



**AMENDMENTS TO REVISED
ACCOUNTING AND FINANCIAL
REPORTING STANDARD FOR
SMALL-SIZED ENTITIES**

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Introduction

This document sets out amendments to Revised Accounting and Financial Reporting Standard for Small-sized Entities (Revised AFRS for SSEs).

These amendments result from the enactment of the Companies Act 2017 and changes brought in by the Act, relating to the Revaluation surplus of property, plant and equipment.

The amendments in the following sections of AFRS for SMEs have been made:

- Framework
- Section 2: Property, Plant and Equipment
- Section 19: Accounting Policies, Changes in Accounting Estimates and Errors

The wordings added in the amended paragraphs are mentioned in green and also underlined. The wordings deleted from the paragraphs are struck-through in blue.

These amendments are applicable to the companies preparing financial statements under the Companies Act 2017, for the period ended on or after June 30, 2018.

Amendments to Framework

Following amendment made in the 'Introduction and Applicability' paragraph, consequent to the enactment of the Companies Act 2017 and applicability of the related third schedule.

Introduction and Applicability

The Accounting and Financial Reporting Standard for Small Sized Entities (hereinafter referred to as Standard) is applicable to financial statements of Small-sized Entities (SSEs). A Small Sized Company, defined in the ~~Third~~ Fifth Schedule to the Companies Act, 2017 ~~CO-1984~~, is required to apply this standard while preparing its Financial Statements. This Standard does not restrain a Small-Sized Entity desirous of applying IFRS or IFRS for SMEs for preparing its financial statements from doing so.

Amendments to Section 2: Property, Plant and Equipment

Following amendments made in the paragraphs 2.5, 2.9, 2.10, 2.11 and 2.13 related to the 'Revaluation Model' of property, plant and equipment. These amendments are mainly consequent to the changes brought in by the Companies Act 2017 (Companies Act 2017 has not retained the specific section 235 of the repealed Companies Ordinance 1984).

Revaluation Model

2.5 After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably ~~can~~ shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

2.9 When an asset's carrying amount is increased as a result of revaluation, the increase shall be credited directly to the 'Revaluation surplus on property, plant and equipment' '~~Surplus on Revaluation of Fixed Assets Accounts~~' and presented ~~disclosed~~ in the statement of Financial Position of the entity as equity after Capital and Reserves, except to the extent that they reverse revaluation losses on the same asset that were previously recognised in the profit and loss account. The adjustment for subsequent depreciation is to achieve the same overall effect that would have been reached had the original downward revaluation reflected in the profit and loss account not occurred.

2.10 The revaluation surplus included in equity in respect of an item of property, plant and equipment may be transferred directly to unappropriated profit / accumulated loss when the asset is derecognized. ~~Except and to the extent actually realised on disposal of the assets which are revalued, the surplus on revaluation of fixed assets shall not be applied to set-off or reduce any deficit or loss, whether past, current or future, or in any manner applied, adjusted or treated so as to add to the income, profit or surplus of the entity, or utilised directly or indirectly by way of dividend or bonus.~~

2.11 When an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised as an expense. However, the decrease shall be charged to Revaluation surplus on property, plant and equipment ~~Surplus on revaluation of fixed assets account~~ to the extent of any credit balance existing in the revaluation surplus in respect of that asset. ~~The surplus on revaluation of fixed assets may be applied by the entity in setting off or in diminution of any deficit arising from the revaluation of any other fixed assets of the entity.~~

2.13 An amount equal to incremental depreciation for the period may be transferred directly from 'Revaluation surplus on property, plant and equipment' '~~Surplus on Revaluation of Fixed Assets Account~~' to unappropriated profit / accumulated loss in the statement of financial position balance sheet to record realisation of surplus to the extent of the incremental depreciation.

**Amendment to
Section 19: Accounting Policies, Changes in Accounting Estimates and Errors**

Following amendment made in the paragraph 19.1, consequent to the enactment of the Companies Act 2017.

19.1 Accounting policies and estimation techniques shall be consistent with the requirements of this Standard for SSEs and of [the Companies Act, 2017](#) ~~Companies Ordinance, 1984~~. Where this permits a choice, an entity shall select the policies and techniques most appropriate to its particular circumstances for the purpose of giving a true and fair view, taking account of the objectives of relevance, reliability, comparability and understandability.