



Accounting and Financial Reporting by Small and Medium-sized Enterprises: **Trends and Prospects**





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List of Acronyms

ACCA	Association of Chartered Certified Accountants
BFN	Bokföringsnämnden, the Swedish Accounting Standards Board
EFRAG	European Financial Reporting Advisory Group
GAAP	generally accepted accounting principle
GDP	gross domestic product
IAASB	International Auditing and Assurance Standards Board
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFAC	International Federation of Accountants
IFRS for SMEs	International Financial Reporting Standard for Small and Medium-sized Enterprises
ISA	international standards on auditing
ISAR	Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting
LIFO	“last in – first out” method
PAO	professional accountancy organization
PI	public interest
PPE	property, plant and equipment
SAICA	South African Institute of Chartered Accountants
SME	small and medium-sized enterprise
SMEGA	Accounting and Financial Reporting Guidelines for Small and Medium-sized Enterprises
SMEIG	SME Implementation Group
SYSCOHADA	Organisation pour l’Harmonisation en Afrique du Droit des Affaires Accounting System

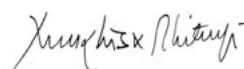
Preface

The role of small and medium-sized enterprises (SMEs) in the economic development of countries/territories around the world cannot be overemphasized. Beyond meeting the demand for the day-to-day goods and services of the majority of the population of almost all countries/territories, SMEs make significant contributions to global trade and economic development. Moreover, SMEs provide employment to the greater share of the workforce of most countries/territories.

One of the major obstacles that SMEs face when they initially start or need to scale up operations is access to financing. Maintaining proper accounts and generating meaningful financial statements enhance their chances of obtaining financial resources. To attract foreign investment, SME reporting also needs to meet international requirements and standards such as those set by the International Accounting Standards Board (IASB). However, in response to the rapid globalization of the world economy and increasing interconnectedness of global financial markets, international accounting standards (IASs) are becoming too complex, voluminous and costly for many SMEs to apply in an effective manner.

UNCTAD's Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) has been playing a pioneering global role in addressing the accounting and financial reporting needs of SMEs. ISAR was the first group of experts to provide SMEs with simple, user-friendly accounting and financial reporting guidelines. Most notably, ISAR has succeeded in changing an earlier widely maintained view that "one size fits all". In tackling this issue, the ultimate objectives of ISAR – beyond the technical accounting details – have been to build a competitive SME sector, create employment opportunities, encourage entrepreneurship, increase productive capacity and trade, and achieve sustainable and inclusive economic growth.

I am very pleased to present to readers this publication that reviews recent trends and prospects in accounting and financial reporting by SMEs, including microenterprises. I am confident that policymakers, regulators, standard-setters and professional accountancy organizations will find this information useful for their policy debates and decision making in this important area.



Mukhisa Kituyi

Secretary-General of UNCTAD

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