

BVBC • Am Propsthoof 15-17 • 53121 Bonn

Paul Pacter
Director of Standards for SME's
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Bundesverband
der Bilanzbuchhalter
und Controller e.V.

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Discussion Paper

„Preliminary Views on Accounting Standards for Small and Medium-sized Entities“

Dear Paul

We the German Bundesverband der Bilanzbuchhalter und Controller e.V. (BVBC) appreciate the opportunity to comment on the Discussion Paper "Preliminary Views on Accounting Standards for Small and Medium-sized Entities".

We believe it is reasonable that the Board produces practical, workable standards that can be applied around the world by a wide range of small and medium-sized entities.

Our replies to the questions posed by the Board are as follows:

Question 1a

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

Yes, we agree. In our opinion full IFRSs are suitable for all entities and they all should have the opportunity to use them regardless whether they are eligible to use the standards for SME's.

Question 1b

Do you agree that the Board should develop a separate set of financial reporting standards suitable for SME's? If not, why not?

Yes, we agree.

Question 1c

Do you agree that LASB Standards for SME's 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 LASB Standards for SME's are used by such entities, their financial statements cannot be described as being in compliance with IFRSs for SME's? If not, why not?

Bundesgeschäftsstelle
Am Propsthoof 15-17
53121 Bonn
Telefon 02 28/9 63 93-0
Telefax 02 28/9 63 93-14
E-mail: kontakt@bvbc.de
www.bvbc.de

Bankverbindung:
SEB Bank Bonn
BLZ 380 101 11
Kto. 1 798 306 700

Sparkasse Bonn
BLZ 380 500 00
Kto. 8 551 004

Büro Berlin
Rüdesheimer Straße 1
13465 Berlin
Telefon 0 30/40 10 45 11
Telefax 0 30/40 63 68 11

We agree with the opinion of the Board that only those entities that it intends to use the IASB Standards for SME's can use these standards. Further we have the same opinion as the Board that financial statements of entities not entitled to use IASB Standards for SME's cannot be described as being in compliance with IFRSs for SME's.

Question 2.

Are the objectives of IASB Standards for SME's as set out in preliminary view 2 appropriate and, if not, how should they be modified?

The objectives are appropriate.

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?

We agree that it is necessary to describe the characteristics of the entitled entities. Basically in our opinion all unlisted entities with no public accountability should be regarded as SME's and should have the possibility to use IASB Standards for SME's.

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?

We agree. Refer to answer 3a.

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?

In our opinion the aspects in preliminary view 3.2 and 3.3 provide a workable definition and appropriate guidance. Each country should describe special criteria what public accountability is.

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 SME's. If not, why not?

No we disagree. The only solution we can accept is that the objections of the majority of owners of the company's shares can force the use of full IFRS. If no majority exists the IASB Standards for SME's are sufficient.

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?

Yes, we agree. In this case it is easier for such companies to prepare their statements with full IFRS because most of the information is available.

Question 4

Do you agree that if IASB Standards for SME's 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?

We agree with this approach (mandatory fallback) because the reason that the Board described in preliminary view 4 is logical.

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?

SME's should be permitted to revert to an IFRS, because as mentioned the IFRS are considered as suitable for all entities.

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?*

The entity should be required to revert to IFRS in its entirety. Maybe some disclosure exemption needed to be discussed.

Question 6

Do you agree that development of IASB Standards for SME's 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?

Yes we agree.

Question 7a

Do you agree that any modifications for SME's 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?

We agree with the view that modifications for SME's mentioned above must be on the basis of the identified needs of the users.

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 SME's? If not, why not?

Yes, such cases will occur.

Question 7c

Do you agree that, in developing standards for SME's, 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?

Yes we agree.

Question 8a

Do you agree that IASB Standards for SME's 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.

A separate printed volume is the best way to publish the IASB Standards for SME's.

Question 8b

Do you agree that IASB Standards for SME's should be organised by IAS/IFRS number rather than in topical sequence? If you favour topical sequence or some other approach, please explain why.

They should be organised by IAS/ IFRS number, because in case of mandatory fall-back (see Issue No. 4) it makes it easy to look in the corresponding IAS/ IFRS.

Question 8c

Do you agree that each IASB Standard for SME's should include a statement of its objective, a summary, and a glossary of key terms?

Yes, we agree. Additional to a statement of its objective, summary, and a glossary of key terms each IASB Standard for SME's should include a sections which describe the major differences to full IFRS.


Question 9

Are there any other matters related to how the Board should approach its project to develop standards for SME's that you would like to bring to the Board's attention?

None

Sincerely yours,

BUNDESVERBAND DER
BILANZBUCHHALTER UND CONTROLLER E. V.



Uwe Jüttner
President -