



# Guidelines for Members

Guidance for Use of IFRS for SMEs as Applied to Micro-Enterprises  
Issued: November 25, 2014

## Introduction

Entities currently using IFRS for SMEs can further evaluate if the guidance for micro-enterprises is applicable.

## Background

The IFRS for SMEs is a self-contained Standard of 230 pages, designed to meet the needs and capabilities of small and medium-sized entities (SMEs), which are estimated to account for over 95 per cent of all companies around the world.

IFRS for SMEs is being used by very small companies with just a few employees. The IASB was asked, and agreed, to develop guidance suitable for micro-sized entities currently applying the IFRS for SMEs and also those considering doing so in the future.

A Micro-Enterprise is not defined in quantitative terms, however, a micro entity is normally a very small entity with simple transactions and normally:

- (a) has few employees and is often owner managed;
- (b) has low or moderate levels of revenue and gross assets; and
- (c) does not:
  - (i) have investments in subsidiaries, associates or joint ventures;
  - (ii) hold or issue complex financial instruments; or
  - (iii) issue shares or share options to employees or other parties in exchange for goods or services.

## Developments

The guidance has been developed with input from the SME Implementation Group (an advisory body to the IASB). It extracts from the IFRS for SMEs only those requirements that are likely to be necessary for a typical micro-sized entity, without modifying any of the principles for recognising and measuring assets, liabilities, income and expenses. In a few areas, it also contains further guidance and illustrative examples to help a micro-sized entity to apply the principles in the IFRS for SMEs.

A copy of the document "IFRS for SMEs – A Guide for Micro-Sized Entities Applying the IFRS for SMEs (2009)" can be downloaded from:

<http://www.ifrs.org/IFRS-for-SMEs/Documents/A-Guide-for-Micro-sized-Entities-2013.pdf>

## **Scope of the Guide**

This Guide is intended to help a micro entity apply the requirements of the IFRS for SMEs when preparing its general purpose financial statements. This Guide includes only those requirements of the IFRS for SMEs that are likely to be necessary for a typical micro entity.

This Guide is intended for use by a micro entity that is within the scope of the IFRS for SMEs (i.e. that does not have public accountability and that publishes general purpose financial statements in accordance with the IFRS for SMEs). An entity has public accountability, and should therefore be using full IFRSs, if 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) or it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.

## **Objective of Financial Statements of a Micro Entity Applying the IFRS for SMEs**

The objective of financial statements of a micro entity applying the IFRS for SMEs is to provide information about the financial position, performance and cash flows of the entity that is useful for economic decision-making by a broad range of users who are not in a position to demand reports tailored to meet their particular information needs.

## **Conclusion**

ICATT is encouraging entities that apply IFRS for SMEs to consider the micro entity guidance.