



Republic of the Philippines
Department of Trade and Industry
Securities and Exchange Commission
SEC Bldg. EDSA, Greenhills, Mandaluyong City

NOTICE

Notice is hereby given that the Commission En Banc in its meeting of **03 December 2009** resolved to adopt the Philippine Financial Reporting Standards for Small and Medium Entities ("*PFRS for SMEs*") as part of its rules and regulations. The *PFRS for SMEs* were adopted on 13 October 2009 by the Philippine Financial Reporting Standards Council from the International Financial Reporting Standards (IFRS) for Small and Medium Entities issued by the International Accounting Standards Board.

In this *PFRS for SMEs*, many of the principles in full Philippine Financial Reporting Standards (PFRS) for recognizing and measuring assets, liabilities, income and expenses have been simplified, topics that are not relevant to small and medium entities (SMEs) have been omitted, and the required disclosures have been significantly reduced.

As the *PFRS for SMEs* is a stand-alone standard, it includes a section on the concepts and pervasive principles that underlie the financial statements of SMEs. These concepts address various issues including the objective of financial statements for SMEs, the qualitative characteristics of information contained in those financial statements, and general recognition and measurement principles.

A complete set of financial statements of an entity reporting under the *PFRS for SMEs* is similar to that provided for by full PFRS. It requires the following documents:

- (1) A statement of financial position;
- (2) Either a single statement of comprehensive income, or a separate income statements and a separate statement of comprehensive income;
- (3) A statement of changes in equity;
- (4) A statement of cash flows;
- (5) Notes including a summary of significant accounting policies.

Comparative information in respect of the previous comparable period must be included, although an opening statement of financial position is not needed in the instances described by PAS 1 *Presentation of Financial Statements*. The *PFRS for SMEs* includes a set of illustrative financial statements and a presentation and disclosure checklist to assist entities in the preparation of their financial statements.

PFRS for SMEs has transition rules that apply equally to all entities on first-time adoption of the standards. The transition rules are based on the requirements of PFRS 1 *First-time Adoption of International Financial Reporting Standards* but, in certain cases, the standard has been designed to make the transition rules simpler to apply.

PFRS for SMEs shall cover corporations that:

- (a) Have total assets of between P3 Million and P350 Million or total liabilities of between P3 Million and P250 Million;
- (b) Are not required to file financial statements under SRC Rule 68.1;
- (c) Are not in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market;
- (d) Are not holders of secondary licenses issued by a regulatory agency, such as banks, investment houses, finance companies, insurance companies, securities broker/dealers, mutual funds and pre-need companies; and
- (e) Are not public utilities.

Entities that meet all of the foregoing criteria shall apply *PFRS for SMEs* for annual periods beginning 01 January 2010.

Copies of the *PFRS for SMEs* are available at the offices of the Philippine Institute of Certified Public Accountants.

Issued this 11th day of December 2009, Mandaluyong City, Philippines.

For the Commission:


FE B. BARIN
Chairperson