



7 December 2012

Mme Françoise Flores
Chair
European Financial Reporting Advisory Group
13-14 Avenue des Arts
B-1210 Brussels

Dear Mme Flores

IASB Request for Information: Comprehensive Review of the IFRS for SMEs

The IFRS for SMEs as initially published by IFAC was very warmly received by our Institute and attempts were made in order to incorporate it into the Cyprus Companies Law. Unfortunately, this had not been made possible and since then our Institute is watching the matter from a distance.

All companies in Cyprus are using the International Accounting Standards (and subsequently IFRSs) since 1981. They are obliged for that by the tax laws too. In the Companies Law there is specific reference for the use of IASs, stating all companies must use the International Accounting Standards as they are approved by the European Union. The IFRS for SMEs was not approved by the EU, hence its adoption at the current stage is not permissible in Cyprus. Please also note that Cyprus has not adopted the EU Accounting Directive (4th Directive) because of the application of IASs for all entities.

The reasoning behind the initial decision of adopting IASs in 1981 was that since Cyprus was aiming to evolve into an international business centre, then the application of the IASs would provide a universal base for the preparation of financial statements. In addition, this also called for high standards of quality in the work of professional accountants, something that is sine qua non for a financial services country. The tax authorities demand that the financial statements of all companies (public or not) be prepared according to the international accounting standards and be audited in accordance to the international standards for auditing. Hence, all companies comply with these requirements.

Cyprus being an international business and financial centre of credible standing today is very sensitive to foreign investments, to anti money laundering procedures and to transparency. Thus, the obligation to all companies, irrespective of the ownership structures and size, to prepare their financial statements in full IAS and IFRS compliance meets these concerns.

Our Institute believes that the IFRSs can accommodate for the Small and Medium Enterprises, however, the disclosure requirements could be made less for these entities. We acknowledge that the focus is on micro entities and on the alleviation of excess financial burden from them, however, we consider that a common reporting platform is essential and IFRSs can provide it.



We will be having an enquiring eye on the developments regarding the IFRS for SMEs and we will be eager to see what the final outcome would be. Probably, if attempts were made by IFAC and IASB towards the EU to approve the specific standard, that would solve many problems encountered today.

With best regards

A handwritten signature in black ink, appearing to read 'Kyriakos Iordanou'. The signature is written in a cursive style with some loops and flourishes.

Kyriakos Iordanou
General Manager







