

“IFRS for SMEs” and EU Accounting Directives Modernization

Symposium 7: EAA Financial Reporting Standards Committee

■ Premises

- IFRS for SMEs (Private Entities)
- EU Accounting Directives’ modernization
- How to manage these two approaches on the FSs of SMEs?
- Could they coexist?



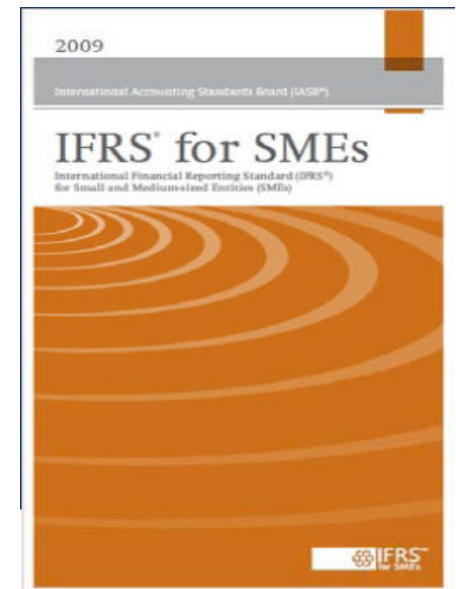
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[IFRS for SMEs]

- IASB Project on Private Entities
 - Project start (September 2003)
 - IFRS for SMEs approved - July 2009
- A process with a long list of records
- Implementation
- Maintenance
- IFRS for SMEs Update (Mar-Apr 2010)



EU Accounting Directives' modernization

- From one hand
 - EU has put in force the transition to IFRS
 - with the EC Regulation
 - with the modification of the Fourth and Seventh Dir. in order to facilitate the IFRS endorsement processes
- From the other hand
 - A “new” approach on Accounting Dir. Modernization of these Dir. in order to identify a better equilibrium between costs and benefits of financial reporting
 - Different contents of financial statement for different size of firms to account

EU Accounting Directives' modernization

- Simplified FSs for SMEs
 - Prepared on the basis of 3 thresholds (BS Total, Net Turnover, Av. No. of Employees)
 - These thresholds are periodically updated with reference to the inflation rate
- Bottom-up approach
 - The larger the company, the more demanding the reporting framework

Coexistence and other troubles

	IASB	EU
Public Accountability	FS: BS, IS, NPV, CFS, Notes	FS: Balance Sheet, Income Statement, NtA, MR
Non-Public Accountability (SMEs' – Private Entities); Firms allowed to prepare a simplified FS	FS with the same structure (see above) but with simplified recognition and valuation methods	FS: BS, IS, NtA, MR. All simplified (Threshold with increased levels)

BS = Balance Sheet; IS = Income Statement; NPV = Net Profit Variations;
 CFS = Cash Flow Statement; NtA = Notes to the Accounts; MR = Management Report

[Coexistence and other troubles]

- Coexistence
 - IFRS for SMEs and the Simplified FS are quite different
- Other troubles
 - Within the same EU context there are, at least, 4 different set of rules to prepare FSs
- We are facing with a sort of segmentation of the FS in respect to the categories to which a firm belong