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# IFRS for SMEs

## Field Tests

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[www.fee.be](http://www.fee.be)



## Aims of the Field Test

- ↪ IASB Autumn 2007 request
- ↪ To assess the extent of restatement from current GAAP applicable to SMEs to that based on IFRS for SMEs
- ↪ Focus on preparers

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## Research: Users and preparers (1)

- ↪ Generally, the focus has been on Users of Financial Statements and their needs
- ↪ BUT in the differential reporting debate the focus has been mainly on the cost of producing financial statements
- ↪ e.g. IFAC's response to IASB and the European simplification debate

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## Research: Users and preparers (2)

- ↪ For SMEs the question of cost of preparing Financial Statements is more important vis-à-vis large listed companies
- ↪ Users and their needs differed from country to country e.g. banks in Germany and the UK

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## Nature of Field Tests

- ↪ Majority of research on IFRS for SMEs was based on surveys and focus groups – responses reflected perceptions
- ↪ This research was influenced by negative publicity against IFRS for SMEs and the IASB
- ↪ Field tests – was not influenced by the negative debate because of their nature
- ↪ Research outcomes differed between surveys and field tests

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## Field Tests

- ↪ The extent of restating financial statements in terms of IFRS for SME depended upon the GAAP currently applied in a jurisdiction
- ↪ 116 Field Tests in all
- ↪ ACCA 25 tests – 5 SMPs participating
- ↪ Comparison made with German and French tests

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## Landscape: UK Financial Reporting

The number of companies (using EU definition/ employees)

- ↪ Quoted (1,500 ) 0.03%
- ↪ Medium (50-249) 2%
- ↪ Small (10-49) 11%
- ↪ Micro (0-9) 86%
- ↪ Unlisted (> 50 employees) 2.4% (approx 28,000)

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## Characteristics of Sample: UK (ACCA)

- ↪ All SMPs prepared the Financial Statements
- ↪ 22/25 Financial statements based originally on the FRSSE
- ↪ Software: All used a software package
- ↪ Average number of employees – 21 (T/O £2m)
- ↪ 14/25 were audited
- ↪ 3 companies had overseas operations

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## Characteristics of Sample: Germany and France

### Germany (GASB)

- ↪ 15 participants
- ↪ Companies mainly from Medium –Large
- ↪ Survey carried out at the same time

### France (CNC)

- ↪ Not details of participants
- ↪ Survey carried out at the same time –  
findings of Field Tests same as Survey

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## Findings from Field Tests

### UK (ACCA)

- ↪ 20/25 not affected by translation
- ↪ Generally did not find translation difficult
- ↪ Used checklist and examples
- ↪ Little need to refer to full IFRS
- ↪ Little need to refer to principles

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## Findings from Field Tests

### Germany (GASB)

- ↪ Companies independently unable to prepare statements; reliant upon SMPs
- ↪ General support for structure and the concept of IFRS for SMEs
- ↪ Too much disclosure required
- ↪ Field Test: Findings limited due to time and resource constraints

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## Findings from Field Tests

### France (CNC)

- ↪ There is little need and support for IFRS for SMEs from SMEs
- ↪ IFRS for SMEs considered too costly (initial training costs for specific skills that are required)
- ↪ Needs to be stand alone document (common finding with Germany and UK)

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## Conclusions

- Significant variation between findings
  - ↔ Current GAAP of jurisdiction
  - ↔ German and French findings influenced by Surveys?
- Software – reduces cost burden
- Does Europe want harmonisation of SME financial reporting?