

Notice No. PN2024-008

---

**THE FINANCIAL REPORTING STANDARD FOR NON-PUBLIC INTEREST ENTITIES**

---

**1. Background**

Following the 45<sup>th</sup> Meeting of Council, the Institute of Chartered Accountants in Malawi (“ICAM” or “the Institute”) is pleased to announce the publication of the “Financial Reporting Standard for Non-Public Interest Entities (“The FRS for Non-PIEs”) for all reporting entities that do not have public interest or public accountability.

This is in line with its legal mandate of “advancing the theory and practice of accountancy in all aspects”, and “setting of accounting and auditing standards appropriate to the conditions prevailing in Malawi” enshrined in Sections 40 (n) and 41(b) of the Public Accountants and Auditors Act (PAA Act).

The FRS for Non-PIEs is a replica of The International Financial Reporting Standard for Small and Medium Sized Entities (“The IFRS for SMEs”) which has experienced low uptake since its publication by the International Accounting Standards Board (IASB) for various reasons. On this background, ICAM conducted a survey that revealed several reasons for the low adoption of the standard one of which was the connotation for reporters and stakeholders, such as investors and financiers, of being classified as an SME. The ICAM survey has resulted in an action plan with various strategies including ongoing awareness and training. As part of this plan ICAM engaged the IFRS Foundation to develop a replica standard with a name that is considered to have a more positive connotation called “The FRS for Non-PIEs” as already defined, and with international comparability on account of its similarity with the IFRS for SMEs.

**2. Applicability of the Standard**

An entity has public accountability if it meets the criteria of “ICAM’s public Notice issued on 8 February 2016” which includes a listed entity, an entity allowed to offer its shares to the public, or that holds assets in a fiduciary capacity for a broad group of outsiders – for example, a bank, insurance entity, pension fund, securities broker or dealer.

**3. Benefits of the standard**

The benefits of this standard are scalability and simplification. The FRS for Non-PIEs is scalable and applicable to all entities that do not have public accountability and dispenses with the subjective classification of entities by size using various criteria. Therefore, it avoids unwarranted focus on the size of an entity as either small, medium sized, or large. This will be determined by stakeholders and has therefore not included this criterion in the name or title of the standard.

In accordance with ICAM’s mandate for setting reporting standards, the FRS for Non-PIEs is therefore a “fair presentation framework” as defined by International Standards on Auditing. The FRS for Non-PIEs is a legally acceptable framework in terms of section 246 (3) of the Companies Act 2013 of Malawi, which recognises standards that are issued by a prescribed body or authority such as ICAM. It therefore allows auditors to opine on whether the financial statements provide a “true and fair view” if reporting under the companies Act or are “fairly presented” if reporting under other laws and requirements.

ICAM developed this standard in view of the difficulty and cost to private companies of preparing fully compliant IFRS information, and because the needs of reporters without public accountability are different from those that have it.

Further, this is a single, self-contained standard and not many individual standards. Because it is tailored to the needs and capabilities of entities that have no public accountability from the largest to the smallest, significant simplifications have been pervasively introduced throughout all areas of Full IFRSs/IASs, regarding recognition, measurement, derecognition and disclosures. In addition, some topics in Full IFRS, not relevant to entities without public accountability have conveniently been omitted.

This standard is therefore ideal for entities that may wish to access capital from international and local financiers or as an intermediate step to the implementation of Full IFRS for future listing on the Malawi Stock Exchange, or to immediately list on the Alternative Stock Market.

The Institute therefore encourages all reporters that do not have public accountability to adopt the FRS for Non-PIEs as soon as they are able for all financial reports for year ends that remain unissued.

---



CA. Moffat Ngalande  
ICAM President  
5<sup>th</sup> August 2024