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International Financial Reporting Standards for small and medium-sized entities: A survey showing insights of South African accounting practitioners

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Orientation: The International Financial Reporting Standards (IFRS) for small and medium-sized entities (SMEs) was adopted in South Africa in 2009 to reduce the complex burden of financial reporting for SMEs.

Research purpose: The purpose of the article is to explore the insights of accounting practitioners a decade after introducing the IFRS for SMEs.

Motivation for the study: The article increases the body of research into decision usefulness in relation to IFRS for SMEs, drawing attention to the possible benefits and challenges of the practical use of the IFRS for SMEs as an acceptable reporting framework.

Research approach, design and method: The article uses prior literature on the application of IFRS for SMEs in South Africa to construct a structured questionnaire which was completed by 103 qualified accounting practitioners operating in South Africa.

Main findings: Overall, the insights of accounting practitioners demonstrated reduced scepticism, as compared to previous research, concerning the extent to which the IFRS relieve the burden of financial reporting in the SME sector.

Practical/managerial implications: The design of an accounting framework affects its use by accounting practitioners. Decisions usefulness theory demonstrates that standard setters should familiarise themselves with the challenges faced by accounting user groups to improve the relevance and reliability of financial statements.

Contribution/value-add: This article will be useful to policymakers in debates regarding the appropriateness of IFRS for SMEs as a reporting framework and whether amendments are required. More specifically, whether amendments are required in relation to reducing the burden of financial reporting even further for smaller-scale SMEs.

Keywords: Financial reporting; IFRS; SMEs; South Africa.

Introduction

The role of small to medium-sized entities (SMEs) in the development of South Africa continues to be at the forefront of policy discussions by government (Small Enterprise Development Agency 2018). In a general sense, the growth of SMEs in developing countries accelerates wider socio-economic mandates, such as the alleviation of poverty (Abor & Quartey 2010). Considering the difficult economic climate, which is compounded by slow growth in South Africa, it is important that support be given to the promotion of SMEs to enable them to have a positive impact on the South African economy (Small Enterprise Development Agency 2018).

The International Financial Reporting Standards (IFRS) framework for SMEs is derived from the full IFRS and was pioneered by the International Accounting Standards Board (IASB) with the objective of simplifying the complex and onerous requirements contained in the latter (IASB 2015a; Perera & Chand 2015). An exposure draft for a proposed reporting framework designed to meet the needs of SMEs (IFRS for SMEs) was published in February 2007 and issued by the IASB in 2009 (IASB 2015b). As of May 2011, the *Companies Act* (No. 71 of 2008) which provides a choice of accounting frameworks between full the IFRS or IFRS for SMEs, came into effect (Department of Trade and Industry 2008).

The initial adoption of the IFRS for SMEs in 2007 in South Africa was considered to be a step in the right direction (Van Wyk & Rossouw 2009, 2011) but also possibly premature as evidenced by the fact that the South African Institute of Chartered Accountants (SAICA) subsequently called for further simplification of the IFRS for SMEs and later began a process of developing Micro General Accepted Accounting Principles (GAAP) (Schutte & Buys 2011a). It is against this backdrop that this article explores the perceptions of qualified accounting practitioners in the current South African SME market.

The design of a reporting framework for SMEs should result in financial information which is relevant and reliable, enabling users to make accurate economic decisions (Dandago & Hassan 2013; IASB 2015a; Maseko & Manyani 2011). A reporting framework can have a meaningful impact on users when the challenges faced by those users are understood by standard setters (Jabbar 2017). The success of the IFRS for SMEs depends on accounting practitioners and other users providing valid insights on the reporting framework. The purpose of this article is to measure the insights of accounting practitioners in relation to the IFRS for SMEs. Much in line with Williams and Ravenscroft (2015), the accounting practitioner has the duty to determine what information will be most useful to users. This assertion is based on their industry and accounting knowledge relative to that of other users of financial statements (Williams & Ravenscroft 2015).

This article contributes to a limited body of literature on the IFRS for SMEs from the perspective of accounting practitioners in a South African context (Aboagye-Otchere & Agbeibor 2012; Eierle & Schönefeldt 2010; Mohamed, Yasseen & Omarjee 2019; Tudor & Mutiu 2008; Uyar & Güngörmüş 2013). The article explores the extent to which IFRS for SMEs have been accepted by accounting practitioners considering amendments to the reporting framework which have been effective since January 2017 (see Amendments to IFRS for SMEs).

The remainder of the article is arranged as follows: The article first provides a review of the literature which frames the main features included in the structured survey. Next the research methodology is established. An analysis of the results is included in the Findings section and, lastly, concluding statements are made. This research is not without limitations. These limitations highlight areas for future research and are included in the Conclusion.

Literature review

The article uses an approach where meta-summaries of prior literature are utilised to identify, collect and evaluate a body of literature (Engelbrecht, Yasseen & Omarjee 2018; Onwuegbuzie & Frels 2016). In constructing the research instrument (a structured survey), IFRS for SMEs are discussed from a South African perspective. The users of the financial statements are defined next for the context of this study. Prior South African studies present the existing insights of accounting practitioners regarding IFRS for SMEs (Mohamed et al. 2019; Stainbank 2017; Van Wyk & Rossouw 2009, 2011). The benefits and challenges of IFRS for SMEs are examined to contextualise the reporting realities faced by South African accounting practitioners. Lastly, recent amendments to IFRS for SMEs are studied to complete the construction of the research instrument.

Development of the research instrument

International Financial Reporting Standards for small and medium-sized entities in South Africa

An SME may be described in several ways and according to a few different thresholds (IASB 2015b; Samujh 2007; Schutte & Buys 2011b; Uyar & Güngörmüş 2013; Van Wyk & Rossouw 2009, 2011). The definition of SMEs as provided by the IASB relates to entities that do not have public accountability[1] and do not publish general purpose financial statements for external users (IASB 2015a). For the purposes of this article, the definition of an SME incorporates those entities defined by the IASB and includes those formally registered entities that are either required to, or have the option to, adopt the IFRS for SMEs in terms of South African law. This includes entities with a public interest score (PI score[2]) of less than 100 as, even though no specific accounting framework is prescribed in the *Companies Act* (No. 71 of 2008) for these entities, the IFRS for SMEs remain a reporting framework option (Department of Trade and Industry 2011).

In 2007 South Africa became the first country in the world to adopt the exposure draft for the IFRS for SMEs, a statement of GAAP for SMEs. Consequently, there are now two formal, internationally recognised tiers of accounting frameworks in South Africa, full IFRS and IFRS from SMEs. The implementation of the *Companies Act*, effective 01 May 2011, provided legal backing for this differential reporting with the intention of promoting entrepreneurship, reducing the regulatory burden of smaller companies and enhancing the transparency and accountability of larger corporations (Department of Trade and Industry 2011).

Differential reporting pertains to a situation in which different accounting frameworks may be better suited to different entities and are applied as such. The need for differential reporting is determined on both the basis of the needs of users and an analysis of its costs versus its benefits (IASB 2015b). In developing the IFRS for SMEs, the IASB had in mind a certain category of users who would benefit from financial statements prepared according to the IFRS for SMEs and included banks that make loans to SMEs, vendors who sell to SMEs and use SME financial statements to make credit and pricing decisions,

1. An entity has public accountability if (1) 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 (2) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (IASB 2015a).

2. PI scores are determined in Regulation 27 of the *Companies Act* (No. 71 of 2008) which determines a company's level of public interest. Regulation 27 mandates that public companies not listed on an exchange, profit companies whose PI score for a particular year is at least 350, profit companies that hold assets in excess of R5 million in a fiduciary capacity, profit companies with a PI score of at least 100 but less than 350 and profit companies with a public interest score of less than 100 and whose financial statements are independently compiled should make use of IFRS for SMEs. For profit companies with a PI score of less than 100 and whose financial statements are internally compiled, a financial reporting framework may be determined at the discretion of the company (Department of Trade and Industry 2011).

credit rating agencies, customers of SMEs who use SME financial statements to decide whether or not to do business with the SME and shareholders of SMEs who are not also managers of their SMEs (IASB 2015b). Considering the needs of the intended users and in terms of the cost-benefit considerations, the IFRS for SMEs were developed by extracting the fundamental concepts in the full IFRS and by taking into account the appropriate accounting treatment. The measurement and recognition principles contained in the full IFRS were also simplified by the inclusion of the simpler option in cases where the full IFRS provided more than one option (IASB 2015b). The question is whether this move addresses the cost-benefit considerations for all SMEs.

Users of the financial statements

To tackle the perceptions of accounting practitioners, it must be known who the users of the financial statements are, as well as what obstacles are faced by those users in making decisions related to the financial statements (Jabbar 2017). Users of the financial statements are broadly defined by the IASB. They include banks that make loans to SMEs, vendors that sell to SMEs and use SME financial statements to make credit and pricing decisions, credit rating agencies, customers of SMEs that use SME financial statements to decide whether or not to do business with the SME and shareholders of SMEs who are not also managers of their SMEs (IASB 2015a). Taxation authorities and owner-managers were not included as users (IASB 2015a). The study was limited to the views on the IFRS for SMEs from the perspective of South African accounting practitioners and not the users of financial statements prepared according to the IFRS for SMEs. However, this article does touch on other user perceptions (as defined by the IASB), through the insights given by the accounting practitioner.

Gaining access to the insights of accounting practitioners in the process of creating or improving standards should be at the forefront for standard setting bodies (Jabbar 2017). The mandate of the accounting practitioner is to add value by enhancing the relevance and reliability of financial information (Dandago & Hassan 2013). Accounting frameworks, such as the IFRS for SMEs, assist in this through the inclusion of relevant policies which reduce reporting challenges.

Prior studies on perceptions of the International Financial Reporting Standards for small and medium-sized entities

A review of prior studies that explored the views of accounting practitioners of the IFRS for SMEs shows a progression of views from the inception of the IFRS for SMEs. Stainbank (2008) found that multiple reporting needs exist in the South African economy for which different reporting frameworks may be suited. Consistent with this view, Van Wyk and Rossouw (2011) found that preparers were generally sceptical of the then-new IFRS for SMEs and recommended a third differential framework or Micro GAAP may be necessary to fill the space for smaller SMEs. This indicates that users of IFRS for SMEs may not be accepting the framework in its current form and require more refining to be done by the IASB.

Mohamed et al. (2019) explored the application of IFRS for SMEs from a legitimacy theoretical point of view using semi-structured interviews. The study was qualitative in nature and provided possible explanations as to why factors such as age of accounting practitioners, the use of automated software and South African legislative requirements affect the relative merit of IFRS for SMEs (Mohamed et al. 2019).

Benefits and challenges associated with the reporting framework

Prior studies have identified both the benefits and challenges associated with the implementation of the IFRS for SMEs as perceived by those who prepare the accounting information (Arsoy & Sipahi 2007; Bartůňková 2012; Kiliçaa, Atamanc & Uyar 2014; Uyar & Güngörmüş 2013). Arsoy and Sipahi (2007), for example, provide an analysis of the strengths, weaknesses, opportunities and threats involved in the adoption of the IFRS for SMEs while Uyar and Güngörmüş (2013) explore the perceptions of accounting practitioners within a Turkish context. The main perceived obstacles to the adoption of the IFRS for SMEs were found to be inadequate training of personnel and the lack of training provided by professional bodies (Uyar & Güngörmüş 2013). Hussain, Chand, and Rani (2012) argue that a major challenge encountered in the successful adoption of the IFRS for SMEs is the adequate provision of the training to equip practitioners with the ability to prepare financial statements. The adequate provision of training was an even bigger challenge when practitioners had not prepared reports in accordance with the full IFRS. These sentiments were echoed by Bartůňková (2012) who found that the main factor that reduced the willingness to prepare financial statements was a lack of knowledge of the accounting standard.

The perceived benefits of the adoption of the IFRS for SMEs included the ease in soliciting financing sources, the comparability of the financial statements of SMEs, the increased reliability of the SME financial statements, enhanced efficiency in auditing, ease of rating SMEs by credit rating agencies, ease in transition to full IFRS, and increase in efficiency of cross-border activities (Uyar & Güngörmüş 2013).

Amendments to International Financial Reporting Standards for small and medium-sized entities (2009)

As part the result of the first comprehensive review of IFRS for SMEs in 2012, the IASB published amendments to IFRS for SMEs. The amendments (effective for annual periods on or after 01 January 2017) affect 21 of the 31 sections of the standards and are mostly considered minor by accounting professionals as seen by PKF (2015), with the noteworthy policy changes discussed below.

The option to revalue items of plant, property and equipment (PPE) was one of the significant amendments to the IFRS for SMEs as a result of the IASB acknowledging that the exclusion of the revaluation option appeared to be a significant impediment to the adoption of the IFRS for SMEs in some jurisdictions (IASB 2015b). Another significant change to the IFRS for SMEs was that the main recognition and measurement requirements of Section 29 were aligned with those in IAS 12 – Income Taxes. In respect of certain requirements of the amended Section 29, the IASB noted that most SMEs would do similar types of transactions each year and that, once the deferred tax implications were understood, the subsequent accounting would be relatively straightforward (IASB 2015b). In reality, the effect of changes to the reporting framework can increase costs for an SME. It also raises the question of whether some of the more complex valuation concepts are understood and effectively used by accounting practitioners. The results suggest that a third tier of reporting framework can be more relevant more smaller SMEs.

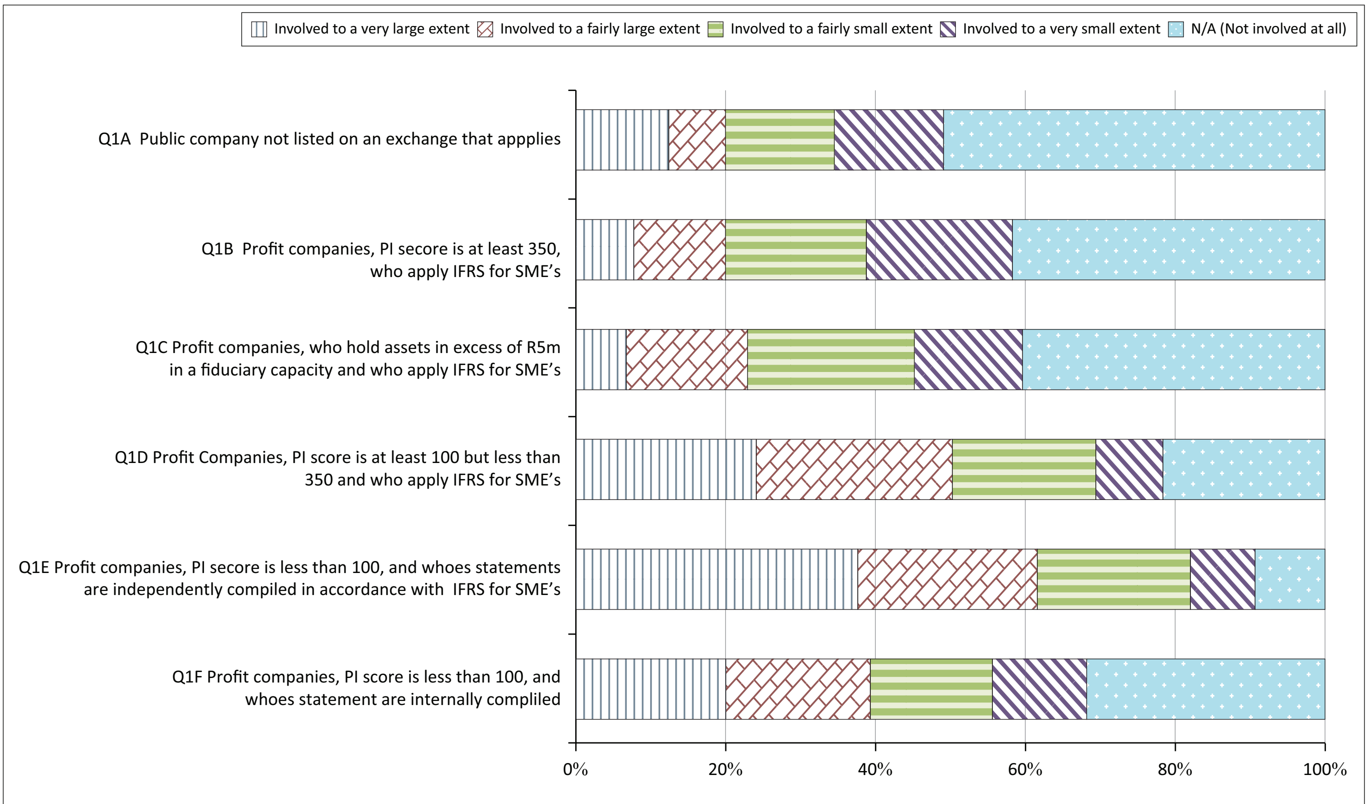
Methodology

The research is quantitative and makes use of a questionnaire method. A structured questionnaire consisting of Likert-type questions was completed by 103 attendees of various seminars hosted by a South African Professional Accounting Organisation (PAO) in January 2017. This method was selected as measurements about attitudes and opinions can be elicited most effectively and efficiently using survey (Carmichael & Swieringa 1968).

To ensure construct validity, the design of the questionnaire was based on emergent themes evident from prior literature presented in the literature review (Dimi, Padia & Maroun 2014; Van Beest, Braam & Boelens 2009). The questionnaire was also piloted in January 2017 by two senior researchers before the main study was conducted. One researcher is a professor in academia with an established research record and the other is a visiting professor with practical experience gained through working for the IASB. The involvement of the researchers further strengthened construct validity.

A purposive sample of accounting practitioners is utilised in this research. An accounting practitioner is defined as a professional member in practice who possesses an adequate level of practical experience with the IFRS for SMEs. This is consistent with the approach taken in similar studies (Mohamed et al. 2019; Van Wyk & Rossouw 2009). Members of a local, International Federation of Accountants (IFAC) accredited PAO were selected as they are assumed to be knowledgeable in accounting and to understand the information needs of their clients (including SMEs) with regard to financial reporting. Members of the PAO must write professional exams which are accredited by the IFAC. Members have an enhanced understanding of the application of reporting standards. In order to establish their background, respondents were asked to indicate their level of involvement with the various categories of companies that have the option to apply the IFRS for SMEs in terms of the *Companies Act* (No. 71 of 2008). This is shown in Figure 1.

Of the 130 questionnaires received by the researchers, only 103 were considered for use in his study. 27 questionnaires were discarded based on being incomplete or due to the respondent not being involved, in any capacity,



PI, Public interest; IFRS for SMEs, International Financial Reporting Standards for small and medium-sized entities.

FIGURE 1: Respondents' involvement with unlisted and non-publicly accountable entities.

TABLE 1: Extent of practitioners' belief that the International Financial Reporting Standards for small and medium-sized entities had relieved the burden of financial reporting.

Variables	Strongly agree (%)	Agree (%)	Uncertain (%)	Disagree (%)	Strongly disagree (%)
Public company not listed on an exchange that applies IFRS for SMEs	21.40	30.40	42.90	5.40	0.00
Profit companies, PI score is at least 350, that apply IFRS for SMEs	30.40	37.70	27.50	4.30	0.00
Profit companies, that hold assets in excess of R5 million in a fiduciary capacity and apply IFRS for SMEs	28.80	39.70	23.30	8.20	0.00
Profit companies, PI score is at least 100 but less than 350 and that apply IFRS for SMEs	28.60	39.30	22.60	8.30	1.20
Profit companies, PI score is less than 100, and the statements of which are independently compiled in accordance with IFRS for SMEs	32.30	38.70	18.30	9.70	1.10
Profit companies, PI score is less than 100, and the statements of which are internally compiled	36.60	36.60	15.50	8.50	2.80

PI, Public interest; IFRS for SMEs, International Financial Reporting Standards for small and medium-sized entities.

with unlisted and non-publicly accountable entities. By discarding these questionnaires, the researchers ensure that all respondents were involved to some degree with entities that apply the IFRS for SMEs (see IFRS for SMEs in South Africa for a full list of entities that are required or have the option to use IFRS for SMEs).

This research was quantitative as measurable data from prior studies was used to construct the research instrument. This research is grounded on the foundations of positivism as the social view of the accounting practitioner is analysed using a scientific method to uncover trends and quantifiable meaning within the data. The research was undertaken to provide an exploratory base with the aim of identifying views on the IFRS for SMEs. The sampling was purposive as the researchers wanted insight into the views of the selected group.

As Likert-type data is quantifiable (strongly agree – 5, agree – 4, uncertain – 3, disagree – 2 and strongly disagree – 1), the researcher was able to perform various descriptive statistics procedures on the data. Initial descriptive statistics, which included the mean and standard deviation, were generated using a statistical program. The scores were used to generate a data frequency table and descriptive statistics in the form of the mean and standard deviation to obtain an understanding of the spread of the data (Leedy & Ormrod 2013).

Ethical consideration

Ethical clearance was obtained from the University of the Witwatersrand, reference number: CACCN/111, 15 October 2018.

Findings

Burden of financial reporting

Respondents were asked the extent to which they agreed that the IFRS for SMEs had relieved the burden of financial reporting for those companies that apply the IFRS for SMEs. Their opinions are presented in Table 1.

As can be seen from Table 1, most respondents agreed that, for each type of company, the IFRS for SMEs have relieved the burden of financial reporting. The proportions of responses of each company, as presented in Table 1, also appeared to be uniform in comparison to one another. An exception to the uniformity was the uncertain category which showed an outlier at 42% for public companies not listed on an exchange. It is inherent in the structure of the questionnaire that a large proportion of respondents would be uncertain as not all respondents have experience in each type of entity that uses the IFRS for SMEs. In instances where practitioners did not believe that the IFRS for SMEs had granted relief for each category of company, a larger percentage of the practitioners were uncertain as opposed to disagreeing.

When the IFRS for SMEs was introduced in South Africa, Van Wyk and Rossouw (2009) asked whether practitioners felt that the IFRS for SMEs would reduce the burden of financial reporting. Most of the respondents were sceptical and of the opinion that the IFRS for SMEs would not address the burden of a full IFRS, or of the opinion that the IFRS for SMEs would relieve the burden to some degree only (Van Wyk & Rossouw 2009). The results of this study suggest a higher level of acceptance of the IFRS for SMEs in a contemporary setting as most respondents replied positively as seen in Table 1. This suggests that there has been a slight, positive shift in the attitudes of accounting practitioners using the IFRS for SMEs to prepare financial statements.

Reporting requirements of intended users

The mandate of simplification which resulted in the creation of the IFRS for SMEs was based, in part, on the needs of the users (IASB 2015b). The application of the IFRS for SMEs was intended for the preparation of general-purpose financial statements[3] (IASB 2015a). The respondents were asked the extent to which they agreed that the application of the IFRS for SMEs addressed the reporting requirements of the five groupings of users categorised by the IASB (2015b). The results are seen in Table 2.

It must be noted that the response is the accounting practitioners' view of how the users (listed in Table 2) are being served by the IFRS for SMEs. The researchers see their view as relevant because the accounting practitioner works closely with the users outlined by the IASB, either directly or

3. General-purpose financial statements are those financial statements that are intended to meet the needs of users who are not in the position to expect an entity to prepare tailor-made reports to suit their individual purposes.

TABLE 2: Extent to which the International Financial Reporting Standards for small and medium-sized entities had addressed the reporting requirements of its intended users.

Variables	Strongly agree (%)	Agree (%)	Uncertain (%)	Disagree (%)	Strongly disagree (%)
Banks that make loans to SMEs	27.20	37.90	22.30	9.70	2.90
Vendors who sell to SMEs and use SME financial statements to make credit and pricing decisions	19.40	48.50	20.40	10.70	1.00
Credit rating agencies	17.50	37.90	36.90	6.80	1.00
Customers of SMEs who use SME financial statements to decide whether to do business	15.50	48.50	22.30	10.70	2.90
SME shareholders who are not also managers of their SMEs	20.40	38.80	30.10	9.70	1.00

IFRS for SMEs, International Financial Reporting Standards for small and medium-sized entities.

TABLE 3: Extent to which practitioners believed benefits to be applicable to the use of the International Financial Reporting Standards for small and medium-sized entities.

Variables	Strongly agree (%)	Agree (%)	Uncertain (%)	Disagree (%)	Strongly disagree (%)
IFRS for SMEs has eased the transition to the full set of IFRS for growing SMEs	30.40	44.10	20.60	2.90	2.00
Adopting IFRS for SMEs has improved the opportunities to obtain financial assistance from the banking sector	15.70	46.10	26.50	9.80	2.00
Adopting IFRS for SMEs has improved the efficiency and effectiveness of our company's financial reporting	24.50	51.00	13.70	8.80	2.00
IFRS for SMEs has increased the relevance and reliability of the information	24.50	46.10	20.60	6.90	2.00
The transparency of information has increased	22.50	41.20	22.50	11.80	2.00
Financial statements are more understandable	28.40	43.10	12.70	12.70	2.90

IFRS for SMEs, International Financial Reporting Standards for small and medium-sized entities.

TABLE 4: Extent to which practitioners agreed with the challenges of using the International Financial Reporting Standards for small and medium-sized entities.

Variables	Strongly agree (%)	Agree (%)	Uncertain (%)	Disagree (%)	Strongly disagree (%)
Training of staff is time-consuming and costly	15.50	35.90	9.70	35.00	3.90
IFRS for SMEs are too complex and do not provide adequate guidance for preparers	9.80	22.50	12.70	41.20	13.70
IFRS for SMEs are written in a style for general accounting use, making them difficult to apply	7.80	29.10	17.50	34.00	11.70
IFRS for SMEs are too difficult to apply because of the detail given per topic in the standards	7.80	17.50	19.40	41.70	13.60
IFRS for SMEs require disclosure of information making their application cumbersome for preparers	9.70	25.20	20.40	35.90	8.70
The SMEs in South Africa do not have staff sufficiently qualified to apply IFRS for SMEs	19.40	32.00	13.60	23.30	11.70

IFRS for SMEs, International Financial Reporting Standards for small and medium-sized entities.

indirectly (through feedback from the client on the reception by the users of the preparation of the financial statements). The magnitude of uncertain responses is expected as although an accounting practitioner may have experience with the IFRS for SMEs, they may not have proficiency within all user groups. Most respondents agreed that the IFRS for SMEs were suitable for serving each of the relevant user groups. In addition, the mean value calculated for each user group was below the middle value of 3 and closer to a value of 2. This confirmed that respondents believed the IFRS for SMEs had addressed the needs of each user group. Financial statements of SMEs were perceived as being most useful to vendors that sell to SMEs for the purposes of making credit and pricing decisions and to banks that make loans to SMEs. These two user groups were found to have the highest average scores of 2.25 and 2.23.

Benefits and challenges associated with the International Financial Reporting Standards for small and medium-sized entities

Based on prior studies, as described earlier, the sample of accounting practitioners was asked about the extent to which they agreed with a list of benefits and challenges related to applying the IFRS for SMEs. On average, the respondents noted that the implementation of the IFRS for SMEs was more beneficial than not. The responses to the benefits of applying the IFRS for SMEs in South Africa are displayed in Table 3 and the responses to the challenges of applying the IFRS for SMEs are seen in Table 4.

It appears that the main benefits relate to the way the IFRS for SMEs has helped SMEs to transition to the full IFRS, and the improvement of a company's financial reporting system in terms of efficiency and effectiveness. In addition, these two benefits exhibited the highest mean scores of 2.02 and 2.13.

Table 4 shows mixed results as to whether the IFRS for SMEs have also proved burdensome in terms of the cost and time invested in training. Half (51%) of the respondents strongly agreed or agreed with the statement, while 38% disagreed or strongly disagreed. This finding could indicate that SMEs are not putting adequate resources into staff training.

Regarding challenges of a technical nature, the majority (54%) of the respondents disagreed that the IFRS for SMEs were too complex and should incorporate additional guidance. Only 36.9% of respondents agreed that the IFRS for SMEs were written in a style suited to general accounting, making it difficult to use. Of the remaining 63.1%, the majority (45.7%) either disagreed or strongly disagreed with

TABLE 5: Perceived level of understanding of the valuation concepts and methods.

Variables	Very well (%)	Well (%)	Uncertain (%)	Not well (%)	Not at all (%)
Fair value	26.20	53.40	6.80	11.70	1.90
Fair value less costs to sell	21.40	54.40	10.70	12.60	1.00
Residual value	24.30	54.40	9.70	10.70	1.00
Historical cost	41.70	46.60	3.90	5.80	1.90
Value in use	20.40	41.70	21.40	14.60	1.90
Carrying amount	37.90	49.50	4.90	6.80	1.00
Recoverable amount	25.50	43.10	15.70	14.70	1.00
Net realisable value	24.50	46.10	10.80	16.70	2.00
Intrinsic value	8.70	25.20	28.20	27.20	10.70

this challenge while the remaining 17.5% were uncertain. Many of the respondents (55.3%) believe that the IFRS for SMEs are not too difficult to apply because of the detail given per topic. While 43.6% disagreed that the IFRS for SMEs required the disclosure of information making their application cumbersome, only 34.9% of the respondents agreed that this was a challenge. It is important to consider the development of technology since the inception of differential reporting in South Africa. Several automated drafting systems based on the IFRS for SMEs are currently available. It is possible that the use of such software systems may mask the technicalities associated with the standards as the use of drop-down options within these software systems can, for example, ease the application of the IFRS for SMEs for practitioners. This may result in practitioners becoming over-reliant on drafting software and disillusioned regarding the level of difficulty in applying the technical requirements of the standards.

Findings on cost and time constraints involved in staff training on the application of IFRS for SMEs are consistent with the arguments presented by Hussain et al. (2012). That study argues that the adequate provision of the training was a major challenge, especially for practitioners who have not prepared reports in accordance with the full IFRS. In addition, Uyar and Güngörmüş (2013) suggest that the experience of a practitioner does not impact on their knowledge of the IFRS for SMEs but that aspects such as training and level of education have a stronger impact on the understanding of the IFRS for SMEs. Considering this, it would be noteworthy to explore the types of training afforded to practitioners, as well as an assessment of the effectiveness of this training. Currently, most tertiary institutions base their accounting curricula on the full IFRS. Perhaps the effectiveness of training revolves around the nature of accounting studies at a tertiary level. Future research is needed to explore the merit of introducing the IFRS for SMEs into the curricula.

Many of the important aspects of the IFRS for SMEs relate to measurement or valuation concepts. The study conducted by Uyar and Güngörmüş (2013) found that practitioners were moderately informed regarding certain valuation concepts in the IFRS for SMEs. Like in Uyar and Güngörmüş's study, the respondents in this research were asked about the extent to which selected valuation concepts were understood by practitioners as this might provide insight into the concepts believed to be challenging. The results of this question are presented in Table 5.

Table 5 indicates that valuation methods were believed to be well understood by the practitioners. Measurement concepts related to historical cost and carrying amount were perceived as best understood. The findings of Uyar and Güngörmüş (2013) also indicate that historical cost and carrying amount were best known valuation methods or concepts so the IFRS for SMEs may benefit from a shift from fair value accounting to cost accounting. A change in this direction may improve the perceptions of accounting practitioners.

The fair valuing of items in the financial statements is often a costly exercise for smaller entities. Research conducted by Schutte and Buys (2011b) suggests that fair value accounting and the disclosure of impairment losses was not a popular practice with SMEs in South Africa. It is possible that the respondents in this study had answered the question in a theoretical sense and without any reference to the practical application of these valuation methods. The perceived high level of understanding of these concepts is reassuring, considering that the simplification contained in the IFRS for SMEs lies partly in the simplification of the valuation concepts.

Perceived usefulness of recent amendments to International Financial Reporting Standards for small and medium-sized entities

The respondents were asked about the extent to which they agreed with three statements pertaining to the updated version of the IFRS for SMEs. The first statement asked whether the updated version of the IFRS for SMEs provided clarification of its requirements, giving a better understanding of the IFRS for SMEs. The majority (67%) of respondents strongly agreed or agreed with this statement. Of the percentage of respondents who did not agree with the first statement, a larger percentage answered that they were uncertain about the statement (27.2%) as opposed to those disagreeing with the statement (5.8%).

Most of the respondents (56.3%) indicated that allowing SMEs the option to revalue items of PPE has made the standards a more attractive option and encouraged their adoption in South Africa.

The mean of 2.58 provided evidence that the sample of practitioners believed that the alignment of income taxes with IAS 12 has not added to the complexity of the accounting for income taxes for SMEs. Overall it appears that accounting practitioners appear satisfied with the direction being taken by the IASB relating to IFRS for SMEs.

Conclusion

South Africa formally introduced differential reporting into its accounting framework on the adoption of the IFRS for SMEs. The *Companies Act* (No. 71 of 2008) became effective in May 2011 and serves as a means of regulating companies that are either required, or have the option, to apply the IFRS for SMEs. In the infancy of the IFRS for SMEs, it was believed that its adoption may have been a step in the right direction but that the accounting framework may not serve its intended purpose for smaller SMEs (or micro-entities). This study investigated the recent insights of South African practitioners on the IFRS for SMEs 10 years since their adoption in South Africa.

The results suggest positive aspects that have been experienced since the initial adoption of the IFRS for SMEs. The belief of the accounting practitioners in this study that the IFRS for SMEs have relieved the burden of financial reporting suggests their merit in the SME reporting arena. Although some were uncertain, the sample of practitioners also believed that there were more benefits than there were disadvantages to the application of the IFRS for SMEs, with the main disadvantages relating to the training and level of expertise of professionals applying or using the framework.

Future research is needed to assess the adequacy of the forms of training currently afforded to practitioners and staff within SMEs, as well as the identification of the practical challenges faced by practitioners when receiving training (the high costs of training for SMEs, for example). There is also the possibility that views on the technical application of the standards may be influenced by the use of automated software, which is becoming increasingly popular among practitioners for drafting financial statements. This is an inherent limitation, the ramifications of which can be further explored.

The study reveals that the IFRS for SMEs are not considered to be technically burdensome; for example, the valuation concepts on which the measurement requirements are based were well understood. In addition, overall practitioners seemed to be comfortable in applying the requirements of the standards. The purpose of this study is, however, not to obtain a detailed understanding of the content of the IFRS for SMEs.

The overall improved perceptions by those making use of the IFRS for SMEs indicate that the IASB is on the right track to reducing the financial reporting burden for SMEs in South Africa. This success does not preclude the framework from evolving (for example through the addition of a simpler, third tier Micro GAAP framework). Micro GAAP could further reduce the reporting burden for SMEs that have PI score of less than 100.

In terms of the users of financial statements, while the survey results did suggest that the needs of the users as recognised by the IASB were being met by the IFRS for SMEs, future research is needed to draw a definitive conclusion regarding the added value of using a set of financial statements based on the IFRS for SMEs from the perspective of each of these users.

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Competing interests

The authors have declared that no competing interest exists.

Authors' contributions

W.M. collected the data, interpreted the results and outlined the research agenda. Y.Y. provided integral supervision of the entire research project (assisting with both data collection and analysis) and N.N. co-wrote the literature and made conceptual contributions.

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