

**Meeting:** IESBA CAG  
**Meeting Location:** Conrad Hotel, Brussels, Belgium  
**Meeting Date:** March 5, 2012

## **SME SMP Initiative**

### **Objective of Agenda Item**

To seek input from CAG members on a project to reconsider and clarify the provisions in the IESBA Code dealing with the preparation of accounting records and financial statements.

### **Background**

At its October 2011 meeting in New York, the IESBA received and discussed a report (Agenda Paper F-2) on how it might address the unique and challenging issues faced by professional accountants in small- and medium-sized entities (SMEs) and small- and medium-sized practices (SMPs) when complying with the Code.

The report included a recommendation that the Board consider guidance on the preparation of accounting records and financial statements. It is common practice in many jurisdictions around the world for SMPs and others providing services to SMEs to prepare their accounting records and financial statements, and the Working Group studying the challenges faced by professional accountants in SMEs and SMPs encountered confusion about the Code's guidance on such services.

As discussed at the IESBA meeting in October, Staff Questions and Answers and other guidance separate from the Code may be useful, but they are not an ideal substitute for clarity of the Code. Understanding the Code has been identified as a challenge for professional accountants in SMEs and SMPs, particularly those whose first language is not English; adding more guidance is less helpful than clarifying the existing guidance. Clarification will facilitate understanding and compliance with the Code, and highlighting the importance of an objective and transparent analysis and presentation of the issues in this area so that the client can make the necessary judgments will help to strengthen the application of the Code.

The IESBA will discuss, at its February 2012 meeting, the preparation of a project proposal for discussion and approval at the next Board meeting.

In particular the project will seek to clarify the guidance in the Code dealing with the preparation of accounting records and financial statements and the importance of giving audit or review clients the opportunity to make judgements and decisions based on an objective and transparent analysis and presentation of the issues.

Please refer to the attached agenda papers for further detail.

**Action Requested:**

CAG members are asked for their views on the issues to be considered in developing an SME/SMP project proposal.

**Material Presented**

Agenda Paper F	This Agenda Paper
Agenda Paper F-1	SME/SMP Issues IESBA agenda paper
Agenda Paper F-2	SME/SMP Working Group's Report to the IESBA.

**Action Requested**

CAG members are asked to consider the question raised in this agenda paper.