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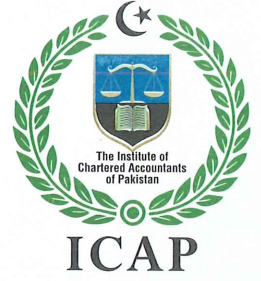
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Circular No. 02 /2026

June 17, 2026

ALL MEMBERS OF THE INSTITUTE

Dear Member,

Technical Release 5

Statement on applicability of IFRS Accounting Standards and pronouncements issued by the IASB (Revised 2026)

The Council of the Institute in its 415th meeting held on April 23-24, 2026, has approved the technical release 5 *Statement on applicability of IFRS Accounting Standards and pronouncements issued by the IASB (revised 2026)* based on recommendation of Accounting Standards Board of the Institute.

The technical release has been revised (as attached) to reflect current requirements applicable to preparation of statutory financial statements.

Members are advised to comply with the requirements of TR-5.

Yours truly

Muhammad Imran Khan
Director Technical Services

Encl. As above.



Accounting Technical Release 5 Statement on applicability of IFRS Accounting Standards and pronouncements issued by the IASB

TR-5 (Revised 2026)

Accounting Standards Board
The Institute of Chartered Accountants of Pakistan

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Technical Release 5

Statement on applicability of IFRS Accounting Standards and pronouncements issued by the IASB

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Technical Release 5**Statement on applicability of IFRS Accounting Standards and pronouncements issued by the IASB****Objective**

1. This technical release (TR) of the Institute of Chartered Accountants of Pakistan (the Institute / ICAP) is related to the Institute's commitments under the Statement of Membership Obligation (SMO) 7 issued by the International Federation of Accountants (IFAC).

The Institute is a member body of IFAC. Under SMO 7, *IFRS Standards issued by International Accounting Standards Board (IASB) and International Sustainability Standards Board (ISSB)*, the Institute (as a member body of IFAC) is obligated to use its best endeavors to:

- (a) incorporate the requirements of the IFRS Accounting Standards and IFRS Sustainability Disclosure Standards in the Pakistan financial reporting framework;
- (b) assist with the implementation of IFRS Accounting Standards and IFRS Sustainability Disclosure Standards in Pakistan; and
- (c) encourage the use of IFRS for SMEs Accounting Standard for relevant medium-sized entities in Pakistan.

The IFRS Accounting Standards, IFRS for SMEs Accounting Standard are developed and issued by the IASB whereas IFRS Sustainability Disclosure Standards are developed and issued by ISSB. Further, interpretations issued by IFRS Interpretation Committee of IASB have same authority as IFRS Accounting Standards issued by IASB.

2. In Pakistan, the Accounting Standards Board of the Institute provides support to stakeholders (including regulators and preparers of financial statements) in the adoption and implementation of IFRS Accounting Standards, IFRS for SMEs Accounting Standard, IFRS Sustainability Disclosure Standards and other financial reporting standards as applicable in Pakistan in the form of technical opinions and other pronouncements.
3. The objective of this TR is to direct the Institute's members when they are forming an opinion on the statutory financial statements of an entity (as independent auditors of the entity), to ensure that the audited financial statements are prepared by entity's management in compliance with the accounting and reporting standards as applicable to the entity.

Council's Directive

4. The Institute through this TR directs the members of the Institute, that when forming an opinion on the statutory financial statements of an entity, they shall ensure that the financial statements prepared by management of the entity are in accordance with the accounting and reporting standards as applicable in Pakistan.

5 Accounting and reporting standards as applicable in Pakistan for preparation of the statutory financial statements

5.1 Under the Companies Act, 2017, the accounting and reporting standards as applicable in Pakistan for preparation of the statutory financial statements include:

- IFRS Accounting Standards issued by IASB (for companies opting for unreserved compliance with IFRS Accounting Standards);
- IFRS Accounting Standards issued by IASB and notified by the Securities and Exchange Commission of Pakistan (SECP);
- IFRS for SMEs Accounting Standard issued by IASB and notified by SECP;
- Accounting and Financial Reporting Standard (AFRS) for SSEs developed by the Institute and notified by SECP;
- Accounting Standard for Not-for-Profit Organizations (NPOs) developed by the Institute and notified by SECP;
- Islamic Financial Accounting Standards developed by the Institute and notified by SECP; and
- Other accounting standards developed by the Institute and notified by SECP.

5.2 In addition to above, the accounting and reporting standards as applicable in Pakistan also include the accounting and reporting requirements prescribed by the applicable laws and regulations, and applicable directives & notifications issued by SECP and the State Bank of Pakistan (SBP).

6 This TR shall be applicable to any changes in the above-noted standards, in the future unless otherwise specified by the Council.

7 A non-compliance with this TR shall be deemed to be professional misconduct in terms of clause (3) of Part 4 of Schedule I to the Chartered Accountants Ordinance, 1961.

8 Categorization of entities

For the purposes of this TR, entities are categorized as:

- (a) an entity registered under the Companies Act, 2017 and / or specialized law, and regulated by the SECP or SBP;
- (b) a non-corporate entity falling within the scope of the State-Owned Enterprises (Governance and Operations) Act, 2023 (the SOE Act, 2023);
- (c) a regulatory body or public interest entity, not regulated by the SECP or SBP;
- (d) an employee retirement fund; and
- (e) other entity that does not fall in the categories (a), (b), (c) and (d) above.

Entities registered under the Companies Act, 2017 and / or specialized law, and regulated by the SECP or SBP include, listed companies, public sector companies, specialized entities (insurance companies, non-banking finance companies, mutual funds, modarabas, banks, micro-finance banks, development finance institutions) and other public and private companies.

Regulatory bodies, in general, are established by the government through the legislature. Different terms can be used for such bodies (For example, regulatory body / authority / agency).

9. Financial reporting framework applicable to an entity registered under the Companies Act, 2017 and / or specialized laws, and regulated by the SECP or SBP

9.1 The members of the Institute, when forming an opinion on the statutory financial statements of an entity regulated by the SECP or SBP, shall ensure that the financial statements of the entity comply with the accounting and reporting standards applicable to such entity under the Companies Act, 2017 and / or specialized law.

9.2 It is emphasized that the accounting and reporting standards [as listed in paragraph 5.1 above] do not override the statutory provisions of the Companies Act, 2017 and provisions of the specialized laws applicable to entities such as Banking Companies Ordinance, 1962, Insurance Ordinance, 2000, Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Non-Banking Finance Companies and Notified Entities Regulations, 2008, and the SOE Act, 2023. In case, where there is a conflict between requirements contained in such standards and those of statutory provisions, directives or pronouncements issued under the statutory laws, the requirements of statutory provisions, directives or pronouncements shall prevail.

10. Financial reporting framework applicable to a non-corporate entity falling within the scope of the SOE Act, 2023

10.1 The members of the Institute, when forming an opinion on the statutory financial statements of a non-corporate entity falling within the scope of the SOE Act, 2023, shall ensure that the financial statements of such entity are prepared in accordance with accounting and reporting standards applicable to the entity as prescribed by the SOE Act, 2023 and other applicable laws and regulations.

11. Financial reporting framework applicable to a regulatory body or public interest entity that is not regulated by the SECP or SBP

11.1 The members of the Institute, when forming an opinion on the statutory financial statements of a regulatory body or public interest entity shall ensure that the financial statements comply with the accounting and reporting standards prescribed in the statutes applicable to the regulatory body or public interest entity.

11.2 For determination of whether an entity is a public interest entity, guidance should be sought from Code of Ethics for Chartered Accountants as adopted by the Institute.

11.3 Where the statutes applicable to a regulatory body or public interest entity do not prescribe accounting and reporting standards for the preparation of statutory financial statements, the Institute recommends that the regulatory body or public interest entity shall follow the requirements of the IFRS Accounting Standards issued by IASB and notified by SECP.

12. Financial reporting framework of employees' retirement fund

- 12.1 The members of the Institute, when forming an opinion on the statutory financial statements of an employees' retirement fund (provident fund, gratuity, compensated absences, pension fund etc.), shall ensure that the financial statements comply with the financial reporting framework prescribed in the statute under which the employees' retirement fund has been established.
- 12.2 Where the statute under which an employees' retirement fund is established, does not prescribe any financial reporting framework for preparation of statutory financial statements, the Institute recommends that the financial statements of the employees' retirement fund are prepared in accordance with IFRS Accounting Standards issued by IASB and notified by SECP and any related requirements contained in applicable laws and regulations.

13. Financial reporting framework of other entities

- 13.1 The members of the Institute, when forming an opinion on the statutory financial statements of an entity that is not:
- (a) an entity registered under the Companies Act, 2017 and / or specialized law, and regulated by the SECP or SBP;
 - (b) a non-corporate entity falling within the scope of the SOE Act, 2023;
 - (c) a regulatory body or public interest entity, not regulated by the SECP or SBP;
 - (d) an employee retirement fund;

shall ensure that the financial statements of such an entity comply with the accounting and reporting standards prescribed in the statutes applicable to the entity.

- 13.2 Where the statutes applicable to such entity do not prescribe any financial reporting framework, the Institute recommends that the entity should apply appropriate financial reporting framework (following guidance of the third schedule to the Companies Act, 2017 for determining its size and financial reporting framework appropriate for the entity). Such an entity may choose to apply IFRS Accounting Standards issued by IASB and notified by SECP, if deemed appropriate. Such entity should at least follow AFRS for SSEs issued by the Institute in preparation of its financial statements.
14. Where there is any departure from or inconsistency with the requirements of the accounting and reporting standards as applicable to the entity in preparation of its statutory financial statements by the entity, the members of the institute while forming an opinion on the financial statements of the entity shall modify the opinion in the auditor's report in accordance with the requirements of International Standards on Auditing as applicable in Pakistan.

Effective date and transition

15. This revised TR-5 supersedes TR-5 *IASB Standards – Council's Statement on Applicability (Revised 2016)*.
16. This TR is applicable to the financial statements for the reporting periods beginning on or after July 01, 2026.

Before the revision, the TR was as follows:

TR – 5 IASB Standards – Council’s Statement on Applicability (Revised 2015)

1. THE ISSUE

The Institute has been a member body of the International Federation of Accountants (IFAC) ever since its establishment in 1973. In 2004 IFAC issued seven Statements of Membership Obligations (SMOs) and subject matter of one of them i.e. SMO 7 is ‘International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). Being a member body of IFAC it is the Institute’s obligation to comply with this statement which requires that all member bodies should use their best endeavors:

- (a) To incorporate the requirements of IFRSs in their national accounting requirements, or where the responsibility for the development of national accounting standards lies with third parties, to persuade those responsible for developing those requirements that general purpose financial statements should comply with IFRSs, or with local accounting standards that are converged with IFRSs, and disclose the fact of such compliance; and
- (b) To assist with the implementation of IFRSs, or national accounting standards that incorporate IFRSs. To date, the IASB has issued fifteen IFRSs (i.e. IFRS 1 to 15) and it has made changes to various International Accounting Standards (IASs). In Pakistan, all of the IFRSs, except for *IFRS 1, 9, 14 and 15*, have been adopted and notified by the SECP on the recommendation of the Institute.

While the Institute has been pursuing the objective of adoption and use of international standards for the preparation of general purpose financial statements over the years, it has also been cognizant of the difficulties faced by small and medium sized entities for complying with full set of IFRSs that have been made applicable for listed companies.

Even the IASB has recognized the need for a simpler set of standards for small and medium sized entities. In 2009 IASB issued International Financial Reporting Standard for Small and Medium Entities (IFRS for SMEs) a self-contained standard of about 230 pages tailored for the needs and capabilities of smaller businesses. The standard was a result of a five-year development process with extensive consultation of SMEs worldwide.

On the recommendation of the Institute the SECP vide SRO No. 929/2015 dated September 10, 2015 has notified the ‘*International Financial Reporting Standard for Small and Medium Sized Entities (IFRS for SMEs)*’ and ‘*Revised Accounting and Financial Reporting Standards (AFRS) for SSEs*’ issued by ICAP. These standards are applicable on annual financial period beginning on or after January 1, 2015.

Consequently ICAP has withdrawn, for corporate entities, the AFRS for Medium Sized Entities and AFRS for Small Sized Entities issued in the year 2006. However, for non-corporate entities the old AFRS for Small Sized Entities will still be applicable.

2. COUNCIL’S DIRECTIVE

2.1 The Council wishes to draw the attention of all members to paragraphs 5, 8 and 9 of the revised Preface to International Financial Reporting Standards which read as under:

- 5. All Standards and Interpretations issued under previous Constitutions continue to be applicable unless and until they are amended or withdrawn. The International**

Accounting Standards Board may amend or withdraw International Accounting Standards and SIC Interpretations issued under previous Constitutions of IASC as well as issue new Standards and Interpretations.

When the term IFRSs is used in this Preface, it includes standards and interpretations approved by the IASB, and International Accounting Standards (IASs) and SIC Interpretations issued under previous Constitutions.

8. IFRSs set out recognition, measurement, presentation and disclosure requirements dealing with transactions and events that are important in general purpose financial statements. They may also set out such requirements for transactions and events that arise mainly in specific industries. IFRSs are based on the *Conceptual Framework*, which addresses the concepts underlying the information presented in general purpose financial statements. Although the *Conceptual Framework* was not issued until September 2010, it was developed from the previous *Framework for the Preparation and Presentation of Financial Statements*, which the IASB adopted in 2001. The objective of the *Conceptual Framework* is to facilitate the consistent and logical formulation of IFRSs. The *Conceptual Framework* also provides a basis for the use of judgement in resolving accounting issues.
9. IFRSs are designed to apply to the general purpose financial statements and other financial reporting of all profit-oriented entities. Profit-oriented entities include those engaged in commercial, industrial, financial and similar activities, whether organized in corporate or in other forms. They include organizations such as mutual insurance companies and other mutual cooperative entities that provide dividends or other economic benefits directly and proportionately to their owners, members or participants. Although IFRSs are not designed to apply to not-for-profit activities in the private sector, public sector or government, entities with such activities may find them appropriate.

- 2.2 The Council desires to direct all members to ensure that in accordance with the obligations undertaken by the Institute the auditor, while expressing an opinion on financial statements, should satisfy himself that they do comply with the accounting standards as applicable in Pakistan which includes the IFRS /IFRS for SMEs and /AFRS, in all material respects and that in the event of any departure from or inconsistency with such standards, the auditors' report should contain suitable qualification. It should however be emphasized that such standards do not override the local statutory provisions under Companies Ordinance, 1984 and the disclosure requirements under the Fourth and Fifth Schedules. Compliance with above mentioned accounting standards shall be mandatory in so far as such standards are not inconsistent with local regulations or standards and directives or pronouncements issued by the Institute.

2.3 Applicability of IFRS for SMEs and Revised AFRS for SSEs

- 2.3.1 Under the SECP directives, IFRS for SMEs is to be applied by:

1. Medium Sized Companies; and
2. Small and Medium Sized Company formed/licensed under Section 42 and Section 43 which has an annual gross revenue including other income / revenue of less than Rs.200 million.

Whereas the '*Revised Accounting and Financial Reporting Standards for SSEs*' is applicable on Small Sized Companies.

2.3.2 The Institute directs its members that while expressing an opinion on financial statements of MSEs and SSEs they shall ensure compliance with the IFRS for SMEs Revised AFRS for SSEs and existing AFRS for SSEs (for non-corporate entities) respectively.

2.3.3 Following classes of companies have been defined in the Fifth Schedule to the Companies Ordinance 1984:

Medium Sized Company (MSC)

A non-listed company which is not a:

- a) Public Interest Company; or
- b) Large Sized Company; or
- c) Small Sized Company other than a non-listed public company

Public Interest Company (PIC)

A non-listed company which is:

- a) a public **sector** company as defined in the Public Sector **Companies** (Corporate Governance) Rules, 2013;
- b) a public utility or similar company carrying on the **business of essential public service**;
- c) holding **assets** in a fiduciary capacity for a broad group of **outsiders, such as a bank, insurance company, securities** broker/dealer, pension fund, mutual fund or investment banking entity;
- d) in the process of filing its financial statements with the Securities and Exchange Commission of Pakistan (SECP) or other regulatory organization for the purpose of issuing any class of instruments in a capital market.

Large Sized Company (LSC)

A non-listed company

- a) which has a paid-up capital of Rs.200 million or more; or
- b) turnover of Rs.1 billion or more.

Small Sized Company (SSC)

Other than a non-listed public company having:

- a) Paid up capital not exceeding Rs.25 million; and
- b) Turnover not exceeding Rs.100 million

2.4 **Effective Date**

Effective date as per the SECP SRO 929 dated September 10 2015 is annual financial periods beginning on or after January 1, 2015.

2.5 The Institute further directs its members that while expressing an opinion on financial statements of entities that do not qualify to be treated as MSC or SSC as per the definition given in paragraphs 2.3.3 above (except for public utility entities or similar entities that provide an essential public service or regulatory agencies that do not fall under the jurisdiction of SECP, they shall ensure compliance with the IFRSs as adopted

by the Council and notified by the SECP under section 234(3) of the Companies Ordinance, 1984.

- 2.6 Furthermore, while expressing an opinion on financial statements of public utility entities or similar entities that provide an essential public service or regulatory agencies that do not fall under the regulatory jurisdiction of SECP, such entities shall ensure that accounting frameworks as prescribed in their relevant statutes are complied with. However, where the relevant statute is silent or does not prescribe any accounting and financial reporting framework or treatment, the Institute recommends that such entity shall comply with IFRSs as applicable.
- 2.7 This statement is and shall be deemed to be a directive of the Council and shall be applicable to any International Financial Reporting Standard which may be issued in future unless otherwise specified by the Council. Non-compliance with this directive shall be deemed to be a professional misconduct in terms of clause (3) of Part 4 of Schedule I to the Chartered Accountants Ordinance, 1961.

(271st meeting of the Council January 9, 2016)