

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

Antwerp, 20 September 2004

Dear Sir,

Re: Discussion paper; Preliminary views on Accounting Standards for Small and Medium-sized Entities.

We are writing you to provide you with our comments on the above discussion paper as a contribution to the development of International Financial Reporting Standards.

In general we support the IASB's project to work on developing IFRSs for SMEs. In view of the European Union, with a major part of its economic activity being driven by SMEs, it is important to move to a common set of Financial Reporting Standards, allowing for comparison between entities. However we would like to point out that the adoption of such uniform reporting framework for non-listed entities in the EU can only be successful if subject to a similar tax treatment in the different member states and a harmonisation of tax rules in the EU.

Below we summarise our responses.

Question 1a

The Framework (§9) refers to a wide range of users. We believe that full IFRS reporting requirements are too significant in terms of cost-benefit to a more limited group of users (e.g. only investors)

Therefore we agree in principle, however full IFRS should not be mandatory for all entities, but rather an option for all entities, and mandatory for listed entities.

Question 1b

As a consequence of Question 1a, we do support the alternative.

Question 1c

We agree.

Question 2

We agree.

Question 3a

We do not agree. The IASB should develop both a qualitative and quantitative test to determine which entities should or may apply IFRS for SMEs. Some SME's would not meet the quantitative criteria, but still have a series of different stakeholders requiring a higher level of

transparency in their financial reporting compared to local requirements, without imposing the burden of full IFRS reporting. Other entities may not meet the qualitative criteria and yet be a large, privately owned, entity in which other stakeholders (government, labour representatives, lenders, etc.) may have an interest. We also believe that it is not the responsibility of IASB to set which entities have public accountability or not, but rather government or local authorities.

Question 3b

We agree.

Question 3c

We agree.

Question 3d

We believe that minority owners should have the right to request information for their own needs or use full IFRS.

However, companies should have the right to proceed with SME IFRS if the minority interest does not represent a certain percentage (e.g. 10% as a minimum) of the voting rights. We do not believe that a company, with no public accountability, would be obliged to apply full IFRS, because a small minority of shareholders require it to do so, thereby incurring significant cost and effort to comply with this requirement.

Question 3e

Subsidiaries: Yes we agree.

Joint Ventures and associates: No, we do not agree.

Question 4

We agree.

Question 5a

A confusing question from the IASB. If IFRS for SMEs are based on the full IFRS principles, there shouldn't be major differences, except for disclosure requirements. We would propose as much flexibility as possible for SMEs within the existing principles.

Question 5b

We believe that falling back on a principle-by-principle basis should be possible if consistency with related principles is maintained. The burden of proof rests with the company, but bodies such as IFRIC should assist by providing guidance where conflicts arise and where not.

Question 6

We agree.

Question 7a

We agree.

Question 7b

We agree.

Question 7c

We agree.

Question 8a

We agree.

Question 8b

We agree.

Question 8c

We agree.

Question 9

We would strongly recommend publishing draft standards as soon as they become available. As with the IOSCO process, IASB should move forward by developing a core set of IFRSs for SMEs and follow the same process as for full IFRSs. When all SME standards have been published, a thorough review is necessary to identify inconsistencies

Van Brussel & Partners BVBA

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