INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OF UGANDA

The IFRS for SMEs Accounting Standard

IMPLEMENTATION GUIDELINES

REVISED 2024

ABOUT ICPAU

The Institute of Certified Public Accountants of Uganda (ICPAU) was established in 1992 by the Accountants Act, Cap 266 now the Accountants Act, 2013 (the Act). The functions of the Institute as prescribed by the Act are to regulate and maintain the standard of accountancy in Uganda and to prescribe and regulate the conduct of accountants and practising accountants in the country.

The Council of ICPAU is mandated under Section 12(r) of the Accountants Act, 2013 to advise the Government on financial accountability and management matters in all sectors of the economy.

ICPAU is dedicated to serving the public interest by strengthening the profession and contributing to the growth and development of Uganda's economy.

Vision

A globally recognized promoter of accountants for sustainable economies.

Mission

To develop and regulate accountants for professional excellence and sustainable impact.

Core Values

1) Professional Excellence
2) Accountability
3) Integrity
4) Responsiveness

International Affiliations

The Institute is a member of the International Federation of Accountants (IFAC) and the Pan African Federation of Accountants (PAFA).

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1.0 INTRODUCTION

1.1 Establishment of ICPAU

The Institute of Certified Public Accountants of Uganda (ICPAU) was established in 1992 by the Accountants Act, Cap 266 now replaced by the Accountants Act, 2013. The functions of the Institute, as prescribed by the Act, are:

(i) To regulate and maintain the standard of accountancy in Uganda;

(ii) To prescribe and regulate the conduct of accountants and practising accountants in Uganda.

1.2 IFRS Accounting Standards

Since 1998, the Council of ICPAU adopted the International Financial Reporting Standards (the IFRS Accounting Standards) as issued by the International Accounting Standards Board (IASB), without any modification, for application in Uganda. Consequently, new or amended IFRS Accounting Standards and interpretations become applicable as and when they are issued by the IASB.

The IFRS Accounting Standards are designed to meet the financial reporting needs of private sector/profit-oriented entities.

1.3 The IFRS for SMEs Accounting Standard

In recognition of the cost and difficulty small and medium enterprises face in preparing fully compliant financial statements using the IFRS Accounting standards[1], the International Accounting Standards Board (IASB) developed the IFRS for SMEs Accounting Standard (SMEs Accounting Standard). The SMEs Accounting Standard was issued by the IASB on 9 July 2009 and later amended in May 2015.

SMEs Accounting Standard is a self-contained standard, designed to meet the needs and capabilities of small and medium-sized entities (SMEs).

The Council of ICPAU at its sitting of 7 December 2009 adopted the SMEs Accounting Standard as issued by the IASB, without any modification for accounting periods beginning on or after 1 January 2010. The development was published in a press release on Tuesday, 22 December 2009.

1.4 General Purpose Financial Reports

SMEs Accounting Standard is designed to apply to the general-purpose financial reports and other financial reporting of all profit-oriented entities. General-

[1] The IFRS Foundation Trade Mark Guidelines require, amongst other updates, that the set of standards issued by the IASB, including the IASs and the IFRSs, be referred to as “IFRS Accounting Standards

purpose financial reports are those directed to the general financial information needs of existing and potential investors, lenders and other creditors in making decisions relating to providing resources to the entity who are not in a position to demand reports tailored to meet their specific information needs.

2.0 SMALL AND MEDIUM-SIZED ENTITIES (SMEs)

SMEs Accounting Standard is intended for use by small and medium-sized entities (SMEs). The Institute has revised the definition of an SME in Uganda to facilitate the adoption of the standard.

2.1 Definition of an SME in Uganda

A small and medium-sized entity is defined as an entity:

a) That does **not have public accountability**;
b) That publishes general-purpose financial statements for external users. External users include but are not limited to;
   i. Owners not involved in day-to-day management;
   ii. Lenders;
   iii. Existing and potential suppliers;
   iv. Existing and potential customers;
   v. Credit rating agencies;
   vi. The Uganda Revenue Authority; and
   vii. Regulatory bodies such as the Bank of Uganda, the Electricity Regulatory Authority, and the Insurance Regulatory Authority.
c) Whose debt and equity instruments are NOT traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or is NOT in the process of issuing such instruments for trading in a public market; and
d) That does NOT hold funds in a fiduciary capacity for a broad group of outsiders as one of its primary businesses such as banks, credit unions, insurance companies, securities brokers/dealers, mutual funds, and investment banks.

2.2 Public Accountability

ICPAU has designated certain entities as being publicly accountable. These are Public Interest Entities that SHALL NOT use the SMEs Accounting Standard for financial reporting. They must use the IFRS Accounting Standards.

Publicly accountable entities include but are not limited to:

a) *An entity whose debt or equity instruments are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets) or is in the process of issuing such instruments for trading in a public market; or*
b) *An entity that holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for;*
    - *Financial institutions*[2] *and micro-finance deposit-taking institutions;*
    - *An entity that carries on insurance business under an insurance contract whether as an Insurer or re-insurer;*
    - *Retirement Benefits Schemes;*
    - *SACCOs;*[3] *or*
c) *A large company;*[4] *or*
d) *A payment system Operator; or*
e) *A capital market infrastructure provider (namely; approved and or licensed entity); or*
f) *A public organization, in which the State owns the whole or part of the proprietary interest or which is otherwise controlled directly or indirectly by the State, including parastatals, state enterprises, commissions, and authorities; or*
g) *A private entity in which the State has an equity interest; or*
h) *An entity, that borrows funds that are guaranteed by the Government of Uganda.*

The term 'entity' has been used to refer to a corporation, estate, trust, association, limited liability company, joint venture, or similar organization duly registered and or incorporated or both under any law in force in Uganda.

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[2] Financial institution means a company licensed to carry on or conduct financial institutions business in Uganda and includes a commercial bank, merchant bank, mortgage bank, post office savings bank, credit institution, a building society, an acceptance house, a discount house or any institution classified as a financial institution by the Central Bank.

[3] A SACCO referred to in this definition is one that meets at least two of the following criteria:

a) Voluntary savings of three billion (3,000,000,000) Uganda shillings and above; or
b) Institutional capital of one billion (1,000,000,000) Uganda shillings and above
c) Membership of 500 people and above

[4] A large company means an organisation limited by guarantee or shares as defined under S.4 of the Companies Act, 2012, and which on its balance sheet date exceeds the limits of two of the following criteria:

- balance sheet total –one hundred billion (100,000,000,000) Uganda Shillings;
- turnover –fifty billion (50,000,000,000) Uganda Shillings;
- average number of 500 employees during the accounting period.

2.3 Subsidiaries of Public Interest Entities/ Publicly Accountable Entities

Subsidiaries of entities that are public interest/ publicly accountable, that are not themselves public interest/ publicly accountable, are eligible to apply the SMEs Accounting Standard in preparing their statutory financial statements.

However, the accounting policies under the SMEs Accounting Standard may differ from those under the IFRS Accounting Standards, and therefore the financial results may have to be restated for group reporting purposes. In such circumstances, it may be more efficient for the subsidiary to continue to prepare its statutory financial statements under the IFRS Accounting Standards.

3.0 APPLICATION OF THE IFRS FOR SMEs ACCOUNTING STANDARD

Public Interest Entities/ Publicly Accountable Entities in Uganda SHALL present their financial statements in compliance with the IFRS Accounting Standards.

All entities that meet the definition of SMEs, and prepare general-purpose financial statements, ought to comply with the SMEs Accounting Standard and should indicate this in their financial statements.

The SMEs Accounting Standard is based on the IFRS Accounting Standards, with modifications to reflect the needs of users of SMEs' financial statements and cost-benefit considerations.

If a Public Interest Entity/ Publicly Accountable Entity uses the SMEs Accounting Standard, its financial statements SHALL NOT be described as conforming to the SMEs Accounting Standard even if law or regulation in Uganda permits or requires the SMEs Accounting Standard to be used by public interest entities/ publicly accountable entities.

4.0 EFFECTIVE DATE

The revised/ amended definition of a Public Interest Entity/ Publicly Accountable Entity and related provisions become effective for periods beginning on or after **December 15, 2024.** Early adoption will be permitted.

New or amended versions of the SMEs Accounting Standard and interpretations become applicable as and when they are issued by the IASB.

5.0 MAINTENANCE

The Council of ICPAU will continue to monitor the adoption of the SMEs Accounting Standard and will issue further guidance as and when appropriate.

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