

Compliance with Section 23 of SLFRS for the SMEs 2011; Empirical Review on Small and Medium Sized Entity Enterprise (SMEs) Sri Lanka

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The sector of Small and Medium Enterprises (SMEs) is said to be the backbone of all developed and developing nations. In spite of the level of development, SMEs play a pivotal role to generate economic wellbeing of a country. The Institute of Chartered Accountants of Sri Lanka (ICASL) adapted to this IFRS for SMEs to give the benefit of adopting with International accounting standards for SMEs in Sri Lanka. This Study examines the compliance with section 23 of SLFRSs for SMEs 2011 in Sri Lanka. The sample comprised of 15 SMEs which are operating in Gampaha and Colombo districts in the western province. A self-constructed compliance checklist and the compliance index were derived to denote the level of compliance among SMEs for the period of year 2013 to 2015. The results revealed that slight increase of the compliance requirements under section 23 denoting 59%, 60% and 64% in 2013, 2014 and 2015 respectively. A significant noncompliance level was found with the general disclosures about revenue (Paragraph 23.30). Further, results of the study found that selected sample of entities have not engaged in transactions such as customer loyalty award relating transactions, exchange of goods during the past three years. The study examined there are misunderstanding relating to certain criteria of the section by preparers of financial statements. He study recommends policy makers to establish a proper monitoring mechanism to monitor the accounting practices and keep high level of compliance with the applicable accounting standards. Further it recommends standard setters to increase post investigations on compliance with accounting standards for SMEs.

Keywords: Accounting practices, SLFRS, Compliance, SMEs, Sri Lanka