

The Advantages Of Applying The International Financial Reporting Standard For Small And Medium Enterprises In Algeria From The Point Of View Of A Sample Of Practitioners Of The Accounting Profession

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Abstract:

This study aims to determine the benefits expected from the application of the International Financial Reporting Standard on Algerian small and medium-sized enterprises; by identifying the opinions of a sample of practitioners of the accounting profession in Algeria. An electronic questionnaire was distributed to the respondents, and the number of questionnaires adopted in the statistical analysis reached 66 questionnaires.

The study concluded that the international financial reporting Standard fits the capabilities and needs of these enterprises through the topics and options that have been canceled, as well as the facilities it introduced to the rules of registration and evaluation and thus contributes to reduce the difficulties of applying the financial accounting system.

Keywords: accounting for small and medium enterprises; international financial reporting standard for small and medium enterprises; practitioners of the accounting profession.

JEL Classification: M410.

Introduction

The international accounting standards board (IASB) has issued the international financial reporting standard for small and medium - sized enterprises IFRS for SMEs, which is characterized by its simplicity compared to the full international accounting standards. This standard is considered as a response to the requirements of small and medium-sized enterprises all over the world.

The application of the financial accounting system, which is inspired from international financial accounting standards, to all economic entities, regardless of their capabilities, has constituted a burden on Algerian small and medium-sized enterprises; Which faced difficulties in applying its most important requirements, especially since the accounting financial system did not know any amendments since the beginning of its application in 2010. Therefore, the international financial reporting standard for small and medium enterprises is an opportunity to reconsider the accounting of this type of institution, especially since the project to evaluate and review the financial accounting system is still in progress.

The national accounting board has the opportunity to adopt the international financial reporting standard for small and medium enterprises, or at least adapting it to the requirements of the financial accounting system.

The following problem was raised:

What are the advantages of adapting the financial report for Algerian small and medium-sized enterprises to the international financial reporting standard (IFRS for SMEs)?

Hypothesis of the study:

- The financial accounting system is not suitable for small and medium enterprises.
- The international financial reporting standard for small and medium enterprises IFRS for SMEs is compatible with the capabilities and needs of Algerian small and medium-sized enterprises.
- The simplifications included in the international financial reporting standard reduce the complexities faced by Algerian enterprises.

Objectives of the study:

This study aims to achieve the following objectives:

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- Determining the reasons that made the financial accounting system unsuitable for Algerian small and medium-sized enterprises.
- Determining the most important differences between the international financial reporting Standard IFRS for SMEs and the full IFRS, in order to identify the facilities that the standard came with.
- Determining the suitability of the international financial reporting standard IFRS for SMEs from the point of view of practitioners of the accounting profession.

Research methodology:

The descriptive analytical approach is adopted and a questionnaire is used as a tool of data collection.

Previous studies:

Many researchers have enriched this topic; some scientific contributions are summarized in the following:

The study of (Halilou & Hassine, 2022) entitled "The importance of developing a simplified accounting system in accordance with the financial reporting standard for small and medium – sized enterprises for its application in Algeria – a field study of a sample of professionals". This study aims to extend the importance of applying the IFRS for SMEs in the Algerian business environment. The research concluded that the application of the IFRS for SMEs is of great importance by giving transparency and quality to the financial statements.

The study of (Bahlouli, 2021) entitled "The suitability of IFRS of SMEs for small and medium – sized entities in Algeria – study a sample of SMEs in Bourdj Bou Arreridj". The objectives of this study was to determine the suitability of international financial reporting standard for small and medium sized entities for the accounting practices of SMEs in Algeria. The study found a relative suitability of IFRS for SMEs to accounting practices of SMEs in Algeria.

1- Algerian Small and Medium enterprises and related accounting

1-1- Definition of small and medium enterprises in Algerian law

According to the directive law for the promotion of small and medium enterprises n° 1-18 corresponding to December 12, 2001 (Boukedjane,

2022), Small and medium - sized enterprises are defined whatever its legal nature as an enterprise: (Boukedjane, 2022).

- That produces goods and / or services.
- Employs from 1 to 250 people.
- Its annual turnover is less than 2 billion DA, or its annual revenue is less than 500 million DA.
- Its meets the independence criteria.

Small and medium entities are classified as follows:

Table number (01): Classification of small and medium enterprises

critereon	Number of employees	Turnover	Total budget
Micro enterprises	1 -9	Less than 40 million DA	Not exceed 20 million DA
Small enterprises	10 - 49	Not exceed 400 million DA	Not exceed 200 million DA
Medium enterprises	50 - 250	From 400 million DA to 4 billion DA	From 200 million DA to 1 billion DA

Source: (Ministry of Industry, 2023)

It should be noted that the number of small and medium enterprises in Algeria reached one million and 267 thousand and 22 small and medium enterprises, until June 30, 2021, where the services sector occupies the lead by more than 50%, followed by the construction sector by 27%, then the industry sector by 10%, the food industry also occupies 10%. (Aboud, 2022).

1-2- Accounting for small and medium enterprises

Algerian enterprises apply the financial accounting system, which is inspired from international accounting standards (IAS/IFRS) since 2010, where the law N° 7 –11 specified the entities that are required to apply financial accounting system, which are:

- Companies subject to the provisions of the commercial law.
- Cooperatives.
- Natural and legal (moral) people producing commercial and non commercial goods and services if they practise economic activities based on repeated operations.

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The financial accounting system allowed to micro entities - whose turnover, number of employees and activity do not exceed a certain limit- to maintain simplified financial accounting as shown in the following table:

Table number (02): Institutions concerned with simplified accounting

	Commercial activity	Productive and craft activity	Service activity and other activities
Number of employees	10	6	3
Turnover	9	9	9

Source: (Ministry of Finance, 2008, p. 91)

The financial accounting system has exempted micro entities, while the rest of small and medium enterprises and other large companies are committed to apply the requirements of financial accounting system.

1-3- Difficulties in applying the financial accounting system by small and medium – sized enterprises

Algerian enterprises apply the financial accounting system, which derives its concepts and requirements from international accounting standards (IAS/IFRS) of 2004, hence imposing the application of international accounting standards on small and medium entities raised the problem of applying standards whose objectives do not coincide with the objectives of the users of small and medium entities. While international accounting standards board has put investors at the forefront of information users, lenders are the main users of information for small and medium entities, whose information needs vary widely.

A number of difficulties faced by Algerian enterprises in applying the financial accounting system were identified during the conference that took place on January 21, 2019 at the Aurassi hotel, which was devoted to evaluate and review the financial accounting system for the purpose of reducing the difficulties faced by entities, as well as the possibility of adopting new accounting standards. (Radjah, 2019, p. 14).

The problems of applying financial accounting system have been identified through the experience of "Sonatrach" and "Air Algérie"

companies, are: the application of fair value, deferred taxes, components approach and the residual value, (Radjah, 2019, pp. 14-15)

And if the major enterprise such as "Sonatrach" faces these difficulties related to registration and evaluation, what about small and medium entities which characterized by limited financial capabilities due to their reliance on self-financing, in addition the use of equipments that may be less sophisticated than those used in large entities.

2- International financial reporting standard for small and medium - sized entities

On 9 July 2009 the international accounting standards board issued the international financial reporting standard designed for use by small and medium – sized entities (SMEs), which represent more than 95 percent of all companies. The standard is a result of five- year development process with extensive consultation of SMEs worldwid. (Interational Accounting Standard Board, 2009).

2-1- Contents of IFRS for SMEs:

The IFRS for small and medium- sized entities is organised by topic, and each topic is presented in separate sections. It consists of 35 sections summarized in table 3.

Table number (03): Contents of IFRS for SMEs

IFRS for SMEs	
Section	The content
Section 1	Small and medium- sized entities
Section 2	Concepts and pervasive principles
Section 3 – Section 8	Financial statement
Section 9	Consolidated and separate financial statement
Section 10	Accounting Policies, Estimates and Errors
Section 11- Section 28	Registration and evaluation rules
Section 29- section 34	Special methods of evaluation
Section 35	Transition to the IFRS for SMEs

Source: prepared by the researcher based on (Deloitte), (Bahlouli, 2021, pp. 372-373)

2-2- Description of small and medium- sized entities

The criteria for classifying small and medium enterprises differ from one country to another; some of them depend on quantitative criteria such as the labor index and the capital index, while others depend on descriptive

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criteria such as the independence of management and the size of the enterprise in the market. (Halilou & Hassine, 2022, p. 144)

However, the International Accounting Standards Board has adopted another criterion for the classification of small and medium enterprises, as it considers them entities that: (International Accounting Standard Board, 2015, pp. 7-9)

- Do not have public accountability, where an entity has public accountability 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 public market.
 - It holds assets in a fiduciary capacity for board group of outsiders as one of its primary business (most banks, credit unions, insurance companies, securities brokers/ dealers, mutual funds and investment banks would meet this second criterion).
- Publish general purpose financial statements for external users, like owners who are not involved in managing the business, existing and potential creditors, and credit rating agencies.

2-3- Benefits of IFRS for SMEs

IFRS for SME standard contained about 230 pages (full IFRS contained more than 3000 pages) tailored for the needs and capabilities of smaller business. Many of the principles in full IFRS for recognising and measuring assets, liabilities, income and expenses have been simplified; topics not relevant to SMEs have been omitted. To further reduce the reporting burden for SMEs revisions to the IFRS will be limited to one every three years (International Accounting Standard Board, 2009). Hence, it is assumed that the standard achieves the following benefits: (International Accounting Standard Board, 2009)

- Provide improved comparability for users of accounts.
- Enhance the overall confidence in the accounts of SMEs, and
- Reduce the significant costs involved of maintaining standards on a national basis.

2-4- Simplifications of IFRS for SMEs:

The international financial reporting standard includes five simplifications compared to the full International Accounting Standards (IAS/IFRSs): (Lo Russo, 2011, p. 38).

- Elimination of topics that are not suitable for small and medium entities.
- Exclusion of some accounting options found in the full standards.
- Introducing many facilities to the rules of registration and evaluation.
- The number of required disclosures has been significantly reduced.

2-4-1- Eliminated topics by IFRS for SMEs:

IFRS for SMEs does not include those topics: (Lo Russo, 2011, p. 39)

- Earnings per share (IAS33).
- Interim financial reporting (IAS34).
- Segment reporting (IFRS8).
- Non- current assets held for sale and discontinued operations (IFRS5).

2-4-2- Eliminated Options by IFRS for SMEs:

Table 4 shows the most important options included in the full IFRS, which were eliminated by the IFRS for SMEs:

Table number (04): Eliminated Options by IFRS for SMEs

IFRS for SMEs	
consolidation	
Joint ventures	Cancellation of the proportional integration method for contributions to joint ventures.
Tangible and Intangible Assets	
Subsequent measurement	The revaluation model has been canceled and only the cost model has been retained. Tangible and intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (cost model).
Investment Property	
Subsequent measurement	Investment Property is carried at fair value if its fair value can be measured reliably without undue cost and effort.

Source: (Lo Russo, 2011)

2-4-3- International financial standard IFRS for SMEs facilities

The following table shows the facilities approved by the international Financial Reporting Standard:

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**Table number (05): International financial standard IFRS for
SMEs facilities**

IFRS for SMEs		Full IFRS
Financial Statement		
Notes to the financial statement	The following disclosures are included, as a minimum, within the notes to the financial statements: <ul style="list-style-type: none"> - A statement of compliance with IFRS for SMEs; - Accounting policies; - Key sources of estimation uncertainty and judgements; - Explanatory notes for items presented in the financial statements information not presented in the primary statement. 	Similar to IFRS for SMEs however, IFRS generally has more extensive disclosures requirements, as well as a sensitivity analysis.
Business combinations, consolidated financial statements		
Purchase accounting	All business combinations are accounted for by applying the purchase method.	The accounting under IFRS3 (revised) is not allocation model.
Identifying the acquirer	The acquirer is the combining entity that obtains control of the other combining entities or business.	Similar to IFRS for SME in addition IFRS3 includes more extensive guidance on indicators to identify the acquirer.
Cost of acquisition	The cost of a business combination includes the fair value of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer in exchange for the control of the acquiree, plus directly attributable costs.	Similar to IFR for SMEs, however IFRS3 does not have a cost allocation model.
Goodwill		
Goodwill	Goodwill is recognised as an intangible asset at the acquisition date. After initial recognition the goodwill is measured at cost less accumulated amortisation and any accumulated impairment losses. Goodwill is amortised over its useful life, which is presumed to be 10 years if the entity is unable to make a reliable estimate for the useful life.	Amortisation of goodwill is not permitted. Good will is a subject to an impairment test annually and when there is an indicator for impairment.
consolidation		
Exemption	An entity is exempt from consolidation	An entity is exempt from

condition	when on acquisition there is evidence that control intended to be temporary and this entity is the only existing subsidiary.	consolidation for a subsidiary that was acquired with an intention to dispose of it in the near future.
Financial instruments		
Categories	IFRS for SMEs distinguishes between basic and complex financial instruments.	IAS 39 distinguishes four measurement categories of financial instruments.
Initial measurement	On initial recognition basic financial instruments are measured at the transaction price.	On initial recognition, financial instruments are measured at fair value plus, in the case of a financial instrument other than at fair value through profit or loss, transition costs.
Subsequent measurement	At the end of each reporting period, basic debt instruments are measured at amortised cost using the effective interest method.	IAS39 requires the fair value of most financial instruments.
Non financial assets		
Property, plant and equipment		
Definition	Property, plant and equipment are tangible assets that are held for use in the production or supply of goods and services, for rental to others or for administrative purposes.	Property, plant and equipment classified as held for sale are explicitly out of scope of IAS 16.
Components approach	The cost of an item of property, plant and equipment is allocated to its significant parts, with each part depreciated separately only when the parts have significantly different patterns of benefit consumption.	Depreciation is calculated based on each individual part's life significant parts that have the same useful life and depreciation method may be grouped in determining the depreciation charge.
Depreciable amount and depreciation period	The residual value and the useful life of an asset are reviewed if there is an indication of change since the last reporting date and amended if expectations differ from previous estimates.	The residual value and the useful life of an asset are reviewed at least at each annual reporting date.
Intangible assets other than goodwill		
Research and development costs	All research and development costs are recognised as an expense.	Research costs are expensed as incurred. Development costs are capitalised when specific

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		criteria are met.
Useful life	The useful life of an intangible asset is considered to be finite.	The useful life of an intangible asset is either finite or indefinite.
Intangible assets with indefinite useful life	Not applicable, all intangible assets are considered to have limit lives.	These assets are not amortised.
Expenses		
Borrowing costs	All borrowing costs are expensed.	Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset are capitalised.
Biological asset		
measurement	An entity involved in agricultural activity measures biological assets at fair value less cost to sell where such fair value is readily determinable without undue cost or effort.	Exemption from measurement at fair value is only allowed if the fair value cannot be measured reliably
Employee benefits		
Actuarial valuation method	The use of an accrued benefit method is required if the information that is needed to make such a calculation is already available or can be obtained without undue cost or effort.	The use of an accrued benefit valuation method is required.

Source: (PRICEWATERHOUSECOOPERS, 2009, pp. 19-68)

3- The field study

3-1- The study sample

An electronic questionnaire was distributed to the study sample; and we obtained 80 replies, 14 of which were deleted, bringing the number of analyzed questionnaire to 66.

3-2- Data collection and analysis methodology

In order to answer the problematic and test the research hypotheses, a questionnaire was designed and it consists of two parts:

Part1: characteristics of the research sample. It included a set of questions related to the research sample: diploma (certificate obtained), function, and years of experience.

Part2: the axes of the questionnaire, which are presented in the following table:

Table number (06): Axes of the questionnaire

axes	Number of paragraphs
Inadequacy of the financial accounting system for small and medium sized entities.	8
The suitability of the international financial accounting standard IFRS for SMEs for small and medium- sized Algerian entities.	5
The contribution of the simplifications brought by the standard IFRS for SMEs in reducing the complexities faced by small and medium – sized Algerian entities.	6

Source: prepared by the researcher

The statistical tests were used; the data is analyzed using the Microsoft Office Excel, we adopted the following statistical tools:

- The 5- point Likert scales was used to answer the questions of the questionnaire and a point (degree) was given for each answer: (strongly agree = 5), (agree = 4), (neutral = 3), (disagree = 2), (strongly disagree = 1).
- Cronbach's alpha test for consistency of the questionnaire.
- Percentages, repetitions, arithmetical means and standards deviations to describe research sample and their views on the paragraphs of the questionnaire.
- The sample orientation was determined based on the arithmetic mean values as follows: (arithmetic mean ranges between 4.2 – 5 / strongly agrees), (arithmetic mean ranges between 4.1 – 3.4 / agree), (arithmetic mean ranges between 3.39 – 2.6 / neutral), (arithmetic mean ranges between 2.59 – 1.8 / disagree), (arithmetic mean ranges between 1.79 – 1 / strongly disagree).

3-3- Reliability of the research:

The research conducted a statistical analysis of the questionnaire to verify its validity. The reliability of the questionnaire was tested through the cronbach's alpha coefficient. The table 7 shows cronbach's alpha values for each axis, as well as the general stability of the questionnaire.

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Table number (07): test of the reliability of the research

	Number of paragraphs	Cronbach's Alpha Coefficient
Axe n° 1	8	0,63
Axe n°2	5	0,65
Axe n°3	6	0,62
General stability of the questionnaire	19	0,78

Source: Prepared by the researcher based on the results of the questionnaire

The results showed that the value of the cronbach's alpha coefficient exceeds 0,6 for all axes, and it is equal to 0,78 for all the questionnaire, which proves the validity of the questionnaire.

3-4- Results and discussion:

3-4-1- Analysis of characteristics of the research sample:

Table number (08): characteristics of the research sample

characteristics of the research sample		repetitions	Percentages %
Diplôme	Doctoral degree	6	9,1
	Master's degree	3	4,5
	Master degree (LMD system)	19	28,8
	Bachelor's degree	38	57,6
	total	66	100
Function	Accounting expert	2	3
	Auditor (governor accounts)	18	27,3
	Chartered (certified) accountant	13	19,7
	Accounting and finance manager	33	50
	total	66	100
years of experience	Less than 5 years	7	10,6
	From 5 to 10 years	20	30,3
	From 11 to 16 years	22	33,3
	More than 16 years	17	25,8
	total	66	100

Source: Prepared by the researcher based on the results of the questionnaire

By analyzing the general characteristics of the study sample, we notice the following:

- **Diploma:** Most of the respondents are holders of a bachelor's degree (57.6%), followed by a master degree (LMD system) (28,8%), while the rest

of the percentage were distributed between doctoral and master's degree (9.1 and 4,5 %) respectively.

- **Function:** most of the members of the research study sample occupy the position of accounting and finance manager (50%). The percentage of account keepers and certified accountants is (27,7 % and 20 %) respectively, while the study sample included only two accounting experts.

- **years of experience:** the respondents have reasonable experience in the profession, as the percentage of respondents whose experience ranges between 11 and 16 years is 33%, whereas the percentage of practitioners whose experience ranges between 5 and 10 years is 30,8 % and the percentage of respondents whose experience exceed 16 years is 24,6%. And that indicates that the study sample individuals have sufficient experience in applying the financial accounting system, which began to be applied about 13 years ago, and they are aware of the difficulties facing small and medium – sized enterprises in applying this system.

3-4-2- Opinions of the study sample on the research axes:

The various results obtained and their associated analyzes are presented in the tables below:

Table number (09): Opinions of the study sample about inadequacy of the financial accounting system for small and medium - sized entities

Paragraphs	Arithmetic mean	Standard deviation	Orientation of the sample
1. Small and medium enterprises do not apply all requirements of the financial accounting system.	4,12	0,9	agree
2. The application of all requirements of the financial accounting system leads to additional costs for small and medium enterprises.	3,31	1,1	neutral
3. The financial accounting system, which is inspired from international accounting standards, intended for quoted enterprises and major institutions.	3,4	1,22	agree
4. The financial accounting system has not been modified since its adoption in 2010.	4,04	0,98	agree
5. Small and medium enterprises face difficulties in applying the general principles of evaluation and registration.	3,83	0,9	agree
6. Small and medium enterprises face difficulties in applying the general	4,18	0,82	agree

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rules of evaluation.			
7. Small and medium enterprises face difficulties in applying the special rules for evaluation.	4,01	0,86	agree
8. Small and medium enterprises face difficulties in applying the private method of evaluation and registration.	3,95	1,11	agree

Source: Prepared by the researcher based on the results of the questionnaire

From the results obtained in the table 9, the respondents agreed on all the paragraphs of the first axis, where the arithmetic mean ranged between 3,31 – 4,18, with a standard deviation, which ranged between 0,82 – 1,11, the latter indicates that the opinions of the respondents are not dispersed.

Respondents agreed more on the sixth paragraph with an arithmetic mean of 4,18, meaning that small and medium enterprises face difficulties in applying the general rules of evaluation related to the application of the fair value, and the updated value. Followed by the first paragraph, with an arithmetic mean of 4,12 related to failure of small and medium enterprises to apply all the requirements of the financial accounting system, whereas the paragraph (4) came in the third place with an arithmetic mean 4,04, related to the failure to update the financial accounting system since 2010. Enterprises also face difficulties in applying the special rules for evaluation, and even in applying the private method of evaluation and registration. Which indicates that the financial accounting system is not suitable for small and medium enterprises.

Table number (10): Opinions of the study sample about the suitability of the IFRS for SMEs for small and medium- sized Algerian entities

Paragraphs	Arithmetic mean	Standard deviation	Orientation of the sample
1. The IFRS for SMEs provides an accurate description of small and medium enterprises.	3,48	0,91	agree
2. The IFRS for SMEs improves the comparability and reliability of accounts.	3,92	0,77	agree
3. The international accounting standard	3,89	0,76	agree

IFRS for SMEs defines the objective of small and medium enterprises.			
4. The IFRS for SMEs includes only 230 pages, compared to the full IFRS which contains about 3000 pages.	3,46	0,68	agree
5. The revision of the international accounting standard IFRS for SMEs is limited to one in three years.	3,21	0,81	neutral

Source: Prepared by the researcher based on the results of the questionnaire

From the results obtained in the table 10, the respondents agreed on the six paragraphs, where the arithmetic mean ranged between 3,21 – 3,92, with a standard deviation, which ranged between 0,68- 0,91, the latter indicates that the opinions of the respondents are not dispersed.

Respondents agreed more on the second paragraph with an arithmetic mean of 3,92 related to the international accounting standard IFRS for SMEs improves the comparability and reliability of accounts, followed by the third paragraph with arithmetic mean of 3,89 related to the international accounting standard IFRS for SMEs defines the objective of small and medium enterprise , whereas the paragraph 1 came in the third place with an arithmetic mean of 3,48, related to the international accounting standard IFRS for SMEs provides an accurate description of small and medium enterprises. Which indicates that the international financial accounting standard IFRS for SMEs is suitable for small and medium- sized Algerian entities.

Table number (11): Opinions of the study sample about the contribution of the simplifications brought by the standard IFRS for SMEs in reducing the complexities faced by small and medium – sized Algerian entities

Paragraphs	Arithmetic mean	Standard deviation	Orientation of the sample
1. the use of cost model only in the subsequent measurement of moral assets	3,48	0,94	agree
2. The residual value and the useful life of an asset are reviewed only if there is an indication of change	3,60	0,99	agree
3. All borrowing costs are expensed.	3,78	1	agree
4. All research and development costs are recognised as an expense.	3,53	1,11	agree

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5. The fair value is not applicable for measuring biological assets only if this value is readily determinable without undue cost or effort.	3,54	1,01	agree
6. The use of an accrued benefit method is required if informations are already available or can be obtained without undue cost or effort.	3,74	0,8	agree

Source: Prepared by the researcher based on the results of the questionnaire

From the results obtained in the table 11, respondents agreed on the six paragraphs, where the arithmetic mean ranged between 3,48 – 3,78 , with a standard deviation, which ranged between 0, 8- 1,11, the latter indicates that the opinions of the respondents are not dispersed.

Respondents agreed more on the third paragraph related to borrowing costs that must be expensed, with an arithmetic mean of 3,78, followed by the sixth paragraph related to the use of an accrued benefit method with an arithmetic mean of 3,74, The respondents also agreed that reconsidering the residual value and the useful life, is only in the case of indicators, contribute to reduce the burden on enterprises. Other facilities such as: considering research and development expenses as expenses and using the cost model for intangible assets, in addition to limit the application of fair value in the evaluation of biological assets only if it is easily identifiable, contribute to reduce difficulties faced by institutions.

Conclusion

This study highlighted the International Financial Reporting Standard for small and medium enterprises. The latter included an accurate description of small and medium enterprises, adopting a classification criterion that differs from the size criterion approved in most countries of the world, as well as a modification in its structure and even its requirements.

The study results are:

- The financial accounting system has not issued since its adoption in 2010 any interpretations or amendments, that would eliminate difficulties that may encounter the preparers of financial statements.
- Small and medium enterprises do not apply all the requirements of the financial accounting system, as accounting professionals see that they face difficulties related to the application of the general principles of registration and evaluation, and the special and general rules of evaluation, as well as the methods of registration and evaluation.
- The International Financial Reporting Standard IFRS for SMEs aims to reduce the burden on small and medium-sized enterprises by reducing the number of its pages compared to full accounting standards by focusing on topics of importance to this type of entities, as well as the period of its review, which was determined once every three years.
- The International Financial Reporting Standard IFRS for SMEs includes a set of facilities that contribute to reduce the complexities of applying the financial accounting system, especially those related to re-evaluation and fair value application, by adopting the concepts of cost and exaggerated effort.

The study recommends:

- Formation of all practitioners of the accounting profession in the IFRS for SMEs if a decision is taken to adopt it.
- The National Board of Accountancy should conduct a comprehensive study of the applicability of the international financial standard IFRS for SMEs, including the opinions of accounting professionals, practitioners of the accounting profession in small and medium-sized academic institutions.

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