

TO
THE INTERNATIONAL ACCOUNTING STANDARDS BOARD

OPINION OF THE INSTITUTE OF PROFESSIONAL ACCOUNTANTS IN
BULGARIA

RE: Discussion paper “Preliminary Views on Accounting Standards for Small and Medium-sized Entities”

Dear Sirs,

We provide to your attention the opinion of the Institute of Professional Accountants in Bulgaria in relation to the issues raised regarding the development of International Financial Reporting Standards for Small and Medium-sized Entities.

Issue 1 . Should the IASB develop special financial reporting standards for small and medium-sized entities?

1a: We believe that the full IFRSs can be applied in small and medium-sized entities, but it should not be mandatory. Small entities without public accountability, should apply standards based on the fundamental principles and rules underlying the full set of IFRSs.

1b: The development of International Financial Reporting Standards for Small and Medium-sized Entities is necessary.

1c: IASB Standards for SMEs should not be applied by listed entities.

Issue 2 –.What should be the objectives of a set of financial reporting standards for small and medium-sized entities?

2: We believe that the objective of International Financial Reporting Standards for Small and Medium-sized Entities are presented in detail in the Discussion paper – Preliminary views 2.

Issue 3 – For which entities would IASB Standards for SMEs be intended?

3a: The area of application of IASB Standards for SMEs should be determined without setting out any specifics as to the size of the entities.

3b: Foundation principle for the application of IASB Standards for SMEs should be the public accountability in the respective entity.

3c: We believe that the two main principles stated in preliminary view 3.2, combined with the presumable “public accountability” indicators stated in preliminary view 3.3, are sufficient to determine and apply the “public accountability” concept.

3d: We believe that an entity meeting the requirements for application of IASB Standards for SMEs should apply the full set of IFRS if one or more of the entity’s owners shall not agree with the application of IASB Standards for SMEs.

3e: We believe that subsidiaries, associates or joint ventures of an entity with public accountability should also prepare their financial statements based on the full set of IFRS in view of avoiding possible preparation of two sets of statements – one for the users of the individual financial statements of the subsidiary or associate and one – for the purposes of the consolidated accounts of the company, preparing consolidated or joint financial statements.

Issue 4 . If IASB Standards for SMEs do not address a particular accounting recognition or measurements issue confronting an entity, how should that entity resolve the issue ?

4: We believe that if IASB Standards for SMEs do not regulate certain matters related to recognition and measurement the entity should apply the respective IFRS.

Issue 5 . May an entity using IASB Standards for SMEs elect to follow a treatment permitted in an IFRS that differs from the treatment in the related IASB Standard for SMEs?

5a: Entities applying IASB Standards for SMEs should be allowed to report as allowed by the full set of IFRS to the extent IASB Standards for SMEs provide for summarized presentation of the financial statements of the SMEs or an easier measurement method.

5b: If the entities applying IASB Standards for SMEs are allowed in certain cases to use the full set of IFRS this should be made applying the “Standard-by-Standard” approach.

Issue 6 . How should the Board approach the development of IASB Standards for SMEs? To what extent should the foundation of SME standards be the concepts and principles and the related mandatory guidance of the IFRSs?

6: We believe that the development of IASB Standards for SMEs should start with extracting the fundamental concepts of the Framework and the principles and mandatory guidance of the IFRS (including Interpretations), and subsequently with a suitable SME modification.

Issue 7 . If IASB Standards for SMEs are built on the concepts and principles and related mandatory guidance of the full IFRSs, what should be the basis for modifying those concepts and principles for SMEs?

7a: Upon development of IASB Standards for SMEs the modifications of the individual concepts and principles should be based on certain needs of the users of the information and the cost-benefit analysis .

7b: We agree that the disclosure and presentation modification will be justified only taking into account the needs of the user or the cost-benefit analysis and that the modification of the disclosure modifications could increase or decrease the level of disclosure for SMEs.

7c: We agree that upon the development of IASB Standards for SMEs, the Board should presume that no modification would be made to the recognition or measurement principles in IFRS, though that presumption could be overcome on the basis of user needs and a cost-benefit analysis.

Issue 8 . In what format should IASB Standards for SMEs be published?

8a: IASB Standards for SMEs should be published in a separate printed volume.

8b: IASB Standards for SMEs should be numbered like the IFRS.

8c: Each IASB Standard for SMEs should include a statement of its objective, a summary and a glossary of key terms as it will be used mostly by accountants who will be applying only these standards.

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