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09/30/2007

Official statement against the application of "IFRS for SMEs"

Dear Sirs

We attach another more detailed official statement against the application of IFRS for SMEs, which we have designed together with the Association of the Bavarian Chambers of Business, the Bavarian Chamber of Industry and Commerce, the Association of Bavarian savings banks, the Association of the tax advisory and accountancy profession in Bavaria and the Chamber of Munich Tax Advisors.

In this statement we comment on the exposure draft IFRS for SMEs by the IASB of February 15, 2007. We again appeal to the IASB to reassess the needs of SMEs and to rethink its approach according to costs and benefits for SMEs. The chance for a fundamental revision of the exposure draft should be used.

Yours sincerely

Bavarian Association of cooperatives

Erhard Gschrey
Managing Director
Vice-Chairman

Enclosure

Arbeitsgemeinschaft der bayerischen Handwerkskammern

IHK Bayerischer Industrie- und Handelskammertag BIHK

GENOSSENSCHAFTSVERBAND BAYERN

Sparkassenverband Bayern

LSWB Landesverband der steuerberatenden und wirtschaftsprüfenden Berufe in Bayern e.V.

STEUERBERATERKAMMER MÜNCHEN
KÖRPERSCHAFT DES ÖFFENTLICHEN RECHTS

Munich, 08/27/2007

IAS/IFRS for SMEs

Official statement against the application of „IFRS for SMEs“

CONTENTS

1. Framework of IFRS for SMEs

The basis of the IFRS for SMEs is full IFRS. Among other things the deviations consist of the following:

- Some paragraphs are not regulated in the IFRS for SMEs, while insignificant for SMEs (e.g. segment reporting). In exceptional cases you can recur to the full IFRS.
- The IFRS for SMEs only contain some choices (the rest of the choices can be applied by a fall back to the full IFRS).
- Partly, some additional choices are allowed.
- Modified accounting policies (measurement of financial instruments – including the choice of IAS 39).
- Reducement of disclosures in the notes.

We notice different developments in regard to the expectations and the assessment of effects of IFRS in Europe. In countries with a long accounting tradition – such as Germany – you will find a broad critical majority among the business entities, while countries without such a tradition trust in the work of the IASB. The problem of a conversion into IFRS on the one hand is that IFRS raises quite a lot of severe questions because of a long accounting tradition and no suitable improvement of the functioning rules will be applied on the other hand. We do expect that these so-called young economies will be forced to modify the implemented IFRS soon. Experts prognosticate such developments for Denmark as well, if a conversion to full IFRS will take place.

2. The information interests of the users

The exposure draft of IFRS for SMEs is intended for use by small and medium-sized entities that do not have public accountability and publish general purpose financial statements for external users:

An entity has public accountability if:

a) it files, or it is in process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; or

b) it holds assets in a fiduciary capacity for a broad group of outsiders, such as a bank or insurance entity.

This approach goes too far. We demand a restriction of full IFRS to entities whose securities are traded in a public market.

The **users** of IFRS for SMEs are the entrepeneurs itself, the banks and the financial administration. Neither the entrepeneurs nor the banks demand the use of IFRS. The financial administration needs a special financial statement derived from the financial statement in conformity with national GAAP (Uniform financial statement) or in some cases a separate financial statement anyway.

In Germany it is quite usual that small and medium-sized entities prepare a so-called Uniform Financial Statement, which is a tax oriented financial statement and an applicable basis to taxation and a distribution of profits. A general accepted accounting standard for SMEs has to follow the cost-benefit restraint, to be comprehensible and easily to use.

Banks need informations for the judgement of creditworthiness and the credit rating in accordance with the German Banking Law (KWG). Sources of information are the financial statements, the account management, the order demand, business plans and so on. All kinds of information have to been tested in regard to existence and truth irrespective of the applicable accounting standards.

By the way, all banks have already converted their rating systems and ways of obtaining informations according to **Basle II**; these systems should have now been adjusted for the conditions of IFRS for SMEs.

Entities that have no public accountability have a different understanding of information needs from shareholders of entities whose shares are traded in a public market **(Shareholder Value).** The aim of SMEs is a long-term profit policy including hidden reserves for a future economic crisis und no short-term „capitalization" of fictive profits, which could endanger the existence in the long run. The entrepreneur is influenced by suggesting a supposed solid financial position; he might be prevented from necessary business decisions for viability. Particularly, the goals of financial statements of SMEs are taxation, the protection of the creditors, the basis to a distribution of profits and the maintenance of capital. Rule based informations are much better than changeable informations.

IFRS for SMEs just emphasize the interests of shareholder values and do not consider the peculiarities of medium-sized entities. From January 1, 2007, the Law of the Electronic Register of Companies and Cooperatives (short: EHUG) came into force. From this moment, the companies had to submit the documents (Financial statement, mostly the Management's Discussion and Analysis, the report of the supervisory board, the resolution of the distribution of profits) to the runner of the electronic companies' register and to announce electronically. In this context, the compulsory adoption of IFRS would burden the medium-sized entities in addition. We would like to emphasize that even in the U.S. no requirements like this are existing for SMEs in regard to accounting (US-GAAP) and publicity.

Therefore, we demand according to the German Bilanzrechtsreformgesetz (BilReG) a strict separation:

a) Entities whose securities are traded in a public market – Adoption of IAS/IFRS

c) Entities that have no public accountability – Modernization of German GAAP

The modernization and development of German GAAP could be an alternative accounting standard for SMEs in comparison to IFRS.

The small and medium-sized entities must be prevented by the German/ European legislator from IFRS for SMEs in the actual version. In this case, we demand an European accounting system, which is compatible with the aims and requirements.

3. Complexity

The standard „IFRS for SMEs" is a very complex and hard to understand system of regulation, in which the costs of providing information exceed the benefits derived from information. An additional aspect is the **extensive** duty to report too many details in the notes, which comprise more than one hundred pages. The large scale has to be reduced, redundant passages have to be avoided. The necessarity of the varied information requirements have to be checked (reduction of far-reaching bureaucratic rules).

Disclosures in the notes of SMEs are mainly used by the owners themselves and by financial institutions. The financing institutions of SMEs are banks.

The actual informations in the notes are partly orientated towards the needs of banks in regard to rating informations, thus in principle it has to be checked, whether informations in the notes of SMEs, that have no public accountability, should be orientated towards the information needs of banks in regard to the financial standing. An additional burden for SMEs could be taken back. We proceed from the assumption that existing informations (e.g. duration longer than five years and so on) could become no longer necessary and the volume of disclosures in the notes should be around the figure of 20. The notes could become the main basis for the valuation of the financial standing.

The disclosures in the notes have already been reduced because of the reduced requirements in regard to the entities' accounting policies in the ED-SME and the cross-references to full IFRS (SME 119). Nevertheless, the standard stipulates a large variety of informations to the users of financial statements of SMEs. The costs of providing information exceed the benefits derived from information in an unbearable manner. In result, the reporting duty is too costly (extensive checklists) and the question is whether it is necessary and convenient.

The **enclosure** contains a proposal for reduction of disclosures in the notes.

4. Mandatory fall back versus stand-alone solution

We are of the opinion that a stand-alone solution for the standard and the framework ought to be maintained. Cross-references to full IFRS have the consequence that SMEs have to obey besides the 254 pages (ED SME Standard) also the full IFRS, which means 2400 pages. In doubt you would follow the rules of the full IFRS. This cannot be accepted. The interpretation of the different choices concerning SMEs ends in this fall back and complicates the standard.

We support a **stand-alone solution,** which gives the SMEs only choices within this standard. This ought to contain real simplifications regarding the content, the quality and the omission of complicated rules (e.g. fair value measurement and so on). In this case, you would find the standard in a very reduced form.

Even if you reached a complete stand-alone solution, the problem of an effective mandatory fall back would remain. Logically, the auditor recurrs to the full IFRS in doubt.

We reject a mandatory fallback in general, because the simplification of the rules for SMEs would be otherwise without any effect. In every single case which is not regulated in the standard for SMEs, these would have to recur to the total set of the full IFRS. There would be no effect at all in having a separate standard for SMEs. You will find a mandatory fall back in the descending order in section 10.3 to 10.4 of the standard with the prudent hint of consideration of the full IFRS:

- **First category**
  (Recurrence to similar and related issues in this draft)
- **Second category**
  (Recurrence to every suitable regulation = no solution at all)
- **Third category**
  (Obligatory consideration of similar or related issues in the full IFRS - „may consider")

5. Basis for the distribution of profits

The fair value measurement may result in utopian and unrealistic judgements of the profits. Here you will find artificial or **fictive profits,** which have not yet been realized. The risks of a false measurement or of the necessity of a future devaluation are immense. The **consequences** in civil and penal law, in the law of heritage and property, labour law and collective law as well as in company law and the results for economical transactions such as mergers and acquisitions following the merger law (UmwG) are difficult to estimate.

In our opinion, the ban to distribute profits or a provision for the non-distribution is not convenient, because you have to implement different methods of measurement, the results of which are not final with regard to the doubtful realization. These are bureaucratic and therefore not suitable measurement rules. Because of the risks of future fluctuations, fair values are only in some respect suitable for the purpose to obtain more detailed informations in the financial statements. Financial statements should be based on economical facts and not on uncertain prognoses.

Furthermore, you would have to clarify, on which basis the distribution of profits should be realized, because the financial statement by IFRS is **no** adequate basis because of the partly false representation of unrealized gains. For this purpose, you would need varied calculations (so-called solvency tests).

6. Principle of Prudence

We still hold on the tried and tested **Principles of realization** and **prudence**. Those accounting principles have been confirmed as a steady principle in former decades. It is indispensable to adopt a principle of prudence – just like the German one – in the standard IFRS for SMEs. A businessman should not be able to reckon himself richer by fictive und uncertain gains as reality says. Supposed success could lead to business decisions, which could endanger the existence of the company in a medium-term.

7. Fair Value Measurement

Fair value measurement has been stipulated in Germany in the ADHGB (Allgemeines Deutsches Handelsgesetzbuch) in the year 1861 already. In the year 1884 (just 23 years later), the rules of fair value measurement for stock companies and limited partnerships on shares (KGaA's) in Germany were abolished because of the experiences in the crisis of the years of foundation and replaced by the principle "at cost". You will now find the same form of criticism as at that time (distribution of non-realized gains, volatile period profits, large fictive paper profits represent the basis for dividends and so on). [1]

Prognoses should support the effort to find the exact value in the financial statement – the financial statements however should not consist of prognoses.

The efforts to find the exact value are much more costly in a fair value measurement than the methods of measurement until now and they will especially burden the extremely all-round German SMEs, which will have an unfavourable effect on their financial strength, their profits and their tax revenues.

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[1] See „LSWB", Heft 5/06, page 170 ff.

The large costs are reflected in the extensive duty to report too many details in the notes in context of fair value measurement. Parts of these costly disclosures could be reduced, if you would **waive** the uncertain prognoses and their costly **determination.**

The method of valuation in German GAAP has in some way contributed to guarantee the standard of going concern in the past.

If there are quoted prices in an active market at measurement date, fair value will be an adequate basis for measurement and valuation. However, in 60 to 70 percent of all positions in the financial statement no actual quoted price in an active market does exist, thus other fictive values have to be determined. We are of the opinion that the proposed rules of fair value measurement are not realistic, so that you can determine fictive values and the capitalization of fictive profits. Even SMEs would need expert opinions or experts for the valuation. We are of the opinion that experts cannot replace the market despite of the high costs. The objective of a financial statement is not only to provide information about the financial position, performance and cash flows of the entity. It is problematic to assess that you will not find parts of the impairment losses in the Income Statement permanently, but in the Statement of changes of equity.

This is a deliberation of measurement, which does not work out advantageously, because the only way to reach the intended exactness is to lower the exactness of the basis of measurement. The experiences of accounting policy of the SMEs in Germany show a safe basis of measurement, which is not easy to manipulate and has been sufficiently tested in small and medium-sized entities.

The **criticism** against fair value measurement corresponds with the **Official statement of the IdW (Institute of German auditors)** concerning the adoption of the international accounting standards IFRS for SMEs. The working group of the DRSC demands the reduction of fair value measurement as well.

8. Non-financial assets (other than goodwill)

Intangible assets as well as property, plant and equipment have a useful life and the depreciation method is the same as the useful life (section 16.14). While not demanded explicitely, you can infer from section 16.14 that the so-called **component approach** of IAS 16 is stipulated for SMEs as well, which means that an entity shall allocate the amount initially recognised in respect of an item of property, plant and equipment to its significant parts and depreciate separately each such part. In result, the IAS/IFRS pursue a tendence to an „atomisation of assets". This kind of practice is in contrast to the current jurisdiction of the Highest Tax Court of Germany according to the accounting principles of buildings and building complex (see R 42 Section 5 EStR). The uniform functional correlation is emphasized in this approach. In our opinion, this approach is useful, because it determines uniform assets in consideration of the common opinion and results in "fair values". The accounting effort raises with the number of components and the split factor excessively; at the same time, the component approach is a matter of discretion because of a lack of profound experience.

An entity shall not amortise an intangible asset with an indefinite useful life. The problem here is the determination of the useful life; the useful life according to German GAAP differs from IFRS. Furthermore, it raises the question of the continuation of an useful life. Even the EFRAG pleads for straight-line depreciation on a systematic basis over 20 years in its official statement. The praxis says a depreciation period of at most 10 years is suitable.

By the way, the diminishing depreciation method ceased to apply, just the straight-line depreciation remains, which is about the same rule in Germany stipulated by the reform of the company taxes.

In the following periods, you will have the choice for items of property, plant and equipment to apply the **revaluation method** according to IAS16. If a company wants to take this choice, the company will be referred to the rules of IAS 16.31 ff. For intangible assets you will only have the choice of revaluation according to IAS 38.75 ff. for those assets that are traded in an active market. It exists a direct reference to IAS 40 for investment properties that allows a valuation by the fair value model in the following periods according to IAS 40, but no straight-line or extraordinary depreciation. The usefulness of this choice is extremely doubtful in regard to the enormous practical problems applying the fair value model.

See the official statement of the IdW of 07/10/2006.

9. Goodwill

The changes of IAS 36 did not allow any straight-line amortisation on a systematic basis of goodwill since 2004. This is not comprehensible for us at all. The possibility of **impairment tests** leads to irregular values. It asks too much of the companies and auditors to determine the realistic and fair value of goodwill in each case. We still plead for a straight-line amortisation on a systematic basis for the goodwill and intangible assets. We supposed to stipulate the assumption of a maximum useful life of10 to 20 years out of the reason of objectivity (see especially the official statement of the IDW).

In the IFRS for SMEs (different to full IFRS) the companies have the choice, either to choose the capitalisation model or to recognise as expense all costs incurred in development activities. On the one hand, additional choices could be an advantage especially for SMEs, they contradict the declared aim to reduce the complexity on the other hand.

The Exposure draft gives a simplification worth mentioning in section 26 opposite to the rules of IAS 36. The impairment test for the goodwill as well as the non-financial assets is just indicated in cases of a triggering event and not once a year. The problem of finding the exact value remains.

10. IAS 32

We already expressed our opinion regarding the delimitation of equity and liabilites in standard IAS 32 in our official statement of April 3, 2007. The problem is still unsolved in the SME standard. A fundamental correction and revision of IAS 32 is **extremely necessary,** otherwise the adoption of IFRS rules for types of businesses such as cooperatives, limited companies, partnerships and limited partnerships in Germany (as well as in different other countries) would be impossible. In this context, we recur to the expert opinion of the professors Mr. Baetge and Mr. Kirsch, ordered by the DGRV (Deutscher Genossenschafts- und Raiffeisenverband in Berlin). Furthermore, a working group of the DRSC worked out a new proposal in the meantime which was brought in the discussions with the IASB. The new approach proceeds from the assumption of a **loss absorption of equity**. This is the right solution. The nature as equity has to be oriented to the question of liability and loss absorption and not to a period of notice (see especially the official statement of the IdW). The equity problem according to IAS 32 has to be solved first, otherwise the standard cannot be adopted.

11. Disclosure of profits

The varieties of measurement in IAS/IFRS lead to clearly higher shown profits and assets especially in the first year of adjustment. **Fictive** profits, which are not realized yet and maybe could arise in the future, will be shown. Altogether, this will endanger the existence of the companies in the long term. The volatility of the profit policy extremely rises after the adoption of IAS/IFRS. Changes of profit do not only result from the operating profit, but from the whole set of difficulties with fictive profits.

The differences of accounting principles are leading to different results. Thus, the conversion from German GAAP to IAS/IFRS results in clear changes of the financial position and the profit situation. See especially the following illustration, in which the changes in the financial statements of Volkswagen and BMW after the adjustment from „German GAAP to IAS/IFRS" are shown by a trial calculation for the financial year of 2000:

Financial year 2000	**Volkswagen** in %	**BMW** in %
Fixed assets	+ 28,0 %	+ 158,0 %
Equity	+ 90,0 %	+ 92,0 %
Provisions	- 7,5 %	- 15,0 %
Profit	+ 46,0 %	+ 18,0 %
Yield of turnover	+ 10,0 %	+ 10,0 %
Source: Frankfurter Allgemeine Zeitung of 06/17/2002		

This policy of larger profits or assets does **not** result in a better liquidity or credit rating with regard to banks. The banks unanimously declared, they would eliminate the existing weak points of each accounting method (German GAAP, IFRS or US-GAAP) within the analysis of the financial statements und check for realistic values.
Therefore, financial statements according to IAS/IFRS do **not** enhance the credit rating in comparison to those according to German GAAP.

The deriving **legal consequences** on civil and penal law, in the law of heritage and property, in labour law and collective law as well as in business law and the results for economical transactions such as mergers and acquisitions following the merger law (UmwG) are difficult to estimate.

12. Pension liabilities

Pension liabilities in German GAAP are balanced according to the tax rules of § 6a EStG (modified tax value approach). The rate of discount of 6 % is not up-to date any longer. In the near future, Germany will stipulate a reformation of German GAAP in the so-called Bilanzrechtsmodernisierungsgesetz (BilMoG) and will adapt its accounting rules for pension liabilities according to international accepted accounting standards. We do support this approach (see also the press report of the IDW of January 16, 2006).

13. Deferred taxes

The capitalisation of **deferred tax assets** results in an increase of profits in IFRS financial statements in contradiction to German GAAP (choice).

The preparation of the facts, the calculation of deferred taxes and especially the continuation of the calculation in the succeeding years is a very costly accounting problem for SMEs and does not result in a higher level of information usefulness. We cannot discern any operating usefulness. Even a careful preparation involves the danger of a considerable detection risk.

You should dispense from the capitalisation of deferred tax assets because we can only recognize few advantages from this rule (e.g. uniform international accounting standards and correct periodical tax expense), because there will not be any realization in case of insolvency. Nevertheless, we approve the item of deferred tax liabilities.

14. Reduction of extensive disclosures in the notes

Around 400 details have to be done in the notes. Therefore, the IASB created its own checklist of 52 pages.

That involves a form of **bureaucracy that contradicts the information of the EU Commission** of July 10, 2007, concerning a simplified company field in the segments of business law, accounting und auditing.

In order to induce an actual reduction of complexity and costs, to heighten its own credibility and to strengthen the acceptance of the standard, the IASB should consider the following aspects in the revision of the disclosures:

- The lack of public accountability has to result in a clear **reduction of compulsory disclosures** in quality and quantity;
- The demanded informations imply different qualities for SMEs (specific business strategies, business volume, numbers of owners and structures of corporate governance) concerning the risk of competitiveness of the company as well as the privacy of the owners and managers. The disregard of these facts becomes clear in various passages of the exposure draft, such as disclosure of the cost of a business combination; informations about each business combination effected after the end of the reporting period but before the financial statements are authorised for issue; information about externally imposed capital requirements, including whether the requirements have been complied with; its share of any discontinued operations for investments in associates; details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable that permit the lender to demand repayment at the reporting date and whether the terms of the loans payable were renegotiated; related party disclosures.
- If specific disclosures for SMEs were altered, this should be done in a manner, that no far-reaching rules (e.g. new additional choices and alternative treatments) like those in the full IFRS were stipulated. However, simplifications and reductions should be carried out in a generous manner and in consideration of the interests of SMEs.

15. Choice to IFRS in the German BilMoG

The German Federal Minister of Justice works out a revised version of a modernized German GAAP at present. We do support these activities, but we stand for the position that **no choice to IFRS** (including an escape clause) will be provided.

If a choice to full IFRS will be implemented in the German BilMoG, the results would be negative consequences for SMEs (costs/bureaucracy). Some larger companies would adopt IFRS because of their market power (subcontractors); the rest of the SMEs (smaller companies) would be obliged to follow sooner or later.

The not satisfying rules of IFRS had to be adopted without urgently necessary adaptions.

Furthermore, comprehensive **legal questions** and their consequences on civil and penal law, in the law of heritage and property, in labour law and collective law as well as in business law and the results for economical transactions such as mergers and acquisitions following the merger law (UmwG) are still unsolved.

16. Conclusion

We approve a practicable European accounting system. **There is no need for German SMEs** to adapt the reporting standards to those of the entities whose securities are traded in a public market. For very good reason, the U.S. did not extend the accounting standards for entities whose securities are traded in a public market to SMEs.

The IdW in Germany supports the modernization of German GAAP in its press report 1/2007 of 03/05/2007 as well. The expressiveness of financial statements has to be strengthened. The modernization of German GAAP should be adopted in the accounting conventions of the EU. In that way, the accounting standards for SMEs would be improved and an important contribution to the harmonization of the European accounting systems would be made. A standard for SMEs will not be necessary.

The small and medium-sized entities could do well with a modernized form of German GAAP and without the IFRS for SMEs. The IFRS for SMEs are no substitute for German GAAP.

Before the above-mentioned and other facts are not settled in a satisfying manner, the exposure draft of IFRS for SMEs is not appropriate to fulfil the needs of the small and medium-sized entities.

The admission of a choice for adoption of the IFRS in the European and German legislation is very questionable in this context. The choice could effectively join to an obligation. It is to be feared that compulsions of the market could force a „voluntary adoption" of these complex rules.

For these reasons, we **do vote against a choice** to IFRS in the Geman Bilanzrechtsmodernisierungsgesetz (BilMoG).

The sufferers of a conversion to IFRS should be the SMEs, which were burdened by uncertain accounting methods and immense bureaucratic costs.

The losers should be the macro-economic stability, the resistence of the SMEs to all forms of insolvency and thus the job security itself.

An accepted accounting system in Germany has to follow principles that are able to strengthen the competitiveness of the SMEs and to contribute to a sustained economic development as well as to justify the reliable confidence of management and workers.

Yours sincerely,

Heinrich Traublinger, MdL	Bernd Lenze
President	Managing Director

Arbeitsgemeinschaft der bayerischen Handwerkskammern

Professor Dr. Dr. h.c.mult. Erich Greipl	Dr. Reinhard Dörfler
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Dr. Peter Küffner	Dr. Hartmut Schwab
President	President
LSWB	*Steuerberaterkammer München*

Standard „IFRS for SMEs“
here: List of proposal for disclosure requirements in the notes that could be eliminated

Section	Contents	1	2	3	4	5	6
3.4.	Standard has to be created in a manner that these cases cannot occur otherwise the standard appears unnecessary			X			
3.5.	Standard has to be created in a manner that these cases cannot occur otherwise the standard appears unnecessary			X			
3.6.	Standard has to be created in a manner that these cases cannot occur otherwise the standard appears unnecessary			X			
3.11.	No reclassification of comparative amounts – change par. 3.10 as well		X	X			
3.12.	No disclosure of comparative information in the first time adoption of IFRS for SMEs, the comparative information for narrative and descriptive information is unnecessary. In the following years the disclosure of comparative information seems to be useful. Further descriptive information should be eliminated, because these informations are included in a previous period´s financial statement or changes of accounting and valuation methods will be disclosed in the current period´s financial statement.		X				
3.15.c.i	Delete the statement of changes in equity; the reducement of fair value measurement to cases of a quoted price in an active market makes this statement unnecessary	X	X	X			
3.15.c.ii	Eliminate; the reducement of fair value measurement to cases of a quoted price in an active market makes this statement unnecessary	X	X	X			
3.15.d.	Eliminate the cash flow statement	X	X	X			
4.14.	No disclosure of capital for SMEs	X	X		X		
5.3.	Change the income statement „... for the period – if applicable – at least ...“					X	
5.3.e	Discontinued operations		X		X		
5.6.	Delete par. 5.6. – extraordinary items useful						X
5.7.c	Delete disclosure about restructurings	X	X				
5.7.g	Eliminate litigation settlements	X	X		X		
5.7.h	Eliminate the reversal of other provisions	X	X				
5.10.	Eliminate amortisation	X	X				
6.2.	Delete, see. par. 3.15.c.	X	X	X			
7.	Eliminate the cash flow statement	X			X		

Sec.	Contents						
7.21.	Eliminate disclosures of significant cash and cash equivalent balances held by the entity	X	X		X		
8.3.	No cross-references of each item on the face of the financial statement		X				
8.4.	Shall be presented on the face of the financial statement – prepared in compliance with the IFRS For SMEs					X	
8.7.	Eliminate completely – the cause has to be solved – fair value measurement just for quoted prices in an active market			X			
10.9.c	Change par. 10.9.c – no changes in accounting policy retrospectively		X				
10.10.	Eliminate – retrospective application not practicable for SMEs		X				
10.11.	Consequence of a feigned accuracy of a retrospective application - delete			X			
10.12.	Consequence of a feigned accuracy of a retrospective application - delete In our opinion, a disclosure of a voluntary change in accounting policy is only necessary in the case of materiality; disclosures of the change in accounting policy with an explanation (without adjustment of comparative amounts) are sufficient.			X			
10.16. - 10.17.	Consequence of a fair value measurement of assets without quoted prices on an active market; by the way, the disclosures of true and fair view contain these disclosures		X	X			
10.20. - 10.22.	A retrospective correction of prior period errors is impracticable– eliminate		X	X			
10.23.	These disclosure go too far – also covered by true and fair view – by the way, we are of the opinion that the disclosures of a prior period error and the amount of the correction are sufficient in the year of correction		X	X			
11.41.	Is superflous, if fair value disclosures will be reduced to a convenient extent (to assets with quoted prices in an active market)		X	X			
11.42.	Delete, because there is no need for fair value assets and liabilities			X			
11.43.	Delete, otherwise you are not allowed to use this measurement basis			X			
11.44.	Eliminate – the measurement of assets and liabilities has to be clear		X				
11.45.b	Eliminate the disclosure of terms and conditions. (too costly)		X		X		
11.46. – 11.47.	Eliminate disclosures of defaults and breaches of loan agreement terms; too costly.and far-reaching.		X		X		
11.48.	No relevance if reduced fair value disclosures – delete disclosures of measurement		X	X			
11.49. - 11.51.	Eliminate disclosures of hedge accounting, because the general accounting standards guarantee the conformity with the accounting rules. Therefore, we recommend disclosures of derivative instruments.		X		X		

Sec.	Contents						
11.52.	Eliminate. Typically, the risks result from fair value measurement and not from a measurement at amortised cost.					X	
12.21.b	Delete „classification appropriate to the entity“		X		X		
12.21.d	Delete the separate diclosures of impairment of inventories		X		X		
12.21.e	Delete the disclosure of any reversal of any impairment and the description of the circumstances or events that led so such reversal	X	X	X	X		
15.5.	These disclosures result from the costly fair value model of IAS 40, which is disapproved from us as well as a fall back to full IFRS	X	X	X			
16.29.c.	Eliminate because there is no need of information	X					
17.23.	We disapprove the reference to full IFRS and the revaluation model applied by IAS 38	X	X	X			
17.32. (a)	The differentiation between „indefinite“ and „finite“ useful lives is criticized and disapproved by us in our official statement		X				
17.33. (a)	We approve the straight-line depreciation method for intangible assets (see Sec. 8 of our Official statement); therefore, eliminate this disclosure		X	X		X	
18.23.	Harmful insight into the company; different group of users in SMEs	X	X		X		
18.24.	see par. 18.23	X	X		X		
18.25.	Delete, because the users do not have such need of information and there is a severe chance of abuse by competitors	X	X		X		
19.15.	We disapprove the reference to finance lease constructions and to full IFRS (IAS 17)	X	X	X			
22.28. b.	The disclosure results from a too generous possibility of recognition of unrealized gains; this could be prevented a change of the methods of measurement. Eliminate the disclosure.	X		X	X		
22.28.c.	The disclosure results from a too generous possibility of recognition of unrealized gains; this could be prevented a change of the methods of measurement. Eliminate the disclosure.	X		X	X		
24.5.	We disapprove the fall back to full IFRS, especially IAS 23.	X	X	X			
25.8. 28.9.	Share-based payments relate to enterprises which file ist financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market. There is a lack of fair value measurement of those shares in SMEs; furthermore, there is a long tradition of ownership in SMEs as well. Thus, these disclosures will not be necessary, e.g. the general terms and conditions of each arrangement).	X					
26.25. c) und d)	These disclosures result from par. 16.11 (b) and 16.13 (revaluation model). If you adapt the revaluation model, there is a fall back to the rules of IAS 16. We disapprove the application of the revaluation model and the fall back to full IFRS.			X			

Sec.	Contents	1	2	3	4	5	6
27.38.	Contribution plans and defined benefit plans are quite rare in SMEs and could only appear in the person of an ownership manager. The following disclosures are unnecessary and too costly in respect of the typical user in SMEs: c) a reconciliation of opening and closing balances of the defined benefit liability e) a reconciliation of the opening and closing balances of the fair value of plan assets g) the total cost relating to defined benefit plans included in the cost h-j) the detailed split up of the plan assets.	X X X X	X X X X				
28.29.	We do approve the disclosure of tax expense, but not the detailed disclosure of the components (sec. 28.28) under cost/benefit-restraints: a) deferred tax relating to items that are recognised directly in equity	X	X	X			
	b) a numerical reconciliation with each significant difference disclosed separately	X	X				
	d) the amount of unused tax losses (we criticize the temporary concept)			X			
30.27. - 30.29.	Difference between presentation currency and functional currency; the change of the functional currency and the presentation of currency in a third currency seems to be an exception in SMEs. We recommend a simplification of the rules of foreign currency translation.			X			
33.5. 33.6	Disclosure of key management personnel compensation: The detailed disclosure could lead to an unreasonable violation of the constitutional Right of Personality, especially the owners of small and medium-sized entities. We refer to the exemption rules of German GAAP (§§ 286 Abs. 4 and 288 HGB).	X			X		
33.7. - 33.10.	There is no need for such a detailed disclosure in respect of the information usefulness. The general description of related party transactions, the total amount of this turnover, the receivables and liabilities is sufficient.	X	X				
36.3.	The disclosure of the restatement for prior periods – if practicable – is too costly. In the relation to the usefulness for the users of the financial statements of SMEs, there is no adequate balance.						

Reason for disclosure requirements in the notes that could be eliminated

1) Not necessary for the information of the users
2) Too costly under cost/benefit-considerations – see also sec. 2.11.
3) Consequence – it is necessary to solve the problem in the standard, unnecessary
4) Harmful insight into the company
5) Clarity
6) Change because of the information needs of the users