



International Federation of Accountants

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June 25, 2007
(By email)

Dear IFAC Members and Associates,

The financial reporting needs and requirements of small and medium-size entities (SMEs) is an important subject being considered by the business community, public practitioners, accountants working in business, and standard-setters at both a national and international level. The challenges facing SMEs and small and medium practices (SMPs) and in particular, the cost of complying with complex requirements versus the benefits to users needs to be considered as international financial reporting standards are being developed.

IASB Proposal – IFRS for SMEs

In February 2007, the International Accounting Standards Board (IASB) issued the exposure draft International Financial Reporting Standard for Small and Medium-sized Entities (draft IFRS for SMEs). The draft IFRS for SMEs represents a single, self-contained document which sets out standards for use by smaller, non-publicly accountable entities. The proposed self-contained document is based on the full set of issued IFRSs. The draft IFRS for SMEs is available for comment until October 1, 2007.

To help achieve an optimal outcome to this project the IASB is encouraging users, preparers and other interested parties to field test the proposals. In late June 2007, IASB issued a Field Test Kit that includes both explanatory information and the field test checklist itself.

The explanatory information contains, amongst other things:

1. An explanation about the objectives of the field test exercise. These assessments include consideration of understandability, scope, burden of applying the proposals, user needs, impact on current reporting requirements, accounting policy choices, and adequacy of implementation guidance.
2. The timetable (field test results should be submitted by October 31, 2007).
3. A statement about the IASB's plan to release Spanish and French Field Test Kits later on.
4. The process for submitting views, comments and field test results to the IASB.

The Checklist sets out questions for specific requirements and is intended for users to give their views and/or to explain why a proposed requirement was not addressed.

IFAC Encourages Your Participation

The International Federation of Accountants (IFAC), especially through the Small and Medium Practices Committee (SMPC) and the Developing Nations Committee (DNC), has been closely following the work of the IASB with regard to this proposal.

The SMPC and DNC are encouraging IFAC members and associates and the professional accountants and businesses they work with to (1) comment on the draft IFRS for SMEs and (2) carry out field testing of the proposals. By doing so, the proposals will actually be tested by users and preparers of SME financial statements and concerns and constructive feedback will be provided to the IASB so that they can develop the most useful final product possible. For this reason, we encourage you to conduct a field test and make other SMEs and SMPs aware about the process so that they may provide their views and comments. To ensure concerns are sufficiently addressed, respondents should provide specific examples and explanations why the proposal may present a challenge.

So that common issues, concerns and themes arising from the process can also be considered by IFAC's SMPC and DNC, it would be useful if you would:

- Advise us if you intend to conduct a field test or know that your members intend to conduct a field test; and
- Share with us your field test comments in addition to submitting them to the IASB.

Information may be forwarded to the IFAC staff using the contact information in the Appendix.

Your contribution to the standard-setting and development process is essential. With it issues relevant to SMEs, SMPs and professional accountants in developing and emerging economies will have a greater impact on the development of the IFRS for SMEs to be used for the preparation of general purpose financial statements.

Sincerely

Sylvie Voghel
Chair, IFAC Small and Medium Practices
Committee



Ignatius Schoole
Chair, IFAC Developing Nations
Committee



Appendix – Contact and Other Information

1. IASB IFRS for SME relevant website:
<http://www.iasb.org/Current+Projects/IASB+Projects/Small+and+Medium-sized+Entities/Exposure+Drafts+for+Small+and+Medium-sized+Entities/Exposure+Drafts+for+Small+and+Medium-sized+Entities.htm>

If you have difficulty accessing the above site, it may also be accessed through:
<http://www.iasb.org> (“Current Projects”).

2. IASB Project Contact: Mr. Paul Pacter (IASB Director of Standards for SMEs) –
ppacter@iasb.org
3. IFAC Staff Contact Information:

Any queries about the proposed draft IFRS for SMEs of the Field Test Kit should be forwarded to the IASB – see above.

Any queries about IFAC’s SMP Committee and Developing Nations Committee and confirming intention to field test should be forwarded to Ms. Sylvia Barrett or Mr. Paul Thompson:

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4. Relevant Dates
 - a. Comment deadline for proposed IFRS for SMEs – October 1, 2007
 - b. Field Test Views and Comments deadline – October 31, 2007
 - c. Confirming to IFAC staff the intention to field test – as early as possible but no later than October 26, 2007