News & Events

Latest News

FOR IMMEDIATE RELEASE
For Further Information
Helene Kennedy +1-973-394-9256
(Mobile) +1-917-254-6706
helenekennedy@ifac.org
Bryan Hall +1-212-471-8719
bryanhall@ifac.org

New IFAC Paper Explores the Suitability of SME Accounting Standard to Micro-Entities

(New York/December 12, 2006) -- The International Federation of Accountants (IFAC) has released a new information paper that explores the needs of users and preparers of the financial reports of micro-entities. Entitled *Micro-Entity Financial Reporting: Perspectives of Preparers and Users*, the paper comprises a review of the existing research on the topic, a survey of the legal status of micro-entities in different countries, and the various definitions that exist in different jurisdictions.

The research was prompted by a concern that the International Accounting Standards Board's (IASB) proposed accounting standard for SMEs, International Financial Reporting Standard for Small and Medium-Sized Entities (IFRS for SMEs)*, may not be suited to micro-entities, which for the purpose of this study are defined as those with less than ten employees. The IASB's proposed IFRS for SMEs is expected to be released as an exposure draft in late December 2006 or January 2007.

Key challenges and findings with respect to micro-entities include the following:

- The cost/burden implications of new regulation on the smallest entities;
- The issue of enforcing such regulations;
- The increasing demands of users of micro-entity reports; and
- Issues of literacy and training in some developing countries.

The research contained in the paper was undertaken by Dr. Suki Sian of the Cardiff Business School, Wales and Professor Clare Roberts of the University of Aberdeen, Scotland. In their findings, the researchers state, "Very little research has been previously conducted looking specifically at micro-entities as these tend to be subsumed in the term SME. Furthermore much of the published literature is restricted to studies conducted in developed countries and does not reflect the very different environment in which micro-entities operate in developing, emerging or transition economies." They conclude that "This gap in the literature indicates that this is an area that is ripe for further in-depth examination and research."

IFAC is considering undertaking further research in this area, in particular, to investigate whether the proposed IFRS for SMEs is likely to meet the needs of users of financial reports of micro-entities. IFAC is also encouraging its member bodies and regional accountancy organizations to respond to the IASB's exposure draft on IFRS for SMEs.

Micro-Entity Financial Reporting: Perspectives of Preparers and Users may be downloaded free-of-charge from the IFAC online bookstore (http://www.ifac.org/store).

IFAC is the worldwide organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. It is comprised of 155 members and associates in 118 countries, representing more than 2.5 million accountants in public practice, education, government service, industry and commerce. IFAC, through its independent standard-setting boards, sets standards on auditing and assurance, ethics, education, and public sector accounting. It also issues guidance to encourage high quality performance by professional accountants in business.

*** Note to Editors:**
For more information on the IASB's International Financial Reporting Standard for Small and Medium-Sized Entities, see: http://www.iasb.org/Current+Projects/IASB+Projects/Small+and+Medium-sized+Entities/Small+and+Medium-sized+Entities.htm.

Copyright © International Federation of Accountants. All rights reserved.
Any person accessing this site agrees to the Terms of Use.

IFAC | 545 Fifth Avenue, 14th Floor | New York, NY 10017 | V: +1 (212) 286-9344 | F: +1 (212) 286-9570