

Alternative view on the proposed International Financial Reporting Standard for Small and Medium-sized Entities

- AV1 One Board member voted against the publication of the Exposure Draft of the proposed *International Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)*. That Board member's alternative view is set out below.
- AV2 The Board member believes that the proposed *IFRS for SMEs* is neither necessary nor desirable. It is unnecessary because the vast majority of accounting policy decisions of an SME are straightforward and extensive reference to IFRSs will not be required and, when required, not burdensome.
- AV3 It is undesirable because the proposed IFRS would produce non-comparable information. SMEs will not be comparable with each other and will not be comparable with publicly accountable entities. That result is inconsistent with the IASB *Framework* and the Concepts and Pervasive Principles of the proposed IFRS.
- AV4 Non-comparability will result because the proposed IFRS would allow SMEs, as a result of paragraph 10.3, to ignore the requirements of other IFRSs even when the specific accounting issue is addressed in those IFRSs. If an entity is satisfied with the result of applying paragraph 10.3(a) and (b) there is never a requirement to look to full IFRSs. Thus, identical transactions can be accounted for differently by different SMEs and differently from publicly accountable entities. If the Board finds it necessary to develop educational materials to assist SMEs in applying IFRSs, that would certainly be appropriate. However, this Board member believes that in all circumstances IFRSs should ultimately be the source of accounting guidance for all entities.
- AV5 This Board member does not believe that the Board has demonstrated the need to make modifications to recognition and measurement requirements in IFRSs for application by SMEs on the basis of either cost-benefit analysis or user needs. Alternatively, the Board member would much more extensively modify the disclosure requirements to meet special user needs. That modification might well create disclosures not required at present, such as information about economic dependency, although many of the presentation and disclosure requirements proposed in the Exposure Draft seem unnecessary.

- AV6 This Board member also believes that the Exposure Draft is inconsistent with the Constitution of the International Accounting Standards Committee Foundation and the *Preface to International Financial Reporting Standards*. Those documents set out an objective of a single set of accounting standards taking account of the special needs of small and medium-sized entities and emerging economies. The Board member accepts that objective but does not believe it implies separate sets of standards for entities in differing circumstances as indicated in paragraph BC21. The conclusion of that paragraph suggests that many sets of accounting standards would be appropriate depending on different circumstances.