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Decision usefulness of the accounting standard 'IFRS for SMEs': Qualitative evidence from Sri Lanka

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IASB Discussant
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Authors' article – Introduction and literature review

- Insights on the adoption of IFRS for SMEs in a developing economy (Sri Lanka)
- The existing framework for SME Financial reporting in Sri Lanka is largely based on the large and/or listed companies' template
 - ✓ Where is the basis of this statement in the IFRS framework?
- The IASB gave little consideration to users' participation in the consultation process during the development of the standard.
 - ✓ Outreach process goes beyond comment letters

Authors' article – Findings

- Most of the SMEs had a limited number of owners and were owned and managed by family members, non-manager owners were not identified as users of SME financial statements
 - ✓ More granular information could help and bolster the conclusion and analysis
- Our findings indicate that the needs of tax authorities and lending agencies should be taken into consideration in the standard-setting process.
 - ✓ Interaction with the concept of General Purpose Financial Reporting

Authors' article – Findings

- From our findings that there exists little decision-usefulness of SME financial statements for owner-managers, bank lending officers and income tax officers
 - ✓ Isn't that actually due to the local environment?
- Proposals for:
 - ✓ the Second Comprehensive Review of the IFRS for SMEs
 - ✓ Micro-entity guidance

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