

## **AG Mittelstand: IAS Board must resolve the issue of equity capital in the International Financial Reporting Standards for smaller companies**

Berlin, 16 February 2007 - The AG Mittelstand – eight associations from the retail, trade, hotel and catering and banking industries - calls upon the International Accounting Standards Board (IASB) to adapt the definition of equity capital in the financial reporting standards to take account of the needs of small and mid-sized companies. The IASB recently presented its initial proposals for international financial reporting standards (IFRS) for small and mid-sized companies. It requires that partnerships and cooperatives no longer report their company capital as equity capital in the balance sheet according to IFRS, but as a liability. The AG Mittelstand stated, "If the issue of equity capital is not satisfactorily resolved, the IFRS for small and mid-sized companies will most likely not be applied in practice in Germany".

As a rule, the AG Mittelstand supports the work of the IASB and the preparation of international financial reporting standards for small and mid-sized enterprises. Appropriate IFRS for SMEs provide small and mid-sized companies with the opportunity to present internationally comparable financial statements to interested third parties. Particularly for internationally operative SMEs, the application of IFRS in the preparation of the balance sheet can be useful if foreign business partners prefer a financial statement drawn up in accordance with the familiar IFRS to a financial statement drawn up according to the German Commercial Code, which requires explanation.

However, the application of IFRS is not practical or sensible for all small and mid-sized companies. Not every SME is internationally operative, and the application of yet another accounting system is not affordable for every SME. Thus it is especially important that the application of international financial reporting standards take place exclusively on a voluntary basis.

As the application of the complete IFRS often represents an insurmountable bureaucratic hurdle for small and mid-sized companies, it is important, according to the AG Mittelstand, that the regulatory framework be tailored to the requirements of small and mid-sized companies. In particular, the complexity of the currently applicable IFRS must be significantly reduced for small and mid-sized companies. International financial reporting standards for small and mid-sized companies must be simple, understandable and stable.

The AG Mittelstand stated that practical regulations for SMEs are needed. Thus, for example, current market values can be directly established in an active market only in a few exceptional cases. However, SMEs cannot reasonably be expected to apply complex mathematical and statistical analysis models to determine the fair value of a balance sheet item. "International financial reporting standards for small and mid-sized companies must not

result in higher administrative expenses; the application of these standards often requires the employment of specialists. The extensive reporting obligations of the applicable IFRS must also be significantly reduced," explained the AG Mittelstand.

Further information is available at the following addresses: [www.arbeitsgemeinschaft-mittelstand.de](http://www.arbeitsgemeinschaft-mittelstand.de)

Association contacts:

**Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR)**

Kirsten Bradtmöller  
Schellingstrasse 4  
10785 Berlin, Germany  
Phone: +49 (0)30/20 21 13 20  
Internet: [www.bvr.de](http://www.bvr.de)

**Bundesverband des Deutschen Groß- und Außenhandels (BGA)**

André Schwarz  
Am Weidendamm 1A  
10117 Berlin, Germany  
Phone: +49 (0)30/5 90 09 95 21  
Internet: [www.bga.de](http://www.bga.de)

**Deutscher Hotel- and Gaststättenverband (DEHOGA Bundesverband)**

Stefanie Heckel  
Am Weidendamm 1A  
10117 Berlin, Germany  
Phone: +49 (0)30/72 62 52 30  
Internet: [www.dehoga.de](http://www.dehoga.de)

**Deutscher Raiffeisenverband e. V. (DRV)**

Monika Windbergs  
Pariser Platz 3  
10117 Berlin, Germany  
Phone: +49 (0)30/85 62 14 43  
Internet: [www.raiffeisen.de](http://www.raiffeisen.de)

**Deutscher Sparkassen- and Giroverband (DSGV)**

Stefan Marotzke  
Charlottenstrasse 47  
10117 Berlin, Germany  
Phone: +49 (0)30/20 22 51 15  
Internet: [www.dsgv.de](http://www.dsgv.de)

**Hauptverband des Deutschen Einzelhandels (HDE)**

Hubertus Pellengahr  
Am Weidendamm 1A  
10117 Berlin, Germany  
Phone: +49 (0)30/72 62 50 60  
Internet: [www.hde.de](http://www.hde.de)

**Zentralverband des Deutschen Handwerks (ZDH)**

Alexander Legowski  
Mohrenstrasse 20/21  
10117 Berlin, Germany  
Phone: +49 (0)30/2 06 19 370  
Internet: [www.zdh.de](http://www.zdh.de)

**Zentralverband Gewerblicher Verbundgruppen e. V. (ZGV)**

Christian Kiel  
Am Weidendamm 1A  
10117 Berlin, Germany  
Phone: +49 (0)30/59 00 99 661  
Internet: [www.zgv-online.de](http://www.zgv-online.de)