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International Accounting Standards Board  
30 Cannon Street  
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Berlin, 17 February 2006

### **IASB Project: Accounting Standard for Small and Medium-sized Entities (SMEs)**

Dear Mr. Jones,

First of all we would like to thank the IASB for the commitment in the project: accounting standard for SMEs. As laid out in our letters commenting on the tentative decisions of the IASB (1 October 2004) and on possible recognition and measurement modifications (7 June and 13 July 2005) we fully support this project, which can be considered as one of the main challenges the IASB faces at present.

The Federal Ministry of Justice with our support is at the moment engaged in a project to modernise existing German GAAP and once more became aware of several shortcomings in those GAAP. The IFRS for SMEs has been looked upon as a possible future alternative to German GAAP, which might even replace German GAAP, depending on the results of the project. In light of these developments and our distinctive dedication to the improvement of accounting regulations, also for SMEs, we have been actively following the ongoing discussion about the project within the IASB and elsewhere. Because of the above we are fully aware of the specific difficulties of this project but also of the simplifications in accounting required to complete it in a successful manner (see our above comment letters).

Unfortunately, the recent tentative decisions of the Board but also the latest information seem disturbing. We are disappointed about the direction the project is obviously taking and, based on the above information, very concerned about the possible result of this important project. Our concerns are for example relating to the IASB's notion of the connection between the standard for SMEs and full IFRS. Since we believe it is crucial for the IFRS for SMEs to be independent of other IFRSs, there should not be a mandatory fallback.

We would like to emphasize that significant simplifications to existing IFRSs will be necessary to meet the objective of this project, which is – to our understanding – a standard acceptable for the majority of SMEs and of the users of their financial statements globally. It is our strong believe that the IASB should not neglect this opportunity to develop a sensible standard for SMEs, but adherence to virtually all existing IFRS

will not allow for an adequate standard for SMEs. From our perception of the direction which is taken by the IASB and the respective queries already raised not only in Germany but also in Europe, we are almost certain, that there will be no acceptance for such a standard.

We therefore fully support EFRAG's concerns, as laid out in EFRAG's letter of 1 February 2006. In particular we are of the opinion that for example the following topics are essential for the acceptance of such a standard:

- (1) Compact understandable stand-alone-standard;
- (2) Simplified fair value model (e.g. as suggested by EFRAG or GASB) and
- (3) Amortisation of goodwill and of intangible assets with an indefinite life; or deletion of the distinction between finite and indefinite useful lives for intangible assets

We fully understand that the IASB has not yet finalized its deliberations on the IFRS for SMEs. Accordingly, at this critical stage we would like to encourage the IASB to (re-)consider the requirements of the users of SME financial statements and possible issues of preparers in the light of cost-benefits-aspects. We trust that the IASB will keep in mind the different concerns and will live up to the high expectations connected to this project worldwide.

If we can provide any kind of support for the IASB please feel free to contact us; we would be glad to support the IASB in this difficult project.

Kind Regards

Prof. Dr. Harald Wiedmann