

# ENRIQUE FOWLER NEWTON

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## Comment letter on IASB's Discussion Paper Preliminary Views on Accounting Standards for Small and Medium-sized Entities

### Issue 1. Should the IASB develop special financial reporting standards for SMEs?

Accounting standards should be developed considering the interests of users of financial statements. The main users of financial statements are existent and potential investors and creditors. An SME without creditors would be extremely rare. This a first reason for not issuing special financial reporting for SMEs.

On the other hand, financial statements of one entity should be comparable with similar information about other entities. This could not be done if differential standards (of any kind) are established. This is a second reason for not issuing special financial reporting for SMEs.

It is possible that there is an overloading of existent disclosure standards. If this were the case, it should be separately addressed.

Therefore, I think that IASB:

- (a) Should not develop special reporting standards for SMEs.
- (b) Should eliminate any kind of existent "differential standards" (as a consequence, the scope of standards about the disclosure of segment information and earnings per share should be revised)<sup>1</sup>;
- (c) Should modify the IAS 1, compile and classify all disclosure standards contained in individual IFRS, eliminate the unnecessary ones, and present the rest (in an appendix to IAS 1) on a systematic basis.

### 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?

If IASB Standards for SMEs were issued, they (or the IFRS) should be used in its entirety by an SME. The combination of individual IFRS and individual Standards for SMEs permits the manipulation of financial statements figures.

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<sup>1</sup> In my opinion (a) arguments that support disclosing of segment information are applicable to all enterprises; (b) information about earnings per share is not essential and could be provided outside the financial statements if stock exchanges or securities commissions required its disclosure.

If an SME could choose individual IFRS or Standards for SMEs related to six different types of facts, it could prepare 64 alternative financial statements, all of them “according to IASB Standards”. If some of the said individual standards admitted alternatives, the number of possibilities would be increased.

More information about my viewpoints

My viewpoints about differential accounting and special standards for SMEs are expanded in my article “¿*Normas contables diferenciadas para entes pequeños y medianos?*”, which will appear promptly in “D&G Profesional & Empresaria” (an Argentine magazine).

Separately, I am sending to IASB a copy of the said article.

Buenos Aires, September 15, 2004

A handwritten signature in black ink, appearing to be 'E. F. L.' with a stylized flourish underneath.