

PRO AND CONTRA OPINIONS REGARDING A SME ACCOUNTING STANDARD

*Professor PhD Adriana Tiron Tudor, „Babeş-Bolyai” University of Cluj-Napoca,
e-mail: adriana.tiron@econ.ubbcluj.ro
Associate Professor PhD Alexandra Muşiu, „Babeş-Bolyai” University of Cluj-Napoca*

ABSTRACT: The IASB's proposed IFRS for SMEs opened an international effervescent debate in academics and practitioners environments. In our research, we intent to collect pertinent evidence for pro and contra arguments and to investigate whether the proposed IFRS for SMEs is likely to meet the needs of users of financial reports of SME. Our aim is to contribute to the SME accounting area of knowledge, knowing that very little research has been previously conducted looking specifically of accounting at SME level.

Keywords: accounting, international standard, SME

JEL Codes: M41

Introduction

In most countries, SMEs accounting is subject of the national regulation, usually relaxed, taking into consideration the local and economical specific and the limited financial statements users (owners not involved in managing the business, existing and potential creditors and credit rating agencies).

Opposite to SMEs status, big entities and entities with public accountability are obliged in Europe to comply with full requirements of the IASB's standards, regarding the financial reporting, developed primarily for use in international capital markets. The IFRS issued by IASB are in a continuous process of expanding them authority in other countries.

SMEs in last period have achieved an increasing significance in the global economy. Their role, like individual entity, or like holding's component combined with their number were just two of factors which contributed to this situation.

In the actual conditions of globalization, characterized by the growing number and value of international transactions, for a better understanding and communication arise the need of financial reporting unification, which drawn the attention of international regulators.

In June 2004 IASB started to promote the idea of an IFRS for SME inspired from IFRS applicable to big entities and entities with public accountability. Since then the IFRS for SME wasn't finalized because it was continuously modified in the reduction sense, and it is a real argued subject in accounting international academic and practitioners' environment but without too many evidences to support pro or against arguments.

Methodology

In our research we opted for an external approach by studying specialized literature and regulations. We conduct a theoretic study with technical aspects, using the archival research method for data collection.

We realize a literature review based on our own research and article read and also we use literature review presented in others articles. A valuable study, we have used is the study launched by the EAA Committee presenting the conclusions of a revision of the literature concerning the implications of a standard for SMEs in Europe (Evans, 2005).

We study the European regulation regarding the accounting and SME status and future place in UE and the international regulators comments and proposals regarding this subject.

Our research objectives were synthesized in four questions at who we tried to find valid answers:

1. *There is a common consensus about what is a SME?*

We consider this question because the main difficulty arise form the fact that the SMEs' world is not a homogenous and unified one. In real life, the SME concept covers a large diversity of types of enterprises, no matter of the entities' dimension, category or nature, or the informational needs of their users. In other words, there are lots of valid and feasible answers, but these answers must be adapted to specific situations.

2. *Are SME so important to be subject of a separate regulation?*

To find the answer at this question we restrict our research area at Europe. Based on data collected from Eurostat database and our calculus for the year 2005 we find how many SME are at EU level and what percentage represents from total enterprise number and them structure by countries.

3. *It is really needed a specific accounting standard?*

We select this question after reviewing the literature and read vary articles about the need of a specific accounting standard for SMEs some of them being pro and others against a specific accounting standard for SMEs.

4. *IFRS conceptual framework is suitable for SMEs?*

We motivate our question with the follow facts. IASB, realising the future of an IFRS for SME, was the first and single international professional body who issued a version of this regulation. In the first period, the conceptual framework of SME IFRS was extract from IFRS for large enterprises and there were a lot of voices against this. IASB tacked into consideration the majority of comments and reduce the content and similarities with IFRS for large companies in the scope to adjust the accounting standard to the SME specific.

The remainder of the paper is organized as follows. Each section tries to answer at one question. The first section provides analyze of the SME definition in IASB vision and on the other hand the EU vision about SME. The second section evaluates the importance of SME, taking like example the Europe. The third section looks at different opinion pro and against the need of a specific standard for SMEs. The fourth section identifies the efforts done by IASB to break the strong link between IFRS for large enterprise and IFRS for SMEs. Finally, the paper offers conclusions about the subject.

There is a common consensus about what is a SME?

First of all we started with the IASB position and in this way we analyzed the SME definition.

The IASB¹ defines ‘SMEs’ as entities that:

- do not have public accountability; and
- publish general purpose financial statements for external users.

a. Entities with public accountability are capital market oriented entities (cf. explanations in BC35) and entities that hold assets in a fiduciary capacity for broad groups of outsiders, whether or not they are capital market oriented (cf. explanations in BC36). So, SME is an entity that has no share listing and is not a financial services business.

There are no references to the entity’s size, no quantitative definitions. The IASB definition² does not offer any hint as to what might constitute an unacceptably large organisation to be adopting the SME standard.

The IASB³ rejects including a size test to determine a SME, preferring to propose only qualitative factors such as “public accountability”.

Pacter, the IASB’s director of standards for SMEs, justifies the decision to offer no size-based guidance. “It’s virtually impossible to have a global, quantified definition,” he says. “It’s really a jurisdictional issue as to which organisations use which set of standards.”

In developing the draft standard, the IASB based itself on a typical SME (BC45). IASB⁴ considers the typical SME to have approximately 50 employees with revenues and assets in the \$10 million-to-\$25 million range.

At UE level⁵, the category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million. Within the SME category, a small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million and a micro-enterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

b. Also, according with IASB definition, SME are entities which publishes general purpose financial statements for external users.

Key users of financial statements in IASB conception includes: investors, lenders, suppliers and other trade creditors, employees, customers, government and their agencies and the public. But in the SME case the category of key users is reduced. Analyzing each category of users we conclude that in SME case the group of key users includes only three categories: owners not involved in entities management, existent and possible creditors and banks.

Another aspect is that external users of the financial statements of SMEs have different information needs comparing with public large entities. Collis⁶ suggests that larger companies use their financial statements for a wider range of decisions and that they undertake more complex transactions than smaller enterprise, providing aggregated information that requires more sophisticated analysis.

¹ IASB, 2007c, p 249.

² Sawers A - Slimmed down IFRS - but for whom? A new slimmed-down set of IFRS is being proposed for small and medium-sized entities. But it’s the larger unquoted companies that could be most interested in using them, Mar 2007, www.financialexecutivemag.com.

³ Samuj H R – IFRS for SMEs: A New Zealand perspective, Working Paper Series, Accounting Department, University of Waikato, nr.97, July 2007, page 1.

⁴ Morris D - U.S. SMEs Should Consider Commenting On IASB’s Proposal for SMEs, Financial executive I September 2007 www.financialexecutivemag.com.

⁵ CEE – Commission recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises, L 124/36 EN Official Journal of the European Union 20.5.2003, www.europa.eu/eur-lex

⁶ Collis J and Jarvis R – How owner-mangers use accounts, centre for Business Performance, ICAEW, 2000.

The draft standard focuses exclusively on the information needs of external users of the financial statements of entities without public accountability. In the IASB's view these external users have different information needs to those of the external users of publicly accountable entities: the external users of SMEs' financial statements are more interested in short term cash flows and historical trends in earnings than in information useful in making long term forecasts of an entity's value (BC24, BC26).

Answer

There is far less consensus on exactly which entities fall into SME category. The non-specification of some quantitative characteristics of SME conducts at misunderstandings or speculations. For example, in the UK, large but unquoted businesses are not required to adopt full IFRS. The IASB has left open the possibility that such organizations might adopt the SME standard, rather than stick with UK GAAP or switch to full IFRSs. According with this situation, Pacter mentions. "Large, unlisted companies should be using full IFRS, but our board has no authority to tell anybody to use its standards. Full IFRS is suitable for any company".

Pacter underline that the SME standard is suitable for those that do not have public accountability. But each country will have to decide how far to push down the full IFRSs and where to permit the SME standard. Pacter adds that it will be several years before the European Commission is expected to make any decision as to which organizations ought to use the final SME standard.

And the EU has already indicated that it will support the SME standards if they are an improvement on the Fourth and Seven Directive⁷.

The IASB assumes⁸ a narrower group of financial statement users for SMEs than for large public-interest entities, and a different weighting of the importance of the users.

Are SME so important to be subject of a separate regulation?

In the EU, like all around the globe, SMEs have enormous economic significance. In EU Commission vision, small and medium-sized enterprises⁹ (SME) are potentially the most dynamic sector of the economy. Their growth is the key for the overall economic well-being. SME represent 99% of all companies in the EU and they provide two-thirds of all private sector jobs. They are the biggest sector of the EU economy, with 23 million enterprises employing around 75 million people. SMEs are responsible for the creation of one in every two new jobs. SME produce considerably more than half the EU's GDP. So, small firms are in fact the real giants of the European economy.

In the UK¹⁰, in the late 1990s SMEs accounted for 80% of companies filing accounts and 50% of nongovernmental employment (Dugdale *et al.*, 1998). In total 99% of businesses in the UK are small firms (Collis and Jarvis, 2000, with reference to DTI, 1999). Other EU member states,

⁷ House J – Financial reporting: IASB SME project: Thinking small, Accountancy 137 (1351), 2006, 92.

⁸ Haller, A., Eierle, B. Accounting standards for small and medium-sized entities – erste Weichenstellungen durch das IASB, *Betriebs-Berater*, 2004, 59(34), pp. 1838-1845.

⁹ The Commission counts companies with less than 250 workers and a turnover of less than 50 million euros annually as SME. Companies with a balance sheet total of more than 43 million euros do not qualify as SME. SME contents: micro enterprises with less than 10 persons employed, Small enterprises: with 10-49 persons employed; Medium-sized enterprises: with 50-249 persons employed.

¹⁰ Evans L. and others - Problems and Opportunities of an International Financial Reporting Standard for Small and Medium-sized Entities. The EAA FRSC's Comment on the IASB's Discussion Paper, Accounting in Europe, Vol. 2, 2005.

including, for example, Germany, have a traditionally even larger and more influential SME sector than the UK. In Italy and Spain, in 1990, SMEs made up 99.96% of the total number of business entities, and accounted for 82.84 and 91.9%, respectively, of employment (Paoloni *et al.*1999). In Poland large-scale privatisation gave rise to a rapid growth of the SME sector, which currently represents 99.8% of active enterprises and employs more than 60% of the labour force (Jaruga and Fijalkowska, 2004). Most of the sector represents micro-enterprises, with medium-sized enterprises making up less than 1% of all enterprises in 2001.

In 2005 figures shows the increased importance of SME in Europe.

Table no. 1

Key indicators for enterprises in the non-financial business economy, EU-27, 2005

Indicators	Total	SMEs	Micro	Small	Medium	Large
Number of enterprises (millions)	19,65	19,60	18,04	1,35	0,21	0,04
<i>Share in total (%)</i>	<i>100,0</i>	<i>99,8</i>	<i>91,8</i>	<i>6,9</i>	<i>1,1</i>	<i>0,2</i>
Persons employed (millions)	126,7	85,0	37,5	26,1	21,3	41,7
<i>Share in total (%)</i>	<i>100,0</i>	<i>67,1</i>	<i>29,6</i>	<i>20,6</i>	<i>16,8</i>	<i>32,9</i>
Value added (EUR billion)	5.360	3.090	1.120	1.011	954	2.270
<i>Share in total (%)</i>	<i>100,0</i>	<i>57,6</i>	<i>20,9</i>	<i>18,9</i>	<i>17,8</i>	<i>42,4</i>
Apparent labour productivity (EUR 1 000 per person employed)	42,3	36,4	29,9	38,7	44,8	54,4
<i>Relative to total (%)</i>	<i>100,0</i>	<i>86,1</i>	<i>70,7</i>	<i>91,5</i>	<i>105,9</i>	<i>128,6</i>

Source: Eurostat (SBS size class)

99, 8% of enterprises are included in the category of SMEs and only 0.04% of enterprises were classified like large. The main type of SME, according with EU definition of SME is represented by micro enterprises (91, 8% in total). SMEs employed 67, 1% of total persons employed and produced 57, 6% of total value added.

Analyzing the structure of enterprises by countries, we find that the percentage of SME in total number of enterprises in 2005 is higher, between the lower value 99,5% in RO, IE, DE, AT and 99,9% in ES, IT, Cy, El, PT. Also, Italian SMEs represents 20% of UE SMEs, followed by Spain with 13% France 12%, Germany 8% UK 8%, Poland 7%.

Micro-businesses (those with fewer than 10 employees) dominate employment in countries such as Italy (47%) and Poland (41%), whilst the share of large enterprises in total employment in the United Kingdom is just 46%.

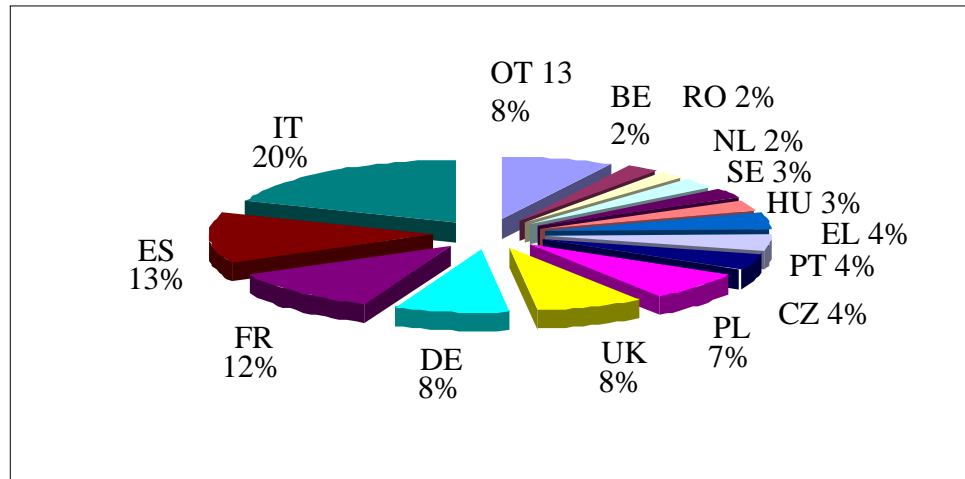


Fig. no. 1 -Structure of SMEs by countries

In the top of countries under the criteria of number of SME enterprises (in thousands) are IT with 3.819 SMEs, followed by ES with 2.542 SMEs and FR with 2.274 SMEs from a total of 19.602. There are also three countries with over 1.000 SMEs: DE with 1.654, UK with 1.535 and PL with 1.405. Other countries counted under 1.000 thousands SME enterprises.

Table no. 2

Top countries with over 1.000 thousands SME enterprises EU-27, 2005

Country	Thousands SMEs
PL	1.405
UK	1.535
DE	1.654
FR	2.274
ES	2.542
IT	3.819
EU-27	19.602

Source: Eurostat

Answer

At UE level SMEs play an important role in the Europe’s future development and consulting studies made in other parts of the world we can extend this conclusion like valid all around the world.

It is really needed a specific, individual accounting standard?

Most¹¹ accounting regulatory regimes recognize differences between larger and smaller enterprises and between those that are listed and unlisted and/or non publicly accountable.

¹¹ Devi S – A framework for differential reporting: A response to ISAR’s accounting and financial reporting guidelines for small and medium sized enterprises, Confederation of Asian and Pacific Accountants, 2003.

Recognizing¹² the burdens placed upon smaller enterprises by financial reporting, many countries exempt smaller enterprises from statutory audit and subject them to differential reporting requirements, like option of filing abbreviated reports with reduced levels of disclosure.

So, precedents for differentiating between financial reporting regulation for small or non-publicly accountable, versus large and listed enterprises, already exist in several regulatory frameworks, including the European Union company law directives.

Pacter¹³ underlines some problems about national standards for SMEs:

- many countries lack country-specific textbooks, guidance, training materials and software for implementing national standards. This diminishes comparability even within a country, as different requirements are interpreted differently. National standards mean that country-specific auditing methodologies are needed. Developing national standards is costly.

- the accounting standards for SMEs in many countries have not been developed with the needs of lenders, vendors and other external users in mind. This has harmed small companies' access to capital or, at a minimum, raised the cost of capital, particularly in small and developing countries. In jurisdictions that require small companies to use full IFRS, the quality of implementation often is problematic.

EAA Financial Reporting Standards Committee developed a research about SME's IFRS opportunity. The researchers group conducted by Evans¹⁴ reveals significant arguments for and also against differential reporting:

- the main arguments for differential reporting (made predominantly in national contexts) are the undue burdens and disproportionate costs of reporting carried by smaller businesses (Harvey and Walton, 1996, with reference to the UK; see also Collis *et al.*, 2001). These costs were perceived to outweigh the benefits accruing to users (Consultative Committee of Accounting Bodies (CCAB), 1994, as quoted by Dugdale *et al.*, 1998). Jaruga and Fijalkowska (2004, p. 15) argue that, in Poland, 'even not very sophisticated accounting is perceived by many SMEs as a costly and time-consuming procedure'. A further reason for differential reporting is the perceived lack of relevance of (full) statutory financial statements to SME accounts users, in particular for internal reporting purposes (e.g. Harvey and Walton, 1996). Additional arguments are: narrower user groups, usefulness for a narrower range of decisions, less complex transactions and less need for sophisticated analysis of highly aggregated information (Collis *et al.*, 2001).

- the main argument against differential reporting is the need for universality (i.e. companies should not be subject to different rules giving rise to different 'true and fair views'). However, the results of a recent IASB survey of national accounting standard setters suggests that many countries have a separate set of GAAP for SMEs or are developing such a separate GAAP (Pacter, 2004). Other reasons against differential reporting are the need for comparability, reliability, the public interest argument, the 'publicity doctrine' (publishing accounts is the price for limited liability), the fear of making smaller companies 'second class citizens', the perceived threat that larger companies would press for similar advantages (Harvey and Walton, 1996; see also Barker and Noonan, 1995/96; Collis *et al.*, 2001), and the risk of the creation of a two-tier accounting profession (Collis *et al.*, 2001).¹ With regard to comparability, Barker and Noonan (1995/96) point out that deregulation could mean in particular that small companies cannot be

¹² Lungu C, Caraiani C, Dascalu C – New Directions of Financial reporting within Global Accounting Standards for small and medium-sized entities, www.ssrn.com.

¹³ Pacter P - Should U.S. Private Companies Use IFRS for SMEs? financial executive I October 2007, www.financialexecutivemag.com.

¹⁴ Evans L and others - Problems and Opportunities of an International Financial Reporting Standard for Small and Medium-sized Entities The EAA FRSC's Comment on the IASB's Discussion Paper 'Accounting in Europe, Vol. 2, 2005.

compared with other small companies.' A further argument against differential reporting is that statutory financial statements satisfy some of the information needs of, and present some protection for, minority shareholders and other stakeholders, in particular business contacts, also for SMEs (Harvey and Walton, 1996). It is, however, unclear whether and to what extent differential reporting would reduce creditor protection (Collis *et al.*, 2001).

Opponents of a separate set of standards for SMEs believe that all entities should follow the same basic accounting principles for the preparation of general purpose financial statements.

In addition, some opponents note that SME standards would adversely affect accounting education, by shifting the focus from preparing professionals to choose the best means of reporting the economic effects of any given transaction or event, to merely following what the "single solution" rulebook says. A worst-case scenario result would be a two-tiered accounting profession, wherein some practitioners would be seen as capable of handling only "little GAAP" assignments.

In sceptics opinion¹⁵, about the usefulness of an international standard for SMEs show that IASB should have paid more attention to the needs of the users and should have had a „more conceptual" approach in order to take into consideration the different objectives of a „differentiate accountancy”.

Anyhow, in July 2000, the Intergovernmental Working Groups of Experts on International Standards of Accounting and Reporting (ISAR) of the United Nations Conference on Trade and Development (UNCTAD) presented the obstacles that SMEs faced in applying accounting standards that had been issued by various standard-setting bodies, both national and international. It was agreed that it is important to identify possible approaches that would meet the accounting and reporting needs of SMEs.

It was a significant first step towards recognizing that there is a difference in the accounting requirements of companies that access public capital and those that build from owner-supported capital¹⁶.

Supporting the idea of a separate IFRS for SMEs, IASB argues that "high-quality global financial reporting standards enhance the comparability of financial information." The opponent's replica was the follow question: This is obviously important to the investors and lenders who provide capital in the public markets, but why should privately held companies and other SMEs be interested in comparability?

And a last argument pro differential reporting is issued by IASB Chairman Sir David Tweedie, "The small and medium-sized entities standard will make the accounting requirements more accessible to smaller preparers in both developed and emerging markets."

Answer

In our opinion we consider that the regulation of SME accounting is a national matter, or regional in Europe case, so the regulators will decide if they will promote the international standard.

Is the IFRS conceptual framework suitable for SMEs?

From the beginning there were a lot of arguments for using the IFRS conceptual framework for SMEs. Follow we mention some of them:

¹⁵ Epstein, B. J. & Jermakowicz, E. K. (2007) International Standards for Small and Medium-Sized Entities, *CPA Journal*, Oct, vol.77 issue 10: 38-40.

¹⁶ Sinnett M W - Ask FERF About... Draft IFRS for SMEs, Financial executive June 2007 pag.57, www.fei.org

- Baskerville and Cordery¹⁷ suggest that IFRSs for SMEs would ease the transition for growing small entities wishing to seek a listing at some future date, although this does rather assume that a significant number of small entities have a growth objective, which is not always the case.

- Because both sets of standards are based on the same principles, SMEs can use the proposed standards as a basis for upgrading to the full IFRS standards if their size increases or listing status changes. Moreover, the SME standards will enable investors to compare the financial performance of small companies across international boundaries on a like for-like basis, according to the IASB.

- Some researchers consider that it would be sufficient to have only one conceptual framework, and, consequently, only one set of financial statements that should answer all needs, with differences only in the reporting methods according to sector, tax requirements and size of the company (Zappa, 1950; Ferrero, 1991 quoted by Evans et al., 2005).

The IASB is writing its SME standard using the same conceptual framework as used for IFRS but reducing the financial reporting burden. This approach meant that the standard would maintain the measurement and recognition criteria, though in certain cases in a simplified form, while reducing disclosure differences. After debates with professionals this approach was changed concerning the measurement and recognition criteria.

Knowing the difference between larger and smaller enterprise, normally appears a lot of question signs about the suitability of IFRS issued for large enterprise to SME.

Certain authors support the development of a conceptual framework specific to SMEs (Collis and Jarvis, 2000; Hamilton and Lawrence, 2001, quoted by Evans et al., 2005).

The last draft of standard reduces the accounting guidance applicable to SMEs by more than 85 percent by eliminating topics deemed to be not generally relevant to SMEs by eliminating certain choices of accounting treatments, and by simplifying methods for recognition and measurement of assets, liabilities, equity, income, and expenses, substantial disclosure reductions and "plain English" redrafting.

The IASB's objective¹⁸ is an independent *IFRS for SMEs*. Therefore the draft standard's dependence, among other things, on the full IFRS system affects the quality of the differential financial reporting model.

IASB based the standard on a conceptual framework taking into consideration the particularities of the corresponding entity category.

Topics in full IFRS that are omitted from the IFRS for SMEs include:

- general price level-adjusted reporting in a hyperinflationary environment;
- fair value calculations for stock options and agricultural assets;
- extractive industries;
- interim reporting;
- lessor accounting for finance leases;
- recoverable amount of goodwill;
- earnings per share and segment reporting; and
- insurance contracts.

Against arguments for using the IFRS conceptual framework for SMEs were provided by:

¹⁷ Baskerville R.F and Cordery C – Small GAAP:A large jump for the IASB, Conference paper presented at the FRBC Conference, Cardiff Business School

¹⁸ Schiebel A (2007) - To what extent would the proposed IFRS for SMEs be independent of the full IFRS system? www.ssrn.com [01 June 2008]

- IARS who concluded regarding the standards developed by IASB, that they really only applied to entities that are public companies, not those existing in developing countries and countries with economies in transition.

- the function¹⁹ of the International Accounting Standards Board (IASB) is to develop International Financial Reporting Standards (IFRS) for accountable, profit-oriented entities, regardless of size, legal form or domicile. IFRS are intended to ensure appropriate presentation of information about the assets, funds and earnings of an entity to meet the information needs of a diverse group of external users. All external accounting and reporting systems have this information function (see Moxter, 2003, pp 3-7 and 223 et seqq, Ballwieser, 2002).

- the development of IASB's financial reporting has so far been strongly influenced by the capital markets: IFRSs are intended to reduce the information asymmetries that the international providers of stock exchange capital are exposed to, and thus to increase the markets' efficiencies. International capital market oriented entities and then entire stock exchanges became IASB customers, and consolidated financial statements became communications tools.

The IASB previously considered, in principle, full IFRSs as suitable for all entities, but recognised at the same time the different user needs and cost consideration for SMEs (IASB, 2004, pp. 14-15). Partly motivated by a concern that SME regulation, if left to other regulators, might not be consistent with IFRSs or the IASB's *Framework*, and might not be best suited to meet user needs and ensure (international) comparability, the IASB decided that its mission would allow it to extend its focus also to SMEs (ibid.).

Answer

In his initial version SME IFRS was to close to IFRS for large enterprise but now after IASB efforts to take into account all opinions it seem to be appropriate to SME conditions and informational user needs.

Conclusions:

The main difficulty arise form the fact that the SME concept covers a large diversity of types of enterprises, no matter of the entities' dimension, category or nature, or the informational needs of their users. In some countries there are entities which comply with the SME's definition of IASB but there are not classified like typical SME.

We consider that the distinction between large entities and SMEs are thoughtfully made by both local and international standard setters

Concerning the SME IFRS, the latest modifications to the content of the full IFRS, respond to both the needs of users of SMEs' financial statements and to cost-benefit concerns. To assist firms preparing accounts based on the standard, many IFRS requirements have been rewritten to be easier to understand. We mention here, that the full IFRS include more than 3,000 disclosure requirements and the SME ED proposes roughly 400.

With a large probability, during the IV-th trimester of this year (2008), IASB shall disclose the final draft of the special IFRS standard for the SME.

Remains a question without answer: if SME IFRS will be accepted or not by national regulators. We will find the answer only in the future.

¹⁹ Schiebel A (2007) - *To what extent would the proposed IFRS for SMEs be independent of the full IFRS system?* www.ssrn.com [01 June 2008]

To provide a better insight into the process of convergence, future studies may investigate the impact of SME IFRSs in various contexts.

References

1. Barker, P. and Noonan - C. *Small company compliance with accounting standards: the Irish situation*, Dublin City University Business School Research, 1995/96, Papers No. 10.
2. Baskerville R.F and Cordery C– *Small GAAP: A large jump for the IASB*, Conference paper presented at the FRBC Conference, Cardiff Business School, 2006.
3. CEE – *Commission recommendation concerning the definition of micro, small and medium-sized enterprises*, Official Journal of the European Union 20.5.2003, www.europa.eu/eur-lex.
4. Collis, J. and Jarvis, R. - *How Owner - Managers Use Accounts*, London: ICAEW, 2000.
5. Collis, J. et al. - *Contemporary Issues in Accounting Regulation*, Deregulation of small company reporting in the UK, in: S. McLeay and A. Riccaboni (Eds), (2001) pp. 167-185
6. Devi S. – *A framework for differential reporting: A response to ISAR's accounting and financial reporting guidelines for small and medium sized enterprises*, Confederation of Asian and Pacific Accountants, 2003.
7. Dugdale, D. et al. - *The statutory accounts of smaller companies: a burden or an aid to business?*, Management Accounting, February, 1998, pp. 50-52.
8. Evans L and others (2005) - *Problems and Opportunities of an International Financial Reporting Standard for Small and Medium-sized Entities* The EAA FRSC's Comment on the IASB's Discussion Paper, Accounting in Europe, Vol. 2.
9. Ferrero, G. - *Complementari principi della 'chiarezza', della 'verita' e della 'correttezza' nella redazione del bilancio d'esercizio*, Milano: Giuffre, 1991.
10. Flower, J. - *The IASB's discussion paper 'Preliminary views on accounting standards for small and medium-sized entities'*, Comment on the IASB Discussion Paper, 2004.
11. Haller, A. and Eierle, B. - *Accounting standards for small and medium-sized entities – erste Weichenstellungen durch das IASB*, Betriebs-Berater, 2004, 59(34), pp. 1838-1845.
12. Hamilton, R. T. and Lawrence, L. - *Explaining size differences in smaller firms*, International Small Business Journal, 2001, 19(2), pp. 49-77.
13. Harvey, D. and Walton, P. - *Differential Reporting - An Analysis* (SME Foundation), 1996.
14. IASB - *Discussion Paper, Preliminary Views on Accounting Standards for SMEs*, 2004.
15. IASCF - *Small and medium-sized entities*, IASB Update, December, 2004, pp. 4-5.
16. IASCF - *Accounting standards for non-publicly accountable entities (NPAEs)*, IASB Update February, 2005, p. 1.
17. Jaruga, A. and Fijatkowska, J. - *Small and medium-sized enterprises in Poland - the case of accounting regulations*, Unpublished research paper, 2004.
18. Jarvis, R. - *Users and Uses of Companies' Financial Statements A Literature Review* (London: ICAEW), 1996.
19. Lungu C, Caraiani C, Dascalu C. – *New Directions of Financial reporting within Global Accounting Standards for small and medium-sized entities*, 2007, www.ssrn.com [01 june 2008].
20. Morris D. - *U.S. SMEs Should Consider Commenting On IASB's Proposal for SMEs*, Financial executive I, September 2007, www.financialexecutivemag.com [30 may 2008].
21. Pacter P. - *Should U.S. Private Companies Use IFRS for SMEs? Financial executive*, October 2007 www.financialexecutivemag.com [30 may 2008]
22. Pacter P. - *Will the GAAP widen for SMEs?*, Accountancy, January, 2004, p. 118.

23. Paoloni M. et al. - *Financial reporting by SMEs in Italy and Spain*, paper presented at the annual congress of the European Accounting Association, Bordeaux, France, 1999.
24. Paoloni M. et al. - *Upgrading SMEs information system: the role of venture capitalist investors*, Paper presented at the annual congress of the European Accounting Association, Seville, Spain, 2003.
25. Samuj H.R. - *IFRS for SMEs: A New Zealand perspective*, Working Paper Series, Accounting Department, University of Waikato, nr.97, july 2007, pag 1.
26. Sawers A. - *Slimmed down IFRS - but for who?*, Mar 2007, www.financialexecutivemag.com [30 May 2008]
27. Schiebel A. (- *To what extent would the proposed IFRS for SMEs be independent of the full IFRS system?*, 2007, www.ssrn.com [01 June 2008]