



НАЦИОНАЛЬНАЯ ОРГАНИЗАЦИЯ ПО СТАНДАРТАМ  
ФИНАНСОВОГО УЧЕТА И ОТЧЕТНОСТИ

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September 24, 2004

Mr. Paul Pacter  
Director of Standards for SMEs  
International Accounting Standards Board  
30 Cannon Street, London EC4M 6XH, United Kingdom

Dear Mr. Pacter,

We are writing to provide comments on the Discussion Paper Preliminary Views on Accounting Standards for Small and Medium-sized Entities.

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

Full IFRSs are too complex for small entities due to high costs of compliance and audit.

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

Our opinion is that the Board should develop standards for SMEs. We do not support the idea of a separate set of standards for SMEs since a separate set may be treated as a separate concept which should not be the case. Thus we believe that treatments applicable to SMEs should be incorporated into the full IFRS text instead of the treatments regarded as non-applicable to SMEs. This will facilitate making changes to the standards in the future, and improve understanding of the standards by professionals.

*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?*

We agree that standards for SMEs should not be applicable for public companies. In a case when a national regulation requires these standards to be used by public companies or a public company itself in the absence of a corresponding regulation has elected to use IFRSs for SMEs its financial statements should not be described as being in compliance with IFRSs for SMEs.



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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?*

The objectives appear to be appropriate.

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?*

We agree that characteristics of the companies eligible to compile their accounts using IFRS for SMEs should be determined. We also believe that an idea to include a size test for listed companies that may be too small to apply full IFRS can be beneficial. We do not think that such a test should be established at global level due to the differences in economic development of different regions, it may be determined by a national standard setter, as the term “small company” means different things in the US and in Russia, for example.

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?*

Yes, we believe that the standards should be developed for all entities that do not have public accountability except for very small ones (see the answer to the question 3a).

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?*

Yes, we believe the definition is appropriate.

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?*

Yes, we agree.

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?*



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Usually requirements to separate financial statements are set by a national standard-setter. In the case of absence of national requirements the parent company should decide which accounting standards should be applied to separate financial statements of the subsidiary. Materiality level for consolidated financials of the group and separate financials of a subsidiary may be very much different, so an obligation to prepare separate financials in this case may substantially increase compliance and audit costs for the subsidiary.

*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?*

Yes, we agree.

*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 IFRS? Why?*

There were different points of view on this issue. On the one hand, application of either full IFRSs or complete set of SME standards would enhance comparability of the financial statements and reduce audit costs. On the other hand, option reversion to individual IFRS will enable a company to gradually increase sophistication of its financials and learn to apply IFRS. The majority of the group believed that optional reversion to individual IFRS can be beneficial.

*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)?*

We believe that a standard-by-standard approach is the best option. It will make it easier for the users to understand how various standards are applied.

*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?*

Agree.



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*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?*

Agree. It appears that costs and benefits will have to be determined subjectively.

*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?*

Agree.

*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?*

Members of our group were concerned by the presumption of no recognition and measurement modification. Even though conception framework should not change, application of the principles to SMEs may be different from full IFRS. Given the complexity of recognition and measurement rules applied in IFRS, the goal of SME accounting project may not be achieved. We agree, however, that such modifications should be justified and their number should be limited.

*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.*

We favour including differential treatments for SMEs in the text of IFRSs instead of corresponding non-applicable treatments. When standards are revised, this will ensure that changes to IFRS and the SME standards are introduced simultaneously. As a matter of convenience, it will be possible to cut sections relating to SMEs from various standards and make a separate volume for SMEs.

*8b. Do you agree that IASB Standards for SMEs should be organized by IAS/IFRS number rather than in topical sequence? If you favour topical sequence or some other approach, please explain why.*

We agree that organizing by IAS/IFRS number will make the standards easier to understand and will facilitate re-training to full IFRS when necessary.

*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?*

This may not be necessary if each standard for SMEs is a section of a full standard. In this case, it would be possible to refer to the full standard's objective and include the key terms in the general glossary.



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*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?*

We are concerned that SMEs may not be ready to apply fair value concept as it is used in IFRS. The majority of accountants at SMEs do not know how to compute present value using discounted cash flows. The standards for SMEs should take into account the cost-benefit analysis of compliance requirements.

Should you have any questions, please do not hesitate to contact us .

Yours sincerely,

Mikhail Kiselev  
Deputy Chairman of the Board