

EFAA Report Reveals Extent to Which Accounting for Listed Companies Impact Accounting by SMEs

Brussels, March 29th, 2017 - Accounting standards for listed companies in Europe – International Financial Reporting Standards (IFRS) – influence the development of the accounting required of small and medium-sized entities (SMEs), according to the European Federation for Accountants and Auditors (EFAA) report [The Trickle Down Effect – IFRS and accounting by SMEs](#) presented to key stakeholders on March 28th in Brussels.

The accounting rules for SMEs in Europe are set by the requirements of the European Accounting Directive, supplemented by national Generally Accepted Accounting Principles (GAAP). However, the directive is silent on how to account for certain matters, such as the definitions of assets and liabilities, accounting for leases and accounting for pension obligations. In such instances, national GAAP will often be developed – and this may potentially follow IFRS. The EFAA wanted to see the extent to which this has been happening: if IFRS treatments do ‘trickle down’ to the level of SME accounting.

“Our paper demonstrates that there is strong evidence of a trickle-down effect. The effect varies from country to country, the most prevalent in the UK and the least prevalent in Germany”, commented Bodo Richardt, President at EFAA. “The question is, therefore, whether SME priorities should arguably be considered at the IFRS standard-setting stage.”

Interventions at the [launch event](#) from the European Commission and significant industry participants such as UEAPME and EFRAG, emphasized the need for further consideration of the trickle-down effect. “We believe the evidence demands to be taken seriously and the effect to be brought onto the agenda of the European accounting standard setting community”, Paul Thompson, EFAA Director.

Note to the editor

The European Federation of Accountants and Auditors for small and medium-sized enterprises (EFAA) is an umbrella organisation for national accountants and auditors' organisations whose individual members provide professional services primarily to SMEs in Europe. EFAA has 16 members throughout Europe and represents more than 370,000 accountants, auditors, and tax advisors on their behalf in Europe and beyond.

SMEs are the back bone of Europe’s economy and Small and Medium-sized Accounting, Auditing and Tax Advisor Practices (SMPs) are their most important business advisors. They help entrepreneurs gain access to finance, and they provide valued business advice allowing them to grow sustainably.

However, most accounting and auditing rules and standards are set up at the EU or international level and are often inspired by large companies and oriented towards their needs. EFAA supports Europe’s SMPs through our strategy to *inform – advocate – connect*. We provide our members and regulators with an evidence based small business perspective on political and regulatory innovations (*inform*). We advocate for the interest of Europe’s SMPs and SMEs by providing feedback to consultations and with direct dialogue with political stakeholders (*advocate*) and we connect our members and the

professionals they work for to foster the exchange of best practices and the development of a strong SMP and SME sector in Europe (*connect*).

Please find more material about EFAA and our work on our website: www.efaa.com.

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Pictures



The EFAA Roundtable The Trickle Down Effect – IFRS and the Accounting Treatment of SMEs took place at the Brussels Headquarter of the Chamber of British Industries.



EFAA Accounting Expert Group Chair Richard Martin summarises observations and recommendations, with EFAA President Bodo Richardt on his right and EFAA Special Advisor Marie Lang to his left.



European Commission Policy Officer Jean-Philippe Rabine during his intervention, with EFAA Accounting Expert Group Chair Richard Martin, EFAA President Bodo Richardt and RSM Head of Financial Reporting Danielle Stewart.