

European Commission  
Internal Market and Service DG

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## CONSULTATION ON THE INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR SMALL AND MEDIUM-SIZED ENTITIES

### Details:

Organisation of accountants and auditors

Name of organisation: HTM-tilintarkastajat ry (The Association of HTM-Auditors in Finland)

Country: Finland

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Description of the general activity of the organisation:

HTM-tilintarkastajat ry (the Registered Association of Certified HTM-Auditors) was founded in 1951 and it represents in Finland the larger one of the two professional organizations of auditors recognised by law. Its nearly 800 members are authorised and controlled by Auditing Boards of the Central and regional Chambers of Commerce and supervised by the Central Chamber of Commerce and the Ministry of Employment and the Economy. The members of the HTM-Auditors' Association are authorised to carry out external audits and to give signed auditor's reports and statements as defined in the Auditing Act and required by the Accounting Act and Ordinance as well as laws on corporate entities e.g. limited companies, general and limited partnerships, foundations, co-operatives.

## General

It is very important that Member States should be allowed to decide at a Member State level whether to permit or require IFRS for SMEs.

In Finland the majority of companies are very small and most of them are not operating with cross-border activities and have no direct foreign investments. Implementation of IFRS for SMEs is seen too complex and too costly in these very small companies compared to the benefits that can be derived from it.

The linkage of accounting with taxation has traditionally been very strong in Finland. If a small Finnish company decides to apply articles of IFRS for SMEs, they also have to draw up another financial statement according to national GAAP. It is required to determine taxable income of a company. This is not a successful direction when we are trying to cut administrative costs in companies.



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We believe it is very important to understand that if a company once decides to apply IFRS for SMEs, it must follow up articles as a whole in the future. It would not be allowed to decide whether to apply or not to apply specific articles suitable for its own purposes.

We see it is necessary to carry out full audit in all companies that apply IFRS for SMEs regardless of size. It is important that an independent auditor gives his opinion whether the articles of IFRS for SMEs have been adjusted completely.

The revision of Accounting Directives would give a proper opportunity to eliminate possible discrepancies between Accounting Directives and IFRS for SMEs.

## Responses to the Questions

### Question 1:

*Do you think the IFRS for SMEs is suitable for widespread use within Europe?*

YES  NO  Don't know

*Please comment, indicating whether there are any type(s) or size(s) of company that would benefit from adopting the Standard:*

We agree there is a need for more internationally comparable and harmonised financial statements for medium sized non-listed companies in the Europe.

The majority of Finnish companies are small. 99,8 % of companies are under the EU audit level. The rest are listed and have implemented IRFS-standards in 2005 or have voluntarily adopted full IFRS in use. Most small companies in Finland are not involved in foreign activities but act on a local or national level. Implementing IFRS for SMEs is seen too complex and too costly in these small companies compared to the potential benefits.

In our opinion, it is very important that Member States should be allowed to decide at a Member State level whether to permit or require IFRS for SMEs.

### Question 2:

*If you are a preparer of company accounts can you indicate any costs (both one-off and recurring) or benefits, and any other effects of adopting the IFRS for SMEs?*

*Please comment.....*

*In particular, do you think increased international comparability of accounts prepared under the IFRS for SMEs will benefit your business?*

YES  NO  Don't know

*Please comment.....*

N/A

### Question 3:

*If you are a user of accounts (for example a bank) do you think the IFRS for SMEs will provide more useful information than national GAAP accounts?*

YES  NO  Don't know

*Please comment.....*

N/A





**Question 4:**

*Does increased international comparability of accounts prepared under the IFRS for SMEs benefit users?*

X YES  NO  Don't know

*Please comment.....*

The use of IFRS for SMEs will increase comparability between listed and unlisted companies within EU. IFRS for SMEs can also be seen as a stepping stone for companies that plan to be listed at some stage and have to use full IFRS.

Please also see our respond to Question 1.

**Question 5:**

*Do you think adoption of the IFRS for SMEs should be provided for within the EU accounting legal framework?*

YES  NO  Don't know

*Please comment.....*

IFRS for SMEs should be an alternative. If provided by EU accounting legal framework the Directives should provide possibility to adopt national GAAP in each Member State.

**Question 6:**

*If yes, should such an option be limited to a Member State option (i.e. that each Member States would have a possibility but no obligation to accept IFRS for SME)?*

X YES  NO  Don't know

*Please comment.....*

N/A

**Question 7:**

*Do you have other views on the possible adoption of the IFRS for SMEs within the EU accounting framework?*

*Please comment.....*

**Question 8:**

*Is there a case for giving companies, at EU level, an option to adopt the IFRS for SMEs?*

YES X NO  Don't know

*If yes, for which categories:*

small

medium

large

other criteria (please explain)

*Please comment.....*

Please see our respond to Question 1.

**Question 9:**

*What should be done, in your view, where there is incompatibility between the Directives and the IFRS for SMEs?*

*Please comment.....*



**Question 10:**

*In the light of the publication of the IFRS for SMEs, do you see a need for "rules-based" Accounting Directives in the future?*

YES x  NO  Don't know

*If yes, for what type(s) or size(s) of company are detailed rules required?*

small

medium

large

other criteria (please explain)

*Other than the 5 items listed in paragraph 4.3 above, what aspects of financial reporting should the revised Directives address, and to what level of detail.....?*

*Other comments.....*

No, the directives should be principle based in nature.

**Question 11:**

*Are there any elements of the IFRS for SMEs that should be incorporated within revised Directives?*

*Please comment.....*

The terminology and wording in the Accounting Directives should be brought in line with IFRS and any conflicts in terminology should be avoided.

**Question 12:**

*Do you have any other observations or comments on the IFRS for SMEs or the project to overhaul the Accounting Directives?*

*Please comment.....*

Helsinki, March 12, 2010

**HTM-tilintarkastajat ry**

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