Option A

Quantitative Thresholds

A.4. Determining quantitative thresholds assists in the consistent and appropriate use of the ISA for LCE in a jurisdiction. This section anticipates that legislative or regulatory authorities or relevant local bodies with standard setting authority will determine quantitative threshold(s) for use of the ISA for LCE in their respective jurisdictions.

Guidance on setting quantitative thresholds is described further in the Authority Supplemental Guide. Quantitative thresholds may be set, for example, for all applicable entities within the jurisdiction in general, or different thresholds may be set for entities within a specific or certain industry(ies) or for certain classes of entities. In doing so, consideration is to be given to the specific prohibitions for use of the ISA for LCE and the qualitative characteristics of a typical LCE, as set out in this Part, as well as other specific circumstances or needs that may be relevant in the jurisdiction. While complexity is not always directly relative to the size of an entity or its activities, complexity often increases when key quantitative measures (e.g., revenue, total assets, employee numbers etc.,) increase.

When determining quantitative thresholds for the use of the ISA for LCE, existing definitions or thresholds in a jurisdiction may be considered. The IAASB discussed definitions or thresholds used in a broad range of economies, including the: established in various jurisdictions in determining the characteristics of a typical LCE. Such thresholds may be useful as a reference point for jurisdictions in setting thresholds. For example, the quantitative indicators described in

- European Commission’s definition of a “small” enterprise.\(^1\) A small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover or annual balance sheet total does not exceed EUR 10 million.

- National SME Development Council of Malaysia’s definitions of a “small entity.”\(^2\) These definitions use different quantitative thresholds depending on the nature of the entity’s business. For example, a small manufacturing entity is defined as an entity with revenues of less than RM 15 million or 75 employees, whereas a small entity providing services or operating in other sectors is defined as an entity with revenues of less than RM 3 million or 30 employees.

The IAASB discussed that these definitions or thresholds may be appropriate examples for a jurisdiction to consider when determining quantitative thresholds, may be used by

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\(^1\) The European Commission defines a small enterprise as an enterprise which employs fewer than 50 persons and whose annual turnover or annual balance sheet total does not exceed EUR 10 million. Source: [https://single-market-economy.ec.europa.eu/smes/sme-definition_en](https://single-market-economy.ec.europa.eu/smes/sme-definition_en)

\(^2\) Source: [https://smemalaysia.org/sme-definition](https://smemalaysia.org/sme-definition)
When the auditor is determining whether the ISA for LCE is appropriate to use, quantitative thresholds are to be considered in addition to the specific prohibitions in paragraph A.1. and the qualitative characteristics in paragraph A.3.

Option B

Quantitative Thresholds

A.4. Determining quantitative thresholds assists in the consistent and appropriate use of the ISA for LCE in a jurisdiction. This section anticipates that legislative or regulatory authorities or relevant local bodies with standard setting authority will determine quantitative threshold(s) for use of the ISA for LCE in their respective jurisdictions.

Guidance on setting quantitative thresholds is described further in the Authority Supplemental Guide. Quantitative thresholds may be set, for example, for all applicable entities within the jurisdiction in general, or different thresholds may be set for entities within a specific or certain industry(ies) or for certain classes of entities. In doing so, consideration is to be given to the specific prohibitions for use of the ISA for LCE and the qualitative characteristics of a typical LCE, as set out in this Part, as well as other specific circumstances or needs that may be relevant in the jurisdiction. While complexity is not always directly relative to the size of an entity or its activities, complexity often increases when key quantitative measures (e.g., revenue, total assets, employee numbers etc.) increase.

When determining quantitative thresholds for the use of the ISA for LCE, existing definitions or thresholds in a jurisdiction may be considered. The IAASB discussed definitions or thresholds used in a broad range of economies, including established in various jurisdictions in determining the characteristics of a typical LCE. Such thresholds may be useful as a reference point for jurisdictions in setting thresholds. For example, the quantitative indicators described in the European Commission’s definition of a “small” enterprise and the National SME Development Council of Malaysia’s definitions of a “small entity.” The IAASB discussed that these definitions or thresholds may be appropriate examples for a jurisdiction to consider when determining quantitative thresholds, may be used by jurisdictions as a base to be adjusted for the economic and other circumstances of the jurisdiction.

When the auditor is determining whether the ISA for LCE is appropriate to use, quantitative thresholds are to be considered in addition to the specific prohibitions in paragraph A.1. and the qualitative characteristics in paragraph A.3.

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3 The European Commission defines a small enterprise as an enterprise which employs fewer than 50 persons and whose annual turnover or annual balance sheet total does not exceed EUR 10 million. Source: https://single-market-economy.ec.europa.eu/smes/sme-definition_en.

4 The National SME Development Council of Malaysia uses different quantitative thresholds depending on the nature of the entity’s business. For example, a small manufacturing entity is defined as an entity with revenues of less than RM 15 million or 75 employees, whereas a small entity providing services or operating in other sectors is defined as an entity with revenues of less than RM 3 million or 30 employees. Source: https://smemalaysia.org/sme-definition