

Paul Pacter
Director of Standards for SMEs
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

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Dear Mr Pacter,

International Accounting Standards Board's Discussion Paper *Preliminary Views on Accounting Standards for Small and Medium-sized Entities*

The Swedish Accounting Standards Board, hereafter referred to as BFN, is the authority responsible for issuing standards for unlisted entities in Sweden. BFN would like to make the following remarks regarding the IASB's discussion paper *Preliminary Views on Accounting Standards for Small and Medium-sized Entities*.

BFN agrees that there is a need for common global accounting standards for unlisted entities active in the global market. BFN supports the IASB's producing such standards, although it should be up to the individual countries to decide which entities are to or may apply the standards. BFN is of the opinion that there is no need for harmonised accounting standards at the global level for relatively smaller entities. Therefore, the standards ought to be written for relatively larger unlisted entities active in the global market.

BFN is of the opinion that the standards should be independent with their own framework. Furthermore, BFN believes that the standards ought to contain considerably more simplifications than detailed in the proposal, even regarding recognition and measurement issues. The starting point for the standards ought to be the users' needs for information instead of the current standards for listed entities.

BFN wishes to submit the following comments on the discussion paper.

Question	Answer	Comment
1a	No	<p>BFN is of the opinion that the standards are too complicated to be considered suitable for all entities.</p> <p>In December 1998, BFN decided to write guides regarding unlisted entities that contained simplifications of the recommendations issued by the Swedish Financial Accounting Standards Council; the recommendations are hereafter referred to as RRs. RRs are mainly translations of IFRSs. The starting points of this work were basically the same as the ones that the IASB has now presented for the IASB SME-project.</p> <p>Experiences from our simplification work have lead to the following conclusions.</p> <ul style="list-style-type: none"> • The standards do not become so simple that even the really small entities (approximately 99 per cent of the entities in Sweden) are able to apply the standards. These entities have neither knowledge nor resources to be able to prepare financial statements in compliance with IFRSs. The stakeholders have no need for such financial statements. • The standards have become unclear and incomprehensible, involving choices both on a standard-by-standard and principle-by-principle basis. • Users find it hard to ascertain which accounting standards have been applied by different entities and comparing entities becomes difficult. <p>These experiences have led to our decision to work in a different way. We are now considering dividing entities into four categories with four different sets of accounting standards. Entities have to use the complete set of standards in one category, and there is no freedom to choose a standard or principle in a different system. An entity can choose to use a more advanced set of standards than it is required to use, but it must use the complete set of standards. These are the four categories and sets of accounting standards that we are considering.</p>

		Category	Set of accounting standards
		4) Listed entities and other entities with a high degree of outside interest.	Full IFRSs
		3) Entities that exceed two of the following criteria: <ul style="list-style-type: none"> ▪ 50 employees ▪ €2.5 million in assets ▪ €5 million turnover 	We are considering whether this category could use IFRSs for SMEs on the condition that the standards are simplified enough.
		2) Legal entities that do not have to use IFRSs or IFRSs for SMEs; that is, entities that do not exceed more than one of the following criteria: <ul style="list-style-type: none"> ▪ 50 employees ▪ €2.5 million in assets ▪ €5.0 million turnover 	Accounting standards that are not built on IFRSs. Accounting standards that are built on usual principles but with a number of standardized methods and simplifications including rules for recognition and measurement.
		1) Sole proprietorships or partnerships with a turnover of no more than €0.3 million.	Accounting standards that are strongly simplified and adapted to fiscal regulations.
		<p>In the classifications detailed above, category 4 contains approximately 500 entities, category 3 contains approximately 9 000 entities, and the remainder of Sweden's approximate 1 million entities fall under categories 1 and 2.</p>	
1b	Yes	<p>BFN agrees that there is a need for simplified global accounting standards for entities that active in the global capital market without being listed or otherwise having a high degree of outside interest. BFN believes that only relatively larger entities, in principle, have such a need. Normally, relatively smaller entities do not. The relatively smaller entities that may have such needs should be able to choose a set of global standards, but the standards ought to be formed mainly to suit the needs of relatively larger entities. BFN agrees with the IASB that each country is to decide which entities are to use full IFRSs or IFRSs for SMEs. Thus, BFN is of the opinion that the IASB ought to concentrate on developing simplified accounting standards for relatively larger entities.</p>	
1c	Yes		
2a, b, d	Yes		
2c, e	No	<p>BFN is of the opinion that if standards are written based on the starting points detailed in the discussion paper, they will be of limited value. As long as the recognition and measurement</p>	

		principles are the same for IFRS entities, there will not be any actual simplification. Therefore, BFN is of the opinion that it is necessary to make a new framework the starting point of the simplified standards.
3a	Yes	
3b	No	BFN is of the opinion that the IASB ought to concentrate on developing simplified accounting standards for relatively larger entities. This category—relatively larger unlisted entities—differs from listed companies in that its entities do not focus on financial markets for capital. The simplified standards ought to be based on the need for information that the stakeholders in this category have and a new framework should be developed from this starting point.
3c	Yes	
3d	No	BFN believes that this could lead to an entity needing to switch principles excessively.
3e	Yes	
4	No	BFN is of the opinion that the standards will not be simplified if entities are to revert to full IFRSs as soon as there are standards missing in the simplified standards. Priority should be given so that the simplified standards are complete and for the exceptions where they are not enough, guidance may be sought in full IFRSs.
5a	No	<p>BFN believes that there will be too many variations allowed. Those using the information will find it hard to have a full picture of which choices have been made and it becomes difficult to compare the accounting of various entities.</p> <p>A standard-by-standard approach works only as long as the differences in the standards are minuscule and it also leads to an entity needing to be acquainted with both sets of standards in order to be able to take advantage of this freedom to choose. That is hardly a simplification.</p>
6	No	BFN believes that there ought to be a more open examination of the accounting needs of users and the abilities of entities to prepare financial statements. Otherwise there will be no simplification in reality.
7a	Yes	
7b	Yes	
7c	No	<p>BFN is of the opinion that there will not be sufficient simplifications if the IASB presumes that no changes are to be made regarding recognition and measurement.</p> <p>Our experience from our simplification work shows that it is a mistake to use standards for listed entities or entities with a high</p>

		degree of interest as a basis and try to scale the standards down without modifying any classification rules or recognition and measurement rules. Our experience is that it leads to a set of standards that is difficult to grasp, containing more standards and more choices without being simpler.
8a	Yes	If it will be an entirely new set of standards that is independent of the IFRS, BFN agrees that it should be published separately.
8b	No	Since BFN supports standards that are independent of the IFRS, it should be organised in a way that is best for this set of standards.
8c	No	BFN believes that standards containing comments should be kept as brief as possible.
9	Yes	BFN is of the opinion that a more open examination of which accounting standards are necessary for these entities and the ability of the entities to follow them should be conducted. The simplifications ought to be more far-reaching and removed from IFRSs.

These comments were prepared by BFN in a plenary session.

Hans Edenhammar
Chairman

Anders Bengtsson
Head of Secretariat

Karin Dahlin
Rapporteur