

Comments on

Discussion Paper:

Preliminary Views on Accounting Standards for Small and Medium-Sized Entities

Issue 1:

Question 1a:

No: To follow the full set/range of IFRSs overstretches the resources of a (typical) SME; or, regarding the effect from the other end: The cost-benefit ratio for "typical" SMEs would be significantly below 1.

Question 1b:

Looking at the Boards Constitution, such an undertaking may seem acceptable. And – from your own representations – it would seem that there is a certain demand for such standards. If one followed the line of argument offered here, however, such an undertaking could seem to be besides the point.

Question 1c:

No. I believe that national law, regulation and jurisdiction have a lot to be said for them. (Exceptions – where such laws etc. do not exist, and the state approached the IASB for expert assistance – do not invalidate this point.)

No, also from another point: IFRSs are intended to inform the "non-involved" investor; all right. Since, however, the effort/cost of compliance with IFRSs may be seen as uneconomical, the "twin target" of attracting (also small) firms to the Floor would be counter-acted by such a requirement.

Issue 2:

Question 2:

Yes, with some reservations/questions:

- yes, if "globally" is to be read "in general" and not "worldwide"
- yes, if the "conceptual framework" were to be read as the *basic* concept

It would, further, have to be clarified what would be the "needs of users of SME financial statements".

Issue 3:

Question 3a:

Yes. The point seems (!) reasonable, especially with the added comment in Preliminary View 3.1 regarding national jurisdiction.

Question 3b:

No. (Argument as above)

Question 3c:

Yes – with reservations:

- I think criterion a) in Preliminary View is too far-reaching.
- Criterion d) should be subject to local decisions.

Question 3d:

Obvious as it may seem at first sight to say "yes" the hook lies in the consequences: By accepting this point, any shareholder could burden the company with "full IFRS reporting" – for any kind of reason. – Therefore, such a situation would need a different solution [which I could not offer as I am standing here].

Question 3e:

Provided IFRSs for SMEs form a subset of IFRS, and provided further that the parent company accepted such "limited reporting": Why should the answer be yes?

Issue 4:

Question 4:

No, because this brings in "full IFRSs through the back door". Alternatively, one could look at local GAAP.

Issue 5:

Question 5a:

Provided that the concept of sets of IFRSs is consistent I see no problem in allowing the individual company "freedom of choice".

Question 5b:

I would tend towards the "middle ground" – simply because it seems to follow "common sense" best. (I could, however, not offer a learned definition for "related principles". It seems, though, that the discussion in your "full Preliminary View" offered material towards such a definition.)

Issue 6:

Question 6:

I think one should have started the process the other way round, ie looking at the "reduced requirement" first, and then enlarge it. [It is an old experience in engineering that doing it the other way round will inevitably lead to "remaining fixed costs".]

However, since things are as they are it may at least prove valuable to find out what the fundamental concepts of the Framework are.

Issue 7:

Question 7a:

1. yes
2. This question seems impossible to answer – because, in my opinion, only the users of the statements in the (real) SME context could give an answer to this.

Question 7b:

yes

Question 7c:

The length of your (full) Preliminary View shows that there is no easy answer to this. My opinion would essentially be the same as in question 6: One should, at least, recognise the need of modifications of the "full IFRSs" when work on the "subset" indicated this.

Issue 8:

Question 8a:

yes (seems more practical – assuming that cross references will be included)

Question 8b:

Since the standard would come from the IASB it could just as well – and hence probably should – follow the IASB system.

Question 8c:

yes