

**PRELIMINARY VIEWS ON ACCOUNTING FOR SMALL
AND MEDIUM-SIZED ENTITIES**

Responses from the Society of Accountants in Malawi

Question 1

- a. Do you agree that full IFRS, should be considered suitable for all entities? If not why not?

Response: Yes, except for SMEs that need to have reduced reporting burden.

- b. Do you agree that Board should develop a separate set of financial reporting standards suitable for SMEs? If not, why not?

Response : Yes

- c. i) Do you agree that IASB standards for SMEs should not be used by publicly listed entities (or any other entities not specifically intended by the Board), even if national law or regulations were to permit this?

Response : Yes

- ii) Do you also agree that if the IASB standards for SMEs are used by such entities, their financial statements cannot be described as being in compliance with IFRSs for SMEs? If not why not?

Response : No, if publicly listed entities were to use IASB Standards for SMEs they would be using inappropriate standards and their auditors must clearly state that fact.

Question 2

Are the objectives of IASB Standards for SMEs as set out in preliminary view 2 appropriate and, if not, how should they be modified?

Response : Yes, they are appropriate.

Question 3

- a. Do you agree that the Board should describe the characteristics of the entities for which it intends the standards but that those characteristics should not prescribe quantitative 'size tests'? If not, why not, and how would an appropriate size test be developed?

Response : Yes

- b. Do you agree that the Board should develop standards that would be suitable for all entities that do not have public accountability and should not focus only on some entities that do not have public accountability, such as only the relatively larger ones or only the relatively smaller ones? If not, why not?

Response : Yes

- c. Do the two principles in preliminary view 3.2, combined with the presumptive indicators of 'public accountability' in preliminary view 3.3, provide a workable definition and appropriate guidance for applying the concept of 'public accountability'? If not, how would you change them?

Response : Yes

- d. Do you agree that an entity should be required to use full IFRSs if one or more of the owners of its shares object to the entity's preparing its financial statements on the basis of IASB Standards for SMEs. If not, why not?

Response : Yes

- e. Do you agree that if a subsidiary, joint venture or associate of an entity with public accountability prepares financial information in accordance with full IFRSs to meet the requirements of its parent, venturer or investor, the entity should comply with full IFRSs, and not IASB Standards for SMEs, in its separate financial statements? If not, why not?

Response : Yes

Question 4

Do you agree that if IASB Standards for SMEs do not address a particular accounting recognition or measurements issue, the entity should be required to look to the appropriate IFRS to resolve that particular issue? If not, why not, and what alternative would you propose.

Response : No. The calls that have been made for the development of IASB Standards for SME have come about because the full IFRS, cause a problem for SMEs. It is therefore wrong to force SMEs to rely on IFRSs. The IASB must work towards dealing with all issues that concerning SME reporting. Full SME's accounting standards must be as detailed as IFRS's.

Question 5

- a. Should an SME be permitted to revert to an IFRS if the treatment in the SME version of the IFRS differs from the treatment in the IFRS, or should an SME be required to chose only either the complete set of IFRSs or the complete set of SME standards with no optional reversion to individual IFRSs? Why?

Response: If an SME chooses to follow IASB Standards for SMEs it should follow that set of standards in its entirety. Optional reversion to IFRSs would cause problems interpretation and comparability.

- b. If an SME is permitted to revert to an IFRS, should it be:-
- a. required to revert to the IFRS in its entirety (a standard-by-standard approach);
 - b. permitted to revert to individual principles in the IFRS without restriction while continuing to follow the remainder of the SME version of the IFRS (a principle-by-principle approach); or
 - c. required to revert to all of the principles in the IFRS that are related to the treatment in the SME version of that IFRS while continuing to follow the remainder of the SME version of the IFRS (a middle ground between a standard-by-standard and principle-by-principle approach)?

Response : Yes. Required to revert to the IFRS in its entirety (a standard-by-standard approach);

Question 6

Do you agree that development of IASB Standards for SMEs should start by extracting the fundamental concepts from the Framework and the principles and related mandatory guidance from IFRSs (including Interpretations), and then making modifications deemed appropriate? If not, what approach would you follow?

Response : Yes

Question 7

- a. Do you agree that any modifications for SMEs to the concepts or principles in full IFRSs must be on the basis of the identified needs of users of SME financial statements or cost-benefit analyses? If not, what alternative bases for modifications would you propose, and why? And if so, do you have suggestions about how the Board might analyse the costs and benefits of IFRSs in an SME context?

Response : No. The issue is about how does the entity qualify for SMEs, once qualify and all members agree to adopt SME's it must be 100% adoption no modifications.

- b. Do you agree that it is likely that disclosure and presentation modifications will be justified on the basis of user needs and cost-benefit analyses and that the disclosure modifications could increase or decrease the current level of disclosure for SMEs? If not, why not?

Response : Yes

- c. Do you agree that, in developing standards of SMEs, the Board should presume that no modification would be made to the recognition or measurement principles in IFRSs, though that presumption could be overcome on the basis of user needs and a cost-benefit analysis? If not, why not?

Response : Yes

Question 8

- a. Do you agree that IASB Standards for SMEs should be published in a separate printed volume? If you favour including them in separate sections of each IFRS (including Interpretations) or some other approach, Please explain why.

Response : Yes

- b. Do you agree that IASB Standards for SMEs should be organised by IAS/IFRS number rather than in topical sequence? If you favour topical sequence or some other approach, please explain why?

Response : Yes

- c. Do you agree that each IASB Standard for SMEs should include a statement of its objective, a summary and a glossary of key terms?

Response : Yes

Question 9

Are there any other matters related to how the Board should approach its project to develop standards for SMEs that you would like to bring to the Board's attention?

Response : The Board must focus where the need for standards for SMEs came from. There is need for the Board to involve member bodies in developing countries and regional bodies in these areas more actively.