

# **Stakeholders Meeting on the Review of the Accounting Directives and IFRS for SMEs**

DG Internal Market and Services  
Financial Reporting Unit

European Commission   
Internal Market & Services DG

# Agenda

- 9.30 - 9.45**      **Welcome by Head of Financial Reporting Unit  
Mr Jeroen Hooijer**
- 9.45 - 10.30**    **Discussion on the conclusions of the public consultation  
on IFRS for SMEs**
- 10.30 - 11.00**   **Presentation by EFRAG on compatibility of IFRS for SMEs  
with the Accounting Directives**
- 11.00 - 13.00**   **Discussion on the review of the Accounting Directives**

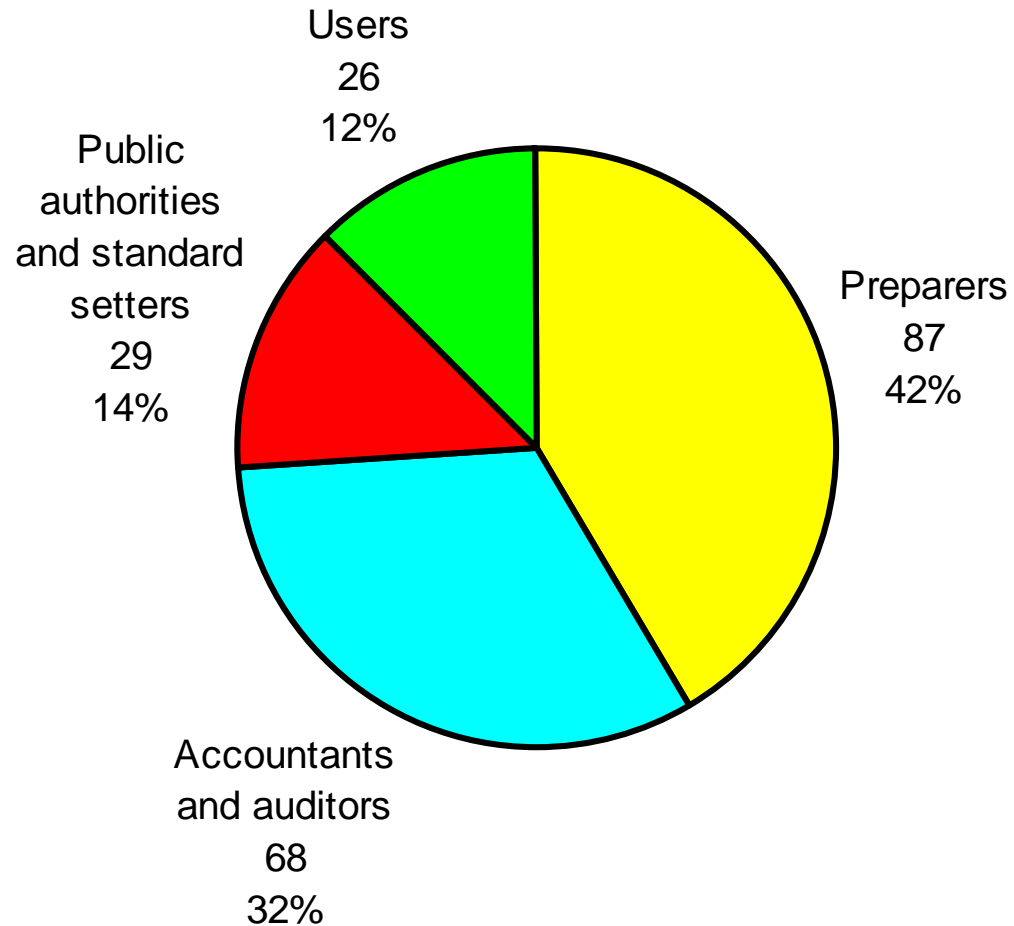
**Welcome  
by Head of  
Financial Reporting Unit  
Mr Jeroen Hooijer**

European Commission   
Internal Market & Services DG

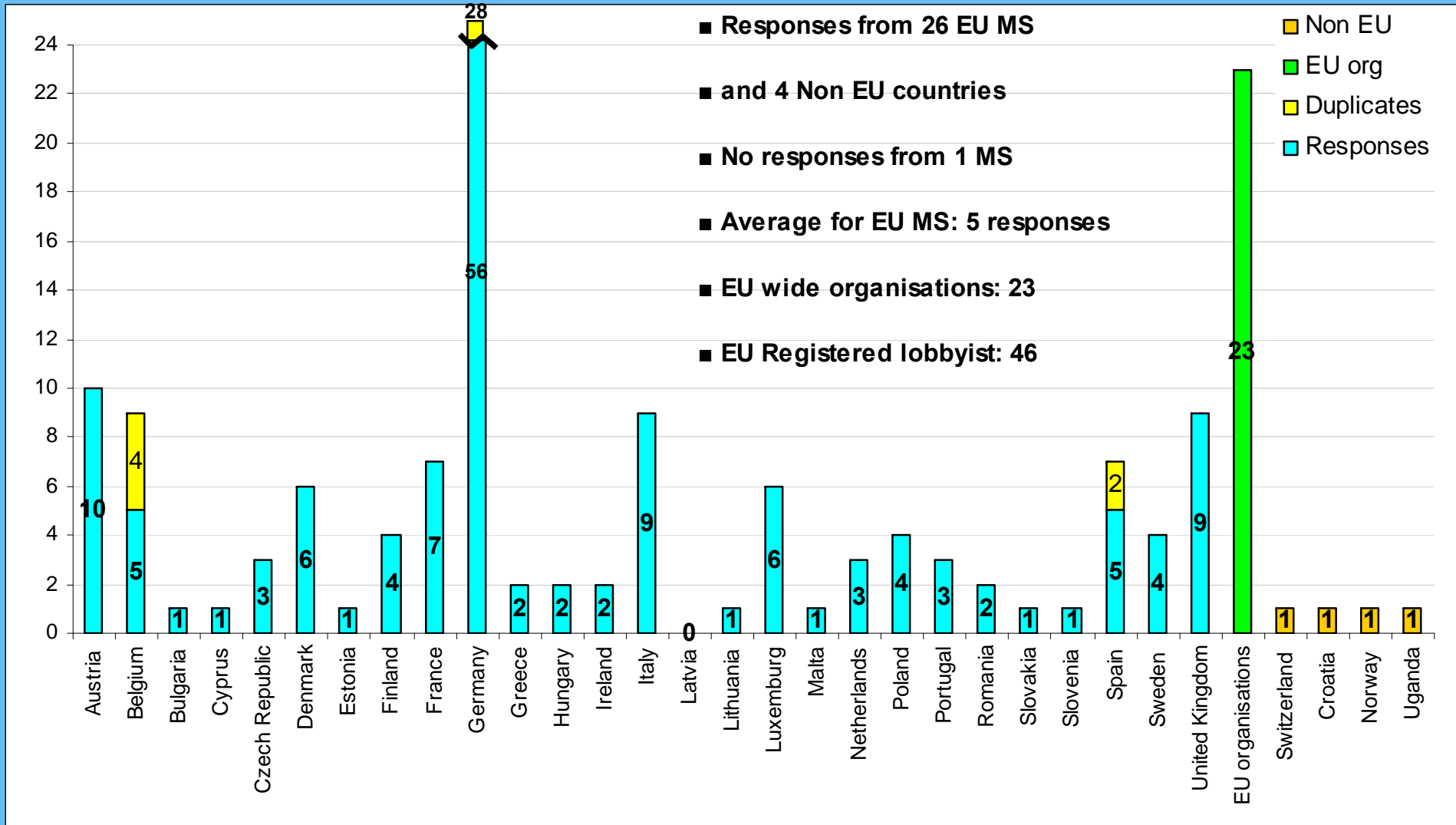
# Discussion on the conclusions of the Public Consultation on IFRS for SMEs

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# 210 Respondents

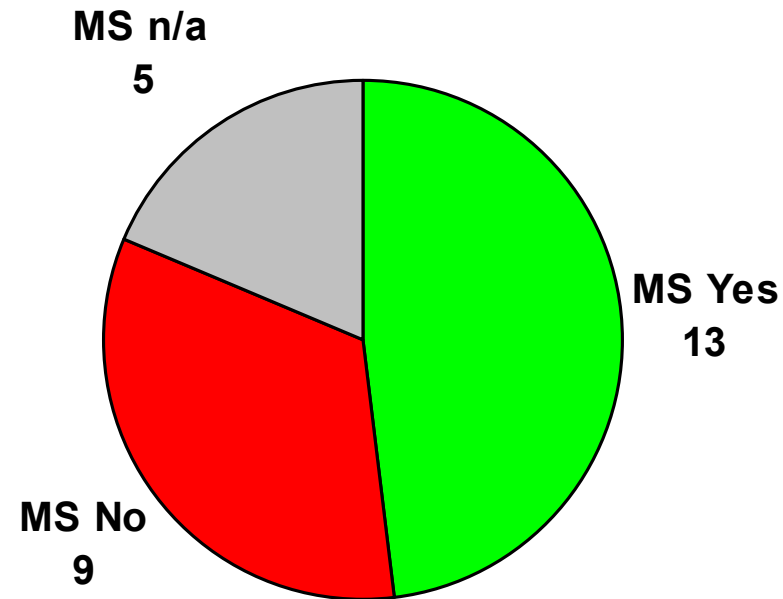


# Respondents by country



## Question 1: Do you think the IFRS for SMEs is suitable for widespread use within Europe?

### Majority of respondents from MS



Supported by majority of Respondents from 13 MS:

- CY, CZ, DK, EE, EL, ES, IE, MT, NL, PL, PT, SE, UK, EU org and Registered Lobbyists

Opposed by majority of Respondents from 9 MS:

- AT, BE, BG, DE, FI, FR, IT, SK, SL



# Arguments in favour of IFRS for SMEs

- IFRS for SMEs is beneficial for
  - companies with subsidiaries in different Member States
  - subsidiaries of multinationals reporting according to full IFRS
  - companies seeking international financing, listed on non-regulated markets
  - companies planning international expansion or listing
  - Comparability for investors, business partners and creditors. Lower cost of capital
- IFRS for SMEs benefits users by:
  - allowing for international comparability
  - using one accounting language
- Support for use in consolidated accounts

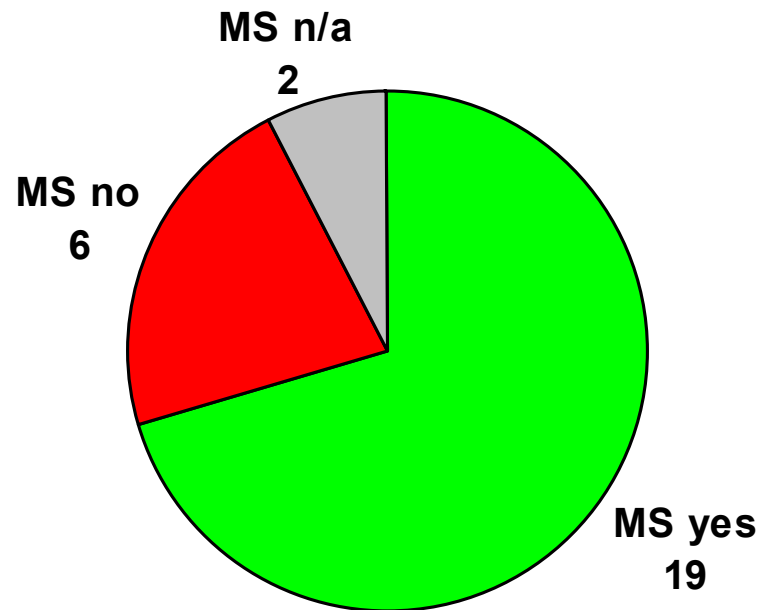


# Arguments against IFRS for SMEs

- Linkage between financial accounting and taxation and capital maintenance rules makes it difficult to apply the standard for individual accounts. (but use for consolidated accounts only could be compromise).
- Duplication of burden in some Member States if tax reporting will need additional statements
- Too complex for both preparers and users especially for small companies
- No benefits for companies active locally, no use for international standards
- Users are used to current accounting rules
- Some industries / legal forms are not properly covered by the IFRS for SMEs
- Problem with changes / endorsement mechanism ?

## Question 5: Do you think adoption of the IFRS for SMEs should be provided for within the EU accounting legal framework?

Majority of respondents from MS



Supported by majority of Respondents from 19 MS:

- BG, CY, CZ, DK, EE, EL, ES, HU, IE, LT, LU, MT, NL, PL, PT, RO, SE, SL, UK, EU Org and Registered Lobbyists

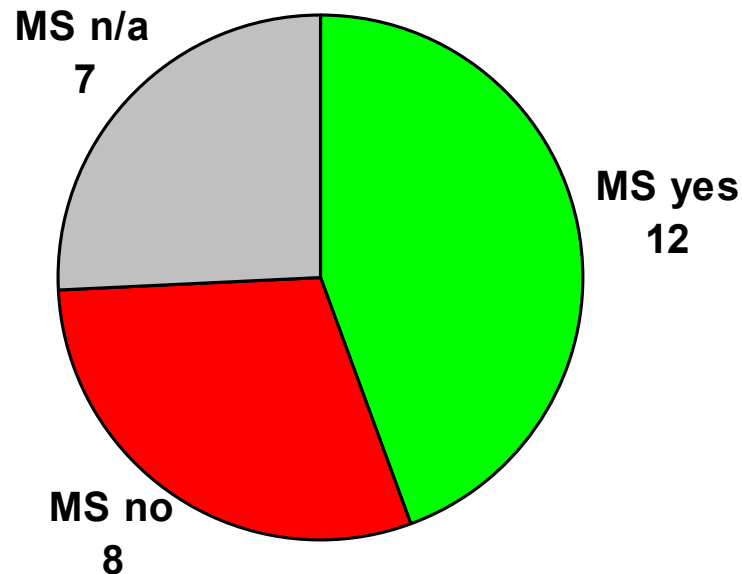
Opposed by majority of Respondents from 6 MS:

- AT, BE, DE, FR, IT, SK



**Question 6: If yes, should such an option be limited to a Member State option (i.e. that each Member States would have a possibility but no obligation to accept IFRS for SME)?**

**Majority of respondents from MS**



Supported by majority of Respondents from 12 MS:

- AT, BG, CY, CZ, EE, HU, LT, MT, PT, SK, SL, UK, EU Org and Registered Lobbyists

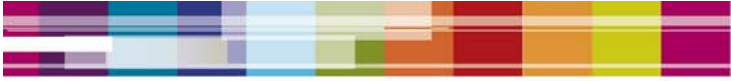
Opposed by majority of Respondents from 8 MS:

- BE, DE, DK, EL, ES, FR, IT, NL



# Presentation by EFRAG on Compatibility of IFRS for SMEs with the Accounting Directives

European Commission   
Internal Market & Services DG



European Financial Reporting Advisory Group ■

## EC stakeholders meeting

Françoise Flores

25 May 2010



# Background

- Request from the European Commission to specify the requirements of the IFRS for SMEs that would be incompatible with the EU Accounting Directives
- Incompatibility is when an accounting treatment required by the IFRS for SMEs would not be permitted under the EU Accounting Directives.

● Option 1

● Option 2

● Option 3



● Accounting requirement

# Limitations

- Not taken into consideration how the EU Accounting Directives have been implemented in different Member States
- Not taken into consideration whether the incompatibilities were likely to arise in practice (frequency)
- Not taken issues also existing between IAS at 1 May 2002 and the EU Accounting Directives into consideration

# Limitations (continued)

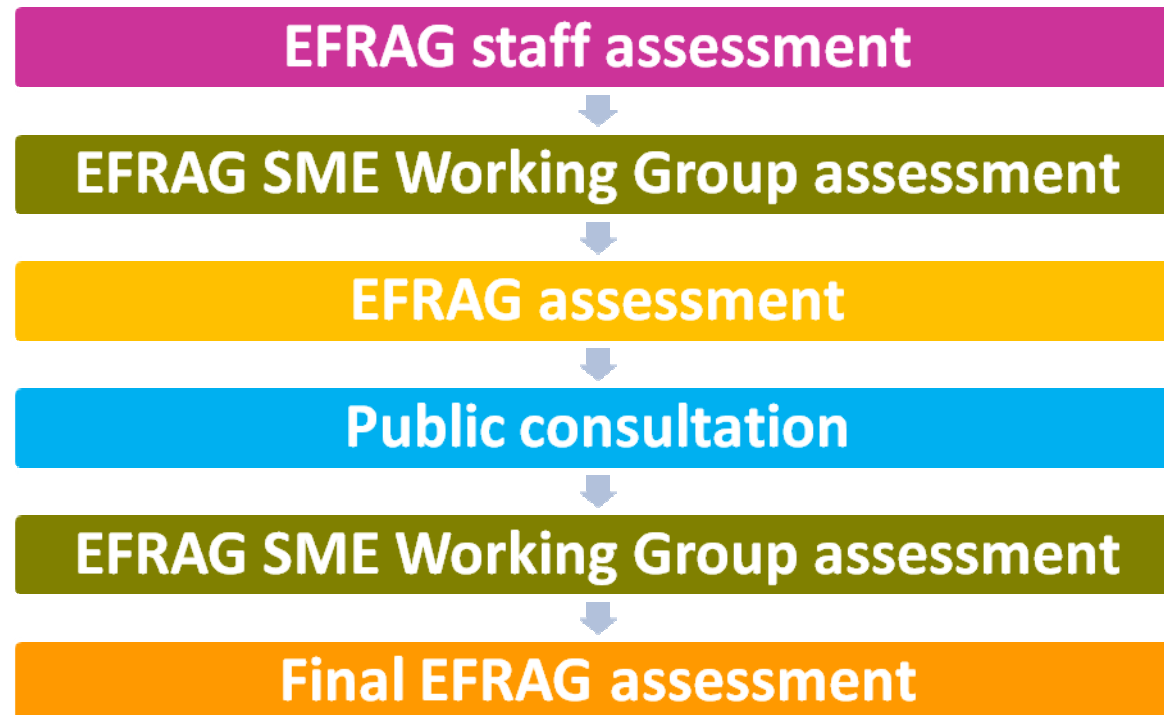
- ‘Minimum harmonisation requirements’ versus specific requirements
- Not only one interpretation of the EU Accounting Directives
- Not assessed the ‘IAS 39 option’
- The English version of the EU Accounting Directives
- Only considered incompatibilities with the EU Accounting Directives



# What the advice is not

- Not advice regarding the use of IFRS for SMEs within the EU
- Not advice regarding the revision of the EU Accounting Directives

# Process



# EFRAG opinion

## Conflicts identified by EFRAG

- Extraordinary items
- Financial instruments at fair value
- Useful life of goodwill is ten years
- Recognition of negative goodwill
- Reversal of goodwill impairment losses
- Presenting unpaid capital as an offset to equity

# Output



□ Thank you for your attention



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# Discussion on the Review of the Accounting Directives

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# Purpose of the Directives

- Do stakeholders have any comments or observations on the “think small first” / burden reduction approach to the review?

## Section 2

# Financial statements and their layouts

- Are the layouts appropriate? Should further line-items be added? Are some unnecessary?
- Should medium and large companies prepare cash flow statements – or just large?
- Is there a preference for presenting the cash flow statement on the basis of cash or cash + cash equivalents or giving MS a choice?
- Is there a need to describe what is meant by direct and indirect methods of presentation, or are they sufficiently well understood that a description is unnecessary?



## Section 2 (continued)

# Financial statements and their layouts

### Statement of comprehensive income:

- Do stakeholders agree with making reference to the statement of comprehensive income in the Directive?
- Is there a need to describe what items should be recognised in Other comprehensive income?

# Section 3

## General Principles

- Should the principle of “substance over form” be included as a general principle in the revised Directive?
- Should the principle of materiality be included in the revised Directive?

# Section 4

## Recognition and measurement

### Measurement bases

- Do stakeholders agree that the 6 measurement bases referred to on page 5 of the paper (cost/replacement cost etc) should be retained in the revised Directive?
- Do stakeholders agree that fair value accounting only in accordance with endorsed IFRS is appropriate?

# Section 4

## Recognition and measurement

- Do stakeholders agree with the proposal to depreciate fixed assets over their expected useful lives, and to recognise impairment losses when the recoverable amount of an asset is less than its carrying amount?

# Section 4

## Recognition and measurement

- Do stakeholders agree with the proposal to remove Article 31(1a) which allows recognition of “*all foreseeable liabilities and potential losses*”?

# Section 5

## Publication

- Do stakeholders have views on the idea of harmonised publication deadlines?
- What are stakeholders' views on removing the abbreviated accounts regime from the revised Directive?
- Are there other simplification possibilities for the abbreviated accounts regime?

# Section 6

## Consolidated accounts

- What are stakeholders' views on the possible simplifications in respect of negative goodwill, goodwill write-offs to reserves and merger accounting?
- In what other ways can the consolidation regime be simplified?

# Section 7

## Financial Holding and Investment companies

- Are there good reasons to keep these companies' special concessions within the revised Directive?



# Final Question

- Do stakeholders have any other questions, views, or comments on the review project?

**Thank you  
for your participation**

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