



Accounting Standards Board

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Mr Charlie McCreevy
Commissioner
Internal Market and Services
European Commission
Office: C107/07/42
B-1049 Brussels
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Dear Mr McCreevy

IASB Exposure Draft of an IFRS for SMEs

I am writing in response to comments made in the speech you gave in Lisbon on 13 September entitled 'Simplification of the business environment for companies'. In that speech, you commented that there seems to be "very little support from Member States" for the Exposure Draft of an International Financial Reporting Standard (IFRS) for Small and Medium-sized Entities (SMEs) that has been issued by the International Accounting Standards Board (IASB). You then asked to hear from parties who want to allow application of the IASB draft.

Based on the results of a formal consultation and public meetings held in both the UK and the Republic of Ireland, the Accounting Standards Board (ASB) would like to be able to apply the IFRS for SMEs. Given the importance of the IASB's ED, the ASB issued it in full for consultation, together with an accompanying invitation to comment on the ED and the potential implications for UK and Irish entities as part of our strategy for convergence of UK standards with IFRS. As part of that consultation, we asked constituents for views on whether they considered the proposed IFRS for SMEs as a suitable replacement for the ASB's existing standard for small companies, the FRSSE (Financial Reporting Standard for Smaller Entities). We also asked whether they considered the ED to be suitable for application for a mid-tier of companies above the current range for the FRSSE, but below those currently required to apply full IFRS.

The responses we had expressed a large degree of support for the ED. While most respondents did not see the proposed IFRS for SMEs as being suitable for small, and in particular micro, entities, there was a strong majority in favour of the standard being available for application by middle tier and larger companies that – in line with the IASB’s definition - do not have public accountability and publish general purpose financial statements for external users. This view is consistent with the discussions that were held in the four public meetings in which the ASB participated with the major accountancy bodies in the UK and Ireland.

On the evidence of the feedback the ASB has received, it is disappointing that the Commission appears to be taking such a negative stance on the IASB’s proposed IFRS for SMEs and seeming to rule out the possibility of Member States applying the standard.

If you would find it helpful, I am happy to share the results of our consultation with you or your staff and to discuss the issues in more detail.

Yours sincerely

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