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CL 84

Paul Pacter
Director of Standards for SMEs
International Accounting Standards Board
30 Cannon Street
London, United Kingdom
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Dear Mr. Pacter,

Re: Discussion Paper: "Preliminary Views on Accounting Standards for Small and Medium Sized Entities"

The Certified General Accountants Association of Canada has reviewed the above noted Discussion Paper and is pleased to have the opportunity to offer comments on this topic.

Generally speaking, we support the IASB initiative and are encouraged by the realization that SME reporting *is* different than that required for large, multi-national corporations. And while comfortable with the philosophy identified in the Discussion Paper, we have reservations regarding some of the conclusions — most notably that there ought not to be any differences in measurement standards. However, before we offer some specific comments, CGA-Canada would like provide some context for our response.

Historical development

In the early 1980s, professional accountants and academics questioned whether the profession should adopt two sets of GAAP; one set for large firms, and a second set for small and medium-sized enterprises (SMEs). The arguments for two sets of GAAP, or "big GAAP and little GAAP," were based primarily on a belief that as accounting became increasingly more complex, SMEs were experiencing a "standards overload" due to both the increasing number of accounting standards and their complexity. However, no action was taken.

In the 1990s, fundamental changes to accounting standards and the nature of business led to suggestions that the accounting profession should review the issue again. With the move toward harmonization of accounting in an increasingly global economy, most public corporations viewed harmonized accounting standards as increasingly important. However, there were also increased concerns that such changes were not consistent with SMEs' financial accounting needs.

The increased level of complexity of business, driven by the access to new markets and the use of non-traditional financial instruments, is another element affecting accounting standards. This increased business complexity is reflected in GAAP, which in response is, becoming more technical and complicated. For example, in Canada, GAAP requires firms to provide information about their risk exposure and disclose the fair value of their financial assets and liabilities, recognized or not, when accounting for financial instruments. Similarly, Canadian GAAP requires firms to address post-employment benefits, with detailed analyses required related to funding and pension obligations.

In Theory

Accounting theory can provide guidance in the choice of a model. It is generally understood that accounting information serves two primary objectives or roles: to provide information for stewardship (or contracting purposes) and for purposes of valuation. These two objectives can create conflicts within the accounting system. Specifically, a central conflict exists between information being reliable, which is important for stewardship, and the information being value-relevant, which is important for valuation purposes.

The nature of this conflict differs between SMEs, where there is greater emphasis on contracting, and public corporations, where the greater emphasis is on valuation. It is important to note that accounting standards (both in Canada and abroad) are evolving toward placing greater weight on the value relevance of accounting information. Because SMEs differ from public corporations in their accounting needs and the emphasis is on relevant information, the current accounting system's ability to meet the accounting needs of SMEs must be questioned. It is unclear whether a single set of GAAP, or GAAP with exclusions for SMEs, can provide an appropriate balance between the primary accounting objectives for both public corporations and SMEs. A model incorporating two sets of GAAP is more consistent with accounting theory than other approaches. In other words, a single set of general-purpose financial statements results in a model that cannot provide an appropriate balance between the needs of such disparate users as large multi-nationals and small local operations.

The notion of two sets of GAAP is not as troublesome as it might seem. Firstly, if the standards used are disclosed in the report, a reader/user will be aware of the basis of statement presentation. Secondly, most users will be able to evaluate the differences and at minimum be able to determine whether further analysis or investigation is required. Since the main users of SME statements are mostly owners or contractors, both groups are generally in a position to understand what they are seeing if it is presented consistently.

Developments

Recognizing the growing gap between GAAP for large public enterprises and SMEs, accounting standard setters began to address the issue. There were two main approaches adopted. One view held that there should be one *measurement* model, but it could be possible to have more than one *reporting* model. The alternative suggested that the matter was *both* an accounting and reporting issue, and so there could be differences in both.

With the exception of Canada, no *implemented* approach takes the second viewpoint. (South Africa is considering it, but has yet to officially adopt it.) The Canadian solution, introduced in 2002, was to recognize the unique needs of SMEs and focus on the needs of stakeholders. Canada implemented a public/non-public "bright line" to determine which enterprises could or could not use differential reporting. Furthermore, the recommendations adopted embraced both a measurement and a reporting perspective.

On the other hand, almost all other jurisdictions have adopted some sort of size test. The Australian approach, introduced in 1990, was to link the obligation to prepare statutory financial statements to the existence of external users dependent on financial statements to make decisions. That is, Australia confined financial reporting to enterprises that were deemed to be *reporting entities*. However, it was not quite as precise as that. Small companies have to prepare annual financial statements only if shareholders with at least 5% of the votes give the company the direction to do so, or if a foreign company controls it. What constitutes small? Gross operating revenue of less than A$10 million, gross assets of less than A$5 million, or less than 50 employees.

Similarly, New Zealand introduced a differential reporting regime in 1994. In doing so, it created a three-tiered system:

- Enterprises referred to as *reporting entities*, where there were users dependent on general-purpose financial reports, were required to fully comply with all Financial Reporting Standards (FRS).
- Enterprises that met the requirements of the Framework for Differential Reporting were referred to as *qualifying entities* and qualified for exemptions in the financial reporting standards.
- Enterprises referred to as exempt *companies* were those that met the conditions of Section 22 of the Financial Reporting Act 1993. They did not have to prepare financial statements in accordance with GAAP or fulfil any statutory requirement for the financial statements to show a true and fair view. However, exempt companies are required to prepare simplified financial statements that comply with the form and directions set out in the Financial Reporting Order 1994 (FRO).

For New Zealand, a company is considered large if it exceeded any two of three criteria: total revenues of NZ$5 million, total assets of NZ$2.5 million, or more than 20 employees.

In the United Kingdom, the Companies Act first introduced differential reporting in 1981. The *Financial Reporting Standard for Smaller Entities* (FRSSE) issued in November 1997 is applicable to all reporting entities that qualify as small under the Companies Act. Small is defined as companies that do not exceed any of the three criteria: turnover of more than £2.8 million, total assets exceeding £1.4 million, or average number of employees exceeds 50. Consistent with the arguments raised above, the FRSSE acknowledges that the balance between users' needs in respect of stewardship and decision-making for smaller entities is different from that for other reporting entities.

In 2002, the Hong Kong Society of Accountants issued a consultation paper on differential reporting. Its approach is very similar to that of Australia: the ability to use differential reporting depends on whether there are external users dependent on financial statements to make decisions. If a company is publicly accountable, it cannot use differential reporting. Non-public companies have to prepare "standard" financial statements unless the entity is considered "small." And what constitutes small? A firm would <u>not</u> be considered small if it exceeded any two of three criteria: total revenues of HK$50 million, total assets of HK$50 million, or more than 50 employees. In addition, all of its owners had to be members of the entity's governing body.

In the United States, compliance with U.S. GAAP is required for public companies subject to regulation by the U.S. Securities and Exchange Commission. Other companies may choose to comply with it voluntarily or for contractual reasons. Under FASB 126, non-listed companies are permitted to prepare their financial statements on other comprehensive bases of accounting (OCBOA). Financial statements prepared on OCBOA should include in the notes all appropriate disclosures under the basis of accounting applied, as well as disclosure of the differences from GAAP. (The effect of the differences need not be quantified).

In continental Europe, the distinction between group (consolidated) financial statements and individual company financial statements has been used by regulators as a convenient way of separating smaller companies from larger ones. Under the 4th and 7th Directives, consolidated financial statements are required only when the group meets certain size thresholds. Accounting standards applicable to individual financial statements are less demanding and include different requirements in respect of issues such as leases and income taxes.

Implications for the IASB

The issue of whether differential reporting — or to use the IASB terminology, accounting standards for small and medium-sized entities (hereafter SME GAAP) — should be implemented becomes one of philosophy and public policy. On the one hand, the prevailing approach in many jurisdictions has been to set a benchmark and slot companies on one side or the other of the line. While user needs is a key criterion, a size test seems to be the common denominator. And as experience with Enron shows us, any time there is a bright line based on some arbitrary threshold, the propensity for misinformation increases. On the other hand, some jurisdictions use qualitative characteristics and the notion of user needs as the distinguishing criterion. CGA-Canada favours qualitative aspects and user needs as the best criteria. Whatever approach is adopted, the goal of reducing the financial reporting burden for SMEs is imperative.

A second issue for the IASB is the impact of SME GAAP on the IASB's mission statement. Paragraph 6(a) of the IFRS *Preface* states that one of the objectives of the IASB is "to develop, in the public interest, a single set of high quality, understandable and enforceable global accounting standards that require high quality, transparent and comparable information in financial statements and other financial reporting to help participants in the various capital markets of the world and other users of the information to make economic decisions." This emphasis on capital markets leads to what might be called a "large firm" perspective to most IFRSs. This perspective is also reflected in the *Framework*. Implementing SME GAAP will necessitate changes to the *Framework* since the latter document does not currently capture an SME perspective.

Following are our comments on the specific questions posed in the discussion paper.

Question 1a: Do you agree that full IFRSs should be considered suitable for all entities? If not, why not?

This question is at the heart of the entire issue: should GAAP permit alternative approaches, or is a single, monolithic perspective appropriate? It is CGA-Canada's view that full IFRSs are *not* suitable for *all* entities. The basis for such a conclusion lies in the IASC *Framework*. Financial information is expected to provide information that is useful for decision-making by investors, creditors and others. By implication, if the information is *not* useful for decision-making, then it ought not to be provided. As noted in our background comments, there is an undeniable schism in that many small and medium-sized entities view the "information" provided by GAAP unnecessary and of small value when compared to the cost of providing that information. Note that this conclusion assumes that there are characteristics sufficiently robust to enable one to distinguish between a "small and medium-sized entity" and one that should be subject to full IFRS. CGA-Canada believes such distinguishing factors do exist and we will address them later in this response. Note also that the justification regarding cost/benefit in paragraphs 6 and 7 needs to be viewed in a global context, not a standard-by-standard context. The notion of standards overload referred to in our general comments also is predicated on that perspective; cost/benefits must be taken as a whole.

Question 1b: *Do you agree that the Board should develop a separate set of financial reporting standards suitable for SMEs? If not, why not?*

CGA-Canada agrees with the notion that *different* financial reporting standards are necessary for SMEs. Whether that constitutes a separate set or merely modifications to existing IFRSs has yet to be established. What is evident from the accounting literature is that SMEs *are different* from large, public corporations. The fundamental issue appears to be access to relevant information regarding stewardship and performance by the management and/or owners of the entity. For entities with widely dispersed ownership, it is clear that the financial statements must provide a certain level of disclosure and consistency regarding financial reporting. For SMEs, where ownership is usually small, access to critical financial information is generally not a problem. Consequently, the owners are privy to data that owners of a public company are not.

Question 1c: *Do you agree that IASB Standards for SMEs should not be used by publicly listed entities (or any other entities not specifically intended by the Board), even if national law or regulation were to permit this? Do you also agree that if the IASB Standards for SMEs are used by such entities, their financial statements cannot be described as being in compliance with IFRSs for SMEs? If not, why not?*

CGA-Canada suggests that *whatever* form of GAAP is followed, an entity needs to disclose the basis in their reports. We support the view that publicly listed entities and any other entities for which the IASB's SME GAAP is not intended should not use such standards. However, decisions as to which entities use which IASB Standards rests with national regulatory authorities and standard setters. Accordingly, CGA-Canada urges the IASB to lobby national standard setters to ensure that public companies are precluded from using SME GAAP.

Question 2: *Are the objectives of IASB Standards for SMEs as set out in preliminary view 2 appropriate and, if not, how should they be modified?*

Generally speaking, we are satisfied with the objectives set out in the Discussion Paper. However, we are uncomfortable with the contention in paragraph 16(c) that the same conceptual framework underlies both full IFRSs and SME GAAP. We recognize that since the IASB Discussion Paper is predicated on starting with full IFRS, it follows that SME GAAP would also use the same conceptual framework. The problem is developments cited in our general comments suggest that there *are* differences in the underlying concepts applicable to SME entities; it follows, then, that the conceptual framework underlying SME GAAP would also be different — perhaps not much, but it would be different.

Further, we are hesitant to endorse the premise set out in paragraph 16(e) that allowing easy transition to full IFRSs for those SMEs that either become publicly accountable or choose to switch to full IFRSs is of primary importance. It is doubtful that more than a very small percentage of SMEs ever become large enough to warrant the use of full IFRS or set themselves out to become public companies. And if an SME decides that it *wants* to go public, with the concomitant use of full IFRS, it can make that choice from the outset (or at any time, in fact). CGA-Canada believes the IASB cannot be expected to anticipate and solve all problems. SMEs and their professionals should be able to easily deal with transition issues for the few enterprises that will need to be "transitioned."

Question 3a: *Do you agree that the Board should describe the characteristics of the entities for which it intends the standards but that those characteristics should not prescribe quantitative "size tests"? If not, why not, and how would an appropriate size test be developed?*

CGA-Canada strongly urges the IASB to avoid size tests. While we recognize that national jurisdictions may choose to override any IASB SME definition, the use of size tests or bright lines is fraught with problems. Instead of concentrating on meeting the spirit of the standard, entities will focus on being on side or the other of the size test, depending on their objectives. For example, if the size test is $10,000,000 in assets, does that mean a firm with $9,999,990 is more worthy of being able to use SME GAAP? Or if the firm's assets are $10,000,100 — does that mean it is less worthy? Quantitative tests take on a life of their own.

Another example might be the traditional test for implementation of the equity method. It used to be that one had to have 20% or more (up to 50%) of the voting shares of an entity in order to be *required* to use the equity method. So the test used to be: Do you have 20%? If so, apply the equity method. Now, there is a rebuttable presumption that 20% gives you significant influence. If significant influence does not exist, even if you hold 25% of the shares, you use the cost method. It is our view that SME GAAP should be based on objective factors, such as those identified further in the paper.

Question 3b: *Do you agree that the Board should develop standards that would be suitable for all entities that do not have public accountability and should not focus only on some entities that do not have public accountability, such as only the relatively larger ones or only the relatively smaller ones? If not, why not?*

Given our view on question 3a, CGA-Canada supports the position that the IASB should develop SME standards for all enterprises lacking public accountability. That has been the approach adopted in Canada, and while it has only been two years since the differential reporting options were available to Canadian entities, anecdotal evidence suggests that it has been well received and that the qualifying factors are appropriate.

Question 3c: *Do the two principles in preliminary view 3.2, combined with the presumptive indicators of "public accountability" in preliminary view 3.3, provide a workable definition and appropriate guidance for applying the concept of "public accountability"? If not, how would you change them?*

Generally, CGA-Canada agrees with the criteria in paragraph 31; however, we wonder whether paragraph 31(d) can be made operational? While the discussion in paragraph 32(d) explains what is intended, we note that this is essentially a policy issue and very difficult to quantify. What is economically significant in one jurisdiction may be trivial in another. And if there are different definitions of "economically significant," then comparability is lost.

Question 3d: *Do you agree that an entity should be required to use full IFRSs if one or more of the owners of its shares object to the entity's preparing its financial statements on the basis of IASB Standards for SMEs. If not, why not?*

In Canada, GAAP requires that all owners, including those not normally entitled to vote, must agree to the use of differential reporting. Paragraph 33 shares that perspective. However, CGA-Canada is sympathetic to the notion that *all* may be too much. For example, if 1 out of 5 owners object to the use of SME GAAP, it makes sense that full IFRSs should be used. But what if it is 1 out of 100? Should someone who is a tiny minority holder be able to thwart the intentions of virtually everyone else? Perhaps this is one aspect where a quantitative threshold is relevant.

Question 3e: *Do you agree that if a subsidiary, joint venture or associate of an entity with public accountability prepares financial information in accordance with full IFRSs to meet the requirements of its parent, venturer or investor, the entity should comply with full IFRSs, and not IASB Standards for SMEs, in its separate financial statements? If not, why not?*

CGA-Canada suggests that the answer depends on who is using the statements. If the statements are statements of the subsidiary, joint venture or associate alone, and the entity is non-public, it ought to be able to use SME GAAP. Whether it will is a different question. The statements of the parent must comply with full IFRSs. It is doubtful that the subsidiary, for instance, will want to keep two sets of records or prepare two sets of financial statements. This may be a non-issue.

Question 4: *Do you agree that if IASB Standards for SMEs do not address a particular accounting recognition or measurement issue, the entity should be required to look to the appropriate IFRS to resolve that particular issue? If not, why not, and what alternative would you propose?*

The Canadian approach has been to identify those aspects of GAAP that are most troublesome and provide for differential reporting in those areas. If a topic is not covered, then "regular" GAAP applies. Accordingly, we support the similar approach embodied in this question.

Question 5a: *Should an SME be permitted to revert to an IFRS if the treatment in the SME version of the IFRS differs from the treatment in the IFRS, or should an SME be required to choose only either the complete set of IFRSs or the complete set of SME standards with no optional reversion to individual IFRSs? Why?*

If we rely on Canadian experience, it appears that if the standards chosen are disclosed, then users will be in a position to analyze and make judgements on the statements. If they cannot, then they will insist the SME provide more disclosure, information or both. We suggest that consistency of reporting year-by-year is more important in the SME world than comparability between entities. The market (users) will impact on the SME choice of different standards. If the IASB imposes an "all or nothing" requirement on SMEs, then how does this fit with the theory of meeting user needs at a reasonable cost? For example, it may make sense for an entity to use the taxes payable method for simplicity, but choose to consolidate or use the equity method for accounting for investments because of a debt covenant requirement. How are these related or interdependent? Please see our comments for question 5(b) for further comments.

Question 5b: *If an SME is permitted to revert to an IFRS, should it be:*

(a) *required to revert to the IFRS in its entirety (a standard-by-standard approach);*

(b) *permitted to revert to individual principles in the IFRS without restriction while continuing to follow the remainder of the SME version of the IFRS (a principle-by principle approach); or*

(c) *required to revert to all of the principles in the IFRS that are related to the treatment in the SME version of that IFRS while continuing to follow the remainder of the SME version of the IFRS (a middle ground between a standard-by-standard and principle-by-principle approach)?*

Please explain your reasoning and, if you favour (c), what criteria do you propose for defining "related" principles?

The Canadian approach can best be approximated by option (c) above. We say "approximated" because Canadian differential reporting focuses on one or two specific issues with a topical area, yet the Discussion Paper implies a substantial number of differences. The rest of the "full" standard applies. For example, when accounting for goodwill, entities to which the Canadian differential reporting standard applies are permitted to waive the impairment test unless circumstances indicate that goodwill has been impaired. In all other respects, they must apply "full" accounting for goodwill. Presumably, disclosure of what has occurred will transpire; it is not unreasonable to assume that interested readers can "construct" the impact of full IFRS. Consequently, CGA-Canada supports option (c).

Question 6: *Do you agree that development of IASB Standards for SMEs should start by extracting the fundamental concepts from the Framework and the principles and related mandatory guidance from IFRSs (including Interpretations), and then making modifications deemed appropriate? If not, what approach would you follow?*

CGA-Canada considers this a critical question. As noted in our general comments, there is little consensus among standard setters as to the "correct" approach to defining SME GAAP. Accordingly, we support the IASB intention to use full IFRSs as the starting point. However, we urge the IASB to provide the whole package for assessment when it is exposed, rather than come at it on a standard-by-standard basis.

Question 7a: *Do you agree that any modifications for SMEs to the concepts or principles in full IFRSs must be on the basis of the identified needs of users of SME financial statements or cost/benefit analyses? If not, what alternative bases for modifications would you propose, and why? And if so, do you have suggestions about how the Board might analyse the costs and benefits of IFRSs in an SME context?*

Clearly, user needs ought to define how SME GAAP is developed. It would be a waste of resources to develop SME GAAP that is not wanted or makes no difference to the users. It is this last point that will cause the most trouble. The notion of "standards overload" is ingrained, but the concomitant cost is mostly anecdotal. Despite the academic literature regarding the Big GAAP/Little GAAP dichotomy, there is little empirical evidence as to the real cost. Moreover, the notion of cost/benefit is very hard to pin down. This is especially true since the *Framework* does not elaborate on how to implement the test. One must fall back on the decision-usefulness test. If something is of no or little value to SME users, then consideration should be given to its elimination. The question is, how do you determine whether something is of no or little value?

Question 7b: *Do you agree that it is likely that disclosure and presentation modifications will be justified on the basis of user needs and cost-benefit analyses and that the disclosure modifications could increase or decrease the current level of disclosure for SMEs? If not, why not?*

Quite simply, yes. That has been the experience in Canada. Nonetheless, whatever is done must be structured to meet the needs of SME users.

Question 7c: *Do you agree that, in developing standards for SMEs, the Board should presume that no modification would be made to the recognition or measurement principles in IFRSs, though that presumption could be overcome on the basis of user needs and a cost-benefit analysis? If not, why not?*

CGA-Canada does not support this position. The *a priori* perspective that there should be no modifications to the recognition and/or measurement principles cripples the project from the outset. Although the position acknowledges the presumption of no changes could be overcome, it makes it much more difficult to design and define a set of SME GAAP if every time there is a desire to depart from full IFRSs, a test will be required. It is our perspective that the decision-usefulness of a particular aspect of GAAP should decide its treatment.

For example, in Canada, a qualifying enterprise is permitted to use the taxes payable method instead of the equivalent to IAS 12. Additional disclosures are required, however. Similarly, a qualifying enterprise can choose to account for a joint venture using cost or the equity method, rather than proportionate consolidation. These departures from the recognition and measurement principles of Canadian GAAP were made on the basis that full GAAP served no meaningful purpose for qualifying entities. CGA-Canada urges the IASB to adopt a similar approach and let SME GAAP be defined in a manner that makes the most sense … and if it requires recognition and/or measurement principles be changed, then change them.

We note the statement in paragraph 76 that "… users of financial statements that bear the title of 'International Financial Reporting Standards for SMEs' need and expect a level of financial reporting that is based on full IFRSs and includes only a relatively limited number of modifications to full IFRSs." While this is the *Board's* preliminary view, that contention has to be validated by user community feedback. We believe that users may accord more flexibility than the Board anticipates; if so, the urgency and concern implicit in this question may be moot.

Finally, CGA-Canada is concerned about the premise of paragraph 82. The text states that if there were "recognition principles in IASB Standards for SMEs different from recognition principles in IFRSs [that would] would mean, in substance, different definitions of assets and liabilities (and related income and expenses) for SMEs." We do not agree, only because we believe this concept has been applied to the underlying notions of the accounting model. *None* of the currently extant differential reporting standards provide for different recognition of the underlying concepts. What they *do* provide for is different *accounting methods*. As mentioned earlier, in Canada, a qualifying entity may apply the taxes payable method rather than the IAS 12 equivalent. This is, in a sense, a different *recognition* method; however, it can also be construed as a different *measurement* method. In conclusion, if by "recognition," the IASB means alteration of the underlying concepts that make up the accounting model, then no, CGA-Canada agrees that there should be no recognition changes. But if "measurement" is to be taken as alternate accounting methods, then we firmly support this approach.

Question 8a: *Do you agree that IASB Standards for SMEs should be published in a separate printed volume? If you favour including them in separate sections of each IFRS (including Interpretations) or some other approach, please explain why.*

CGA-Canada suggests that an approach similar to Canada's be adopted. That is, there would be a single standard set under which entities may qualify and under what circumstances. The standard would then identify which aspects of full GAAP have been modified, but refer users and preparers to the full GAAP where there would a segment related to SME GAAP. If there is a separate volume, one might be tempted to view the standards as "less than full GAAP" and "not as good." Note that an entity that adopts SME GAAP would still be complying with international accounting standards. The auditor's report would refer to GAAP for small and medium-size entities. We recommend that the IASB enter discussions with the IAASB to ensure that the auditor's report could be modified along Canadian lines. The sentence in the introductory paragraph would state the nature of the GAAP employed: "These financial statements have been prepared in accordance with Canadian generally accepted accounting principles using differential reporting options available to non-publicly accountable enterprises, as described in Note X to the financial statements."

Question 8b: *Do you agree that IASB Standards for SMEs should be organised by IAS/IFRS number rather than in topical sequence? If you favour topical sequence or some other approach, please explain why.*

Please see our comments to question 8(a).

Question 8c: *Do you agree that each IASB Standard for SMEs should include a statement of its objective, a summary and a glossary of key terms?*

One issue that has yet to be determined is the pervasiveness of any changes to full IFRSs. CGA-Canada does not envision a process whereby every IFRS, IAS, SIC and IFRIC has an SME equivalent. If each document contains a statement of objectives, a summary and a glossary of key terms, together with the standards themselves, then you will have one of two things: a single document that is many, many pages (like the current bound volume), or an increase in size of existing IFRSs as the SME perspective is added (in the same manner as the IFAC Public Sector Committee adds its view to IAASB releases). Neither approach is desirable. CGA-Canada suggests that the goal is to *reduce* standards overload, not to increase it.

Question 9: *Are there any other matters related to how the Board should approach its project to develop standards for SMEs that you would like to bring to the Board's attention?*

Given the ever-changing landscape of accounting, we suggest that a Steering Committee or Task Force be established to monitor feedback and reaction to the implementation of SME GAAP and to provide input to the development of future IFRSs from an SME perspective.

Thank you for the opportunity to provide a response to this Discussion Paper. We hope that you find our comments useful in your deliberations.

Regards,

Anthony Ariganello, B.Comm, CGA
President and CEO