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EFRAG
Attn. EFRAG Technical Expert
Group
35 Square de Meeûs
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Our ref: AdK

Date : Amsterdam, 7 April 2010

Re : Comment on your letter regarding compatibility of the IFRS for SMEs and the EU
Accounting Directives

Dear members of the EFRAG Technical Expert Group,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to respond to your draft letter regarding your advice on the compatibility between the IFRS for SMEs and the EU Accounting Directives.

We appreciate your comprehensive technical analysis of the (in) compatibility of the IFRS for SMEs and the Accounting Directives as presented in your working paper of 250 pages. On the basis of your thorough and solid research including consultation of the best sources available we made no further in-depth analysis on our own. Nor have we done any research on the (in) compatibility of the IFRS for SME and the Dutch language version of the EU Accounting Directives.

With respect to the paragraphs of the IFRS for SMEs identified by EFRAG as “paragraphs that may be incompatible with the EU Accounting directives” we are of the opinion that more incompatibilities exist. In our view the IFRS for SMEs requirement to recognise contingent liabilities acquired in a business combination is incompatible with the EU Accounting Directives. The same goes for the requirement to recognise current tax and deferred tax using the probability-weighted average method. We have included these in our response to Q2.

Your assessment does not consider the way in which the EU Accounting Directives have been incorporated into the national law of EU Member States. Because of the options in the EU Accounting Directives available to Member States, in practice the potential number of incompatibilities may be much higher when the assessment would be performed at an individual Member State level. It may be worthwhile to consider further research on this point in conjunction with National Standard Setters, prior to any final decision on changes to the existing Directives. Our concern in this respect is also prompted by the lack of clarity on the interaction between the IFRS for SMEs and present publication requirements.

Specific questions EFRAG

Paragraphs of the IFRS for SMEs that are not incompatible with the EU Accounting Directives

Q1 Do you think that some of the paragraphs of the IFRS for SMEs, EFRAG has identified as being incompatible with the EU Accounting Directives, are compatible with the EU Accounting Directives? (If so, why?)

A1

DASB:

We concur with your conclusions in respect of the incompatibility of the seven identified issues.

Paragraphs of the IFRS for SMEs that may be incompatible with the EU Accounting Directives

Q2 Do you think that paragraphs 9.6, 19.14, 21.4 and/or 29.24 are incompatible with the EU Accounting Directives? (If so, which and why?)

A2

DASB:

Potential voting rights (paragraphs 9.6 and 19.14)

No.

'Less likely than not' liabilities (paragraphs 21.4 and/or 29.24)

We think that 'likely' in article 20.1 of the Fourth EU Accounting Directive should be interpreted as 'probable' in paragraph 21.4 of the IFRS for SMEs. Accordingly, it would not be compatible with the EU Accounting Directives to recognise contingent liabilities acquired in a business combination (paragraph 19.14 of the IFRS for SMEs) and current tax and deferred tax using the probability-weighted average amount (paragraph 29.24 of the IFRS for SMEs) when it is not probable that these liabilities will arise.

Paragraphs of the IFRS for SMEs that are incompatible with the EU Accounting Directives

Q3 Do you think there are other paragraphs of the IFRS for SMEs that are incompatible with the Council Directives? (If so, why?)

A3

DASB:

No.

Different language versions of the EU Accounting Directives

Q4 Are you aware of situations where the conclusions reached by EFRAG would have been different had another language version than the English version been applied in the analysis? (If so, what conclusion would be different and why?)

A4

DASB:

No.

Q5 Do you have other comments in relation to EFRAG's conclusions and their bases (including conclusions stated in EFRAG's working paper)?

A5

DASB:

Your assessment does not consider the way in which the EU Accounting Directives have been incorporated into the national law of EU Member States. Because of the options in the EU Accounting Directives available to Member States, in practice the potential number of incompatibilities may be much higher when the assessment would be performed at an individual Member State level. It may be worthwhile to consider further research on this point in conjunction with National Standard Setters, prior to any final decision on changes in the Directives. Our concern in this respect is also prompted by the lack of clarity on the interaction between the IFRS for SMEs and present publication requirements.

Yours sincerely,

A handwritten signature in black ink, consisting of a vertical line on the left, a loop at the bottom left, and a long horizontal stroke extending to the right with a small upward curve at the end.

Hans de Munnik
Chairman Dutch Accounting Standards Board