

## Introduction by FEE President, Jacques Potdevin

# SME ROUNDTABLE WHAT SHOULD THE IFRS FOR SMES LOOK LIKE FROM A EUROPEAN PERSPECTIVE?

Monday, 7 July 2008, 13.45 Hrs  
FEE offices Brussels

Good afternoon ladies and gentleman, dear colleagues,

Welcome to the FEE offices. We are glad that we have been able to fit this very large audience in our meeting room. Your impressive number of attendance is an indication of the topicality of the subject of SME reporting.

Welcome to FEE and this Roundtable, **also** on behalf of ACCA, our member body that took the initiative for this Roundtable **and** the German Standard Setter **and** the French Standard Setter.

FEE is pleased to host this event to:

- promote the importance of reporting for SMEs in Europe and;
- help the debate on what the IFRS for SMEs should be from a European perspective.

As most of you may already know, FEE represents 43 professional institutes of accountants and auditors from 32 European countries, including all of the 27 EU Member States.

In representing the European accountancy profession, FEE recognises the public interest. It has a combined membership of more than 500.000 professional accountants, working in different capacities in public practice, small and big firms, government and education, who all contribute to a more efficient, transparent, and sustainable European economy.

FEE has since its establishment been very active in the financial reporting area and operates at present three working groups and a policy group in this area. And as you all know, FEE has been instrumental in the establishment of EFRAG. Goran Tidstrom, the Chairman of the EFRAG Supervisory Board, is a

former FEE President. I am very pleased that both the Chair of EFRAG TEG, Stig Enevoldsen and the deputy Chair Françoise Flores, have a leading role as facilitators to make this Roundtable work.

Financial reporting is as important for SMEs as for other companies, despite the fact that other views are held in the current simplification debate. A question is of course, what form of reporting **and** whether this needs to be harmonised reporting in Europe or at international level. The IASB is currently considering the reactions on the ED IFRS for SMEs, and we are waiting for the end result. Without doubt, Gilbert Gélard, will give us information on the developments so far. The results of the field tests are of the highest interest, since applicability in practice **and** the usefulness of the results is paramount.

In my personal view, the importance of having an international approach to financial reporting in non public interest entities in Europe cannot be underestimated. It will increase the consistency and comparability in financial reporting and may give them a better competitive position. It will also be a step forward in helping to reduce the burdens and costs that these entities currently face if they wish to apply international standards, but are not yet ready to integrate full IFRS into their accounting systems due to their complexity. This will also encourage more entities to adopting global reporting standards.

In my capacity as a member of the Stoiber group (the High Level Expert Group on Administrative Burdens), I personally believe in the importance of considering the specific reporting issues facing smaller and medium size entities in Europe **and** I am strongly opposed to the direction the Group is moving in suggesting a full exemption of micro entities from the Accounting Directives. There is more to it than the "selfish" auditor business perspective. My greatest concern is the companies themselves and how they can be properly managed **and** grow without proper accounting.

I have also some difficulties in following the recent EP reports that have already abandon the idea to have an appropriate set of international standards for SMEs, before the end result is known **and** even speak about forbidding its use, rather than leaving it to the companies or at least the Member States to decide for themselves. There is a call of the EP for a European SME Standard.

Would this be to the benefit of Europe? It is one of the issues on your plate today!

In developing special reporting for SMEs in Europe, consideration should be given to the final proposal on international standards for SMEs, and the existing national legal frameworks. Such proposal could form a basis of reporting for SMEs in Europe. By keeping this in mind we can provide practical solutions to optimise financial reporting for SMEs, allow SMEs in Europe meet their local statutory requirements, **and also**, expose them internationally thereby allowing more growth opportunities in the future.

FEE has been involved in this area for some 20 years in the accounting and financial reporting debate. We operate now, for several years, a Joint EFRAG and FEE IFRS for SMEs Group, which has made recommendations to the EFRAG TEG. I am pleased to see that several members of this Joint Group are here today, including its Co-Chair Françoise Flores.

In 2007, we contributed to this debate with our comment letter to the IASB and EFRAG on the IASB Exposure Draft of the proposed IFRS for SMEs.

One of the changes that we suggested is to change the label into IFRS for non public interest entities. This change would help very much in convincing members of the European Parliament that the objective is not to impose international standards to very small businesses.

In progressing with our commitment to contribute to the debate on SMEs policies, FEE created an SME Advisory Panel, which held its first meeting on 26 June 2008. This is a high-level group of senior individuals, mainly from outside the accountancy profession, with an interest in SME policy. We hope this forum will enable us to bring a different perspective in our ongoing engagement with our stakeholders in the SME area.

I want to take the opportunity to raise your attention to our SME/SMP congress in Copenhagen. This will take place from 3 to 5 September and includes a session on Financial Reporting for SMEs. A flyer on the Congress is included in your material for this Roundtable.

The IASB is currently working on a revised standard with a very optimistic time table of having a standard by the end of the year. At the same time, field tests of this standard have been conducted in some European countries.

Today, we will have the opportunity to review the results of the Field Tests carried out in France, Germany and the UK. This will help us kick off the wider discussion in the panel later on, where we will welcome additional input from other European countries.

This will enable us form a consolidated European perspective on the key issues that would affect medium size entities. We will then be able to consider the impact of these issues on the International Financial Reporting Standard for non public interest entities.

To start the presentations of the Field Tests results, I would like to welcome Françoise Flores, Vice-Chair EFRAG and Chair of the Joint EFRAG/FEE Working Group on IFRS for SMEs.

She will chair the presentations session and will start by introducing the presenters to you...

I would like to thank you all **and** all the guest speakers for having accepted to be here today to contribute to this discussion.