

Small firms to get new accounting rules

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SA's auditors and accountants are overwhelmingly in favour of a new accounting standards framework for the country's more than 2-million small business units, according to a recent study carried out by the South African Institute of Chartered Accountants .

The new accounting framework is intended to simplify the accounting process and reduce audit fees for the majority of small businesses.

Ewald Müller, senior executive of standards at the institute, said at the weekend that the requirements of international financial reporting standards — contained in a document of 2850 pages — were onerous for most small businesses.

“The option granted last year to certain nonpublic entities in the form of international financial reporting standards for small and medium- sized entities, at a ‘mere’ 350 pages is starting to help ease the compliance burden,” said Mr Müller.

However, the proposed framework, called the South African Generally Accepted Accounting Principles for Non-Public Entities , would ease the burden further and apply to all businesses other than those with a public interest, he said.

Companies in which the public has an interest are obliged to apply international financial reporting standards.

According to the institute's study , the majority of respondents (86%) agreed with the need for a “third framework”, on top of full-on international financial reporting standards , and similar standards for small businesses.

More than half of the respondents (58%) maintained the framework should not be further simplified; and 81% believed all private or limited companies should be allowed to use the new framework.

Mr Müller, who chaired the working group that drafted the new accounting framework, hoped that it would be approved by the Accounting Practices Board and introduced in the third quarter of the year.

He said the proposed framework had even stirred the interest of the International Federation of Accountants, the global accounting body.

Mr Müller said that in arriving at the new framework, the working group initiated by the institute agreed that the outcome would be measured against a number of criteria. For instance, the costs of applying the framework should not exceed the benefits. Further, the new accounting framework had to enable primary users to apply it under the Companies Act. It needed to be a stand-alone document and address the majority of transactions.

Most importantly, it needed to ensure minimal deviation from management accounts, Mr Müller said.

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