

## Circular

**Messrs. Full Members,**

Having examined whether a small and medium-sized entity (SME) that is permitted to apply the International Financial Reporting Standards (IFRS) for SMEs Accounting Standard could apply the full IFRS Accounting Standards and, in subsequent periods, revert to applying the SMEs Accounting Standard; and

Having discussed and considered international experiences in that regard;

**The Accounting Standards Committee of the Saudi Organization for Chartered and Professional Accountants has decided that an entity which is not subject to public accountability may apply the full IFRS Accounting Standards, instead of the SMEs Accounting Standard, provided that the entity:**

- 1. applies all IFRS Accounting Standards that are applicable to it; and**
- 2. continues to apply the full IFRS Accounting Standards and doesn't revert to applying the SMEs Accounting Standard unless a significant change in its status occurs such that the high costs and efforts for the preparation of financial statements in accordance with the full IFRS Accounting Standards are no longer justifiable when compared to those for the preparation of financial statements in accordance with the SMEs Accounting Standard. For example:**
  - a. The control over an SME is transferred to an entity that applies the SMEs Accounting Standard, provided that such control is not temporary, or the SME is no longer controlled by an entity that applies the full IFRS Accounting Standards.**
  - b. An SME undergoes a material restructuring leading to a significant reduction in its operations such that the high costs and efforts for the preparation of financial statements in accordance with the full IFRS Accounting Standards cannot be justified by the corresponding benefit.**

For your information.

Kind Regards,

**Secretary General**

**Dr. Ahmed Almeghames**