



EUROPEAN COMMISSION

Internal Market and Services DG

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

DIRECTORATE GENERAL FOR INTERNAL MARKET AND SERVICES

CONSULTATION ON THE INTERNATIONAL FINANCIAL REPORTING STANDARD FOR SMALL AND MEDIUM-SIZED ENTITIES

Please send this answer sheet only.

Consultation deadline: 12 March 2010

Preferred form of submission – email to: markt-review-consultation@ec.europa.eu

Postal address:

European Commission
DG Internal Market and Services
Financial Reporting Unit-F3
SPA 2/JII - 01/112
B-1049 Brussels
Belgium.

Submissions after the deadline will not be considered.

Please provide the following details together with your response:

You are:

Preparer:	<input type="checkbox"/> small company	<input type="checkbox"/> Other (please specify)	Legal Form:
	<input type="checkbox"/> medium-sized company		<input type="checkbox"/> unlimited liability
	<input type="checkbox"/> large company		<input type="checkbox"/> limited liability
User:	<input type="checkbox"/> bank/credit provider	<input type="checkbox"/> analyst	<input type="checkbox"/> Other organisation of stakeholders
	<input type="checkbox"/> private person	<input type="checkbox"/> investor/investor organisation	
Public authority:	<input type="checkbox"/> audit/market regulator	<input type="checkbox"/> Government Ministry/Agency	<input checked="" type="checkbox"/> other (please specify)
Accountants and Auditors:	<input type="checkbox"/> accounting firm	<input type="checkbox"/> audit firm	<input type="checkbox"/> organisation of accountants and auditors
Other:	<input type="checkbox"/> (please specify)	Belgian Accounting Standard Setters Board	

Name of your organisation / company:

[Belgian Accounting Standards Board](#)
[Commissie voor Boekhoudkundige Normen CBN](#)
[Commission des Normes Comptables CNC](#)

Country where your organisation / company is located:

[Belgium](#)

Name and location of parent company:

Contact details incl. e-mail address:

[North Gate III](#)
[Koning Albert II-laan 16](#)
[1000 Brussels](#)
Cnc.cbn@cnc-cbn.be

Short description of the general activity of your organisation / company:

[The objective of the Belgian Accounting Standards Board \(Commissie voor Boekhoudkundige Normen CBN - Commission des Normes Comptables CNC\) is to provide guidance on the interpretation of the Belgian legislation on financial accounting and, as a consequence, to enhance the quality in internal and external reporting. We try to achieve this objective by publishing advice and recommendations. We issue opinions on external reporting requirements to the Belgian government.](#)

Do you trade cross-border? Yes No

Is your organisation registered in the Interest Representative Register? Yes No

If yes, please specify the address of your organisation and the Register ID number in the Interest Representative Register¹:

Publication:

Do you object to publication of the personal data on the grounds that such publication would harm your legitimate interests? I object

Question 1:

Do you think the IFRS for SMEs is suitable for widespread use within Europe?

YES NO Don't know

Please comment, indicating whether there are any type(s) or size(s) of company that would benefit from adopting the Standard:

The full IFRS framework did not seem convenient to us for European SMEs. Full IFRS has mainly been developed to meet the information needs of shareholders. We recognise that the framework developed in Section 2 of the IFRS for SMEs has already been adjusted to the needs of SMEs, but it seems, nevertheless, still too complex to us for SMEs. The internal and external stakeholders of SMEs (such as employees, management, customers, suppliers, credit institutions, creditors, ...) have different information needs.

The IFRS for SMEs permits measurement at fair value. Since there is no link between the criteria to define a SME and the audit-thresholds, we wonder who will audit this fair value?

We think the European Union should develop its own strategy, rather than implementing the IFRS for SMEs. SMEs as well as their stakeholders are now familiar with the use of the Fourth and Seventh Directive as well as with the European Directive establishing a general framework for informing and consulting employees in the European Community. It provides the information they need. Various dissemination of information is based on the annual accounts prepared in accordance with the Fourth and Seventh Directive. It is crucial that the revised Fourth and Seventh Directive result in an appropriate framework for each of the categories of companies within the European Union. The idea of implementing the IFRS for SMEs seems incompatible with earlier proposals concerning the micro-entities and the proposed revision of the Directives to reduce the administrative burden for small companies. Employees also fear the loss of information.

In Belgium, the calculation of, for example, corporate tax and the distribution of dividends, is based on the profit which is established in the annual accounts, prepared according to the Fourth and Seventh Directive. We fear that this will not be possible anymore using the IFRS for SMEs. This will increase the administrative burden for SMEs without equivalent benefits for the companies.

¹ If your organisation is not registered, you have the opportunity to register here (<https://webgate.ec.europa.eu/transparency/reg/in/welcome.do?locale=en#en>) before you submit your contribution. Responses from organisations not registered will be published separately from the registered organisations.

Besides, we doubt if the IFRS for SMEs will enhance the comparability between companies. Comparability is a hard to attain objective. Even now, the comparability between Member States is difficult to realize. Using the IFRS for SMEs will not simplify this comparability, on the contrary.

*small*² *medium*³ *large*⁴

other criteria (please explain)

Please comment:

Question 2:

If you are a preparer of company accounts can you indicate any costs (both one-off and recurring) or benefits, and any other effects of adopting the IFRS for SMEs?

Please comment:

We wonder if the IFRS for SMEs will not be too complex for small companies. Companies should provide additional information for tax reasons which will lead to additional costs. This goes against the only-once approach, that we supported in the previous Consultation Paper concerning the revision of the Fourth and Seventh Directive. Users in a SME environment have different information needs. They tend to use financial statements more for stewardship and to examine the solvency of the company than to reach decisions about whether to buy, hold or sell shares.

In particular, do you think increased international comparability of accounts prepared under the IFRS for SMEs will benefit your business?

YES *NO* *Don't know*

Please comment:

We are not convinced that the use of the IFRS for SMEs will increase the comparability and enhance the level of harmonisation.

The current legislation has already rendered its benefits and it has lead to some kind of comparability. The use of the principles of the Fourth and Seventh Directive has already resulted

² Generally companies with turnover less than €4.4 million, balance sheet total less than €8.8 million and 50 or fewer employees (see Fourth Company Law Directive)

³ Generally companies with turnover less than €17.5 million, balance sheet total less than €35 million and 250 or fewer employees (see Fourth Company Law Directive)

⁴ Generally companies with turnover greater than €17.5 million, balance sheet total greater than €35 million and more than 250 employees (see Fourth Company Law Directive)

in a basis level for harmonization of financial reporting in the European Union. It has undoubtedly led to improvements of quality, comparability and transparency of financial statements of companies throughout the European Union over the last twenty years, which provide important information in the European policy making process.

Question 3:

If you are a user of accounts (for example a bank) do you think the IFRS for SMEs will provide more useful information than national GAAP accounts?

YES NO Don't know

Please comment:

In Belgium, the annual accounts and especially the notes are already very detailed. Instead of simplifying the accounting rules for SMEs within the Fourth and Seventh Directive, using the IFRS for SMEs will make those accounting rules even more complex. Employees also wonder how the IFRS for SMEs will be compatible with the existing European Directive establishing a general framework for informing and consulting employees.

As we have explained in our answer to the Consultation Paper concerning the revision of the Fourth and Seventh Directive and taken into account the information needs of the stakeholders, we support the requirement to include a statement of cash flows for each reporting period. Given the fact that for small companies, in Belgium, this cash-flow statement can be drawn up by the local Balance Sheet Office, based on the data published in their annual accounts, this will not lead to additional costs from those companies.

What will be the added value of the use of the IFRS for SMEs? Users of annual accounts of SMEs have dissimilar needs, they certainly do not need an IFRS framework for SMEs. Europe should develop its own appropriate framework.

Question 4:

Does increased international comparability of accounts prepared under the IFRS for SMEs benefit users?

YES NO Don't know

Please comment:

The development of an appropriate European framework for all European companies will automatically enhance the comparability, which will benefit users.

As explained before, we are not convinced that the use of the IFRS for SMEs will increase comparability, certainly if the use of the IFRS for SMEs is an option. International comparability will only be possible if the obligation to publish the annual accounts is organized on a European level. This explains also why it is important not to exclude micro-entities from this publication requirement.

Question 5:

Do you think adoption of the IFRS for SMEs should be provided for within the EU accounting legal framework?

YES

NO

Don't know

Please comment:

All companies should be within the scope of the Fourth and Seventh Directive. All efforts towards further harmonization and revision of the Fourth and Seventh Directive should continue. Therefore, we encourage further study by the European Commission, in the hope to simplify the requirements for SMEs within the framework of the Fourth and Seventh Directive. SMEs generally require less complex and less sophisticated external financial reporting since they are less market oriented.

We encourage the European Commission to further study of the information needs of users of financial statements of entities without public accountability.

Question 6:

If yes, should such an option be limited to a Member State option (i.e. that each Member States would have a possibility but no obligation to accept IFRS for SME)?

YES

NO

Don't know

Please comment:

Question 7:

Do you have other views on the possible adoption of the IFRS for SMEs within the EU accounting framework?

Please comment:

No.

The presentation and content of the annual accounts and annual reports, as well as the used valuation methods should be dealt with in the Fourth and Seventh Directive.

Question 8:

Is there a case for giving companies, at EU level, an option to adopt the IFRS for SMEs?

YES NO Don't know

If yes, for which categories:

small medium large

other criteria (please explain)

Please comment:

If certain Member States would take the option, others Member States will, in the light of harmonisation, indirectly be incited to do the same. If they don't, all former European measures to enhance comparability and harmonisation, will lose their significance. In that case, reconciliation will be needed, which will increase the administrative burden for SMEs.

Providing an option will also undo all former measures taken to enhance the comparability and harmonisation within Europe.

Question 9:

What should be done, in your view, where there is incompatibility between the Directives and the IFRS for SMEs?

Please comment:

Since we are not in favour of the IFRS project for SMEs, this question does not seem relevant to us.

Question 10:

In the light of the publication of the IFRS for SMEs, do you see a need for "rules-based" Accounting Directives in the future?

YES NO Don't know

If yes, for what type(s) or size(s) of company are detailed rules required?

small medium large

other criteria (please explain)

The revised Accounting Directives should provide a principles-based framework for financial reporting in the European Union. We refer to our answers to the questions in the Consultation Paper on the Review of the Accounting Directives:

- International standard setting should be based on principles since it is neither possible nor necessary to provide specific rules for the many different situations and transactions.

- The use of the principles of the Fourth and Seventh Directive has resulted in a basis level for harmonization of financial reporting in the European Union and it has undoubtedly led to improvements of quality, comparability and transparency of financial statements of companies throughout the European Union over the last twenty years.

Other than the 5 items listed in paragraph 4.3 of the consultation document, what aspects of financial reporting should the revised Directives address, and to what level of detail?

Please comment:

Other comments

We support the structure as described in the Fourth Directive as long as the options, now foreseen in the Fourth Directive concerning the presentation of the financial statements, are reduced to two possibilities: a full model for large and medium-sized companies and an abridged model for small companies and micro-entities.

Nevertheless, the availability of a minimum format for the notes also seems essential to us. However, the quality of the information provided in the notes must be maintained, so no essential elements could be omitted (e.g. rights and commitments not included in the balance sheet).

In accordance with the “only once” filing principle, data for different purposes can only be asked once.

Elements of the BALANCE SHEET:

ASSETS

- Fixed assets

Formation expenses

Intangible fixed assets

Tangible fixed assets

Land and buildings

Plant, machinery and equipment

Furniture and vehicles

Leasing and other similar rights

Other tangible assets

Assets under construction and advance payments made

Financial fixed assets

- Current assets

Amounts receivable after more than one year

Trade debtors

Other amounts receivable

Stock and contracts in progress

Stocks

Contracts in progress

Amounts receivable within one year

Trade debtors

Other amounts receivable

Current investments

Cash at bank and in hand
Deferred charges and accrued income
Total assets

EQUITY

Capital
Issued capital
Uncalled capital
Share premium account
Revaluation surplus
Reserves
Legal reserve
Reserves not available
In respect of own shares held
Other
Untaxed reserves
Reserves available for distribution
Accumulated profit (loss)
Investment grants
Advance to associates on the sharing out of the assets

PROVISIONS AND DEFERRED TAXES

Provisions and postponed taxes
Provisions for liabilities and charges
Deferred taxes

LIABILITIES

Amounts payable
Amounts payable after more than one year
Financial debts
Credit institutions, leasing obligations and other similar obligations
Other loans
Trade debts
Suppliers
Bills of exchange payable
Advances received on contracts in progress
Other amounts payable
Amounts payable within one year
Current portion of debts payable after one year
Financial debts
Credit institutions, leasing obligations and other similar obligations
Other loans
Trade debts
Suppliers
Bill of exchange payable
Advances received on contracts in progress
Taxes, remuneration and social security
Other amounts payable
Accrued charges and deferred income
Total liabilities

PROFIT AND LOSS ACCOUNT

Operating incomes and operating charges

Gross operating margin
Sales (not compulsory)
Raw materials, consumables, services and other goods (not compulsory)
Remuneration, social security costs and pensions
Depreciation and amounts written off of formation expenses and of intangible and tangible fixed assets
Increase (decrease) in amounts written off stocks, off contracts in progress and off trade debtors
Increase (decrease) in provisions for liabilities and charges
Other operating charges
Operating charges capitalised as restructuring costs
Operating profit (loss)
Financial income
Financial charges
Profit (Loss) on ordinary activities before taxes
Extraordinary income
Extraordinary charges
Profit (Loss) of the period before taxes
Transfers from deferred taxes
Transfer to deferred taxes
Income taxes
Profit (Loss) of the period
Transfers from untaxed reserves
Transfer to untaxed reserves
Profit (Loss) for the period to be appropriated
APPROPRIATIONS AND WITHDRAWINGS
Profit (Loss) to be appropriated
Profit (Loss) for the period to be appropriated
Accumulated profit (loss) at the beginning of the period
Transfer from capital
Appropriations to capital
To capital and to the share premium account
To legal reserve
To other reserves
Accumulated profit (loss) at the end of the period
Share holders' contribution in respect of losses
Profit to be distributed
Dividends
Directors' entitlements
Other allocations

NOTES ON THE ACCOUNTS

Abridged statement of fixed assets
Information about the participations
Detailed statement capital and shareholders' structure
Provisions for liabilities and charges
Rights and commitments not included in the balance sheet
Employees and remuneration
Related parties transactions
Statement about the consolidated annual accounts
Valuation rules

Question 11:

Are there any elements of the IFRS for SMEs that should be incorporated within revised Directives?

Please comment:

For large companies and public interest companies, a cash-flow statement would provide important additional information for potential investors, creditors and other users.

For SMEs and small companies, a cash-flow statement is also a useful instrument as long as it is free of charge for those companies. Given the fact that, in Belgium, it can be drawn up by the local Balance Sheet Office, based on the data published in their annual accounts, no additional publication will be requested from those companies.

Unnecessary differences, such as the elimination of the “last in first out” method (LIFO), could be avoided without introducing IFRS into the Fourth Directive.

Question 12:

Do you have any other observations or comments on the IFRS for SMEs or the project to overhaul the Accounting Directives?

Please comment:

We want to underline the importance of the development of an appropriate, separate conceptual and principles-based framework in the Fourth Directive for companies who are not applying IFRS.

Besides the principles included in Section 2 General provisions concerning the balance sheet and the profit and loss account (Art. 2) and Section 7 Valuation rules of the Fourth Directive (Art. 31 and Art. 32), the next principles should also be introduced:

- Valuation must be made on a prudent basis.
 - Measurement at “purchase price” or “production cost”. In our view, the principle of historical cost provides in most situations a reliable basis for measurement in financial statements. We do not believe that information provided by fair value accounting will necessarily be superior to historical cost information in the financial statements. Profits arising from value changes may not have been realised and the recognition of unrealised gains goes against the traditional prudent approach.
 - The methods of valuation must be applied consistently from one year to another.
 - Each asset and each liability must be valued separately.
 - The annual accounts shall give a true and fair view of the company’s assets, liabilities, financial position and profit or loss.
 - Substance over form.
 - Only material financial information will have an impact on the decision-making process.
- Notwithstanding the fact that the framework provides no quantitative guidelines for materiality, it will always be a matter of judgement for the providers of financial information to determine whether or not an item of information has crossed the materiality threshold for recognition.

As mentioned before in this Consultation Paper, we are not convinced that the introduction of the IFRS for SMEs will result in any benefits or even cost reduction for SMEs. A good impact assessment is necessary to weigh up the costs and benefits.

Thank you for your contribution