

DRAFT

Issue 1: Should the International Accounting Standards Board (IASB) develop special financial reporting standards for SMEs?

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

Suggested reply:

Full IFRSs may result too complicated for SMEs and the information required by users of financial statements is different for publicly listed entities and for SMEs. In this sense, SMEs financial statements may require of a simplification that makes the financial information more accessible un understandable to its users.

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

Suggested reply:

We agree that the IASB should develop a separate set of financial reporting standards suitable for SMEs. Notwithstanding we believe said standards should permit the comparability between SMEs financial statements and public companies financial statements.

Question 1c. 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 regulation were to permit this? 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?

Suggested reply:

In accordance with the European Commission view, we believe that Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards¹ requires all publicly traded companies governed by the law of a Member State to prepare their consolidated accounts in conformity with the international accounting standards as adopted in the EU. Having said this, it is clear that the Commission does not favour IASB Standards for SMEs to be applied by publicly traded companies. The legal position is very clear in this respect in the EU.

¹ Official Journal L 243 , 11/09/2002 P. 0001 - 0004

Issue 2: What should be the objectives of a set of financial reporting standards for SMEs?

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?

Suggested reply:

We agree with the objectives of IASB Standards for SMEs. However, despite the fact that some recognition and measurement principles should be modified to take better account of the users' needs, we would like to add the need of comparability between IFRS and Standards for SMEs, as an objective, as we consider that financial information provided by both kind of entities should be homogeneous and comparable.

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

Question 3a. 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?

Suggested reply:

In accordance with the European Commission view, we believe that the Board should describe the main principles characterising the entities for which the IASB Standards for SMEs are intended. These principles should provide the qualitative characteristics of an SME but not a quantitative size test, which should be left to the national jurisdictions to develop.

Companies size may vary among European countries, so "size" test would not be and appropriate criteria in order to classify which entities should or should not apply Standards for SMEs.

Question 3b. 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?

Suggested reply:

We believe that once characteristics that determine which entities are to be classified and SMEs, the IASB Standards for those entities should apply to all entities that fit those characteristics. Having three kind of International Standards i.e for public entities, for SMEs and for micro-enterprise would be too demanding.

Question 3c. 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?

Suggested reply:

We believe that an appropriate way of defining SME has too be discussed.

Question 3d. 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?

Suggested reply:

In accordance with the European Commission view, we also disagree with a requirement that one or more shareholder(s) could require the use of full IFRSs. This matter should not be dealt with by the IASB. In our view, it is up to individual jurisdictions to determine the circumstances under which entities with no public accountability should or should not apply this regime. We do not consider it appropriate for the Board to get involved with this aspect of the scope of practical application of these proposals beyond the “public accountability” criterion.

Question 3e. 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?

Suggested reply:

In accordance with the European Commission view, we believe that for the reasons set out under 3(d) above, this issue should be left to individual jurisdictions to determine the most appropriate approach. It should not be dealt with by the IASB.

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

Question 4. Do you agree that if IASB Standards for SMEs do not address a particular accounting recognition or measurement 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?

Suggested reply:

In our opinion if an issue is not regulated by Standards for SMEs the way of proceeding should be similar to the one established in paragraphs 10 to 12 of IAS 8.

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?

Question 5a. 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 choose only either the complete set of IFRSs or the complete set of SME standards with no optional reversion to individual IFRSs? Why?

Suggested reply:

As commented before one of the objectives of Standards for SME should be the comparability with IFRSs, so we believe that the above deferral would hardly ever arise. However in our opinion if an entity decides to apply SME standards it should apply the as a complete set and not IFRSs.

Question 5b. 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)?

Please explain your reasoning and, if you favour (c), what criteria do you propose for defining ‘related’ principles?

Suggested reply:

See reply to question 5a. We also would need further clarification of letters b) and c) in order to understand precisely the possible reversion mechanism.

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 related mandatory guidance in IFRSs?

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?

Suggested reply:

As stated in Question 2, we believe that financial information given by publicly listed companies and SME should be comparable and homogeneous. Thus fundamental concepts from the Framework and principles should be taken into account in order to elaborate the SMEs Standards.

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

Question 7a. 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?

Suggested reply:

In accordance with the European Commission view, we believe that the modifications for IASB Standards for SMEs to the concepts or principles in full IFRSs must be based

first on the identified needs of users of SME financial statements and second on cost benefit analyses.

This emphasises the point that it is necessary to start by clarifying users' needs before any modifications to the concepts and principles in the full IFRSs can be made.

Question 7b. 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?

Suggested reply:

Our response varies depending on what the “current level of disclosure” refers to. If it refers to the current level of disclosure required by IFRSs, we believe that less disclosure and presentation requirements would be needed for SMEs. If the current level of disclosure required refers to the one established by national legislations, in our case we believe it is adequate.

Question 7c. Do you agree that, in developing standards for 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?

Suggested reply:

See question number 2.

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

Question 8a. 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.

Suggested reply:

We believe that Standards for SMEs should be published in a separate printed volume.

Question 8b. 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.

Suggested reply:

In our opinion, using topical sequence or number, the main issue is to avoid the confusion created with the coexistence of IAS and IFRS.

Question 8c. Do you agree that each IASB Standard for SMEs should include a statement of its objective, a summary and a glossary of key terms?

Suggested reply:

The current distinction between IAS and IFRS is very confusing and should be avoided in the case of SMEs. In addition, the numbering of standards and interpretations is not continuous. Furthermore, we assume that the number of IASB Standards for SMEs will be less than for listed companies, thus never leading to the same numbering system as with full IFRS.

Consequently, the IASB Standards for SMEs should rather be organised by topical sequence in order to facilitate their application.

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?
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Suggested reply: