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**Intergovernmental Working Group of Experts on  
International  
Standards of Accounting and Reporting  
(ISAR)**

**33rd SESSION**

4 - 6 October 2016

Room XVIII, Palais des Nations, Geneva

Thursday, 6 October 2016

Afternoon Session

**Agenda item 5. Other business**  
**(c) Updates by international and regional organizations**

Presented by

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# EFAA'S activities in financial and non-financial reporting 2015/2016

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ISAR 33 MEETING, GENEVA 6 OCTOBER 2016

# Agenda



- ★ EFAA Survey: The New EU Accounting Directive, A Harmonised European Accounting Framework?
- ★ EFAA Survey 'Trickle Down'
- ★ Is Integrated Reporting for SMEs?

# EFAA Survey: Implementation of the EU Accounting Directive



- ★ Accounting Directive was to be implemented for fiscal years from 1 January 2016
- ★ EFAA Survey was published 31 May 2016
- ★ Purpose of the EFAA survey:
  - ☆ provide insight into the options chosen by 8 member states
  - ☆ determine the likely effects of implementation of the EU Accounting Directive
  - ☆ draw conclusions

# The New EU Accounting Directive - findings



- ★ More than 100 options
- ★ Different definitions of 'net income' (impact on size criteria, ratios and audit requirements)
- ★ 3 different size thresholds for 8 countries
- ★ 6 different size criteria relating to audit requirements
- ★ Filing requirements vary from 4 to 12 months

# The New EU Accounting Directive - findings 2



- ★ 5 countries require publication of the profit and loss account of small companies
- ★ No consensus in the Directive regarding
  - ☆ Revaluation of fixed assets
  - ☆ Hedge accounting
  - ☆ Life valuation of inventory
  - ☆ Consolidation requirement of medium-sized comp
  - ☆ etc.

# Options for important additional disclosures



	Movements in fixed assets	Details of consolidating parent company	Off balance sheet arrangements	Related party transactions	Events after the balance sheet date
France	✓	✓	✓	✓	✓
Germany	✓	✓	✓	✓	✓
Italy	✓	✓	✓	✓	-
Latvia	✓	-	✓	-	✓
Netherlands	-	✓	-	-	✓
Portugal	✓	-	✓	✓	✓
Spain	✓	✓	✓	✓	✓
UK	✓	✓	✓	✓	✓

# The New EU Accounting Directive - main conclusions and consequences



## *Conclusions*

- ★ No harmonised financial reporting across Europe
- ★ Differences in the deadlines for financial reports
- ★ Many accounting treatments not dealt with in the Directive, e.g. leases, deferred tax, pensions

## *Consequences*

- ★ Impediment regarding doing business cross border
- ★ Impediment for a EU Capital Market Union
- ★ Impediment for a Common Consolidated Tax Base



# EFAA Survey 'Trickle Down'



- ★ Survey questions:
  - ☆ Is there a 'trickle down' effect from IFRS to SME financial reporting in member states?
  - ☆ If so, to what extent?
  - ☆ Is SME accounting being influenced by IFRS?
- ★ 96 main accounting treatments across 6 member states
- ★ Why is this important?
  - ☆ New and amended IFRS standards might not be appropriate for SMEs
  - ☆ SME accounting in Europe is not only framed under the Directive requirements

# EFAA Survey 'Trickle Down' - outcomes to date



- ★ 47% instances of trickle down effect observed
- ★ 63% of the accounting treatments comply with IFRS
- ★ High trickle down effect identified for:
  - ☆ IAS 12 Income taxes
  - ☆ IAS 19 Employee Benefits (pension accounting)
  - ☆ IAS 36 Impairment of Assets
  - ☆ IAS 38 Intangible Assets

# EFAA Survey 'Trickle Down' - draft outcomes



- ★ Decreasing or increasing trickle down trend hard to conclude
- ★ New or amended IFRS will most likely affect SME accounting
- ★ Growing accounting differentiation between medium-sized, small and micro companies

# Integrated Reporting and SMEs – why is it so relevant?



- ★ High value intangible assets are not on the balance sheet
- ★ Tangible benefits of <IR> for SMEs (better access to finance, employee motivation, etc.)
- ★ Specific <IR> applications for SMEs:
  - ☆ Transfer of business/succession planning
  - ☆ Tendering processes
  - ☆ New business financing requirements/start-ups
  - ☆ Satisfying external stakeholders needs  
(understanding the business model, how is income being generated, etc.)

# Integrated Reporting and SMEs – activities



- ★ EFAA article 2015 “Integrated Reporting or Thinking, is it just for big companies?”
- ★ EFAA Conference in Madrid June 2016 ‘Changing Standards, Innovation and Market Regulation’ with IIRC contribution
- ★ EFAA recommends to SMPs should challenge their clients to consider <IR> or Integrated Thinking



Thank you