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Chartered Accountants Ireland backs biggest accounting change for domestic firms for the last 20 years

Thursday, February 11, 2010

Chartered Accountants Ireland, the island's largest accountancy body, has added its support to proposed changes in accounting standards which would see Irish and UK Generally Accepted Accounting Principles (GAAP) replaced by a three-tiered approach, whereby companies would apply one of the following:

- EU-endorsed IFRS - for 'publicly accountable' entities;
- IFRS for SMEs - for non-publicly accountable entities;
- Financial Reporting Standard for Smaller Entities (FRSSE) - optional for 'small' entities as defined in the Companies Acts.

The IFRS for SMEs is a shorter standard based on full IFRS currently in use in Ireland and across Europe in preparing the consolidated financial statements of listed entities. It was published by the International Accounting Standards Board in June 2009.

"This proposal, if adopted, would represent one of the most significant changes in accounting for the last twenty years," said Aidan Lambe, Chartered Accountants Ireland Director of Technical Policy.

The proposal is contained in a consultation document issued by the UK based Accounting Standards Board ('ASB'), which currently sets Irish and UK GAAP accounting standards. In its response, Chartered Accountants Ireland expresses support for the ASB's proposals, whilst emphasising that the key determinant in the successful adoption of the ASB's proposals is that the definition of 'public accountability', which determines whether entities are required to adopt EU-endorsed IFRS or the IFRS for SMEs, is as clear and unambiguous as possible. The Institute also supports the continued availability of the ASB's Financial Reporting Standard for Smaller Entities (FRSSE) which is aimed at very small companies in the short to medium term.

Chartered Accountants Ireland has adopted its position following roadshow meetings involving the ASB in both Belfast and Dublin. The Institute believes that adopting the IFRS for SMEs standard will simplify financial reporting for the SME sector in particular and, because it is based on IFRS, reduce the complexity arising in this country from the use of multiple accounting standards.

Mr Lambe said:

"The adoption of the new IFRS standard for SMEs will complete and consolidate a move in this country towards internationally recognised standards. Already Irish and UK GAAP has been changed in places to accommodate IFRS.

The new standard is shorter and potentially may reduce the financial reporting burden on SMEs. Under the proposal however, publicly accountable entities will be required to use full IFRS. We have raised a number of issues with ASB on the definition of 'publicly accountable' and we must wait to see how this develops.

The position whereby we have had differing accounting frameworks in use in Ireland since the adoption of IFRS was ultimately unsustainable in the long run. By producing this standard, the IASB has greatly facilitated the ASB in attempting to resolve this issue. There will be a number of amendments needed to Irish company law to facilitate the proposed changes and we would hope to discuss these with Government in due course."

Ends

Reference: Aidan Lambe, Chartered Accountants Ireland Technical Director, 087-2445102

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