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24. September 2004  
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**CL 56**

**Preliminary Views on Accounting Standards for Small and Medium-sized Entities  
Comments on the Discussion Paper**

Dear Mr Pacter,

Please find attached our opinion statement for your kind attention.

Yours sincerely

im Auftrag

Bettina Bethge

Leiterin der Steuerabteilung

Head of tax department

encl.

**Preliminary Views on Accounting Standards  
for Small and Medium-sized Entities  
Comments on the Discussion Paper**

## **IASB Discussion Paper**

### **Preliminary Views on Accounting Standards for Small and Medium-sized Entities**

**Question 1a. Do you agree that full IFRSs should be considered suitable for all entities? If not, why not?**

The application of IAS/IFRS for small and medium sized entities would cause many new problems. The original purpose of international accounting standards is to compare internationally financial statements of listed companies. However, most of the SMEs have an entirely different capital structure, therefore international comparability is not crucial to them.

As long as German taxation is based on the commercial account, a compulsory application of the IAS/IFRS for SME does not seem reasonable as this would lead to accounting following two different standards.

**Question 1b. Do you agree that the board should develop a separate set of financial reporting standards suitable for SMEs? If not, why not?**

The IAS/IFRS intends to give relevant investment information to (potential) capital providers. Small and medium sized entities are debt or equity financed by only a few capital providers, therefore relevant information exceeding current annual account could also be given otherwise. The purpose of the German commercial and taxation law is to assess profit distribution and to provide basis for taxation. The implementation of new accounting standards while maintaining the previous standards would cause disadvantages to SMEs. Therefore we disagree to develop a set of financial reporting standards for small and medium sized entities.

The following arguments speak against the development of IAS/IFRS for SME:

- High organisational efforts when changing the accountancy.
- High organisational and financial efforts when compiling financial reports according to IAS/IFRS due to complex notes.

- The principle of creditor protection of the German commercial law is abandoned; not realised profits are accounted; profit distribution can't be based on an IAS/IFRS financial report, therefore large, complex and cost intensive auxiliary calculations are necessary.
- The financial report based on IAS/IFRS is inappropriate as a basis for taxation. There must either be created new tax accounting methods or the tax account, which is based on the commercial account, must be maintained. The parallel use of both accounting methods would cause immense costs for the SMEs.
- Entities managed by owners will not give more information through annual reports following IAS/IFRS. The relevant investment information may also be obtained otherwise.
- Application of IAS/IFRS would mean many amendments to the German commercial law, insolvency law and tax law and would have to be followed by the SMEs.