



9 August 2007

EFRAG
European Financial Reporting
Advisory Group

Dear Sirs

EFRAG's Draft Comment Letter on IASB's ED IFRS for SMEs

We appreciate this opportunity to respond to the European Financial Reporting Advisory Group on its draft comment letter on the Exposure Draft of an IFRS for Small and Medium – Sized Entities. This letter represents the views of the Accounting Standards Committee of the Institute of Certified Public Accountants of Cyprus.

Please find below our comments following the layout of your draft comment letter.

(i) Suggested ways to further improve the proposed standard

- Point 1 – We agree provided that the structure of an IFRS for SMEs is kept similar with the full IFRS; also refer to our views in Question 11 below
- Point 2 – We agree that the label SMEs is not the most appropriate. Regarding the label NPAEs, we have concerns that the term “non-publicly accountable” may convey wrong messages to the public and create expectation gaps, e.g. is a big non-listed electricity generating or oil exploration entity totally non-publicly accountable? Also the label NPAEs would be appropriate provided no jurisdiction introduces further scope criteria. As an alternative, instead of labeling IFRS, could introduce an adjective to IFRS, e.g. “Simpler IFRSs”
- Point 3 – We agree
- Point 4 – We agree other than the proposal for eliminating the reference to the name “fair value”; as in Point 1 above, we believe the concepts of an IFRS for SMEs should be kept similar with the full IFRS; refer to our views in Question 11 below
- Point 5 – We agree
- Point 6 – We have concerns about this point. Refer to our views in Points 1 and 4 above and Question 11 below.

(ii) Attachment 1 - Responses to the invitation (by IASB) to comment

- Question 1 – We agree with EFRAG
- Question 2 – Overall, we agree with the simplifications suggested by EFRAG.
 - Statement 1
As far as embedded derivatives is concerned, we prefer View 1. We also consider that their recognition and measurement are complex in the context of an SME, but we recognise the need to disclose such instruments (Attachment 1, page 4).
We believe that securitisation and factoring transactions are not common transactions for SMEs and therefore we agree with the simplification made by the IASB (Attachment 1, page 6).
In relation to hedge accounting, this is not commonly used by SMEs in Cyprus. Our reply to the relevant questions is that the simplifications are not too restrictive (Attachment 1, page 6).
 - Statement 2 – We agree with EFRAG
 - Statement 3 – We agree with EFRAG
 - Statement 4 – We agree with EFRAG
 - Statement 5 – We agree with EFRAG
 - Statement 6 – We agree with EFRAG
 - Statements 7 and 8 – We agree with EFRAG in simplifying / generalizing measurement requirements; we disagree however with EFRAG's proposal to eliminate reference to fair value for the reasons cited in Points 1 and 4 of Section (i) above and Question 11 below.
- Question 3 – We agree with EFRAG
- Question 4 – We agree with EFRAG
- Question 5 – We agree with EFRAG
- Question 6 – We agree with EFRAG
- Question 7 – We agree with EFRAG
- Question 8 - We believe the structure of an IFRS for SMEs should be kept similar with the full IFRS; refer to our views in Question 11 below
- Question 9 – We agree with EFRAG except for Related Party Disclosures which we believe should remain but simplified
- Question 10 – We agree with EFRAG
- Question 11 (also Attachment 3) – We have concerns about EFRAG's proposals. We believe that the structure of an IFRS for SMEs should remain similar with the full IFRS. We do not agree with EFRAG's views that there is very little benefit, if any, in keeping IFRS for SMEs as similar as possible to full IFRS:
 - IFRS for SMEs is only intended to simplify existing IFRS and not create new or different standards
 - The IASB should not move towards a direction of ending up with two entirely different IFRS financial reporting frameworks
 - IFRS should be kept as principles-based and never be allowed to end up as rules-based.

(iii) Attachment 2 – Detailed comments on existing sections

Page 3: We do not agree with EFRAG that the condition set in par 1.3 of the proposed standard should be removed; the True and Fair view on the financial statements of a publicly accountable entity may only be achieved by reference to the applicable financial reporting framework, which in this case and at this point in time, is full IFRS.

(iv) Attachment 3 – An EFRAG Proposal / Illustration to an alternative IFRS for SMEs

We have concerns about EFRAG's proposals – refer to our comments in Question 11 of section (ii) above.

Please do not hesitate to contact us in case of queries.

Yours faithfully



Gabriel Onisiforou
Chairman of the Accounting Standards Committee of
The Institute of Certified Public Accountants of Cyprus