohibition exists, the entity is relieved from presenting the amount receivable as an offset to equity, allowing compliance with local legal frameworks while adhering to IFRS for SMEs.
- **Example:** A newly established startup issues shares to its founders, but the payment for these shares is deferred. The Companies Act (Cap 42:01) aligns with International Financial Reporting Standards (IFRS), including IFRS for SMEs, which generally prohibits the presentation of uncalled share capital as an offset to equity on the statement of

financial position. This means that the amount owed by shareholders for shares they have subscribed for but not yet paid (uncalled share capital) must be presented as a receivable (an asset) and not as a direct deduction from the company's equity (section 47.2(a)).

Section 23: Revenue from Contracts with Customers

- **Update:** Section revised to align with IFRS 15 Revenue from Contracts with Customers.
- **Detail:** This is one of the most significant changes, as the entire section has been revised to adopt the comprehensive five-step model for revenue recognition from IFRS 15. This model requires entities to: (1) Identify the contract(s) with a customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to the performance obligations; and (5) Recognise revenue when (or as) the entity satisfies a performance obligation. This will impact nearly all entities with customer contracts.
- **Example:** A telecommunications company offering bundled services (e.g., a mobile phone with a data plan) must now apply the five-step model. It needs to identify separate performance obligations (e.g., the sale of the phone and the provision of data services), allocate the total transaction price to each, and recognise revenue as each obligation is satisfied (e.g., phone revenue at point of sale, data service revenue over the contract period).

Section 24: Government Grants

- **Update:** Editorial amendments only.
- **Detail:** This section primarily received editorial refinements to ensure consistency and clarity throughout the standard. No substantive changes were made to the accounting for government grants.
- **Example:** A small agricultural business receiving a government grant for sustainable farming practices will continue to account for it in the same manner as before, as the changes are non-substantive.

Section 25: Borrowing Costs

- **Update:** Editorial amendments only.
- **Detail:** Similar to other sections, Section 25 on Borrowing Costs underwent minor editorial adjustments. No substantive changes were introduced regarding the recognition or measurement of borrowing costs.
- **Example:** A manufacturing company incurring borrowing costs for a new factory will continue to apply the same accounting treatment, as the changes are non-substantive.

Section 26: Share-based Payment

- **Update:** Clarified measurement and classification of share-based payments, including those with net settlement features for tax.

- **Detail:** This section introduces more detailed guidance on how to measure cash-settled share-based payment transactions, particularly regarding the effects of vesting and non-vesting conditions. It also adds specific requirements for the classification of share-based payment transactions that include a net settlement feature for withholding tax obligations, clarifying whether they are equity-settled or cash-settled.
- **Example:** A growing tech company offering share options to its employees as part of their remuneration must now apply the clarified guidance on how to measure the liability for cash-settled options, considering vesting conditions. If the options include a feature allowing net settlement for employee withholding tax, the company must carefully classify this transaction based on the new guidance.

Section 27: Impairment of Assets

- **Update:** Consequential amendments from the new Section 12 (Fair Value Measurement) and the revised Section 23 (Revenue from Contracts with Customers).
- **Detail:** The impairment guidance has been updated to reflect the introduction of the new Fair Value Measurement section, meaning that fair value concepts may now be relevant in determining recoverable amounts. It also includes consequential amendments due to the revised revenue standard, ensuring consistency in how contract assets (from Section 23) are assessed for impairment.
- **Example:** A manufacturing company that has a long-term contract asset (e.g., for a custom-built machine where revenue is recognised over time) must now consider the implications of Section 23's revenue recognition and Section 12's fair value measurement when assessing that asset for impairment.

Section 28: Employee Benefits

- **Update:** Clarified measurement and disclosure requirements for defined benefit obligations.
- **Detail:** This section provides more detailed guidance on measuring defined benefit obligations, including assessing the depth of the market for high-quality corporate bonds at a currency level for discount rates. It also significantly expands disclosure requirements for defined benefit plans, requiring more detailed reconciliations of opening and closing balances, assumptions used, expected contributions for the next period, and specific disclosures for entities contributing to group plans.
- **Example:** A company with a defined benefit pension plan must now provide more extensive disclosures in its financial statements. This includes a detailed reconciliation of the pension obligation, the actuarial assumptions used (e.g., discount rates based on the Botswana bond market), and the expected contributions to the plan for the upcoming financial year.

Section 29: Income Tax

- **Update:** Clarifies recognition of deferred tax assets for unrealised losses and added guidance on accounting for uncertainty in income taxes.

- **Detail:** The standard now provides clearer guidance on the recognition of deferred tax assets arising from unrealised losses, particularly when it is probable that future taxable profits will be available against which the losses can be utilised. A new and important addition is guidance on how to reflect the effects of uncertainty in accounting for income taxes, aligning with IFRIC 23 *Uncertainty over Income Tax Treatments*.
- **Example:** A company that has carried forward tax losses must now apply clearer criteria to determine if it's probable that sufficient future taxable profits will be generated to utilise these deferred tax assets. Additionally, if the company has taken a tax position that is uncertain (e.g., a deduction whose acceptability by the Botswana Unified Revenue Service is debatable), it must now assess and reflect the effect of this uncertainty in its financial statements.

Section 30: Foreign Currency Translation

- **Update:** Added guidance on assessing currency exchangeability and determining exchange rates, including for advance consideration.
- **Detail:** This section now includes requirements for entities to apply a consistent approach when assessing whether a currency is exchangeable into another currency, and how to determine the appropriate exchange rate to use when exchangeability is lacking. It also adds specific guidance for transactions involving advance consideration paid or received in a foreign currency, ensuring consistent translation.
- **Example:** An import/export business dealing with a supplier in a country experiencing currency restrictions must now apply the new guidance to determine the appropriate exchange rate for its transactions, especially if the local currency is not freely exchangeable. It also needs to consider the new guidance for advance payments made in foreign currency.

Section 31: Hyperinflation

- **Update:** Editorial amendments only.
- **Expanded Detail:** This section primarily received editorial refinements to ensure consistency and clarity throughout the standard. No substantive changes were made to the accounting for entities operating in hyperinflationary economies.
- **Example:** As Botswana does not experience hyperinflation, this section's editorial changes will have no direct impact on local companies.

Section 32: Events After the End of the Reporting Period

- **Update:** No amendments.
- **Detail:** This section remains unchanged in the third edition.
- **Example:** A company will continue to apply the same principles for adjusting and non-adjusting events after the reporting period.

Section 33: Related Party Disclosures

- **Update:** Added a requirement to disclose amounts incurred for key management services provided by a separate management entity.
- **Detail:** A new disclosure requirement has been introduced for entities that obtain key management services from a separate management entity (e.g., a management company owned by the same shareholders). The amounts incurred for such services must now be disclosed, enhancing transparency regarding related party transactions that might not involve direct payments to individuals.
- **Example:** A group of companies, all owned by the same family, use a central management company to provide executive and administrative services. Each company must now disclose the total amounts it incurred for these key management services provided by the separate management entity, even if those services were provided at cost or below market rates.

Section 34: Specialised Activities

- **Update:** Requires bearer plants to be accounted for under PPE and added specific treatment for exploration and evaluation assets.
- **Detail:** This section now directs entities to account for bearer plants (e.g., fruit trees) under Section 17 *Property, Plant and Equipment* if they can be reliably measured separately from their produce. Additionally, it introduces a requirement to treat exploration and evaluation assets (common in mining) as a separate class of assets and to apply the disclosure requirements of either Section 17 or Section 18 *Intangible Assets other than Goodwill*.
- **Example:** A mining company engaged in mineral exploration must now classify its exploration and evaluation assets as a separate asset class. It will need to apply the disclosure requirements of either Section 17 (for tangible assets like drilling rigs) or Section 18 (for intangible assets like exploration licenses and geological data), providing clearer information on these specialised assets.

Section 35: Transition to the IFRS for SMEs Accounting Standard

- **Update:** Added specific transition reliefs, particularly for the new revenue standard.
- **Detail:** This section provides practical expedients and exceptions for first-time adopters of the third edition. Notably, it includes an option for entities to apply the revised Section 23 *Revenue from Contracts with Customers* either retrospectively or prospectively, offering flexibility given the significant changes in that section. It also provides an exception to retrospective application for contracts with customers completed before the date of transition.
- **Example:** A company transitioning from a Botswana GAAP to the third edition of IFRS for SMEs can choose to apply the new Section 23 on revenue either by restating prior periods (retrospectively) or by applying it only to contracts not yet completed at the transition date (prospectively), simplifying the adoption process for the complex revenue standard.

Appendix A: Effective Date and Transition

- **Update:** Updated to reflect transition to the third edition.
- **Detail:** Appendix A has been revised to provide the effective date of the third edition (annual periods beginning on or after 1 January 2027, with earlier application permitted) and detailed guidance on how entities should transition to this new version of the standard. This includes specific requirements for first-time application and the treatment of comparative information.
- **Example:** A company currently applying the second edition of IFRS for SMEs will need to refer to Appendix A to understand the specific requirements for adopting the third edition, including how to prepare its opening statement of financial position at the date of transition and the presentation of prior period comparative figures.

Appendix B: Glossary of Terms

- **Update:** Updated definitions to align with revised sections.
- **Detail:** Appendix B, the Glossary of Terms, has been comprehensively updated. New terms introduced in the revised sections (e.g., 'material accounting policy information', 'accounting estimate', terms related to fair value measurement and the new revenue standard) have been added, and existing definitions have been revised to ensure consistency with the updated principles and terminology used throughout the third edition.
- **Example:** An accountant reviewing the financial statements of an company applying the third edition will find updated definitions in Appendix B for terms such as 'contract asset' or 'performance obligation', ensuring a clear understanding of the new concepts introduced in Section 23.

These changes reflect the IASB's ongoing commitment to maintaining the IFRS for SMEs Standard as a relevant and high-quality framework for non-publicly accountable entities, while also ensuring greater alignment with full IFRS where appropriate. Entities will need to carefully assess the impact of these revisions on their financial reporting practices.