



UNION EUROPEENNE DE L'ARTISANAT ET DES PETITES ET MOYENNES ENTREPRISES
EUROPÄISCHE UNION DES HANDWERKS UND DER KLEIN- UND MITTELBETRIEBE
EUROPEAN ASSOCIATION OF CRAFT, SMALL AND MEDIUM-SIZED ENTERPRISES
UNIONE EUROPEA DELL' ARTIGIANATO E DELLE PICCOLE E MEDIE IMPRESE

UEAPME position on the consultation paper “Cutting Accounting Burden for Small Business / Review of the Accounting Directives”

Introduction.

On 26th February 2009¹ the European Commission launched a consultation on the review of the accounting directives. According to the Commission this review is “*the third step in the simplification of accounting rules for SMEs and other companies in the scope of the Fourth and Seventh Company Law Directives (“Accounting Directives”), which began with a fast-track proposal in 2008. A Member State option to create a new “micro” entity category in order to exempt them from the accounting requirements under the 4th Directive is being proposed by the European Commission, simultaneously with the launch of this stakeholder consultation.*

The current consultation aims at raising issues relating to the modernisation and simplification of the Accounting Directives. Positive effects of the review will include a reduction of burden mainly for small companies as well as qualitative improvements for all companies within the scope of these Directives. An additional objective is to increase the clarity of the text for lawmakers and users in general.”

UEAPME would like to point out that the European Commission, once again, did not respect the General principles and minimum standards for consultation of interested parties it set². We regret the limited time given to consult on such an important very complex and technical issue with a lot of consequences not at least for SMEs. In addition, there is a serious democratic deficit as the consultation document is only available in English. This is even more unacceptable as the Commission pretends to look for the individual opinion of enterprises and citizens. The reduced time frame and the availability of the consultation document in English contributed significantly to the delay with which UEAPME is sending this reply. We would like to apologise for this inconvenience and we trust that the Commission will be willing to take our comments on board anyway.

It goes without saying that UEAPME welcomes every initiative that reduces the administrative burden for SMEs and/or that could make legislation simpler. From the beginning the review should take into account the needs and specificities of the micro enterprises. For UEAPME, as accounting is essentially a management and communication tool, high importance should be given on the legal clarity and quality of the proposal. There is also a need for a proper, independent impact assessment, based on public available data. The Commission should also provide clear information and data in order to know

¹ According to the EC website the consultation has been opened on the 25th (!) February 2009.

² “Towards a reinforced culture of consultation and dialogue - Proposal for general principles and minimum standards for consultation of interested parties by the Commission.” COM(2002)277final : “On the other hand, a consultation period longer than eight weeks might be required in order to take account of:

- the need for European or national organisations to consult their members in order to produce a consolidated viewpoint...”

what the consequences and changes will be of the future proposal in comparison with the current situation.

UEAPME also regrets the poor quality of the impact assessment and especially that it is based on non public data.

4.1. Basic principles

Question 1

Do you agree with the approach described above?

YES

NO

Don't know

Please comment:

The main principles of the Fourth Directive mentioned in the Commission paper have been the foundation of accounting in most of the Member States even before the Fourth company law directive came into force, as it is a harmonisation directive.

The concentration of the principles in one dedicated section will underline not only the principles-based nature of the directives but even more the importance of those principles.

Indeed, International Standard setting should be based on principles since it is neither possible nor necessary to provide specific rules for the many different situations that exist throughout the world. The use of the principles of the Fourth and Seventh Directives has so far resulted in a basis level for harmonisation of financial reporting in the European Union and it has undoubtedly led to improvements in the quality, comparability and transparency of financial statements of companies throughout the European Union over the last twenty years. For example, the prudence and realisation principle guarantee sustainable company structures, even in times of crisis.

All those principles provide the basis for both the development of new reporting practices and the evaluation of the existing ones. In addition, it will also increase the readability of the directive.

At the same time, UEAPME wants to highlight the importance of a decent, separate conceptual framework at European level for companies not applying IFRS.

In the introductory part, reference should also be made to the different categories falling under the scope of the directives, as at present the thresholds are spread throughout the text, what does not facilitate the readability.

Question 2

***Are there any other principles that should be included in the "General principles" section?
Should any of the current principles be clarified?***

Please comment:

The existing directive contains in Section 2 "General provisions concerning the balance sheet and the profit and loss account" (Art. 2) and Section 7 "Valuation rules of the Fourth Directive" (Art. 31 and Art. 32) some important principles which should in our view should be included in the "general principles" section. These principles are the following:

- Valuation must be made on a prudent basis.
- Measurement at "purchase price" or "production cost". In our view the principle of historical cost provides in most situations a reliable basis for measurement in the financial statements and has proved its efficiency.
- The methods of valuation must be applied consistently from one year to another.
- Each asset and each liability must be valued separately.
- The annual accounts shall give a true and fair view of the company's assets, liabilities, financial position and profit or loss.

The separate section in the beginning of the Directive can be completed with the next two principles:

- Substance over form.
- Only material financial information will have an impact on the decision-making process. Notwithstanding the fact that the framework provides no quantitative guidelines for materiality, it will always be a matter of judgement for the providers of financial information to determine whether or not an item of information has crossed the materiality threshold for recognition.

Change of the structure of the directive to focus on the many smaller companies

4.2. Structure – "bottom-up" approach

Question 3³

Do you believe that a restructured Directive following a bottom-up approach would be useful to Member States in creating more simplified and straight-forward rules?

YES NO Don't know

Please comment:

UEAPME warmly welcomes, in principle, the idea of the Commission to apply a bottom –up approach and thus the "think small first approach", meaning making legislation starting from the needs and characteristics of the overwhelming majority of enterprises, the SMEs, including the micro enterprises. It also allows to better differentiate the requirements according to the company category.

More importantly is the translation of this principle in practice. In UEAPMEs opinion the determination of the minimum regime is of utmost importance in order to avoid a loss of financial information.

This implies that the preparation of a decent balance sheet, profit and loss statement and even an abridged format of the notes always should be the minimal requirement for all European companies, including the micro-entities and adapted to the needs of the different users.

The 4th and 7th directive contain a lot of Member states options and exemptions (which, by the way, were and are often not used). A real bottom-up approach can without any doubt lead to a reduction of these options and exemptions and make the text more accessible. It will also reinforce the needed

³ This answer represents the views of UEAPME with the exception of its members ZDH and MKB.

harmonisation in view of the competitiveness of the enterprises and in view of the internationalisation of small enterprises.

Question 4⁴

***Do you think that current rules for small, medium and large companies are appropriate?
Please indicate in broad lines what the minimum requirements for small entities should be according to the bottom-up approach?***

The current rules need to be simplified wherever possible without losing the essence of the objectives of the rules. In our view, it is essential that also the micro-entities are within the scope of the Fourth Directive and that all efforts towards further harmonisation should continue. Harmonisation does not imply more red tape or more administrative burdens, or more complex rules. It may be clear that the harmonisation level will diminish if the accounting standards for micro-entities differ from the "general" accounting standards. UEAPME once again welcomes all further modernisation and harmonisation efforts of the European Commission in the hope to simplify the requirements for the micro-entities and small companies instead of exempting the micro-entities from the Fourth Directive.

The principles foreseen in the actual Directives have already led to a reduction of the many differences in valuation rules between the Member States. Exempting small enterprises such as micro-entities from the scope of the Fourth Directive will have an adverse effect on the quality, reliability, availability and comparability of financial information. This will also lead to a serious setback of the harmonisation process of accounting requirements leading to distortion of competition between countries.

Please indicate in broad lines what the minimum requirements for small entities should be according to the bottom-up approach:

- The presentation of the current model of the balance sheet, the profit and loss statement and an abridged format of the notes.
 - As already requested in previous UEAPME position papers, the notes to the accounts should be simplified. An appropriate balance between the costs of preparing the notes and their usefulness needs to be found, as preparing them is very time consuming, especially for small enterprises;
 - A decent set of valuation rules which guarantees the reliability and credibility of the accounts of the company. Standard valuation rules are important for micro-entities and small enterprises. It facilitates their access to credit and reduces the risk of undetected financial problems;
 - Publication of the annual accounts: exempting micro enterprises can even increase the administrative burden and cost, as these companies will have to respond to information requests from different stakeholders (insurance companies, credit institutions, creditors, administrators, investors ...) and public authorities.

⁴ This answer represents the views of UEAPME with the exception of its members ZDH and MKB.

4.3. Member State options

Question 5

Please provide reasons why Member States did not make full use of the options available in the current Accounting Directives.

Please comment:

This question should in the first place be answered by the member States. The options in the Accounting Directives still reflect real differences between the Member States. Possible answers suggested by some of our members are:

- Different national concepts which have led to diverging use of the options;
- the fact that the tax systems are so different and that between the Member states there is a lot of variation in how close the book-keeping is to the tax based system of accounting;
- Differences of opinion between the Member States on transparency of the annual accounts in private companies;
- The fact that in some countries the majority of the enterprises are small enterprises and that the number of medium-sized and large companies in is not large enough to make the distinction between those two categories of companies.

Question 6⁵

What can be done to further simplify the Directives in respect of Member State options?

The introduction of the bottom-up approach in the new structure of the Fourth Directive (under the explicit condition that all companies, independent of their size, will always have to prepare an annual account (balance sheet, profit and loss statement and an abridged format of the notes) based on harmonised accounting rules), would certainly lead to less numerous options.

Introducing the “only-once” approach in the disclosure requirements of the financial statements and the further simplification of the data required in the notes would result in an important reduction of administrative burden (abbreviated form of disclosures).

4.4. Definition of company categories

4.4.1. Criteria and threshold levels

Question 7

Do you think the current criteria (balance sheet total, net turnover, average number of employees) have worked well?

YES

NO

Don't know

⁵ This answer represents the views of UEAPME with the exception of its members ZDH and MKB.

If no, please indicate what other criteria should be considered

Question 8

Do you believe that the current thresholds for small, medium and large companies are appropriate?

YES NO Don't know

Please comment

Member States should remain free to define lower thresholds than those defined in Articles 11 and Art. 27 of the Fourth Directive.

4.4.2. Number of company categories

Question 9

In your opinion, would it be appropriate to reduce the number of company categories in the Directives?

YES NO Don't know

If yes, would you prefer:

Option 1 Option 2

Merging the medium-sized category with the large category would lead, in UEAPMEs opinion, to an increase of burden on the medium-sized companies.

The possible reduction of company categories should only have consequences for the requirements regarding the preparation of the separate annual accounts, not for the consolidated annual accounts. Therefore, in case of elimination of the category of the medium-sized companies, the Seventh Directive has to be adjusted to avoid additional administrative burden for medium-sized companies. Such a review naturally requires an in-depth analysis of the consequences including among other things using available statistics on the companies within these groups.

Question 10⁶

Do you see any other approach to reduce the number of company categories?

YES NO Don't know

Please comment:

⁶ This answer represents the views of UEAPME with the exception of its members ZDH and MKB.

In order to simplify the business environment and particularly the financial reporting requirements for small companies, the European Commission proposed introducing a new category of companies: the micro-entities. The exemption of those micro-entities from the Fourth Directive will not lead as such to a reduction of their administrative burden or to a reduction of cost. As in the European Union most of the companies (up to 70 % of the companies!) meet the criteria of a micro-entity, we believe that the European Union must not foresee in a separate category and a special treatment for micro-entities, but, on the contrary, as an application of the real "think small first" approach and of the proposed bottom-up approach, **simplify in the first place the requirements in the Fourth Directive for the micro-entities and small enterprises.**

Exempting micros will NOT lead automatically to simplification in the member states, as probably they would do nothing. With our approach: simplification of the 4th and 7th, including micro, there is a guarantee that all member states will have to simplify the rules and it gives the Commission the possibility to monitor this process.

We don't see any reason why the Commission would not follow the option 4 it proposes itself and which is the expression of the real think small first approach, the real bottom up approach: starting from the particularities and needs from the micros. Indeed on page 30 of the impact assessment document the Commission stated that "One option to address the needs of micro entities is to include a micro tailored accounting regime into the accounting directives. This would allow creating a standard that meets most of the needs of micro stakeholders without imposing redundant reporting obligations to them". This is in fact what we have asked for in our previous position papers and we continue to lobby for. The argument the Commission is using against this option is not acceptable. It states that "the new regime would require a longer preparatory and implementing period". Therefore it is not suitable to achieve quick burden reduction". The Commission should also legislate for the micro enterprises in the members states that will not exempt the micros (if this proposal is accepted), so this needs also time.

4.5. Elements of annual accounts

Question 11

Regarding the table above, do you see additional room for simplification, e.g. eliminating the requirement for annual reports for medium-sized enterprises?

YES NO Don't know

Please comment:

UEAPME suggest eliminating the category of the medium-sized companies, as the reporting needs of medium sized companies are much similar to those of large companies. Therefore the option for medium sized companies to prepare a balance sheet in an abridged format does not seem appropriate. However, this question will be better answered once the "Study on accounting requirements for SMEs" is completed.

Question 12

Do you believe that cash-based information should be explicitly required in the Directives?

YES NO Don't know

If yes, for which company categories?

A cash-flow statement provides users of the financial statements with a basis to assess the ability of the company to generate cash and the needs of the company to use these cash flows. A cash flow statement helps investors, creditors, and other stakeholders to assess the amounts, timing and uncertainty of prospective net inflows to the related enterprise.

Also for micro-entities and small companies, a cash-flow statement is a useful instrument as far as it is free of charge for the company. As it can be drawn up by the public authorities on the basis of the data contained in the annual accounts, no additional publication in the annual account will be requested from those companies.

Question 13

Should the requirement be for a cash-flow statement based on a minimum layout defined by the Directive, e.g. requiring operating, investing, financing cash flows?

YES

NO

Don't know

Please comment

A definition of a minimum layout in the Directive is recommendable as it allows the comparability of different companies.

Question 14

If you are a preparer, have you provided a cash-flow statement in the past years?

NOT APPLICABLE

Could you indicate how burdensome cash flow statement is/will be to your company

NOT APPLICABLE

Question 15

If you are a bank or credit provider, how useful would a cash-flow statement be?

NOT APPLICABLE

Question 16

Is there currently a requirement in your jurisdiction to provide a cash-flow statement?

NOT APPLICABLE

4.6. Publication requirements – electronic filing

Question 17⁷

Do you think that small companies should be exempted from the requirement to publish their accounts?

YES

NO

Don't know

Please comment

First of all it has to be mentioned that the opinion of the Stoiber group was not unanimous and even if, it cannot be considered as representative. Small companies will have to prepare accounts anyway and the filling of documents for the public record is not burdensome and can be done (if Member States allow) at no or a very low cost. The publication of the financial statements is also the counterpart of the limited personal liability.

The centralised publication of annual accounts is also the easiest and most efficient way for companies to make their financial information available to all their stakeholders (managers, directors, employees, investors, trading partners, banks, creditors, trade unions, tax authorities, statistical offices, and all the other stakeholders) (this is also a good example of the application of the only once principle, which is promoted by the Small Business Act). This information is also useful in order to avoid late or no payment.

If this centralisation is abandoned, each company will have to use the services of private companies, which will increase the cost for small companies rather than reducing it.

Furthermore, once you have the accounts, it is not that burdensome to apply the publication requirement.

At the moment there are quite different rules in the Member states regarding the publication of annual accounts. Those different rules lead to competitive disadvantages for enterprises in countries with strict requirements. There is a clear need for harmonisation in this field as already stated by UEAPME in previous position papers. UEAPME recalls once again for an in –depth discussion about which kind of information should be published or not and this on the basis of an in-depth study about the needs of SMEs and the needs of the users.

Concerning these harmonisation process, if also in the other Member States of the European Union companies would be required to use the same minimum format of the balance sheet, the profit and loss statement and the notes, this publication would permit better comparability. This would also guarantee a more equal level playing field between the member states. This can be easily achieved with the use of the XBRL reporting language.

Question 18⁸

Do you think there should be a Member State option to allow small companies only to prepare abridged accounts only?

YES

NO

Don't know

⁷ This answer represents the views of UEAPME with the exception of its member MKB.

⁸ This answer represents the views of UEAPME with the exception of its member MKB.

Please comment

Abridged accounts should not be an option but the norm after the revision.

Question 19

If you are a preparer, what is the annual cost of publishing your accounts? (€, % of turnover)

NOT APPLICABLE

Question 20

Do you have comments on the role of electronic tools and gateways, e.g. XBRL, in this context (costs - benefits)? Can you provide us with practical experience from your Member State?

For public authorities: Is it possible in your country to file using XBRL?

YES

NO

Don't know

Can you quantify costs of developing an XBRL system in your country?

NOT APPLICABLE

The use of the XBRL format allows public authorities to consult data in the XBRL record without intervention of the company. This is a practical example of the application of the "only once" principle, as advocated for by UEAPME since many years.

For preparers: Can you quantify the initial costs of switching to XBRL reporting?

NOT APPLICABLE

It is mainly the costs relating to adapting the accounting software. This can be easily minimalised, e.g. the Belgian Central Balance Sheet Office provides free software which is at the companies' disposal on internet.

After the initial costs, have you seen reduction of reporting costs (please quantify €, % of turnover)?

NOT APPLICABLE

For users: Can you quantify the benefits of having access to XBRL reports?

NOT APPLICABLE

Question 21

Should there be one XBRL taxonomy developed on the EU level?

YES

NO

Don't know

Please comment

Yes, UEAPME is strongly in favour of the development at European level of one XBRL taxonomy. As all the European Institutions, with the endorsement of the SBA, are in favour of the application of the “only once” filing system, Member States should introduce the XBRL technology to collect the annual accounts of companies.

It may be clear that one XBRL taxonomy will lead to a reduction of costs at European level.

The use of one XBRL taxonomy at European level would also permit to collect financial data from the annual accounts of the European companies in a way so that each Member State could retrieve annual accounts of European companies in the format of his choice. This will facilitate the reading of the companies’ financial statements for people speaking another language and enhance the transparency between the European companies. (See also answer to question 22).

Question 22

Do you believe that the Directive should provide prescriptive formats (layouts) for the balance sheet and the profit and loss account?

YES

NO

Don't know

Please comment:

Prescriptive formats lead to an improved comparability both with the financial statements of a company’s financial statements of previous periods and with other companies operating in different sectors and environments. Prescriptive formats (layouts) for the balance sheet and the profit and loss account are also the basis for a good presentation of general purpose financial statements.

Moreover the use of the XBRL technology leads to much more flexibility than in the past. Wherever the information lies in the annual account, it is easily recognized thanks to its univocal definition in the taxonomy.

Question 23

Should the number of available layouts be reduced?

YES

NO

Don't know

If yes, which layouts should be kept?

As there is a growing harmonisation between the member States, two lay-outs could be sufficient. In UEAPMEs opinion, there should be two standardised formats foreseen by the Fourth Directive: large companies should be obliged to use the full model of the balance sheet, micro-entities and small companies should be obliged to use at least the abridged layout of the balance sheet.

Also for the profit and loss statement, the Fourth Directive provides more than one layout, from which Member States are free to choose. We are of the opinion that, referring to the balance sheet options, only two standardized formats should be foreseen, one full model for the large companies and an abridged model for the micro-entities and small companies, representing the costs by their nature or by function.

Question 24

Would it be sufficient to provide for a minimum structure for each, the balance sheet and the profit and loss account?

YES

NO

Don't know

Please comment. If yes, can you please provide the key elements of such a minimum structure?

We support the structure as described in the Fourth Directive as far as the options, now foreseen in the Fourth Directive concerning the presentation of the financial statements, are reduced to two possibilities: a full model for large and medium-sized companies and an abridged model for small companies and micro-entities.

Nevertheless also for the notes the availability of a minimum format seems essential to us. However, the quality of the information provided in the notes must be maintained. So no essential elements can be omitted (e.g. rights and commitments not in the balance sheet).

In accordance with the "only once" filing principle, data for different purposes can only be asked once. This will lead without any doubt to an important reduction of the administrative burden for all enterprises.

Question 25

What modernizations or amendments would you recommend to the current layouts?

/

Question 26

Do you have comments on the idea to require only a limited number of key financial data from small enterprises instead of a fixed balance sheet and profit and loss account structure?

Please comment.

UEAPME does not see how this suggestion could entail any simplification and at the same time guarantee the quality of the data especially in times of lost trust in the whole financial system. So we do not support the idea to require only a limited number of key financial data from small companies. The requirement of reporting only some key financial figures as mentioned above will result in the loss of information of high importance such as the information about the intangible assets and the difference between the short term liabilities/receivables and those on a long term.

Also separate information about the "Capital and reserves" is in our view extremely interesting as the reserves give an indication on the profitability of the company in the past.

If yes, which key figures would you regard as absolutely essential?

Since all the European Institutions support the only once principle, the information in the annual accounts has to meet the needs of the users. As already requested by UEAPME in its previous position papers on the review of the accounting directives, a study to determine the needs of the SMEs and

the users has to be launched. UEAPME therefore welcomes the recent launch of a call for tender by DG ENTR on "accounting requirements for SMEs"

Question 27

Do you believe that the separate line items for extraordinary effects should be removed?

YES NO Don't know

Please comment:

The identification of extraordinary items can provide relevant and useful information to understand the company's financial position.

If you are a preparer, can you please indicate how often you used the separate line item "extraordinary items" during the past years?

NOT APPLICABLE

Question 28

If you are user, do you find the extraordinary item useful?

YES NO Don't know

Please comment: NOT APPLICABLE

4.8. Notes to the accounts

Question 29

Are there any other items that should be disclosed for small entities?

UEAPME is of the opinion that no additional disclosure requirements for micro entities and small entities should be imposed.

Can you please indicate additional disclosure requirements for medium-sized and large entities?

Please comment:

NO ANSWER

Question 30

What information has to be compiled especially for preparing the disclosures?

Can you say anything about the costs of preparing this information?

Please comment:

Although additional disclosure is important to understand the company's financial statement, preparing the notes is very time-consuming and most of the costs are related to the preparation of these notes.

Question 31

Can you please indicate whether other disclosure requirements in the Directives are not useful and relevant? Can you also provide indications of costs of their preparation (% of turnover)?

Please comment:

NO ANSWER

4.9. Valuation issues**Question 32**

Do you see any potential for modernisation and simplification in the area valuation rules?

YES

NO

Don't know

Please comment:

In UEAPMEs view there should be suitable similar valuation rules for all companies, irrespective of their size. Since for small companies the transactions usually have a less complex character, the recognition and measurement of those transactions will probably be less difficult.

Question 33

Which of the valuation requirements should be more/less descriptive?

Please comment:

Some "based on principles" guidance on the accounting treatment and disclosure of fundamental errors would be useful. Errors can arise in respect of the recognition, measurement, presentation or disclosure of elements in the financial statements and can have an important influence on the figures presented in the financial statements. Any guidance on the correction of prior errors would be welcomed.

4.10. Creating one Accounting Directive – terms and technical language**Question 34**

Do you agree with the idea of integrating the Seventh Directive into the Fourth Directive?

YES

NO

Don't know

Please comment

This is a typical example of a narrow point of view on the reduction of red tape. Indeed the merging of the two directives would only serve the interests of the Commissions simplification targets (she can pretend having skipped a piece of legislation) while it will have no effect at all on the enterprises. Integrating the Seventh Directive into the Fourth Directive will make the Fourth Directive longer and will not lead to any cost reduction for the companies.

In any case the integration of the Seventh and Fourth Directive may not lead to an introduction of IFRS in the annual accounts of SMEs (Fourth Directive).

Question 35

Do you think there is a need for amendments or modernisation of the Seventh Directives? Could you indicate the areas where a revision would be particularly welcome?

YES NO Don't know

Please comment:

A modernisation of the 7th directive could facilitate cross-border investment and improve the comparability of financial statements throughout the European Union.

Question 36

Do you believe that there is a need to streamline and modernise the wording and terminology throughout the Directives?

YES NO Don't know

Please provide examples:

It goes without saying that the wording of both directives should be streamlined, and inconsistencies be eliminated while enhancing the coherence and integrity of both Directives. One of the objectives of the revision of the Directives is after all, according to the Commission document, to increase the clarity of the text for lawmakers and users in general.

However as the terminology is well known by preparers as well as by all stakeholders of the financial statements, changes in the terminology should only be considered if really necessary. Changing for the sake of changing should be avoided. **UEAPME is not in favour of introducing IFRS into the Directives.**

4.11. The future role of the Accounting Directives - Outlook

Question 37

Do you have any comments relating to the long-term role of the EU Accounting Directives?

Please comment:

As already mentioned above, it goes without any saying that UEAPME welcomes every initiative that reduces the administrative burden for SMEs and/or that could make legislation simpler. UEAPME welcomes especially the attempt to introduce the "think small first" approach, by proposing a bottom-up approach.

The role of the accounting directive is extremely important for micro and small enterprises. Indeed these enterprises will continue to need financial information for example in order to have access to finance, towards suppliers, clients, to get information about potential business relationships, competitors and so on. Also in the case of transfer of a company, an exact and correct overview of the financial situation of a company is key. In addition, the legal obligation to keep financial reports is also connected, in a lot of member states, with an obligation to file a tax return, based on those financial reports. There are also indications that without accounting the cost for access to finance, taken into account the Basel II requirements will increase.

In a significant number of SME entities the owner(s) is/are also responsible for the management and leadership of the entity. For such companies the need for financial reporting is particularly driven by the need to evaluate the position of the company to enable the development of the future strategy, rather than the need to report to a wide range of users on historical performance. So financial reporting has a function also for micro-entities and can help to avoid bankruptcy.

The only once principle will lead to an important reduction of administrative burden for SMEs. The annual accounts can play an important role in this area.

Concerning statistics about companies, also the European Commission should coordinate the demands of the several DGs and demand only from the Member States information that can be found in the disclosed accounts or other sources which do not require a tailor-made statement from the companies.

To preserve the competitiveness of companies, including the micro entities, on the European internal market, all efforts towards further harmonisation should continue, especially in the field of publication requirements.

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