Agenda item 5 (b). Accounting and Reporting by MSMEs as a means towards financial inclusion

Presented by

Richard Martin
Head, Corporate Reporting
Association of Chartered Certified Accountants
## European accounting regime for MSMEs

<table>
<thead>
<tr>
<th>Category</th>
<th>Assets</th>
<th>Turnover</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium</td>
<td>Up to €20m</td>
<td>Up to €40m</td>
<td>250</td>
</tr>
<tr>
<td>Small</td>
<td>€4m to €6m</td>
<td>€8m to €12m</td>
<td>50</td>
</tr>
<tr>
<td>Micro</td>
<td>Up to €700k</td>
<td>Up to €350k</td>
<td>10</td>
</tr>
</tbody>
</table>
MSME accounting in Europe

- EU rules only for limited liability companies
- Medium – Directive base plus what ever else national systems require
- Audit required
- Small – Directive base but restricted disclosures
- Audit only in some member states
- Micro – optional, but very brief accounts and no note disclosures
- Preparation of financial statements required, publication can exclude P&L
MSME accounting – some common themes

• Separate reporting systems for SMEs widely accepted
• IFRS for SMEs is a common base, but not everywhere
• Separate micro regime less common
• EU system, MAM for ASEAN, SMEGA level 3
• Reporting on public record and accounting
• Tax requirements for accounting
MSME accounting – some common themes

• Burden of preparation and transparency
• Simplifications in accounting and in disclosures
• Proportionate – business, resources and user needs
• Advantages of alignment of accounting in a country
• Trickle down study by EFAA of 5 countries
• Difference from key IFRS treatments
  • Medium 28%
  • Small 37%
  • Micro 43%
MSME accounting – some common themes

• Financial inclusion – is an issue but not everywhere
• Micro regime can help
• Financial literacy
• Preparation by accountants or by proprietors?
• International perspectives – not standards, but guides
• Information and studies – comparisons, rationale in different countries
Questions or comments?
Thank you

Richard Martin

richard.martin@accaglobal.com