



EUROPEAN COMMISSION

Directorate General Internal Market and Services

FREE MOVEMENT OF CAPITAL, COMPANY LAW AND CORPORATE GOVERNANCE
Financial reporting

Brussels,
MARKT/F3/MZ D(2010)

STAKEHOLDERS MEETING ON THE REVIEW OF THE ACCOUNTING DIRECTIVES AND IFRS FOR SMEs

Brussels, 25th May 2010

MINUTES

Introduction

The stakeholders' meeting took place as a follow-up to a public consultation on the IFRS for SMEs, launched in November 2009 and closed on 12 March 2010. It focused on the preliminary conclusions drawn from the consultation as well as on the review of the Fourth and Seventh Council Directives (respectively Directive 78/660/EEC and 83/349/EEC).

For further background information, please follow the link below:

http://ec.europa.eu/internal_market/accounting/sme_accounting/review_directives_en.htm

Participants

More than 100 stakeholders took part in this event, including public authorities, national standard setters, academics, representatives of small and medium size businesses, banks, investors, preparers and accountants.

Agenda

The following documents were circulated amongst the stakeholders ahead of the meeting:

- (1) Draft Summary of the conclusions of the public consultation on IFRS for SMEs
- (2) Presentation by EFRAG on compatibility of IFRS for SMEs with the Accounting Directives
- (3) Discussion paper on the review of the 4th and 7th Directives.

Such documents formed the basis of the debate. The main points emerging from the discussion are summarised below.

1. Stakeholders' reactions to the Draft Summary of the conclusions of the public consultation on IFRS for SMEs

Following a welcome speech by Mr Jeroen Hooijer, Head of Unit F3 - Financial Reporting, the participants were informed about the preliminary results of the conclusions of the public consultation on IFRS for SMEs, closed last 12 March 2010.

The presentation was followed by a debate where significantly diverging opinions were expressed with regard to the need or possibility to make IFRS for SMEs a part of the EU legal framework. Whereas some commentators pleaded for the possibility to use IFRS for SMEs in the EU as an option, arguing that it could bring further harmonisation and increase comparability, others hold the view that different national accounting traditions stand in contrast with the unifying approach of IFRS for SMEs, and that the key differences in terms of companies' needs and institutional settings in different Member States should be taken into due account.

2. Stakeholders' reactions to the presentation by EFRAG on compatibility of IFRS for SMEs with the Accounting Directives

The main results of the study on compatibility of IFRS for SMEs with the Accounting Directives, conducted by EFRAG, were presented by Mrs Françoise Flores, the Chairperson of EFRAG.

In the debate that followed, interventions from the participants focused on the methodological aspects of the study as well as on the existing conflicts between the IFRS for SMEs and the current Accounting Directives identified by EFRAG. Clarifications were mainly sought as regards how the Commission would intend to address those conflicts in the upcoming Directives' review exercise.

3. Stakeholders' reactions to the Discussion paper on the review of the 4th and 7th Directives.

In the second part of the meeting, the Commission services presented a discussion paper providing a number of possible options concerning the review of the 4th and 7th Directives. The aim was to gather the stakeholders' views on some of the most relevant issues related to the review, presenting the participants with a number of proposed working assumptions. It was clarified that the Commission is not, at this stage, committed to any particular policy line.

Diverging views were expressed by the participants during the following debate, which focused on a number of specific points, as highlighted below.

Purpose of the Directives

A majority of commentators were fully supportive of the need to simplify and modernise the current Directives, in order to bring them in line with new standards of transparency and relevance and reduce the administrative burden, particularly on the smallest entities. In this respect, broad support was expressed for the Think Small First principle and for the bottom-up approach. However, other stakeholders argued that the overall policy objectives, as well as the scope of application of the revised Directives and their potential link with IFRS for

SMEs, should be further and thoroughly assessed. Some questioned whether any revision is necessary at all.

Financial statements and their layouts

Some of the participants were of the view that the Directives should be mainly principle-based, in order to avoid frequent changes. Others considered instead that this could lead to more fragmentation and advocated a higher level of detail in the layouts, as well as in other definitions. In this respect, some commentators would also welcome a further alignment with IFRS for SMEs, whilst others firmly opposed this possibility.

General Principles

Diverging opinions were expressed as regards the general principles that should be included in the Directives. Many commentators considered such principles, and in particular "substance over form", as fundamental for a true and fair view. Others, on the contrary, expressed opposition to making these principles compulsory.

Recognition and Measurement - measurement bases

The potential benefits that potential modifications in this area would bring to the smallest entities were questioned. It was argued that fair value accounting is not appropriate for SMEs and this would constitute a contradiction with the Think Small First principle. Others agreed instead that these bases should be retained, and expressed support for fair value accounting by reference to IFRS for SMEs.

Publication

Conflicting views were expressed as regards the potential removal of the abbreviated accounts regime. Several speakers said that this regime protects small business from the competitive pressure associated with full disclosure, and that it would be of fundamental importance in order to differentiate between micros, SMEs and large companies. Others said that the regime was popular with internal stakeholders (i.e. management) as it provides a degree of secrecy, but unpopular with external ones (i.e. credit rating agencies and trade credit providers). Concern was also expressed about the information value of abbreviated accounts.