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

34th SESSION

1 - 3 November 2017

Room XVII, Palais des Nations, Geneva

Friday, 3 November 2017

Afternoon Session

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

Feedback on ISAR Regional Workshops

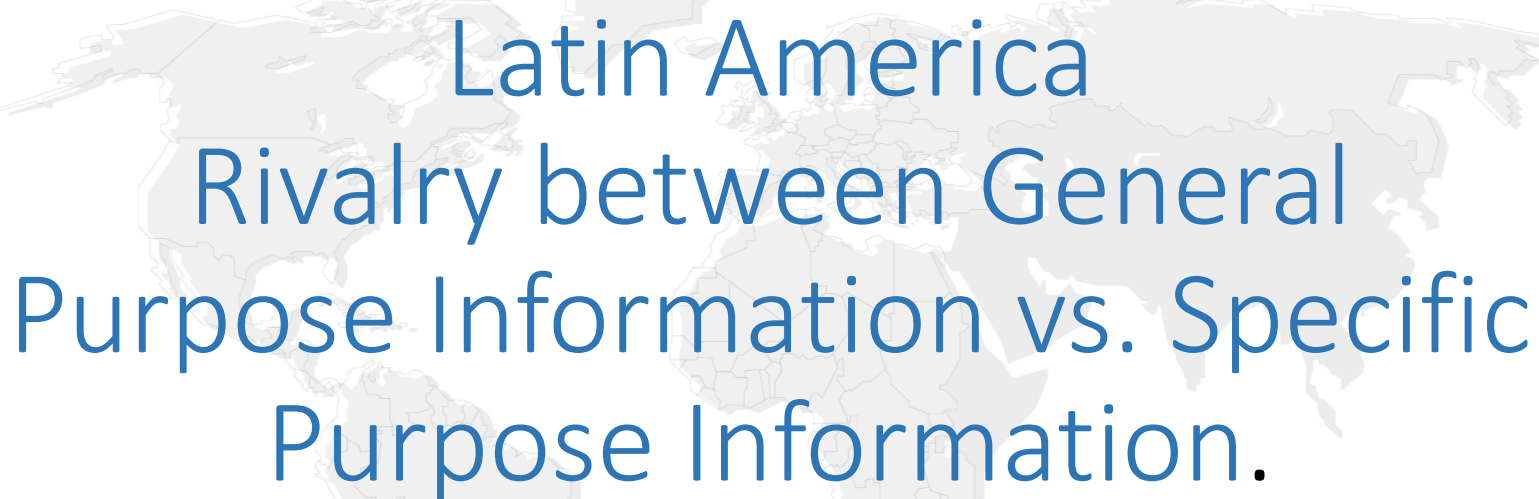
Presented by

Alexei Estrella Morales

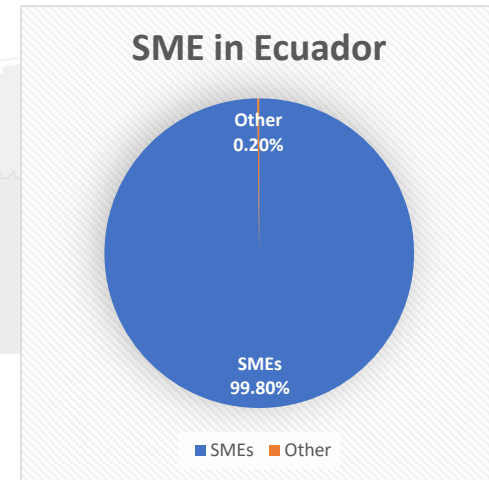
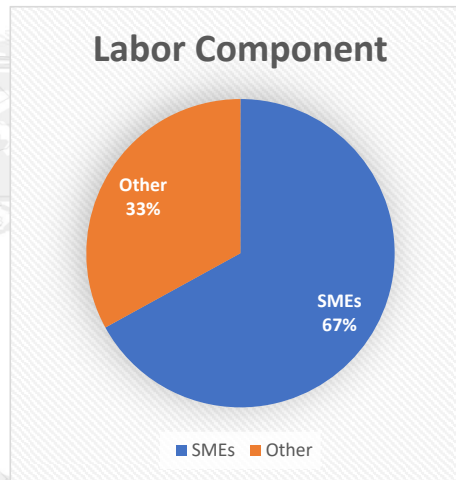
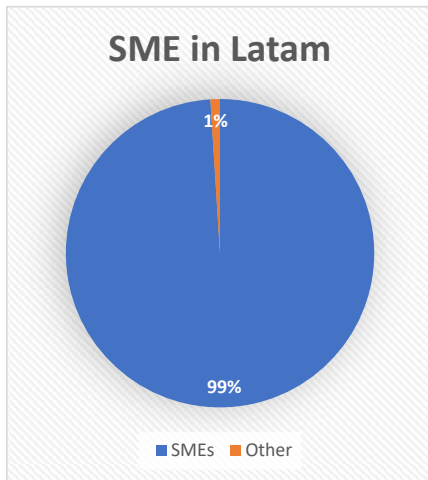
Member - Ecuador, SME Implementation Group

International Accounting Standards Board

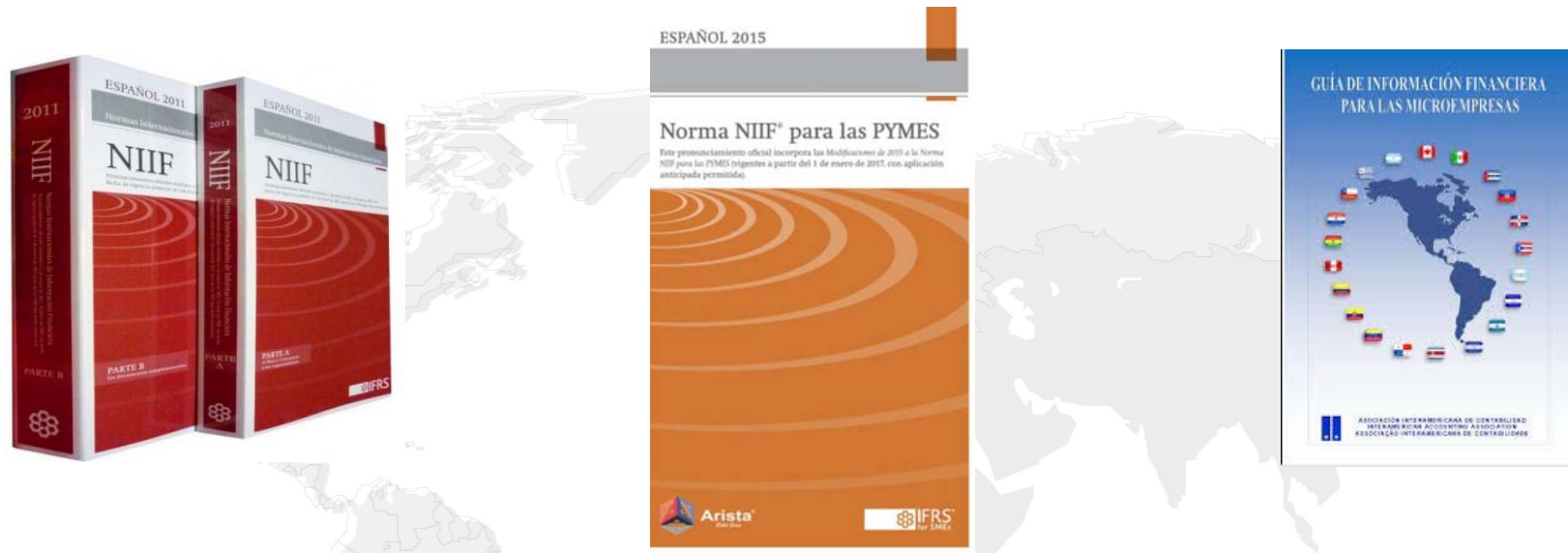
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Latin America
Rivalry between General
Purpose Information vs. Specific
Purpose Information.



- SME represents the key factor to increase the potential growth of Latin America.
- 52% of SME has been created to solve a need for subsistence or self-employment.
- Its contribution to GDP is low, which reveals deficiencies in its productivity levels

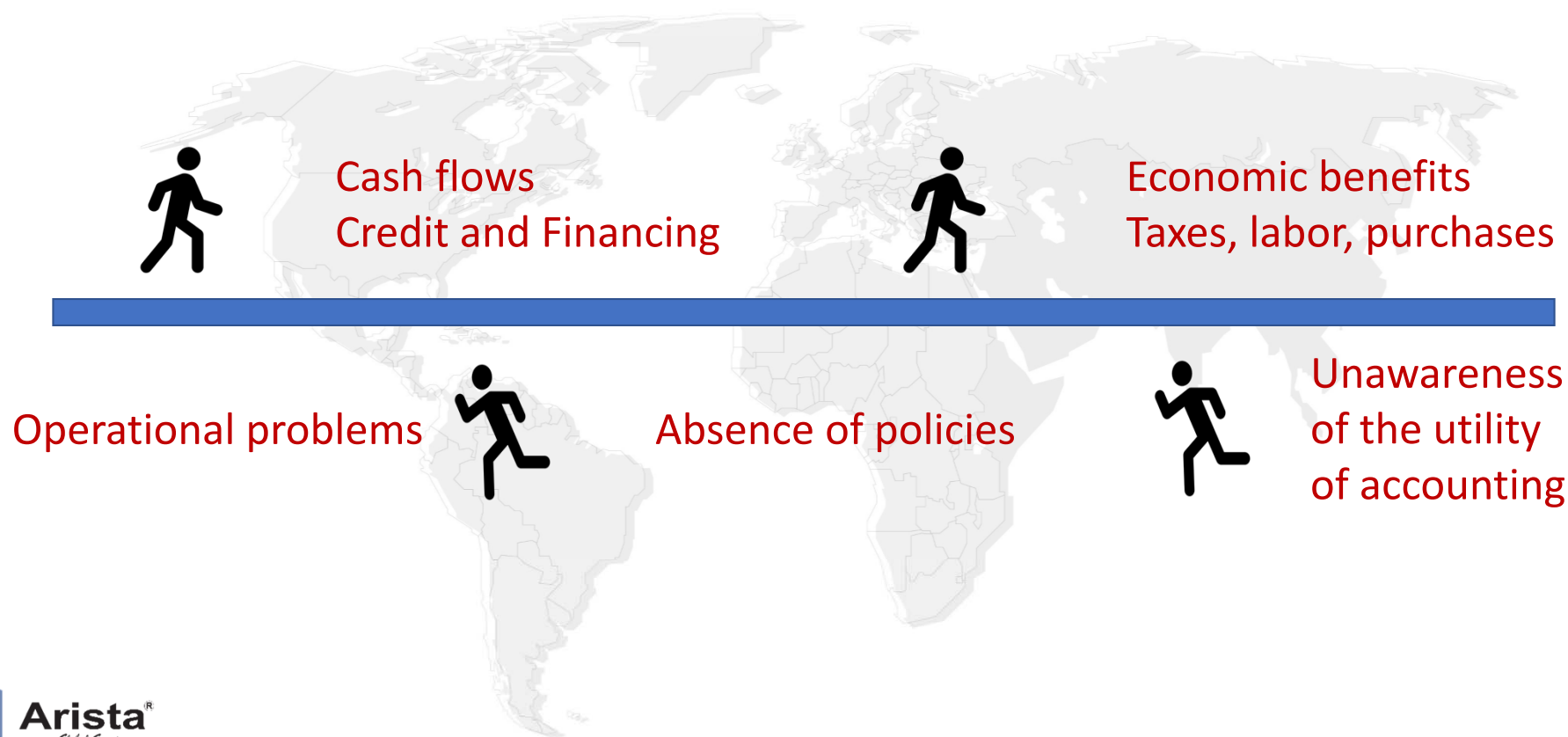


- Most of the countries in Latin America have adopted the full IFRS standard or for SME, however, the standard implementation represents several challenges, including lack of technical capacity, financial resources and the ability to understand that accounting information it must be elaborated at a cost that does not exceed the benefits.



- The great majority of SME is constituted by family businesses.
- Its accounting is oriented to comply with tax laws and seeks pay less taxes payment.
- Their owners do not find utility at applying accounting standards and if they apply them, is because they comply with legal regulations.

ISAR34 What SME are interested in accounting



Different Needs

Tax Authority
Owner and Administrators
Regulatory Authorities



Financing decisions

**Investors, lenders, and
other current creditors**

ISAR34 Change in the accountant's work mentality

Currently the accounting:

- It complies with what the regulator requests.
- Emphasizes legal and fiscal aspects.
- Use rules without foundation.
- The rules are aimed at obtaining the pay to taxes.
- The companies perceive the payment to the accountant as an expense.



The accounting of the future:

- Emphasis on Financial aspects.
- Develop and apply criteria.
- Users with financial knowledge.
- Its purpose is not to measure taxable profits
- Its associated costs are considered as investment



The accounting that consisted in making accounting entries disappears.

Small businesses due to technology will not have the need to keep accounts, and their operation is based on the management of cash flows.

Accounting appears that makes judgments and makes the necessary estimates to provide useful, real and timely information

SME in growth, will have the need to provide information for investors, lenders and will require information that allows them to improve their management, accounting will be their real thermometer of growth and fulfillment of objectives.

Latin American countries should foster an economic and institutional context that encourages the use of high quality accounting information, while fostering competition and increasing productivity.



UNCTAD has developed an Accounting Development Tool (ADT) to assist member States assess their current strengths and weaknesses and identify priority areas for capacity building.

The ADT has been designed to provide countries with a roadmap to help identify and build the various complex and interconnected components that make up a modern accounting infrastructure.

He has suggested, based on the experience of Ecuador and some Latin American countries, the importance of quantitative measurement of this tool, considers the reality of SME in each jurisdiction, which allows providing information for the generation of accounting policies and standards.

- SME is an important element in the development of countries.
- Accounting must adjust to the reality of your needs.
- It is important to understand who are the end users of the information provided by accounting.
- IFRS are not always adjusted to small entities realities.
- The maturity and growth of companies go hand in hand with the improvement of their accounting processes and standards.
- Local regulators should assess the advantages of implementing accounting regulations and define the convenience of them.
- It can not be expected that the accounting results are equal to the taxable results in the payment of taxes because they are different users.