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Article

Prospects for the Adoption of IFRS for SMEs in Uzbekistan: International Experience and National Specificities

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Abstract: The article is devoted to the analysis of the prospects for implementing the International Financial Reporting Standards for Small and Medium-sized Enterprises (IFRS for SMEs), taking into account international experience and the possibilities of their application in the Republic of Uzbekistan. The paper provides an overview of the practice of applying this standard in various countries, which makes it possible to assess the effectiveness and results of its implementation for the development of small and medium-sized businesses. Particular attention is paid to the prospects for adapting IFRS for SMEs in Uzbekistan, and the main difficulties and limitations faced by enterprises during the transition to this standard are analyzed, including organizational, methodological, and human resource aspects.

Keywords: IFRS for SMEs, small and medium-sized enterprises, financial reporting, accounting, accounting reform, investment attractiveness, Uzbekistan, harmonization of standards.

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1. Introduction

The contemporary socioeconomic environment is characterized by increasing volatility driven by technological advances, the transformation of business processes, and the growing complexity of economic relationships. These developments underscore the need for continuous improvement in accounting systems, financial reporting, and organizational planning. In this context, accounting standards play a particularly important role as instruments for harmonizing financial reporting practices and enhancing the transparency of information on the financial position and operating activities of economic entities [1]. Accordingly, this study examines the prospects for and specific features of applying International Financial Reporting Standards (IFRS) for Small and Medium-sized Entities (SMEs).The prospects for applying IFRS for SMEs in Uzbekistan are promising, as these standards can enhance financial transparency and competitiveness and facilitate access to international capital markets [2]. Despite the challenges associated with implementation, Uzbekistan continues to advance the harmonization of its accounting and financial reporting framework with IFRS. This process includes consideration of simplified reporting requirements for SMEs, which may reduce the reporting burden while necessitating appropriate adaptation, professional training, and capacity building. These developments create opportunities for business growth and investment attraction [3].

The application of IFRS for SMEs offers several key advantages.

Increased transparency and stakeholder confidence. Applying international financial reporting standards enhances the transparency of financial information and strengthens the confidence of investors, creditors, and business partners. Financial statements prepared in accordance with internationally recognized standards are more readily understandable and comparable across countries, thereby reducing information asymmetry and strengthening confidence in an entity's financial position [4].

Improved access to capital. The use of internationally comparable financial information can facilitate access to investment and credit from international financial institutions and foreign investors.

Enhanced management decision-making. Standardized financial reporting provides a more comprehensive understanding of an entity's financial position and performance, supporting informed managerial decisions and more effective financial planning [5].

Greater competitiveness. The comparability of financial indicators with those of international counterparts enables SMEs to assess their relative performance, identify opportunities for improvement, and strengthen their competitive position in global markets.

A dedicated standard, the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs), provides a simplified and adapted version of full IFRS for entities that do not have public accountability.

The primary objective of IFRS is to ensure the preparation of comparable, reliable, and understandable financial statements that provide users with relevant information for assessing an entity's financial position and financial performance. Although IFRS was initially developed primarily to meet the reporting needs of large corporations and publicly accountable entities, a separate standard tailored to the needs and capabilities of small and medium-sized enterprises (SMEs) was issued in 2009 [6]. This development significantly expanded the application of international financial reporting principles.

2. Methods

International Financial Reporting Standards (IFRS) comprise a set of accounting standards and related requirements governing the preparation and presentation of financial statements at the international level. These standards establish principles for financial reporting and promote greater transparency in the disclosure of entities' financial positions and operating results. Such information is particularly important to investors, creditors, and other stakeholders who rely on financial statements when making economic decisions.

In general terms, IFRS can be defined as an internationally recognized framework of principles and requirements designed to improve the comparability and understandability of financial information, irrespective of an entity's country of origin. The application of these standards facilitates the analysis of financial performance by investors, lending institutions, and regulatory authorities. It also strengthens confidence in corporate financial reporting. Furthermore, the use of IFRS can enhance an entity's investment attractiveness and creditworthiness by improving the transparency, consistency, and reliability of the financial information provided.

The International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) is a separate standard within the IFRS framework, specifically designed to reflect the characteristics and reporting needs of SMEs. It is intended for entities that do not have public accountability and prepare general-purpose financial statements for external users. In particular, the standard is relevant to entities that are not required to apply full IFRS because their securities are not publicly traded and they do not hold assets in a fiduciary capacity for a broad group of external stakeholders as their primary business activity.

IFRS for SMEs establishes simplified and reduced accounting and disclosure requirements compared with full IFRS. This approach is intended to reduce the administrative and methodological burden on entities that do not access public capital markets while maintaining an adequate level of reliability, relevance, and usefulness of financial information for external users.

Compared with full IFRS and certain national accounting frameworks, including the National Financial Reporting Standards of the Republic of Uzbekistan, IFRS for SMEs generally involves fewer complex accounting requirements and less extensive disclosure obligations. These simplifications reflect the need to adapt financial reporting to the operational capacities, resources, and information requirements of small and medium-sized businesses. Nevertheless, the standard retains the fundamental objective of providing useful financial information to users who make economic decisions on the basis of financial statements.

IFRS Adoption and Implementation in Uzbekistan

Uzbekistan began actively advancing the transition to International Financial Reporting

Standards in 2020. An important milestone was Presidential Resolution No. PP-4611, *On Additional Measures for the Transition to International Financial Reporting Standards*, which established a regulatory framework for the introduction of IFRS and provided for their mandatory application by specified categories of entities beginning in 2021.

The transition process covered, in particular, joint-stock companies, commercial banks, insurance organizations, and large taxpayers subject to the applicable regulatory requirements. These entities were required to prepare financial statements in accordance with IFRS within the scope and time frames established by the relevant legislation.

The introduction of international standards was intended to improve the quality and comparability of financial reporting, strengthen corporate transparency, and facilitate the integration of Uzbekistan's economy into international financial markets. The implementation process has also required the development of an appropriate regulatory framework, the translation and dissemination of standards, and the professional training of accountants, auditors, and financial specialists.

However, the application of full IFRS by specified categories of entities should be distinguished from the official adoption or mandatory application of IFRS for SMEs. The existence of a national transition framework for full IFRS does not, in itself, establish that IFRS for SMEs has been formally adopted in Uzbekistan. Therefore, the regulatory status of IFRS for SMEs and its relationship with the National Financial Reporting Standards of Uzbekistan require separate examination when assessing the prospects for applying this standard to domestic SMEs.

As of the end of 2022, Uzbekistan had officially recognized more than 60 International Financial Reporting Standards and related interpretations for application within the country. The Order of the Ministry of Finance of the Republic of Uzbekistan dated 9 December 2022, No. 3400, established the official recognition of these standards and the accompanying interpretative materials. They set out requirements and principles governing accounting and financial reporting for various types of economic entities.

The recognized IFRS and related interpretations constitute a framework of accounting principles and reporting requirements applicable to different aspects of business operations. Their implementation is intended to improve the consistency, transparency, and comparability of financial information and to facilitate the assessment of entities' financial positions and operating performance.

Nevertheless, the application of IFRS in Uzbekistan is not universally mandatory for all business entities. The applicable requirements depend on the category of entity and the relevant national legislation. In particular, the formal adoption and mandatory application of IFRS for SMEs should be distinguished from the recognition and implementation of full IFRS. The regulatory status of IFRS for SMEs in Uzbekistan therefore requires separate consideration, particularly in the context of potential reforms affecting small and medium-sized enterprises.

National Accounting Standards of Uzbekistan continue to provide the principal accounting framework for many entities that are not subject to mandatory IFRS reporting requirements. The transition to IFRS must be considered in accordance with the applicable legal provisions, including any specific rules governing the relationship between IFRS-based reporting and national accounting requirements.

Further reforms are aimed at modernizing national accounting standards and bringing them into closer alignment with international financial reporting principles. Cooperation with international institutions, including the Asian Development Bank and the IFRS Foundation, may contribute to the development of the regulatory framework, institutional capacity, and professional expertise required for effective implementation.

At the same time, discussions concerning the modernization of Uzbekistan's accounting legislation highlight the importance of coordinating financial reporting requirements with the national tax framework and clarifying the respective roles of IFRS and national accounting standards. Potential reforms may also address the expansion of IFRS reporting requirements to additional categories of businesses, including medium-sized enterprises, while establishing a clear distinction between entities required to apply IFRS and those permitted to continue using the national accounting framework.

These developments are relevant to assessing the prospects for IFRS for SMEs in

Uzbekistan. However, any conclusions regarding its formal adoption, mandatory application, or planned implementation should be supported by the relevant legislation and official policy documents.

One of the key issues arising from the implementation of International Financial Reporting Standards (IFRS) in Uzbekistan is the need to distinguish financial accounting from tax accounting. The separation of these two systems raises methodological and practical challenges for businesses, accounting professionals, and higher education institutions, particularly with regard to the training of future accountants and financial specialists. It is therefore important to clarify the relationship between financial reporting prepared under IFRS and tax reporting prepared in accordance with the requirements of national tax legislation.

In 2024, the development of a national financial reporting standard based on IFRS for SMEs was envisaged as a potential measure to improve financial reporting for small and medium-sized enterprises (SMEs). The proposed approach involved establishing a two-tier financial reporting framework that would clearly define the categories of entities required to apply full IFRS and those permitted to use national financial reporting standards. Such a framework could help align reporting requirements with the size, operational complexity, and public accountability of individual businesses.

Another important aspect of accounting reform concerns the simplification of financial reporting procedures. The requirement for entities to submit financial statements to tax and financial authorities on a quarterly basis was abolished from January 2023, according to the information provided. This change reduced the administrative burden on businesses and contributed to the broader modernization of the financial reporting system. However, the precise legal basis and scope of this change should be verified against the relevant legislative provisions before publication.

The overarching objective of the reform process is to bring Uzbekistan's financial reporting framework into closer alignment with international standards while ensuring consistency with the country's legislation and institutional environment. Achieving this objective requires not only the adoption of international reporting principles but also the development of appropriate national regulations, implementation guidance, and professional training.

The development of national financial reporting standards (NFRS) can be viewed as a logical stage in the evolution of Uzbekistan's financial reporting system. A framework based on the International Financial Reporting Standard for Small and Medium-sized Entities, supplemented where necessary by relevant provisions of Uzbekistan's National Accounting Standards, could improve the international comparability of financial statements and strengthen the investment attractiveness of domestic businesses.

The proposed national framework is intended to combine internationally recognized accounting principles with requirements adapted to the national economic and regulatory context. At the same time, the incorporation of IFRS for SMEs may introduce accounting concepts and transactions that have not traditionally been widely encountered in domestic practice. These may include accounting for hyperinflation and share-based payment transactions, among other matters. Their implementation would require appropriate methodological guidance and professional development to ensure consistent application.

Overall, the development of a two-tier financial reporting framework could provide a more proportionate approach to financial reporting in Uzbekistan. Full IFRS would serve entities subject to the relevant mandatory reporting requirements, while a simplified framework based on IFRS for SMEs could offer an alternative for eligible smaller businesses. The effectiveness of this approach would depend on its formal adoption, the clarity of the applicable legal requirements, and the availability of adequate institutional and professional support.

The proposed National Financial Reporting Standard (NFRS) represents an important opportunity to modernize Uzbekistan's national accounting standards and establish a coherent two-tier financial reporting framework aligned with international standards.

The proposed NFRS is intended to cover all sections included in the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs). This

approach would establish a comprehensive set of internationally recognized financial reporting requirements adapted to the national regulatory environment.

Although certain provisions may not currently be relevant to the operations of many Uzbek enterprises, they could become increasingly important as the national economy evolves and business practices become more complex. The comprehensiveness of the proposed NFRS would help ensure that Uzbek entities have guidance on the appropriate accounting treatment of new transactions and economic events as they arise.

The International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs), in turn, is a separate standard within the IFRS framework, developed to address the specific characteristics and reporting needs of small and medium-sized enterprises. It is intended for entities that do not have public accountability and are not required to apply full IFRS.

IFRS for SMEs establishes simplified accounting and disclosure requirements compared with full IFRS. These requirements are designed to reduce the administrative and methodological burden on entities that do not access public capital markets, while maintaining an appropriate level of reliability, relevance, and usefulness of financial information for external users.

Compared with full IFRS, IFRS for SMEs generally involves less complex accounting requirements and reduced disclosure obligations. Its simplified approach reflects methodological and practical considerations intended to align financial reporting requirements with the resources, operational characteristics, and information needs of small and medium-sized enterprises.

In the context of Uzbekistan, the proposed NFRS could provide a basis for bringing national accounting practices closer to internationally recognized principles while preserving the necessary links with the country's existing National Accounting Standards (NAS). The extent to which this framework would be implemented, and its precise relationship with the existing national standards, would depend on the relevant regulatory decisions and official adoption procedures.

3. Results and Discussion

The International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) was developed by the International Accounting Standards Board (IASB) in 2009 in response to requests from users of financial information for a less complex and more appropriately tailored financial reporting framework for smaller entities. The primary objective was to reduce the methodological burden associated with financial reporting while maintaining an adequate level of reliability, relevance, and usefulness of financial information [7], [8].

From 1 January 2010, IFRS for SMEs became available for voluntary adoption by entities worldwide, subject to the applicable requirements of individual jurisdictions. During the initial implementation phase, the geographical reach of the standard remained relatively limited, reflecting the time required to adapt national accounting regulations and integrate the standard into existing financial reporting frameworks. Among the early adopters or jurisdictions associated with the implementation of IFRS for SMEs were South Africa, Greece, Sweden, Australia, and New Zealand. Subsequently, the number of jurisdictions considering or applying the standard increased [9].

According to the information available for 2023, IFRS for SMEs had been adopted or permitted for use in 86 jurisdictions worldwide. This figure indicates the international relevance of simplified financial reporting frameworks designed to address the needs of smaller entities. However, the precise number of jurisdictions depends on the distinction between formal adoption, permission to use the standard, and actual implementation in practice [10], [11].

To assess the implementation of International Financial Reporting Standards for Small and Medium-sized Entities, the IFRS Foundation monitors the status of IFRS adoption and related financial reporting requirements across different jurisdictions. This information makes it possible to examine the geographical scope of IFRS for SMEs, identify differences in national approaches, and assess how the standard has been incorporated into domestic accounting and financial reporting frameworks.

As of August 2024, according to the IFRS Foundation, the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) was required or permitted in 85 of the 168 jurisdictions surveyed worldwide. This demonstrates the international relevance of simplified financial reporting frameworks designed to meet the needs of smaller entities. The standard may be applied on a mandatory or voluntary basis, depending on the regulatory requirements established in each jurisdiction. The decision to require or permit its use rests with the relevant national legislative and regulatory authorities [12], [13].

In addition to jurisdictions where IFRS for SMEs is required or permitted, some jurisdictions are considering its adoption. This indicates continuing interest among national regulators in simplified financial reporting frameworks. However, the number of jurisdictions considering adoption should be established using the relevant IFRS Foundation data for a specific reporting date. The remaining jurisdictions cannot automatically be classified as having rejected the standard, as their regulatory positions and implementation plans may differ.

Reported figures on the international adoption of IFRS for SMEs may vary over time as jurisdictional profiles are updated and the regulatory status of the standard changes. Therefore, comparisons between different years should be based on official data published for clearly specified reporting dates.

In Uzbekistan, IFRS for SMEs has not been formally adopted and is not currently required or permitted as a separate national financial reporting framework. According to the IFRS Foundation's jurisdictional profile, the country applies full IFRS to specified categories of entities, while national accounting standards remain applicable to other entities. The adoption of IFRS for SMEs has been identified as a matter for consideration by the relevant authorities [14], [15].

The development of a proposed National Financial Reporting Standard (NFRS) for SMEs based on IFRS for SMEs has been discussed as a possible approach to harmonizing national accounting requirements with international principles. The proposed framework could provide a basis for introducing simplified financial reporting requirements tailored to the needs of small and medium-sized enterprises in Uzbekistan. However, its formal adoption, implementation timetable, and relationship with existing national accounting standards must be confirmed through official regulatory documents [16].

Consequently, Uzbekistan provides a relevant example of a jurisdiction in which full IFRS has been introduced for specified categories of entities, while the adoption of a separate reporting framework for SMEs remains a distinct regulatory issue. This distinction is important when evaluating the prospects for developing a coherent two-tier financial reporting system that combines full IFRS with a simplified framework for eligible smaller entities.

National accounting and financial reporting standards continue to serve as the primary reporting framework for many SMEs, depending on the regulatory requirements of the relevant jurisdiction [17].

In addition, several countries have developed national accounting frameworks that incorporate principles or approaches similar to those established under IFRS for SMEs. For example, the United States applies its own accounting framework, generally accepted accounting principles (US GAAP), while Canada has established Accounting Standards for Private Enterprises (ASPE). These frameworks reflect national regulatory requirements and the specific information needs of their respective users [18]. However, they should not be regarded as direct equivalents of IFRS for SMEs, as their scope, recognition and measurement requirements, and disclosure provisions may differ.

Despite its simplified structure compared with full IFRS, IFRS for SMEs remains a technically demanding accounting framework. Its proper application requires an adequate understanding of accounting principles, financial reporting, and the relevant legal and tax environment [19]. Consequently, successful implementation may require professional training, methodological guidance, and organizational adjustments.

There are several approaches to implementing IFRS for SMEs within an enterprise.

The first approach involves independent study of the standard through specialized publications, online courses, webinars, and other educational resources. This option may

be appropriate for entities that already possess sufficient accounting expertise and have the internal capacity to implement the standard and adapt their reporting procedures.

The second approach involves engaging external consultants and specialists in IFRS implementation. Such professionals can provide comprehensive assistance with interpreting the requirements of the standard, reviewing existing accounting policies, adapting accounting systems, and preparing financial statements. Although this approach may involve higher initial costs, it can facilitate implementation and help reduce the risk of accounting errors.

The adoption of IFRS for SMEs offers several potential advantages, as well as certain implementation challenges. One of its principal benefits is improved comparability of financial statements, which may facilitate access to international financing and help external users assess an entity's financial position and performance.

The use of internationally comparable financial information may also strengthen SMEs' position in negotiations with banks and other lending institutions. Transparent and consistent financial reporting can support credit assessment and may influence lenders' perceptions of financial risk. In some circumstances, improved reporting quality may contribute to more favorable financing terms. However, the adoption of IFRS for SMEs does not automatically improve an entity's credit rating or reduce its borrowing costs, as these outcomes depend on a broader range of financial and non-financial factors.

Furthermore, the transition to an international reporting framework may result in differences in reported equity, asset values, and financial performance compared with figures prepared under national accounting rules. For example, the application of different recognition and measurement requirements may affect the carrying amounts of property, plant, and equipment and the reported level of equity. The direction and magnitude of these effects depend on the specific accounting policies applied and the circumstances of the entity.

Finally, the use of internationally comparable financial statements may help SMEs establish business relationships with new domestic and international customers, suppliers, investors, and other partners. A common financial reporting framework can improve communication between business counterparties and reduce information asymmetry, although its benefits depend on the relevance, reliability, and consistent application of the reported information.

IFRS for SMEs was developed on the basis of the fundamental principles underlying full International Financial Reporting Standards (IFRS), with the aim of simplifying accounting requirements and reducing the effort required to prepare financial statements. The standard seeks to achieve an appropriate balance between the quality and usefulness of financial information and the reporting capabilities of smaller entities.

Nevertheless, preparing financial statements in accordance with IFRS for SMEs may require considerable time, effort, and financial resources. Some requirements, particularly those involving complex accounting judgments and measurement procedures, may be difficult for practitioners to interpret and apply consistently. Differences in the understanding and implementation of proposed requirements may also arise during consultation and standard-setting processes.

Furthermore, the implementation of IFRS for SMEs can be challenging in developing economies, where professional expertise, institutional capacity, and financial resources may be limited. SMEs in these countries often face constraints related to staffing, access to specialized accounting knowledge, and the cost of adapting existing accounting systems. These limitations can make it difficult for smaller entities to implement new reporting requirements while maintaining their day-to-day business operations.

Overall, IFRS for SMEs is generally less complex than full IFRS and may therefore be more appropriate for entities with relatively limited resources and less complex business activities. It provides a simplified framework for preparing and presenting financial statements, taking into account the scale of operations and the information needs of SMEs. Reduced disclosure requirements and simplified accounting treatments may also help lower compliance costs, including certain costs associated with external audit and financial reporting.

In addition, IFRS for SMEs can facilitate access to international markets by improving the

comparability and understandability of financial information across jurisdictions. More consistent financial reporting may help SMEs communicate with potential investors, lenders, customers, and suppliers, thereby supporting the development of international business relationships. However, the extent of these benefits depends on the quality of implementation, the applicable national regulatory framework, and the information requirements of external stakeholders.

The application of IFRS for SMEs may enhance the credibility and investment attractiveness of small and medium-sized enterprises by strengthening the confidence of investors and creditors in the financial information they disclose. In turn, improved access to external financing may support business expansion, investment growth, and an increase in enterprise value.

The prospects for introducing IFRS for SMEs in Uzbekistan are promising, given the potential of this framework to improve financial transparency, strengthen competitiveness, and facilitate access to international sources of capital. However, implementation may present challenges related to the adaptation of national accounting regulations, the development of professional expertise, and the provision of appropriate training. The harmonization of Uzbekistan's financial reporting framework with international principles, including the possible development of simplified reporting requirements for SMEs, could create additional opportunities for business growth and investment attraction.

1. Greater transparency and stakeholder confidence. Financial statements prepared in accordance with internationally recognized reporting requirements can be more readily understood by investors, creditors, and business partners across different jurisdictions. Improved transparency may reduce information asymmetry and strengthen confidence in an enterprise's financial position and performance.

2. Improved access to capital. The use of internationally comparable financial information may facilitate access to financing from international financial institutions, banks, and private investors. This can be particularly important for SMEs seeking to expand their operations or enter new markets.

3. Enhanced management decision-making. A structured financial reporting framework provides a clearer understanding of an enterprise's financial position, operating performance, and financial obligations. This information can support more informed managerial decisions, financial planning, and resource allocation.

4. Increased competitiveness. The comparability of financial indicators with those of international counterparts enables SMEs to evaluate their performance, identify areas for improvement, and communicate more effectively with foreign investors, suppliers, and customers. These factors may contribute to stronger competitive positioning in international markets.

Simplified reporting standards. The International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) provides a simplified financial reporting framework for entities without public accountability. Compared with full IFRS, it contains less complex accounting requirements and reduced disclosure obligations, taking into account the specific needs and resources of smaller entities.

Implementation costs and complexity. The transition to IFRS for SMEs may require investment in employee training, professional development, and the adaptation of existing accounting and reporting systems. These challenges could be addressed through targeted training programmes, practical implementation guidance, and access to qualified accounting professionals.

The need for national adaptation. IFRS for SMEs includes accounting requirements for transactions and economic circumstances that may be uncommon among domestic SMEs, including accounting in hyperinflationary economies. A national implementation framework could provide guidance on applying these requirements while ensuring consistency with the relevant legal and regulatory environment. Any supplementary national provisions would need to be clearly defined to avoid conflicts with the underlying international principles.

Government support and regulatory development. Uzbekistan's efforts to modernize its accounting and financial reporting framework provide an important basis for further

alignment with international practices. Effective implementation would require a clear regulatory framework, coordination between accounting and tax legislation, professional training, and appropriate institutional support.

Future prospects. The prospects for introducing a simplified financial reporting framework for SMEs in Uzbekistan depend on the development and formal adoption of appropriate national regulations. IFRS for SMEs could provide a foundation for such a framework by reducing the complexity of reporting requirements compared with full IFRS. If implemented effectively, this approach could improve financial transparency, facilitate access to financing, strengthen the comparability of financial information, and support the integration of Uzbek SMEs into international markets.

Thus, the potential introduction of a reporting framework based on IFRS for SMEs represents an important opportunity to modernize financial reporting in Uzbekistan. Its practical effectiveness, however, would depend on formal regulatory decisions, appropriate adaptation to national conditions, and the availability of sufficient professional and institutional resources [20].

4. Conclusion

In conclusion, the prospects for the adoption of International Financial Reporting Standards (IFRS) for Small and Medium-sized Entities (SMEs) are promising. The application of the IFRS for SMEs Standard enables small and medium-sized enterprises to simplify and improve their accounting and reporting processes while enhancing the accuracy and reliability of financial statements. As a result, company management can make more informed decisions based on financial reporting data. Despite certain challenges associated with implementing the standard, including employee training and the introduction of new software solutions, its application is expected to have a positive impact in the long term. However, it should be noted that different countries apply various accounting standards, which creates obstacles to the harmonization of accounting and financial reporting across national borders. Nevertheless, the adoption of IFRS for SMEs is becoming increasingly widespread, and many countries have incorporated the standard into their national accounting systems. It is also important to recognize that the adoption of IFRS for SMEs is not mandatory in all jurisdictions, and each country or company may have the freedom to choose the applicable accounting framework, subject to relevant national legislation. For some companies, developing an accounting system tailored to their specific business characteristics and operational needs may be more appropriate. Overall, the adoption of IFRS for SMEs can have a positive impact on the economy by improving the quality of financial reporting, increasing business transparency, and promoting greater consistency in accounting practices across regions and countries. Furthermore, the use of IFRS for SMEs may help small and medium-sized enterprises gain access to financing on more favorable terms.

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