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# **UNCTAD-ISAR and IFRS Foundation joint workshop**

Tuesday, 5th October 2013  
Room XVIII, Palais des Nations, Geneva

## **Accounting and financial reporting needs of SMEs**

Workshop material:

### ***Opening remarks***

Presented by

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**Opening remarks by Tatiana Krylova, Head, Enterprise Branch, UNCTAD**

**At the Joint UNCTAD-ISAR and IFRS Foundation workshop on**

**Accounting by SMEs**

5 November 2013

Room XVIII

Palais des Nations

Opening at 10:00hrs

Ladies and Gentlemen,

It is my great pleasure to welcome all of you to this Workshop on Accounting by SMEs that we are jointly organizing with the IFRS Foundation on the especial occasion of the thirtieth anniversary session of the ISAR Group - UNCTAD's Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting.

The role of small and medium-sized enterprises in the economic development of countries around the world cannot be overemphasised. Beyond meeting the demand for the day-to-day needs of goods and services of the majority of the population of almost all countries around the world, SMEs make significant contributions to global trade and economic development. SMEs provide employment to the greater share of the workforce of most countries. By boosting the productive capacity of their SMEs, member States can enhance their share of global trade in goods and services. This is the broader context within which UNCTAD-ISAR has been addressing the accounting and financial reporting needs of SMEs.

One of the major obstacles that SMEs face when they initially start-up or when they reach a point where they need to scale up their operations is access to financing. In this regard, maintaining proper accounting records and generating meaningful financial statements enhance SMEs' chances of obtaining financial resources..

In the late 90s, member States started raising the issue of accounting and financial reporting needs of SMEs at ISAR sessions. It was increasingly evident that International Accounting Standards were becoming too complex and costly for SMEs to apply in an effective manner. The quest for a simple, user-friendly accounting and financial reporting guidelines for SMEs started to gain momentum during ISAR's deliberations on emerging issues. The topic became a main agenda item at the eighteenth session of ISAR in July 2000. ISAR was a pioneer in addressing this challenging topic - especially when we take into consideration that over a decade ago - a separate financial reporting system dedicated to SMEs - or a differential reporting system - was not a commonly accepted notion particularly at a global level

As most of you would be aware, ISAR culminated its work on this project in 2003 by issuing *Accounting and Financial Reporting Guidelines* for two levels of SMEs - level 2 and level 3 otherwise also known as SMEGAs. One of the most significant impacts of these products has been changing the then widely maintained view that "one-size-fits-all". This outcome from ISAR prompted the IASB to take-up the issues of SMEs as a priority. Ultimately, the IASB published the *IFRS for*

*SMEs* in July 2009. UNCTAD-ISAR and the IASB have been working in a cooperative manner in developing the SMEGAs as well as the IFRS for SMEs.

In this regard, I would like to take this opportunity to recognize the highly valuable contributions of some members of the Consultative Group that developed the SMEGAs - who are among us this morning. They are Asad Ali Shah, David Moore, Robin Jarvis, Richard Martin, and John Vincent.

I will now turn to the agenda of today's workshop. This joint event is a continuation of the cooperative engagement that UNCTAD-ISAR and the IFRS Foundation have had over many years. We are very pleased to have the IFRS Foundation with us here today at a very important juncture in the revision of the IFRS for SMEs. I am confident that this workshop will provide us with valuable insights into the broader question of whether the accounting and financial reporting needs of SMEs have been met and of what needs to be done going forward. We will also have an opportunity to discuss capacity-building needs of SMEs in this area and reporting and possible synergies that development partners could build by working together. On our part, over the last couple of years, UNCTAD-ISAR has been developing training materials on accounting and reporting for micro and small enterprises with no or limited accounting expertise in this area. This training workshop was delivered for the first time in Lima Peru in November 2011 in cooperation with Empretec-Peru, another programme of UNCTAD devoted to entrepreneurship skills development; also hosted by the Enterprise Branch. It is developed in Spanish and is based on the SMEGA Level 3. . We are also gaining a better understanding of the accounting and reporting needs of SMEs through the application of the Accounting Development Tool of UNCTAD-ISAR, particularly in the area of building technical expertise and human resource capacity on

accounting for SMEs We also deal with the SME reporting as part of our activities in the increasing area of global supply chain developments. For example, recent research for UNCTAD's flagship *World Investment Report* shows that 80% of global trade now takes place as part of the supply chain operations of transnational corporations (TNCs). To make SMEs efficient and reliable counterparts of global value chains, among other things they need to be knowledgeable of accounting and reporting requirements in order to function efficiently.

We count on your cooperation in taking these initiatives forward.

Ladies and gentlemen,

Once again, I would like to highlight the importance of SMEs to the economic growth of member States and the positive contribution that good accounting and reporting by SMEs has in facilitating their efficiency and access to financing. Thus, beyond the technical accounting details, the ultimate objective of our discussions are creating employment opportunities, encouraging entrepreneurship, increasing productive capacity and trade, and achieving sustainable and inclusive economic growth.

I would like wish you a productive workshop and assure you the full support of the UNCTAD secretariat in facilitating your deliberations today. .

Thank you.