



Draft letter on compatibility IFRS for SMEs and EU Accounting Directives
EFRAG

Attn: EFRAG Technical Expert Group

35 Square de Meeûs

B-1000 Brussels

Belgium

Dear Sir/Madam,

In the present letter ICAC gives its view on EFRAG's draft letter regarding advice on compatibility of the IFRS for SMEs and the EU Accounting Directives.

First of all, we appreciate the importance and relevance of the issue and your thorough technical analysis of compatibility between IFRS for SMEs and the EU Accounting Directives as presented in your working paper.

Our main concerns raised on the draft letter are set out below, by answering those questions that ask for views on the related issue.

Nevertheless, we would like to highlight as a general point before focusing on each particular question that in Spain the size of SMEs is small, it means that we appreciate simplicity as a feature of accounting principles and technique, specially regarding financial instruments. As result of that, we are of the view that if application of fair value for SMEs goes further than EU Accounting Directives permit, it could introduce complexity.

Additionally, in our opinion a coherent analysis of compatibility should be done now taking into account the compatibility analysis was done between full IFRS and EU Accounting Directives before the enactment of IFRS in EU.

In these terms, we find reasonable the technical approach proposed on the draft letter, although if similar issues contained in full IFRS were considered compatible with EU Accounting Directives when they were analysed, it could be difficult to defend now a different opinion or a stricter one with coherent arguments.

Questions to constituents

Paragraphs of the IFRS for SMEs that are not incompatible with the EU Accounting Directives



Q1 Do you think that some of the paragraphs of the IFRS for SMEs, EFRAG has identified as being incompatible with the EU Accounting Directives, are compatible with the EU Accounting Directives? (If so, why?)

A1
ICAC

Regarding “extraordinary items”, we believe that perhaps the fourth Directive may be understood in the sense that although the term “extraordinary” is not appropriate, just in case exceptional incomes or expenses occur and with a significant amount, an account should reflect such issue, belonging to the operating or financial margin depending on the nature of the matter.

In respect of “financial instruments at fair value”, as we comment at the beginning of the letter, apparently IFRS-SMEs has gone further than full IFRS in the application of fair value to measure some instruments (for example a financial liability including a leverage feature that does not significantly modify the cash flows that otherwise would be required by contract), when perhaps accounting for SMEs could focus from a reliable perspective to avoid costs in the performance of the financial reporting, restricting fair value use. So, we consider that a possible modification of IFRS for SMEs in this sense would be appropriate instead of modifying EU Accounting Directives.

In relation with “measurement of investments in associates and joint ventures for which there is a published price quotation at fair value in non-separate financial statements”, we agree with EFRAG that an incompatibility exists in that sense but we would also like to remark that according our comment in the introduction of this letter, in Spain because of the small size of SMEs entities these issues could be considered very rare situations. In consequence, the incompatibility assumptions could be quite exceptional.

Considering the issue “amortisation of goodwill over ten years when an entity is unable to make a reliable estimate of the useful life”, we are of the view that the paragraphs related are closer to the EU Accounting Directives in terms of compatibility than the accepted non-amortisation of goodwill in full IFRS. From this point of view, it could be paradoxical that non-amortisation from full IFRS was compatible but the paragraph regarding amortisation in ten years contained in IFRS for SMEs was incompatible with the EU Accounting Directives.

Paragraphs of the IFRS for SMEs that may be incompatible with the EU Accounting Directives



Q2 Do you think that paragraphs 9.6, 19.14, 21.4 and/or 29.24 are incompatible with the EU Accounting Directives? (If so, which and why?)

A2

ICAC

No.

Paragraphs of the IFRS for SMEs that are incompatible with the EU Accounting Directives

Q3 Do you think there are other paragraphs of the IFRS for SMEs that are incompatible with the Council Directives? (If so, why?)

A3

ICAC

No

Different language versions of the EU Accounting Directives

Q4 Are you aware of situations where the conclusions reached by EFRAG would have been different had another language version than the English version been applied in the analysis? (If so, what conclusion would be different and why?)

A4

ICAC

No

Other issues

Q5 Do you have other comments in relation to EFRAG's conclusions and their bases (including conclusions stated in EFRAG's working paper)?

A5

ICAC

No