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**Comments of the German Electricity
Association on the IASB-Discussion Paper
„Accounting Standards
for Small and Medium-sized Entities“**

**German Electricity Association
(Verband der Elektrizitätswirtschaft - VDEW - e.V.)
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The German Electricity Association would generally like to point out that application of the current IFRS-rules is difficult for small and medium-sized entities (SMEs), even if the members as “public utility companies” will presumably not be affected by it. The basic problem results from various specific rules and interpretations as well as the extensive supplement statements. From a national point of view the problem is being amplified by the fact that accounting provisions with the goal of protection of creditors (by way of restricted distribution) as set in the Commercial Code (HGB – Handelsgesetzbuch) basically diverge from the IFRS.

In principal we hold the opinion that with regard to the creation of IFRS for SMEs the quintessence of the IFRS (approach and assessment) must remain. Otherwise a risk exists that two parallel IFRS-accounting provisions lead to an additional commitment of financial means and personnel resources. A possibly strived for harmonisation of accounting could not take place due to the fact that financial statements of different IFRS standards could not be compared. Therefore simplifications for SMEs could only refer to the substantial supplement statements of the IFRS. This seems appropriate for entities which are not capital market-oriented. To potential investors their financial statements will be of a minor information interest.

With this, however, problems arising for SMEs with regard to the application of IFRS would not be solved. Questions remain concerning the application of IFRS-standards for SMEs. For SMEs which have to make up their balance according to IFRS within the scope of its group financial statements, these IFRS for SMEs do not pose to be any simplification. Because of the group accounting they cannot be addressee of IFRS for SMEs. They would have to continue with the application of the IFRS.

For entities which are not listed on the stock exchange and which are also not involved in a group accounting there is – at least from the German point of view – no need for special IFRS, since the Commercial Code (HGB – Handelsgesetzbuch) offers feasible accounting rules for these entities and because it has already planned simplifications for SMEs. For this reason IFRS for SMEs should be applicable on a voluntary basis.

Comparable with IFRS 1 there should also be a transitional provision for SMEs.