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Study on Accounting requirements for SMEs

- FINAL REPORT -

**Submitted by Cna Interpreta s.r.l.
Team Leader**

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1. EXECUTIVE SUMMARY

The objective of the Study is to provide an overview of the accounting requirements in force and of the good accounting practices adopted in 20 selected European Countries (the selected Countries), and to identify Users' perceived needs for accounting information from small- and medium-sized enterprises (SMEs) in Europe, along with SMEs' own needs for accounting information in the non-financial business economy.

This is achieved through two different actions:

- A Desk Research, consisting of an inventory of collected information on accounting requirements in force in the selected Countries. The Desk Research also includes the collection of statistical data concerning SMEs at European level, divided by Country, legal form and size. Also some areas of particular interest are focused on; good accounting practices are identified with reference to these areas into the selected Countries.
- A Survey, based on questionnaires, collecting the needs, requests and suggestions of the three types of stakeholders or Respondents involved (Users, Preparers and Accounting Professionals) with regard to relevant accounting requirements. The Survey, carried out in the selected Countries, comprised of 1.560 questionnaires filled out by the three different types of Respondents as mentioned above.

For the scope of the Study, the SMEs are divided into three different legal forms as follows:

- Type A: Private joint-stock companies with limited liability for those owning shares;
- Type B: Personally owned limited and unlimited partnerships – also including other legal forms such as co-operatives;
- Type C: Personally owned enterprises with no limit to personal liability, such as sole proprietorships).

Further subdivision has been made by Size class i.e. Medium-, and Small-sized, Micros 1 and 2.

Despite the large-scale sending of questionnaires, the feedback from the Survey showed a generally low interest in the Survey on the part of the Respondents. Many of the Respondents declared not to make use of accounting documentation to evaluate other entities. In fact, the information deemed necessary (especially for verifying the solvency and good standing of third parties) is often acquired through alternative/additional channels (i.e. commercial reports and/or banking information, etc.).

According to the inventory of accounting legislation and the good accounting practices identified by the Desk Research and the results of the Survey, the following conclusions are drawn and recommendations made per legal form and size of the entities as follows:

Type A: In general for Type A entities, the size (i.e. Medium-, and Small-sized, Micros 1 and 2) is not a criterion which affects the accounting requirements in force. Thus, by reason of their legal form and largely in view of their resulting limited liability, the Type A entities are subject to various accounting requirements, including double-entry bookkeeping, the preparation and publication of their financial statements and auditing requirements.

From the results of the Survey, it emerges instead that the perceived needs of the Respondents are not always in line with the provisions of the national accounting laws, because they relate more closely to the size of Type A entities.

Type B: On the basis of the Desk Research findings, it can be noted that the size of the entity (Medium-, and Small-sized, Micros 1 and 2) becomes for Type B entities a more

noteworthy driver for the purposes of the accounting requirements they are expected to meet.

From the analysis of the results of the Survey there emerges a very low interest in the accounting documentation of the Type B entities; this low level of interest is mainly due to the unlimited liability principle which governs those partnerships. Indeed third parties may rely on the personal assets of the partners without specific need to have complete information about the entity's assets.

From the results of the Desk Research and of the Survey, it can be concluded that even if there is some interest in the accounting documentation of Medium-sized entities, this interest is lower and the level decreases as the size of the entities decreases (i.e. Small-sized, Micros 1 and 2 entities).

Type C: On the basis of the Desk Research findings, it can be noted that in most of the selected Countries, some accounting requirements are mainly due to the size of the entity (e.g. accounting records and components of financial statements) while other are not provided regardless of the size (e.g. publication, auditing, directors' report).

From the analysis of the results of the Survey there emerges a very low interest into the accounting documentation of Type C entities; this low level of interest is mainly due to the unlimited liability principle which governs those partnerships. Indeed third parties may rely on the personal assets of the partners without specific need to have complete information about the entity's assets.

From the results of the Desk Research and of the Survey, it can be concluded that even if there is some interest in the accounting documentation of Medium-sized entities, this level of interest is lower and it decreases as the size of the entities decreases (Small-sized, Micros 1 and 2).

As a general conclusion it can be noted that the results of the Survey have clearly highlighted a perceived need for simplification from the Users' and Preparers' point of view. The Respondents showed a general need to reduce the requirements already in force, insofar as they are perceived as non-essential to the internal needs of enterprise monitoring and management. This need increases as the size of the entity decreases.

General recommendation is therefore made, with reference to all Types of entities, that possible future policy initiatives aimed at an enhanced simplification shall take into account the Size criterion (Medium-sized, Small-sized, Micros 1 and 2) as a guideline for every kind of legislative initiative.

Future Policy Initiatives are then suggested taking into consideration three different measures:

- Abolishment of the accounting requirements;
- Simplification of the accounting documentation requirements;
- Exemption from accounting requirements either by introducing new thresholds or by a harmonization of the existing thresholds.

Only for Medium-sized entities Type B and Type C, some further accounting requirements are to be introduced, taking into account the needs of more availability and reliability of their accounting documentation expressed by the Respondents.

The proposals are differentiated by Type and Size as follows;

Type A: For the Type A entities, no specific future legislative interventions of abolishment are recommended since the accounting framework in force, is considered coherent with the needs of the Respondents. Nonetheless simplifications are proposed with reference to the elimination of some items in the Balance Sheet, the Profit and Loss Account, the Notes to the Accounts and the Directors' report. Possible interventions of simplification are also

suggested in view to reduce the costs of some specific accounting requirements, such as the Publication requirement (to be effected on the entity web site) and the Auditing by introducing a "limited audit" or a "statutory review".

Type B: As a general criterion for legislative intervention it is first of all recommended to consider the size of the entities; in this respect the following proposals are made:

- Only for Medium-sized entities some further accounting requirements are to be introduced, taking into account the needs of more availability and reliability of their accounting documentation expressed by the Respondents. For Medium-sized entities it is proposed to introduce as mandatory requirement of the Abbreviated Financial Statement, the Notes to the Accounts and the Publication and as optional requirement the Directors' report, the Cash Flow Statement and the Auditing.
- For Small-sized entities it is proposed that the Double-Entry Accounting method, the Abbreviated Financial Statements and the Publication, shall be considered as optional in the Countries where these requirements are now considered as mandatory.
- For Micro 1 and Micro 2, it is proposed to maintain the highest level of exemption from the accounting requirements, to harmonize the exemptions' thresholds and to abolish some requirements (i.e. the Double-Entry Accounting method to be replaced by the Accounting for taxation purpose only, that will imply the preparation of a simplified Profit and Loss Account). It is however proposed that the Double-Entry Accounting method and the Abbreviated Financial Statements may be adopted as optional by the enterprises.

Type C: As a general criterion for legislative intervention it is first of all recommended to consider the size of the entities; in this respect the following proposals are made:

- Only for Medium-sized entities some further accounting requirements are to be introduced, taking into account the needs of more availability and reliability of their accounting documentation expressed by the Respondents. For Medium-sized entities it is proposed to introduce as mandatory requirement the Abbreviated Financial Statements and the Publication and as optional requirement the Directors' report, the Cash Flow Statement and the Auditing.
- For Small-sized entities it is proposed to abolish the Double-Entry Accounting method to be replaced by the Accounting for taxation purpose only, that will imply the preparation of a simplified Profit and Loss Account. It is however proposed that the Double-Entry Accounting method and the Abbreviated Financial Statements may be adopted as optional by the enterprises.
- For Micro 1 and Micro 2, it is proposed to maintain the highest level of exemption from the accounting requirements, to harmonize the exemptions' thresholds and to abolish some requirements (i.e. the Double-Entry Accounting method to be replaced by the Accounting for taxation purpose only, that will imply the preparation of a simplified Profit and Loss Account). It is however proposed that the Double-Entry Accounting method and the Abbreviated Financial Statements may be adopted as optional by the enterprises.

2. INTRODUCTION

The importance of small- and medium-sized enterprises (SMEs) in the social and economic European environment is obvious. Nowadays SMEs are considered the real driving force behind the European economic system. In June 2008, the Commission launched a new policy initiative called 'Small Business Act for Europe' (SBA),¹ aimed at putting SMEs at the forefront of the decision-making process, at strengthening their job creation potential within the EU and at promoting their competitiveness both within the single and the global market. One of the key elements of the SBA is the principle of "Think Small First", which is to govern policy and decision-making at all levels of the EU.²

All the actions supporting SMEs and entrepreneurship are therefore given a unique and comprehensive framework in the above-mentioned SBA. Within this framework, the policy of "improving the business environment and stimulating business support measures" covers the issue of accounting systems for SMEs among other things. The present Study, "Accounting Requirements for SMEs", may be set within a more general vision of the European Commission, which stems from the Communication issued in 2007³, aimed at simplifying EU rules on company law, accounting and auditing.

Furthermore, on the basis of the "Think Small First" principle, the European Commission has taken major steps to reach the 25% reduction target in administrative burdens set in March 2007⁴. In November 2008 the EC Directorate General for Enterprise and Industry published an expert group report on "Accounting systems for small-sized enterprises – recommendations and good practices". This report describes the accounting systems and accounting framework in place for small-sized enterprises not regulated at EU-level and identifies a number of good practices for these enterprises⁵.

Following this Study and on the basis of its conclusions, the European Commission deemed that there was a need to find out more about the accounting requirements for SMEs in Europe in the future. Therefore, it was considered necessary and important to carry out a Study analysing the accounting requirements for SMEs from the point of view of both the users and the preparers of financial statements.

The Study is focused on the accounting requirements for SMEs as these entities will play a crucial role in the future within the social and economic systems of all European countries. It is recognised that appropriate accounting information is important for the successful management of a business, whether it is large or small⁶. Furthermore, accounting is obviously a key source of information for the owners and managers of small enterprises and their various stakeholders.

At EU level accounting legislation is in place for different kinds of companies. Listed companies in the EU are covered by the International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) as adopted by the EU (IAS Regulation (EC) N° 1606/2002)⁷, while limited liability companies, are regulated at the EU level by the Fourth Directive (78/660/EEC)⁸ and the Seventh Directive (83/349/EEC)⁹, together named the Accounting Directives, which are then transposed by Member States into

¹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0394:FIN:en:PDF>

² http://ec.europa.eu/enterprise/policies/sme/files/docs/sba/report_think_small_first_en.pdf

³ http://ec.europa.eu/internal_market/company/docs/simplification/com2007_394_en.pdf

⁴ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0035:FIN:EN:PDF>

⁵ <http://ec.europa.eu/enterprise/policies/sme/business-environment/accounting/>

⁶ <http://ec.europa.eu/enterprise/policies/sme/business-environment/accounting/>

⁷ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2002:243:0001:0004:en:PDF>

⁸ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31978L0660:EN:NOT>

⁹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31983L0349:en:HTML>

their national accounting legislation to become the local GAAP (Generally Accepted Accounting Principles).

However, there is no accounting legislation in force at the EU level for those enterprises which are not covered in the IAS Regulation and the Accounting Directives.

On 26th February 2009 the European Commission proposed that micro entities should be exempt from the Accounting Directives¹⁰ and that, furthermore, a modernisation and simplification of the Accounting Directives would be carried out in the near future¹¹ according to the Communication issued by the Commission in July 2007¹². The overall aim of this Study is therefore to produce recommendations based on a detailed analysis and evaluation of the existing accounting requirements for SMEs, the users' perceived needs for accounting information from SMEs in Europe (i.e. in Member States and EEA countries) as well as the SMEs' own needs for accounting information in the non-financial business economy. The non-financial business economy is defined in the Study as the economic activities other than those of the financial service activities, including insurance, reinsurance and pension funding activities and activities undertaken to support financial services¹³.

The final result of the Study is to provide concrete proposals on possible future accounting requirements for SMEs in the non-financial business economy. This task is to be seen in the light of the European Commission's work to exempt micro entities from the Accounting Directives and the revision of the Accounting Directives. Special attention is to be given to policy initiatives that could reduce the administrative burden of SMEs in terms of producing financial statements, without having an impact on the quality of financial reporting.

The objective of the Study is to provide an overview of the accounting requirements in force and of the good accounting practices adopted in the 20 selected Countries (hereafter: the selected Countries) and to identify users' perceived needs for accounting information from SMEs in Europe, as well as SMEs' own need for accounting information in the non-financial business economy.

This objective is to be achieved through two different types of action:

- A Desk Research, consisting of an inventory aimed at collecting information on the accounting requirements in force in the selected Countries. This information will comprise both a description of the accounting requirements in force in November 2009 and an identification of the good accounting practices adopted. On the basis of the information gathered and the good accounting practices identified, conclusions and recommendations are drawn to complete the Desk Research. The Desk Research also includes the collection of statistical data concerning SMEs at a European level, aimed at presenting an inventory of SMEs divided by Country, legal form and size, according to the specifications of the Study.
- A Survey, based on questionnaires, aimed at collecting the needs, requests and suggestions of the various kinds of stakeholders involved (i.e. Users, Preparers and Accounting Professionals) with regard to their relevant accounting information.

¹⁰ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0083:FIN:EN:PDF>

¹¹ http://ec.europa.eu/internal_market/accounting/sme_accounting/review_directives_en.htm

¹² http://ec.europa.eu/internal_market/company/docs/simplification/com2007_394_en.pdf

¹³ Eurostat (NACE Rev. 2, except for Section K).

On the basis of the good accounting practices identified, the recommendations given, and the conclusions drawn in the Desk Research, together with the recommendations given on perceived accounting requirements and the factually based conclusions drawn on the results analysed in the Survey, argumentations are provided for the form and content of possible future policy initiatives for accounting requirements for SMEs in the non-financial business economy.

3. THE DESK RESEARCH

The Desk research is composed of two modules:

- 1 Accounting requirements in force (Chapter 3.1), and
- 2 Statistical data (Chapter 3.2).

The first module “Accounting requirements in force” is a sort of inventory which aims at identifying and analysing factual information on existing accounting requirements for SMEs (not listed and operating in non-financial business sectors) as in force on November 2009¹⁴ for the selected Countries.

More specifically, the following European Countries have been selected:

- 19 EU Member States (i.e. Austria, Belgium, the Czech Republic, Denmark, Estonia, France, Germany, Greece, Italy, Lithuania, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom), and
- 1 EFTA/EEA Member State (i.e. Norway).

The Countries have been identified on the basis of the European Commission’s indications. Seven Countries were indicated as mandatory by the European Commission; the others were to be selected among specific groups also indicated by the European Commission. In particular, the choice was to be made between countries belonging to different European economic areas¹⁵. Among the predetermined group of countries indicated by the European Commission, the selection criteria were mainly based on the economic significance of the Countries in object. Furthermore the countries were selected in order to provide an appropriate balance between old EU Member States¹⁶ and new EU Member States¹⁷.

The second module “Statistical data” aims at delivering some statistical data on the structure of SMEs in Europe, taking into account the following Countries:

- All EU Member States;
- Iceland and Norway (EFTA/EEA Member States); and
- Switzerland (EFTA Member State).

More specifically, this part of the Chapter provides a quick overview of the nature and characteristics of SMEs in European business, but it also represents a showcase for the data available in this field.

¹⁴ Reference is made to the date of signature (November 10, 2009) between the EU Commission and the Team Leader of the Service Contract for providing this study.

¹⁵ More specifically, the following groups have been suggested by the EU Commission: a) France, Germany, Italy, The Netherlands, Poland, Spain, The United Kingdom; b) Austria, Belgium, Greece, Ireland, Lichtenstein, Luxembourg and Portugal; Group c) Bulgaria, Cyprus, The Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Romania, Slovakia and Slovenia; Group d) Denmark, Finland, Iceland, Norway and Sweden. Countries identified under letter a) were all included in the selected Countries as per EU Commission’s instructions. In addition, 4, 6, and 3 Countries have been respectively selected among those indicated under letters b), c) and d).

¹⁶ Reference should be made to the list of the 15 Member States in force before the 2004 EU Accession.

¹⁷ Reference should be made to the list of the 12 additional Member States which joined the EU on May 1, 2004 (10 new Member States) and on January 1, 2007 (2 new Member States) respectively.

3.1. Accounting requirements in force

The following inventory has been carried out with the assistance of accounting experts from KStudio Associato and KPMG Advisory S.p.A. supported by other practices belonging to the same KPMG network and based in the selected Countries.

KStudio Associato and KPMG Advisory S.p.A. are respectively an Italian professional partnership and an Italian limited liability share capital company both member firms of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG is a global network of professional firms providing audit, tax and advisory services.

As a preliminary element, a "framework" of a number of different legal forms operating in the selected Countries has been designed to provide the required overview. The data have been harmonized and combined in order to create a section (the Accounting Matrix – see the Chapter 3.1.1.3) which includes all information collected and analysed in order to provide an overview of the accounting requirements in force.

Finally good accounting practices and conclusions have been identified on the basis of the selected and analyzed information¹⁸.

3.1.1. Definitions

3.1.1.1. Legal forms - Type A, Type B and Type C

Information has been examined, developed and presented per Country for each legal form of SMEs (i.e., Types A, B and C).

Type A	This category includes private joint stock companies with limited liability for those owning shares. Limited liability means that the liability of the shareholders to the company's creditors is limited to the capital originally invested, i.e. the nominal value of the shares and any premium paid in return for the issue of the shares by the company. The shareholder's personal assets are thereby protected in the event of company's insolvency, but the money invested in the company will be lost ¹⁹ .
Type B	This category includes personally owned limited and unlimited partnerships and other forms like co-operatives. In this category, the responsibility of the members is limited to their contributions, provided however they intervene or not in the management of the entity. On the other hand, each partner who participates in an unlimited liability partnership is liable for all the business debts. In this case, the partners are jointly and severally liable for the debts of the partnership. The partners have unlimited liability and also may be sued directly for the debts of the partnership.
Type C	This category includes personally owned and managed enterprises with unlimited personal liability such as sole proprietorships (unincorporated), also known as a sole trader, which is a type of business entity owned and run by an individual member. In this kind of entity the legal distinction between the business owner and the business itself does not exist. Accordingly, the owner has unlimited liability. It is a "sole" proprietorship in the sense that the owner has no partners.

¹⁸ For additional information, see also the project promoted by the EU Commission "Final Report of the Expert Group, Accounting Systems for Small Enterprises – Recommendations and good practices" (dated November 2008): http://ec.europa.eu/enterprise/newsroom/cf/itemshortdetail.cfm?tpa_id=0&item_id=3481

¹⁹ Listed companies are not part of this category as concerns this Study.

3.1.1.2. The selected Countries

In the selected Countries the following enterprises (legal entities and undertakings) have been taken into account for this inventory²⁰:

(*) Euro adopter	Type A	Type B	Type C
Types			
Countries	<i>Private joint stock companies with limited liability for those owning shares</i> ²¹ .	<i>Personally owned limited and unlimited liability partnerships. Included are also other legal forms such as co-operatives, associations, etc.</i>	<i>Personally owned and no limit to personal liability such as sole proprietorships (unincorporated).</i>
1.Austria (*)	<ul style="list-style-type: none"> Joint stock company: <i>Aktiengesellschaft</i> (AG); Limited liability company: <i>Gesellschaft mit beschränkter Haftung</i> (GmbH). 	<ul style="list-style-type: none"> General partnership: <i>Offene gesellschaft</i> (OG); Limited partnership: <i>Kommanditgesellschaft</i> (KG); Co-operative: <i>Genossenschaft</i>. 	Sole proprietorship: <i>Einzelunternehmer</i> .
2.Belgium (*)	<ul style="list-style-type: none"> Public Limited Liability Company: <i>Société anonyme/naamloze vennootschap</i> (SA/NV); Private Limited liability company: <i>Société privée à responsabilité limitée/besloten vennootschap met beperkte aansprakelijkheid</i> (SPRL/BVBA); Partnership Limited by Shares: <i>Société en commandite par actions/commanditaire vennootschap op aandelen</i> (SCA/Comm.VA). 	<ul style="list-style-type: none"> General Partnership: <i>Société en nom collectif/vennootschap onder firma</i> (SNC/VOF); Limited Partnership: <i>Société en commandite simple/gewone commanditaire vennootschap</i> (SCS/Comm. V); Co-operative Company: <i>Société coopérative/coöperatieve vennootschap</i> (SC/CV). 	Sole proprietorship: <i>Independant</i> .
3.The Czech Republic	<ul style="list-style-type: none"> Joint-stock company: <i>Akciová společnost</i> ("akc. spol." "a. s."); Limited liability company: <i>Společnost s ručním omezením</i> ("spol. s r.o." or "s.r.o."). 	<ul style="list-style-type: none"> General partnership: <i>Veřejná obchodní společnost</i> ("ve. obch. spol." or "v.o.s."); Limited partnership: <i>Komanditní společnost</i> ("kom. spol." or "k.s."); Co-operative – <i>Družstvo</i>. 	Sole proprietorship: <i>Živnost</i> .
4.Denmark	<ul style="list-style-type: none"> Public Limited Liability Company: <i>Aktieselskab</i> (A/S); Private Limited liability company: <i>Anpartsselskab</i> (ApS); Partnership Limited by Shares: <i>Partnerselskaber</i> (P/S). 	<ul style="list-style-type: none"> General partnership: <i>Interessentskaber</i> (I/S); Limited partnership: <i>Kommanditselskaber</i> (K/S); Co-operative: <i>Andelselskaber</i> (AmbA). 	Sole proprietorship: <i>Enkeltmandsvirksomhed</i> .
5.Estonia	<ul style="list-style-type: none"> Public limited company: <i>Aksiaselts</i> (AS); Private limited company: <i>Osajühing</i> (OÜ). 	<ul style="list-style-type: none"> General partnership: <i>Täisühing</i> (TÜ); Limited partnership: <i>Usaldusühing</i> (UÜ); Commercial association: <i>Tulundusühistu</i> (TuÜ). 	Sole proprietorship: <i>Füüsilisest isikust ettevõtja</i> (FIE).
6.France (*)	<ul style="list-style-type: none"> Public limited company: <i>Société anonyme</i> (SA); Private limited company: <i>Société à responsabilité limitée</i> (SARL); Partnership limited by shares: <i>Société en commandite par actions</i> (SCA); Simplified stock company: <i>Société par action simplifiée</i> (SAS). 	<ul style="list-style-type: none"> General partnership: <i>Société en nom collectif</i> (SNC); Limited partnership: <i>Société en commandite simple</i> (SCS); Co-operative: <i>coopérative</i>. 	Sole proprietorship: <i>Entrepreneur individuel</i> .
7.Germany (*)	<ul style="list-style-type: none"> Joint stock company: <i>Aktiengesellschaft</i> (AG); Partnership limited by shares: <i>Kommanditgesellschaft auf Aktien</i> (KGaA); Limited Liability company: <i>Gesellschaft mit beschränkter Haftung</i> (GmbH). 	<ul style="list-style-type: none"> General partnership: <i>Offene Handelsgesellschaft</i> (OHG); Limited partnership: <i>Kommanditgesellschaft</i> (KG); Co-operative: <i>Genossenschaft</i>. 	Sole proprietorship: <i>Einzelunternehmer</i> (SP).
8.Greece (*)	<ul style="list-style-type: none"> Limited company: <i>Anonymos Eteria</i> (AE); Private limited company: <i>Eteria Periorismenis Efthynis</i> (EPE). 	<ul style="list-style-type: none"> General partnership: <i>Omorythmos Eteria</i> (OE); Limited partnership: <i>Eterorythmos Eteria</i> (EE); Partnership: <i>Syneterismos</i>. 	Sole proprietorship: <i>Atomiki Epirhisi</i> .
9.Italy (*)	<ul style="list-style-type: none"> Joint stock company: <i>Società per azioni</i> (SPA); Partnership limited by shares: <i>Società in accomandita per azioni</i> (SAPA); Limited liability company: <i>Società a responsabilità limitata</i> (SRL). 	<ul style="list-style-type: none"> General partnership: <i>Società in nome collettivo</i> (SNC); Limited partnership: <i>Società in accomandita semplice</i> (SAS); Co-operative: <i>Cooperativa</i>. 	Sole proprietorship: <i>Ditta individuale</i> .

²⁰ Please note that the legal forms such as the European Company (SE) and the European Co-operative Society (SCE) are out of the scope of this report.

²¹ See also, Frank Dornseifer "Corporate Business Forms in Europe", Sellier – European Law Publishers, 2005.

(*) Euro adopter	Type A	Type B	Type C
Types	<i>Private joint stock companies with limited liability for those owning shares</i> ²² .	<i>Personally owned limited and unlimited liability partnerships. Included are also other legal forms such as co-operatives, associations, etc.</i>	<i>Personally owned and no limit to personal liability such as sole proprietorships (unincorporated).</i>
Countries			
10.Lithuania	<ul style="list-style-type: none"> Public company: Akcine bendrove (AB); Private company: Uzdaroji akcine bendrove (UAB). 	<ul style="list-style-type: none"> General partnership: Tikroji ūkine bendrija (TUB); Limited partnership: Komandinė ūkinė bendrija (KUB); Co-operative society: Kooperatiniu bendroviu istatymas (KBI), 	<ul style="list-style-type: none"> Private Enterprise: Individuali imone.
11.Netherlands (*)	<ul style="list-style-type: none"> Public limited liability companies: Naamloze vennootschap (NV); Private limited liability companies: Besloten vennootschap met beperkte aansprakelijkheid (BV). 	<ul style="list-style-type: none"> General partnerships: Vennootschap onder firma (VOF); Limited partnerships: Commanditaire vennootschap (CV); Co-operatives: Coöperatie (COOP). 	<ul style="list-style-type: none"> Sole proprietorships: Eenmanszaak.
12.Norway (EEA)	<ul style="list-style-type: none"> Public company: Allmennaksjeselskap (ASA); Private company: Aksjeselskap (AS). 	<ul style="list-style-type: none"> General Partnership: Ansvarling selskap (ANS); General Partnership with pro rata liability: Selskap med delt ansvar (DA); Limited Partnership: Kommandittselskap (KS); Co-operative: Cooperatie (COOP). 	<ul style="list-style-type: none"> Sole Proprietorship: Enkeltpersonsforetak.
13.Poland	<ul style="list-style-type: none"> Joint stock company: Spolka akcyjna, (SA); Limited joint-stock partnership: Spolka komandytowo-akcyjna (S.K.A.); Limited liability company: Spolka z ograniczonaodpowiedzialnoscia (sp. z o.o. or spolka z o.o.). 	<ul style="list-style-type: none"> General partnership: Spolka jawna (sp. j.); Limited partnership: Spolka komandytowa (sp. k.); Co-operative enterprises: Spoldzielnia. 	<ul style="list-style-type: none"> Sole proprietorship: Indywidualna dzialalnosc gospodarcza.
14.Portugal (*)	<ul style="list-style-type: none"> Public limited liability company: public or private Sociedade anónima (S.A.); Limited liability company: Sociedade por quotas (Lda.); Limited partnership by shares: Sociedade em comandita por açções (SCA). 	<ul style="list-style-type: none"> Civil company: Sociedade civil; General partnership: Sociedade em nome colectivo; Limited partnership: Sociedade em comandita simples; Co-operative: Co-operative. 	<ul style="list-style-type: none"> Sole proprietorship: Empresario em nom individual.
15.Romania	<ul style="list-style-type: none"> Joint stock company: Societate pe actiuni (SA); Limited liability company: Societate cu raspundere limitata (SRL); Private company limited by shares: Societate in comandita pe actiuni (SCA). 	<ul style="list-style-type: none"> General partnership: Societate in nume colectiv (SNC); Limited partnership: Societate in comandita simpla (SCS); Co-operative: Cooperativa. 	<ul style="list-style-type: none"> Sole proprietorship: Intreprinderi individuale.
16.Slovakia (*)	<ul style="list-style-type: none"> Joint stock company: Akciová spoločnosť (akc. spol. or a. s.); Limited liability company: Spoločnosť s rušením obmedzeným (s.r.o. or spol. s.r.o.). 	<ul style="list-style-type: none"> Unlimited partnership: Verejná obchodná spoločnosť (ver. obch. spol. or v.o.s.); Limited partnership: Komanditná spoločnosť (kom. spol. or k. s.); Co-operative: Družstvo. 	<ul style="list-style-type: none"> Sole proprietorship: Fyzická osoba – podnikateľ.
17.Slovenia (*)	<ul style="list-style-type: none"> Public limited company: Delniška družba (d.d.); Limited liability company: Družba z omejeno odgovornostjo (d.o.o.); Limited partnership with share capital: Komanditna delniška družba (k.d.d.). 	<ul style="list-style-type: none"> General partnership: Družba z neomejeno odgovornostjo (d.n.o.); Limited partnership: Komanditna družba (k.d.); Co-operative Society: Zadruga. 	<ul style="list-style-type: none"> Sole proprietorship: Samostojni podjetnik (s.p.).
18.Spain (*)	<ul style="list-style-type: none"> Corporation: Sociedad Anonima (SA); Limited liability company: Sociedad de Responsabilidad Limitada (SL); Partnership limited by share: Sociedad en comandita por acciones (S. Com. por A). 	<ul style="list-style-type: none"> Simple partnership: Sociedad comanditaria simple; General partnership: Sociedad colectiva; Co-operatives: Sociedades cooperativas (S. Coop.). 	<ul style="list-style-type: none"> Sole proprietorship: Empresario individual.
19.Sweden	<ul style="list-style-type: none"> Public limited company: Publikt aktiebolag (AB publ); Private limited company: privat aktiebolag (AB). 	<ul style="list-style-type: none"> Partnership: Handelsbolag, HB; Limited partnership: kommanditbolag, (KB); Economical association: ekonomisk förening, (ek.för.). 	<ul style="list-style-type: none"> Sole proprietorship: Enskild firma.
20.United Kingdom	<ul style="list-style-type: none"> Public limited company (PLC); Private company limited by shares (PLS); Private company limited by guarantee (PCLBG); Limited liability partnership (LLP). 	<ul style="list-style-type: none"> Ordinary partnership (OP); Limited partnership (LP); Co-operative (CO) and as range of other entities (e.g. friendly societies). 	<ul style="list-style-type: none"> Sole trader.

²² See also, Frank Dornseifer "Corporate Business Forms in Europe", Sellier – European Law Publishers, 2005.

3.1.1.3. Size categories- Medium-sized, Small-sized, Micro 1 and Micro 2

Information has been also examined, developed and presented per Country for each size (i.e., Medium-sized, Small-sized, Micros 1 and 2). The size category is determined by meeting two of the three criteria in one size category (Medium-sized, Small-sized and Micro Entity)²³. For the sole purpose of this Study the micro-entity category has been differentiated in two different categories Micros 1 and 2, in order to give a more precise picture on how the micro-entities look like all over Europe.

	MEDIUM-SIZED ENTITY	SMALL-SIZED ENTITY	MICRO ENTITY	
			Micro 1	Micro 2
R E F E R E N C E S	Article 27 of the <u>Fourth Directive 78/660/EEC</u> ²⁴ as amended by <u>Directive 2006/46/EC</u> of the European Parliament and the Council of June 14, 2006.	Article 11 of the <u>Fourth Directive 78/660/EEC</u> as amended by <u>Directive 2006/46/EC</u> of the European Parliament and the Council of June 14, 2006.	Article 1 of the Proposal for a Directive of the European Parliament and the Council amending Council Directive 78/660/EEC on the annual accounts of certain types of companies as regards micro-entities adopted on February 26, 2009 <u>COM (2009) 83 final</u> . The working definition of a micro-entity might change at a later stage before the Directive has been adopted by the European Parliament and the Council.	According to the situation in the European countries, where the largest number of SMEs can be found most of the SMEs consist of micro-entities, with a net turnover which, irrespective of the number of employees, is far below the proposed limit provided for in the Commission Proposal. Therefore it has been considered necessary for this Study to have a lower limit regarding the net turnover criterion (i.e. micro-entity 2 category, as defined here below).
C R I T E R I A	Entities which, on their balance sheet dates, do not exceed the limits of two of the following three criteria ²⁵ : <ul style="list-style-type: none"> • net turnover of not more than € 35,000,000; • balance sheet total of not more than € 17,500,000; • average number of employees during the financial year not more than 250²⁶. 	Entities which, on their balance sheet dates, do not exceed the limits of two of the following three criteria ²⁷ : <ul style="list-style-type: none"> • net turnover of not more than € 8,800,000; • balance sheet total of not more than € 4,400,000; • average number of employees during the financial year not more than 50²⁸. 	Entities which, on their balance sheet dates, do not exceed the limits of two of the following three criteria: <ul style="list-style-type: none"> • net turnover of not more than € 1,000,000; • balance sheet total of not more than € 500,000; • average number of employees during the financial year not more than 10. 	Entities which, on their balance sheet dates, do not exceed the limits of two of the following three criteria: <ul style="list-style-type: none"> • net turnover of not more than € 200,000; • balance sheet total of not more than € 500,000; • average number of employees during the financial year not more than 10.

²³ The definition of micro, small and medium-sized enterprises contained in the Commission recommendation of 6 May 2003 (http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm) is not created for accounting purposes and therefore it is not used in this Study.

²⁴ For any additional information concerning the implementation of the Fourth Company Directive in EU Member States before the 2004 EU Accession (i.e. the "old" 15 Member States) please see the study from the EU Commission *Summary of findings from a study on the implementation of Fourth Directive 78/660/EEC in the Member States of the European Union (as per 1 January 1998)*: http://ec.europa.eu/internal_market/accounting/docs/studies/1998-fourth-dir_en.pdf

²⁵ Please note that following Article 12, par. 2 and 27 of the Fourth Directive: "For the purposes of translation into national currencies, the amounts in European units of account specified in Article 11 (and in Article 27) may be increased by not more than 10 %".

²⁶ Before the amendments introduced by the Directive 2006/46/EC net turnover and balance sheet total thresholds were the following: a) net turnover of not more than € 29,200,000; b) balance sheet total of not more than € 14,600,000.

²⁷ Please note that following Article. 12, par. 2 and 27 of the Fourth Directive: "For the purposes of translation into national currencies, the amounts in European units of account specified in Article 11 (and in Article 27) may be increased by not more than 10 %".

²⁸ Before the amendments introduced by the Directive 2006/46/EC net turnover and balance sheet total thresholds were the following: a) net turnover of not more than € 7,300,000; b) balance sheet total of not more than € 3,650,000.

3.1.1.4. Overview of the accounting requirements - The Accounting Matrix

The description of the accounting framework in force, with specific and detailed summaries of all the accounting requirements applicable to each different legal form of entities (Types A, B and C for each selected Country) and size (Medium-sized, Small-sized, Micros 1 and 2) in the selected Countries, is provided taking also into account the following “technical areas”: 1) Accounting records; 2) Accounting principles; 3) Principles for external financial statements; 4) Components of financial statements; 5) Auditing; 6) Publication; 7) Director's report (for a complete description of the technical areas see Annex 3).

The outcome of the work above described has been condensed in a comprehensive table (structured as a matrix i.e. the Accounting Matrix), which has been designed as follows:

Country _ Type_		Type Medium-sized	Type Small-sized	Type Micro 1	Type Micro 2
	<i>Local name of legal entities</i>	INFO	INFO	INFO	INFO
	<i>Size criteria</i>	INFO	INFO	INFO	INFO
T E C H N I C A L A R E A S	<i>Accounting records</i>	INFO	INFO	INFO	INFO
	<i>Accounting principles</i>	INFO	INFO	INFO	INFO
	<i>Principles for external financial statements</i>	INFO	INFO	INFO	INFO
	<i>Components of financial statements</i>	INFO	INFO	INFO	INFO
	<i>Auditing</i>	INFO	INFO	INFO	INFO
	<i>Publication</i>	INFO	INFO	INFO	INFO
	<i>Director's report</i>	INFO	INFO	INFO	INFO
	<i>References</i>	INFO	INFO	INFO	INFO

Related information is provided taking into account the interaction between the technical Area and the entities' Size.

The first line “Local name of legal entities” of the Matrix refers to the local name of the various legal entities subject to analysis (see Chapter 3.1.1.1).

The second line “Size criteria” the Matrix indicates if and how the Country has adopted in its local legislation an official definition of Medium-sized, Small-sized and Micro entities for accounting purposes²⁹.

References to the laws, rules, decrees and other sources of law regulating the accounting issues in the selected Countries are also provided in the last line of the Matrix.

²⁹ Please note that specifically for Type A entities the absence of an official definition of Medium, Small and Micro entity in some of the selected Countries' legislations does not affect the obligation (required by the same legislations) of adopting thresholds (size criteria) indicated by the Fourth Directive and governing substantial requirements such as abridged financial statements and/or audit.

For an extended version of the information contained in the Accounting Matrices please refer to the Accounting Reports included in Annex 1.

3.1.2. Overview of the accounting requirements in force in November 2009 in the selected Countries

In the present Desk Research a number of definitions, abbreviations and acronyms have been used. In this respect a glossary of terms and acronyms has been included in Annex 3.

Local currency amounts for non-Euro adopters have been converted into Euro using the rates in force on November 30, 2009 (see Annex 3).

For the purposes of the present analysis the following terms are generally intended to have the same meaning:

<ul style="list-style-type: none"> • Annual accounts (Fourth Directive), financial statements;
<ul style="list-style-type: none"> • Balance Sheet (Fourth Directive), statement of financial position;
<ul style="list-style-type: none"> • Sale revenue, turnover;
<ul style="list-style-type: none"> • Profit and Loss Account (Fourth Directive), income statement;
<ul style="list-style-type: none"> • Notes to the Accounts (Fourth Directive), notes to the financial statements, appendix, informative notes;
<ul style="list-style-type: none"> • Annual report (Fourth Directive), director's report, management report;
<ul style="list-style-type: none"> • Shareholders' assemblies, shareholders' meetings;
<ul style="list-style-type: none"> • Joint stock company, stock corporation, public limited liability company;
<ul style="list-style-type: none"> • Private limited liability company, limited liability company;
<ul style="list-style-type: none"> • Capital stock, share capital;
<ul style="list-style-type: none"> • Employees, staff headcount, workforce;
<ul style="list-style-type: none"> • Supervisory board, board of directors, board of the management (managing board).

3.1.2.1. Austria

AT-Type A	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Aktiengesellschaft</i> (AG); • <i>Gesellschaft mit beschränkter Haftung</i> (GmbH); • <i>Offene Gesellschaft</i> (OG); • <i>Kommanditgesellschaft</i> (Partnerships - if no individual is a personally liable partner). 	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Size criteria	<p>According to the Austrian Commercial Code, a medium-sized company must meet two out of the following three criteria on two successive balance sheet dates:</p> <ul style="list-style-type: none"> • net turnover from € 9,680,000 to € 38,500,000; • balance sheet total from € 4,840,000 to € 19,250,000; • number of employees from 50 to 250 (average annual workforce). 	<p>According to the Austrian Commercial Code, a small-sized company must meet two out of the following three criteria on two successive balance sheet dates:</p> <ul style="list-style-type: none"> • net turnover up to € 9,680,000; • balance sheet total up to € 4,840,000; • number of employees up to 50 (average annual workforce). 	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type A Micro 1.
Accounting records	Double entry, journal, inventory and general ledgers.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Accounting principles	Local GAAP are incorporated by Sections 195 and following of the Austrian Commercial Code.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Principles for external financial statements	True and fair view, accrual basis, going concern, substance over legal form, prudence, consistency.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Components of financial statements	Balance sheet, profit and loss account, notes to the financial statements.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Auditing	Compulsory.	AG: compulsory. GmbH: Compulsory only when a "supervisory board" is required (a supervisory board is mandatory if the amount of the share capital exceeds € 70,000 and the GmbH has more than 50 shareholders, or if the GmbH has more than 300 employees on average per year).	Same as Type A Small-sized.	Same as Type A Small-sized.
Publication	Annual financial statements must be filed with the court of the Companies Register within nine months from the end of the financial year at the latest.	AG: Same as Type A Medium-sized. GmbH: Balance sheet in an abbreviated format and the notes has to be filed with the court of the Companies Register.	Same as Type A Medium-sized/A Small-sized.	Same as Type A Medium-sized/A Small-sized.
Director's report	Directors' report has to be filed together with the financial statement.	AG: director's report has to be filed together with the financial statement. GmbH: not compulsory.	Same as Type A Small-sized.	Same as Type A Small-sized.
References	Austrian Commercial Code §§ 189 – 283.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.

AT-Type B	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • Offene Gesellschaft (OG); • Kommanditgesellschaft (KG); • Genossenschaft (GEN). 	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Size criteria	<p>OG and KG: medium-sized entities are not defined for accounting or financial reporting purposes.</p> <p>GEN: according to the Austrian Commercial Code, a medium-sized company must meet two out of the following three criteria on two successive balance sheet dates:</p> <ul style="list-style-type: none"> • net turnover from € 9,680,000 to € 38,500,000; • balance sheet total from € 4,840,000 to € 19,250,000; • number of employees from 50 to 250 (average annual workforce). 	<p>OG and KG: small-sized entities are not defined for accounting or financial reporting purposes.</p> <p>GEN: according to the Austrian Commercial Code, a small-sized company must meet two out of the following three criteria on two successive balance sheet dates:</p> <ul style="list-style-type: none"> • net turnover up to € 9,680,000; • balance sheet total up to € 4,840,000; • number of employees up to 50 (average annual workforce). 	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type B Micro 1.
Accounting records	<p>OG and KG: double entry bookkeeping, journal, inventory and general ledgers are required only in case turnover exceeds € 700,000.</p> <p>GEN: double entry, journal, inventory and general ledgers.</p>	Double entry bookkeeping, journal, inventory and general ledgers are required only in case turnover exceeds € 700,000.	Same as Type B Small-sized.	Not compulsory
Accounting principles	Local GAAP are incorporated by Sections 195 and following of the Austrian Commercial Code.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Principles for external financial statements	True and fair view, accrual basis, going concern, substance over legal form, prudence, consistency.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Components of financial statements	<p>OG and KG: balance sheet and profit and loss account.</p> <p>GEN: balance sheet, profit and loss account, notes to the financial statements.</p>	Balance sheet and profit and loss account.	Same as Type B Small-sized.	Same as Type B Small-sized. OG and KG: Not compulsory
Auditing	<p>OG and KG: not compulsory.</p> <p>GEN: compulsory.</p>	Not compulsory.	Same as Type B Small-sized.	Same as Type B Small-sized.
Publication	OG and KG: not compulsory. GEN: annual financial statements must be filed with the court of the Companies Register within nine months from the end of the financial year at the latest.	Not compulsory.	Same as Type B Small-sized.	Same as Type B Small-sized.
Director's report	<p>OG and KG: not compulsory.</p> <p>GEN: director's report has to be filed together with the financial statement.</p>	Not compulsory.	Same as Type B Small-sized.	Same as Type B Small-sized.
References	Austrian Commercial Code §§ 189 – 216. Act on Co-operatives § 22.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.

AT-Type C	Type C Medium-sized	Type C Small-sized	Type C Micro 1	Type C Micro 2
Local name of legal entities	<i>Einezelunternehmer.</i>	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type C Micro 1.
Accounting records	Double entry bookkeeping, journal, inventory and general ledgers are required only in case turnover exceeds € 700,000.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Not compulsory
Accounting principles	Local GAAP are incorporated by Sections 195 and following of the Austrian Commercial Code.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Principles for external financial statements	True and fair view, accrual basis, going concern, substance over legal form, prudence, consistency.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Components of financial statements	Balance sheet and profit and loss account only in case turnover exceeds € 700,000.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Not compulsory.
Auditing	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Publication	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Director's report	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
References	Austrian Commercial Code §§ 189 – 216.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.

3.1.2.2. Belgium

BE-Type A	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Société Anonyme</i> (SA); • <i>Société en Commandite par Actions</i> (SCA); • <i>Société Privée à Responsabilité Limitée</i> (SPRL). 	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes. (Article 15 Companies Code).	<p>A Small-sized company is a company that does not exceed two of the following limits for two consecutive financial years (on a consolidated basis):</p> <ul style="list-style-type: none"> • turnover of € 7,300,000 (excluding VAT); • balance sheet total € 3,650,000; • number of employees up to 50 (average annual workforce). 	Micro-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.
Accounting records	Double entry, journals, inventory and general ledgers. (Accounting Law of July 17, 1975).	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Accounting principles	Belgian GAAP based on the Royal Decree of January 30, 2001.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Principles for external financial statements	Prudence, true and fair view, going concern, comparability, completeness, accrual basis, matching. (Accounting Law of July 17, 1975). (Royal Decree of January 30, 2001).	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Components of financial statements	Balance sheet, profit and loss account, notes to the financial statements. (Royal Decree of January 30, 2001 Article 22).	Same as Type A Medium-sized. Abridged financial statements are allowed.	Same as Type A Small-sized.	Same as Type A Small-sized.
Auditing	Compulsory. (Companies Code Article 141).	<p>Required for companies exceeding two of the following limits for two consecutive financial years:</p> <ul style="list-style-type: none"> • turnover of € 7,300,000 (excluding VAT); • balance sheet total € 3,650,000; • number of employees up to 50 (average annual workforce). <p>(Companies Code Article 141). Moreover, it is required when the average annual workforce exceeds 100 employees.</p>	Not compulsory. (Companies Code Article 141).	Not compulsory. (Companies Code Article 141).
Publication	To be filed with National Bank of Belgium within 7 months after the end of each financial year and not later than 30 days from shareholder approval. (Companies Code Article 98).	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Director's report	Compulsory. (Companies Code Article 95).	<p>Required for companies exceeding two of the following limits for two consecutive financial years:</p> <ul style="list-style-type: none"> • turnover of € 7,300,000 (excluding VAT); • balance sheet total € 3,650,000; • number of employees up to 50 (average annual workforce). 	Not compulsory. (Companies Code Article 97).	Not compulsory. (Companies Code Article 97).
References	Belgian Company Code. Accounting Law of July 17, 1975. Royal Decree of January 30, 2001.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.

BE-Type B	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Société en Nom Collectif</i> (SNC); • <i>Société en commandite Simple</i> (SCS); • <i>Société Co-operative</i> (SC). 	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes. (Article 15 Companies Code).	<p>A Small-sized company is a company that does not exceed two of the following limits for two consecutive financial years:</p> <ul style="list-style-type: none"> • turnover of € 7,300,000 (excluding VAT); • balance sheet total € 3,650,000; • number of employees up to 50 (average annual workforce). 	Micro-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.
Accounting records	SC: double entry, journals, inventory and general ledgers. (Accounting Law of July 17, 1975). SCS and SNC: simplified accounting based upon receipts and expenses.	Same as Type B Medium-sized.	SNC and SCS: Very small entities are not required to keep a double entry accounting system. They can choose to keep a simplified accounting based upon receipts and expenditures. Very small: if the turnover in the last accounting year is not higher than € 500,000,00.	Same as Type B Medium-sized.
Accounting principles	Belgian GAAP based on the Royal Decree of January 30, 2001.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Principles for external financial statements	Prudence, true and fair view, going concern, comparability, completeness, accrual basis, matching. (Accounting Law of July 17, 1975). (Royal Decree of January 30, 2001).	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Components of financial statements	Balance sheet, profit and loss account, notes to the financial statements. (Royal Decree of January 30, 2001 Article 22).	Same as Type B Medium-sized.	Same as Type B Medium-sized. SNC and SCS: The very small entities are exempt from drafting and publishing annual accounts.	Same as Type B Medium-sized.
Auditing	Compulsory. (Companies Code Article 141).	Required for companies exceeding two of the following limits for two consecutive financial years: <ul style="list-style-type: none"> • turnover of € 7,300,000 (excluding VAT); • balance sheet total € 3,650,000; • number of employees up to 50 (average annual workforce). (Companies Code Article 141). Moreover, it is required when the average annual workforce exceeds 100 employees.	Not compulsory. (Companies Code Article 141).	Not compulsory. (Companies Code Article 141).
Publication	To be filed with National Bank of Belgium within 7 months after the end of each financial year and not later than 30 days from shareholder approval. (Companies Code Article 98). (Unless for SCS and SNC with unlimited liability and private shareholders).	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.

Director's report	Compulsory. (Unless for SCS and SNC with unlimited liability and private shareholders (Companies Code Article 97).	Required for companies that employ more than 100 employees or exceed two of the following limits for two consecutive financial years: <ul style="list-style-type: none"> • turnover of € 7,300,000 (excluding VAT); • balance sheet total € 3,650,000; • employees number of 50 (average annual workforce). (Unless for SCS and SNC with unlimited liability and private shareholders.	Not compulsory. (Companies Code Article 97).	Not compulsory. (Companies Code Article 97).
References	Belgian Company Code. Accounting Law of July 17, 1975. Royal Decree of January 30, 2001.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.

BE-Type C	Type C Medium-sized	Type C Small-sized	Type C Micro 1	Type C Micro 2
Local name of legal entities	<i>Independent.</i>	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Size criteria	There are no size criteria for independents.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Accounting records	No requirements, other than for the purposes of completing tax return.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Accounting principles	The independent is not subject to any accounting or auditing requirements.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Principles for external financial statements	No requirements.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Components of financial statements	No requirements.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Auditing	No requirements.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Publication	No requirements.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Director's report	No requirements.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
References	Belgian Company Code. Accounting Law of July 17, 1975. Royal Decree of January 30, 2001.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.

3.1.2.3. The Czech Republic

CZ-Type A	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Akciová společnost</i> (a.s.); • <i>Společnost s ručením omezeným</i> (s.r.o.). 	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type A Micro 1.
Accounting records	Double entry, journal and general ledgers, sub-ledgers and off-balance sheet books.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Accounting principles	Local GAAP based on the Accounting Act (no 563/1991).	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Principles for external financial statements	Prudence, going concern, materiality, matching and consistency.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Components of financial statements	Balance sheet, profit and loss account, notes to the financial statements (voluntarily cash flow statement and statement of changes in equity).	Same as Type A Medium-sized. Abridged financial statements are allowed.	Same as Type A Small-sized.	Same as Type A Small-sized.
Auditing	<p>a.s.: compulsory for companies exceeding one or more of the following limits for both the current year and the preceding year:</p> <ul style="list-style-type: none"> • net turnover: CZK 80,000,000 (• € 3,064,000); • total assets: CZK 40,000,000 (• € 1,532,000); • employee's number: 50 (average annual workforce). <p>s.r.o.: compulsory for companies exceeding two of the said limits for both the current year and the preceding year.</p>	Same as Type A Medium-sized.	Not compulsory.	Not compulsory.
Publication	To be filed in the Collection of Deeds kept by Commercial Register by the end of the following financial year at the latest.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Director's report	Compulsory for audited companies.	Compulsory for audited companies.	Compulsory for audited companies.	Compulsory for audited companies.
References	Commercial Code no 513/1991 Coll. Act on Accounting no 563/1991 Coll. Decree on Double-Entry Accounting no 500/2002 Coll. Czech Accounting Standards.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.

CZ-Type B	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Local name of legal entities	<i>Verejna Obchodni Spolecnost</i> (v.o.s.); • <i>Komanditni Spolecnost</i> (k.s.); <i>Drusztvo</i> .	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type B Micro 1.
Accounting records	Double entry, journal and general ledgers, sub-ledgers and off-balance sheet books.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Accounting principles	Local GAAP based on the Accounting Act (no 563/1991).	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Principles for external financial statements	Prudence, going concern, materiality, matching and consistency.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Components of financial statements	Balance sheet, profit and loss account, notes to the financial statements (voluntarily cash flow statement and statement of changes in equity).	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Auditing	Compulsory for companies exceeding two of the following limits for both the current year and the preceding year: • net turnover: CZK 80,000,000 (• € 3,064,000); • total assets: CZK 40,000,000 (• € 1,532,000); employee's number: 50 (average annual workforce).	Compulsory for companies exceeding two of the following limits for both the current year and the preceding year: • net turnover: CZK 80,000,000 (• € 3,064,000); • total assets: CZK 40,000,000 (• € 1,532,000); • employees' number: 50 (average annual workforce).	Not compulsory.	Not compulsory.
Publication	To be filed to the Commercial Register by the end of the following financial year at the latest.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Director's report	Compulsory for audited companies.	Compulsory for audited companies.	Not compulsory.	Not compulsory.
References	Commercial Code no 513/1991 Coll. Act on Accounting no 563/1991 Coll. Decree on Double-Entry Accounting no 500/2002 Coll. Czech Accounting Standards.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.

CZ–Type C	Type C Medium-sized	Type C Small-sized	Type C Micro 1	Type C Micro 2
Local name of legal entities	Živnost (recorded in the Commercial Register).	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type C Micro 1.
Accounting records	Double entry, journal and general ledgers, sub-ledgers and off-balance sheet books. Compulsory only when the annual sales exceed CZK 25 million (approximately € 1,000,000).	Same as Type C Medium-sized.	If sales are lower than CZK 25 million, the sole proprietorships are obliged to keep record of their cash inflows and outflows. Such records thus form the basis for the income tax calculation.	Same as Type C Micro 1.
Accounting principles	Local GAAP based on the Accounting Act (no 563/1991).	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Principles for external financial statements	Prudence, going concern, materiality, matching and consistency.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Components of financial statements	Balance sheet, profit and loss account, notes to the financial statements (voluntarily cash flow statement and statement of changes in equity).	Same as Type C Medium-sized.	Not compulsory.	Same as Type C Micro 1.
Auditing	Compulsory for accounting units exceeding two of the following limits for both the current year and the preceding year: <ul style="list-style-type: none"> net turnover: CZK 80,000,000 (• € 3,064,000); total assets: CZK 40,000,000 (• € 1,532,000); employees' number: 50 (average annual workforce). 	Compulsory for accounting units exceeding two of the following limits for both the current year and the preceding year: <ul style="list-style-type: none"> net turnover: CZK 80,000,000 (• € 3,064,000); total assets: CZK 40,000,000 (• € 1,532,000); employees' number: 50 (average annual workforce). 	Not compulsory.	Not compulsory.
Publication	To be filed to the Commercial Register by the end of the following financial year at the latest.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Director's report	Compulsory for audited companies.	Compulsory for audited companies.	Not compulsory.	Not compulsory.
References	Commercial Code no 513/1991 Coll. Act on Accounting no 563/1991 Coll. Decree on Double-Entry Accounting no 500/2002 Coll. Czech Accounting Standards.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.

3.1.2.4. Denmark

DK–Type A	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Aktieselskab</i> (A/S); • <i>Anpartsselskab</i> (ApS); • <i>Partnerselskaber</i> (P/S). 	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Size criteria	<p>Medium-sized companies are those not exceeding two of the following limits at the balance sheet date in two consecutive financial years:</p> <ul style="list-style-type: none"> • net turnover up to DKK 286,000,000 (• € 38,438,000); • balance sheet up to DKK 143,000,000 (• € 19,219,000); • employees up to 250 (average annual workforce). 	<p>Small-sized companies are those not exceeding two of the following limits at the balance sheet date in two consecutive financial years:</p> <ul style="list-style-type: none"> • net turnover up to DKK 72,000,000 (• € 9,677,000); • balance sheet total up to 36,000,000 (• € 4,838,000); • employees up to 50 (average annual workforce). 	Micro entities are not defined for accounting or financial reporting purposes.	Same as Type A Micro 1.
Accounting records	Double entry, journal and general ledgers.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Accounting principles	Local GAAP incorporated by the Danish Bookkeeping Act and the Danish Financial Statements Act or, optionally, IFRS.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Principles for external financial statements	Consistency, prudence.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Components of financial statements	Balance sheet, profit and loss account, notes to the financial statements.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Auditing	Compulsory.	<p>Small-sized Companies are allowed to present and file an unaudited financial statement if for two consecutive accounting period the company are below two of the following conditions:</p> <ul style="list-style-type: none"> • Net turnover of DKK 3,000,000 (• € 400,000) • balance sheet amount of DKK 1,500,000 (• € 200,000) • average number of 12employees in the accounting period. 	Same as Type A Small-sized.	Same as Type A Small-sized.
Publication	Compulsory: annual financial statements of A/S, ApS and P/S must be filed with the Commercial Register within five months from the end of the financial year at the latest.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Director's report	Directors' report has to be filed together with the financial statement.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Not compulsory.
References	Danish Bookkeeping Act (Consolidation Act no 648 of June 15, 2006). Danish Financial Statements Act (Consolidation Act no 647 of June 15, 2006).	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.

DK-Type B	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Interessentskaber</i> (I/S); • <i>Kommanditselskaber</i>(K/S); • <i>Andelsselskaber</i> (AmbA). 	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Size criteria	<p>Medium-sized companies are those not exceeding two of the following limits at the balance sheet date in two consecutive financial years:</p> <ul style="list-style-type: none"> • net turnover up to DKK 286,000,000 (• € 38,438,000); • balance sheet up to DKK 143,000,000 (• € 19,219,000); • employees up to 250 (average annual workforce). 	<p>Small-sized companies are those not exceeding two of the following limits at the balance sheet date in two consecutive financial years:</p> <ul style="list-style-type: none"> • net turnover up to DKK 72,000,000 (• € 9,677,000); • balance sheet total up to 36,000,000 (• € 4,838,000); • employees up to 50 (average annual workforce). 	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type B Micro 1.
Accounting records	Double entry, journal and general ledgers.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Accounting principles	Optionally for Local GAAP incorporated by the Danish Bookkeeping Act and the Danish Financial Statements Act or accounts based on tax rules.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Principles for external financial statements	Consistency, prudence.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Components of financial statements	Balance sheet, profit and loss account, notes to the financial statements.	Same as Type B Medium-sized. (AmbA): not compulsory for Small-sized co-operatives: if the undertaking on the balance sheet date exceeds two of the following three criteria: <ul style="list-style-type: none"> • net turnover DKK 10 million (about € 1,342,000); • total of assets DKK 4 million (about € 537,000); • 10 full time employees in average during the financial year. 	Same as Type B Small-sized.	Same as Type B Small-sized.
Auditing	(I/S) and (K/S): generally not compulsory. (AmbA): compulsory.	(I/S) and (K/S): generally not compulsory. (AmbA): compulsory with the exception of Small-sized co-operatives.	(I/S) and (K/S): generally not compulsory. (AmbA): not compulsory.	Same as Type B Micro 1.
Publication	(I/S) and (K/S): generally not compulsory. (AmbA): to be submitted to the Danish Commerce and Companies Agency within five months from the balance sheet date.	(I/S) and (K/S): generally not compulsory. (AmbA): to be submitted to the Danish Commerce and Companies Agency within five months from the balance sheet date (exceptions apply to Small-sized co-operatives).	(I/S) and (K/S): generally not compulsory. (AmbA): not compulsory.	Same as Type B Micro 1.
Director's report	(I/S) and (K/S): compulsory, but no filing obligation. (AmbA): director's report has to be filed together with the financial statement.	(I/S) and (K/S): compulsory, but no filing obligation. (AmbA): director's report has to be filed together with the financial statement (exceptions apply to Small-sized co-operatives).	(I/S) and (K/S): compulsory, but no filing obligation. (AmbA): not compulsory.	Same as Type B Micro 1.
References	Danish Bookkeeping Act (Consolidation Act no 648 of June 15, 2006). Danish Financial Statements Act (Consolidation Act no 647 of June 15, 2006).	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.

DK-Type C	Type C Medium-sized	Type C Small-sized	Type C Micro 1	Type C Micro 2
Local name of legal entities	<i>Enkeltmandsvirksomhed.</i>	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type C Micro 1.
Accounting records	Double entry, journal and general ledgers.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Accounting principles	Optionally for Local GAAP incorporated by the Danish Bookkeeping Act and the Danish Financial Statements Act or accounts based on tax rules.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Principles for external financial statements	Consistency, prudence.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Components of financial statements	Balance sheet, profit and loss account, notes to the financial statements.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Auditing	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Publication	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Director's report	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
References	Danish Bookkeeping Act (Consolidation Act no 648 of June 15, 2006).	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.

3.1.2.5. Estonia

EE-Type A	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Aktsiaselts</i> (AS); • <i>Osühing</i> (OU). 	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type A Micro 1.
Accounting records	Double entry, journals and ledgers.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Accounting principles	Estonian Accounting Standards (RTJ) or IFRS. The most important Estonian Accounting standards are: RTJ 1 Underlying principles of annual financial statements; RTJ 2 Presentation of annual financial statements; RTJ 3 Financial instruments; RTJ 5 Tangible and intangible assets; RTJ 8 Provisions, contingent liabilities and contingent assets; RTJ 10 Revenue.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Principles for external financial statements	Accrual basis, entity principle, going concern, substance over form, understandability, materiality, consistency and comparability, matching principle, objectivity, disclosure, prudence.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Components of financial statements	Balance sheet, profit and loss account, cash flow statement, statement of the changes in owner's equity, notes to the financial statements.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Auditing	AS: compulsory. OU: compulsory if share capital exceeds EEK 400,000, (• € 25,000) or it meets two of the following criteria: <ul style="list-style-type: none"> • net turnover exceeds EEK 10,000,000 (• € 639,000); • balance sheet total exceeds EEK 5,000,000 (• € 320,000); • number of employees exceeds 10 (average annual workforce). 	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Publication	Compulsory: Annual financial statements of AS and OU must be filed with the Commercial Register within six months from the end of the financial year at the latest.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Director's report	Compulsory. To be submitted together with the annual account.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
References	Estonian Accounting Act (RT I 2002, 102, 600), adopted on November 20, 2002. Estonian Commercial Code (RT I 1995, 26-28, 355), adopted on February 15, 1995.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.

EE-Type B	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • Täisühing (TÜ); • Usaldusühing (UÜ); • Tulundusühistu (TuÜ). 	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type B Micro 1.
Accounting records	Double entry, journals and ledgers.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Accounting principles	Estonian Accounting Standards (RTJ) or IFRS. The most important Estonian Accounting standards are: RTJ 1 Underlying principles of annual financial statements; RTJ 2 Presentation of annual financial statements; RTJ 3 Financial instruments; RTJ 5 Tangible and intangible assets; RTJ 8 Provisions, contingent liabilities and contingent assets; RTJ 10 Revenue.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Principles for external financial statements	Accrual basis, entity principle, going concern, substance over form, understandability, materiality, consistency and comparability, matching principle, objectivity, disclosure, prudence.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Components of financial statements	Balance sheet, profit and loss account, cash flow statement, statement of the changes in owner's equity, notes to the financial statements.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Auditing	<p>TÜ and UÜ: compulsory</p> <p>TuÜ: compulsory if share capital exceeds EEK 400,000 (• € 25,000), or it meets two of the following criteria:</p> <ul style="list-style-type: none"> • net turnover exceeds EEK 10,000,000 (• € 639,000); • balance sheet total exceeds EEK 5,000,000 (• € 320,000); <p>number of employees exceeds 10 (average annual workforce).</p>	Same as Type B Medium-sized.	<p>TÜ and UÜ: compulsory when meeting two of the following criteria:</p> <ul style="list-style-type: none"> • net turnover exceeds EEK 10,000,000 (• € 639,000); • balance sheet total exceeds EEK 5,000,000 (• € 320,000); • the number of employees exceeds 10 (average annual workforce). <p>TuÜ: Same as Type B Medium-sized.</p>	<p>TÜ and UÜ: same as Type B Micro1.</p> <p>TuÜ: Same as Type B Medium-sized.</p>
Publication	<p>TuÜ: annual financial statements must be filed with the Commercial Register within six months from the end of the financial year at the latest.</p> <p>TÜ and UÜ: Not compulsory. Must be filed with the Commercial Register within six months from the end of the financial year if OÜ, AS, TuÜ or non-profit association is a general partner in TÜ or UÜ.</p>	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Director's report	Compulsory. TuÜ: will be submitted together with the annual account.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
References	Estonian Accounting Act (RT I 2002, 102, 600), adopted on November 20, 2002. Estonian Commercial Code (RT I 1995, 26-28, 355), adopted on February 15, 1995.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.

EE-Type C	Type C Medium-sized	Type C Small-sized	Type C Micro 1	Type C Micro 2
Local name of legal entities	<i>Füüsilisest isikust ettevõtja</i> (FIE).	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type C Micro 1.
Accounting records	Accounts on cash basis. Optionally: accrual basis.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Accounting principles	Estonian Accounting Standards (RTJ) or IFRS. The most important Estonian Accounting standards are: RTJ 1 Underlying principles of annual financial statements; RTJ 2 Presentation of annual financial statements; RTJ 3 Financial instruments; RTJ 5 Tangible and intangible assets; RTJ 8 Provisions, contingent liabilities and contingent assets; RTJ 10 Revenue.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Principles for external financial statements	Cash or optionally accrual basis, entity principle, going concern, substance over form, understand ability, materiality, consistency and comparability, matching principle, objectivity, disclosure and prudence.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Components of financial statements	Accounts on cash basis: not obliged to prepare annual account. Accounts using accrual method: balance sheet, profit and loss account, cash flow statement, statement of the changes in owner's equity, notes to the financial statements.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Auditing	Compulsory.	Same as Type C Medium-sized.	Compulsory only if meeting two of the following criteria: <ul style="list-style-type: none"> net turnover exceeds EEK 10,000,000 (• € 639,000); balance sheet total exceeds EEK 5,000,000 (• € 320,000); number of employees exceeds 10 (average annual workforce). 	Same as Type C Micro 1
Publication	Accounts on cash basis: not compulsory. Accounts using accrual method: annual financial statements must be filed with the Commercial Register within six months from the end of the financial year at the latest.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Director's report	Accounts on cash basis: not compulsory. Accounts using accrual method: compulsory, to be submitted together with the annual account.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
References	Estonian Accounting Act (RT I 2002, 102, 600), adopted on November 20, 2002. Estonian Commercial Code (RT I 1995, 26-28, 355), adopted on February 15, 1995.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.

3.1.2.6. France

FR-Type A 1/2	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Société anonyme</i> (SA); • <i>Société à responsabilité limitée</i> (SARL); • <i>Société en commandite par actions</i> (SCA); • <i>Société par actions simplifiée</i> (SAS). 	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type A Micro 1.
Accounting records	Double entry, journal, inventory and general ledgers. (CoC, Book I, Title II, Chapter III, Section 2).	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Accounting principles	Local GAAP are incorporated by Article L.123-12 and following of the French Commercial Code and the French General Chart of Accounts (so called PCG).	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Principles for external financial statements	Accrual basis, going concern, prudence, substance over legal form. (CoC, Book I, Title II, Chapter III, Section 2).	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Components of financial statements	Basic presentation of the balance sheet, profit and loss account, notes to the financial statements. (CoC, Book I, Title II, Chapter III, Section 2).	<p>Basic presentation of the balance sheet, profit and loss account and notes to the financial statements if, at the end of a financial year, two of the followings thresholds are reached:</p> <ul style="list-style-type: none"> • net turnover exceeding € 7,300,000; • balance sheet total exceeding € 3,650,000; • average number of the employees exceeding 50 during the financial year. <p>Basic presentation of the balance sheet and profit and loss account and simplified presentation of the notes to the financial statements if, at the end of a financial year, two of the followings thresholds are reached:</p> <ul style="list-style-type: none"> • net turnover exceeding € 534,000 but less than or equal to € 7,300,000; • balance sheet total exceeding € 267,000 but less than or equal to € 3,650,000; • average number of the employees exceeding 10 but less than or equal to 50 during the financial year. 	<p>Basic presentation of the balance sheet and , profit and loss account and simplified presentation of the notes to the financial statements if, at the end of a financial year, two of the followings thresholds are reached:</p> <ul style="list-style-type: none"> • net turnover exceeding € 534,000 but less than or equal to € 7,300,000; • amount of the balance sheet exceeding € 267,000 but less than or equal to € 3,650,000; • average number of the employees exceeding 10 but less than or equal to 50 during the financial year. <p>Simplified presentation of the balance sheet, profit and loss account and notes to the financial statements if, at the end of a financial year, two of the followings thresholds are reached:</p> <ul style="list-style-type: none"> • net turnover not exceeding or equal to € 534,000; • amount of the balance sheet not exceeding or equal to € 267,000; • average number of the employees not exceeding or equal to 10 during the financial year. 	Same as Type A Micro 1.

FR-Type A 2/2	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Auditing	Compulsory. (CoC, Article L.225-218, L.226-6, L.223-35, R.223-27, L.227-9-1 & R.227-1).	SA and SCA: compulsory. (CoC, Article L.225-218 & L.226-6). SARL: statutory auditors must be appointed if, at the end of a financial year, two of the followings thresholds are reached: <ul style="list-style-type: none"> net turnover exceeding € 3,100,000; balance sheet total exceeding € 1,550,000; average number of the employees exceeding 50 during the financial year. (CoC, Article L.223-35 & R.223-27). SAS: statutory auditors must be appointed if, at the end of a financial year, two of the followings thresholds are reached: <ul style="list-style-type: none"> net turnover exceeding € 2,000,000; balance sheet total exceeding € 1,000,000; average number of the employees exceeding 20 during the financial year. (CoC Article L.227-9-1 & R.227-1).	SA and SCA: compulsory. (CoC, Article L.225-218 & L.226-6). SARL: not compulsory. (CoC, Article L.223-35 & R.223-27). SAS: not compulsory. (CoC Article L.227-9-1 & R.227-1).	Same as Type A Micro 1.
Publication	Annual financial statements must be filed with the court of the Commercial and Companies Register within seven months from the end of the financial year at the latest. (CoC, Book II, Title III, Chapter II, Section 5).	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Director's report	Directors' report has to be filed together with the financial statement. (CoC, Book II, Title III, Chapter II, Section 1).	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
References	CoC, Book I, Title II. Book II, Title II & III; PCG.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.

FR-Type B 1/2	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Société en nom collectif</i> (SNC); • <i>Société en commandite simple</i> (SCS). 	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type B Micro 1.
Accounting records	Double entry, journal, inventory and general ledgers. (CoC, Book I, Title II, Chapter III, Section 2).	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Accounting principles	Local GAAP are incorporated by Article L.123-12 and following of the French Commercial Code and the French General Chart of Accounts (so called PCG).	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Principles for external financial statements	Accrual basis, going concern, prudence, substance over legal form. (CoC, Book I, Title II, Chapter III, Section 2).	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Components of financial statements	Basic presentation of the balance sheet, profit and loss account, notes to the financial statements. (CoC, Book I, Title II, Chapter III, Section 2).	<p>Basic presentation of the balance sheet, profit and loss account and notes to the financial statements if, at the end of a financial year, two of the followings thresholds are reached:</p> <ul style="list-style-type: none"> • net turnover exceeding € 7,300,000; • balance sheet total exceeding € 3,650,000; • average number of the employees exceeding 50 during the financial year. <p>Basic presentation of the balance sheet and profit and loss account and simplified presentation of the notes to the financial statements if, at the end of a financial year, two of the followings thresholds are reached:</p> <ul style="list-style-type: none"> • net turnover exceeding € 534,000 but less than or equal to € 7,300,000; • balance sheet total exceeding € 267,000 but less than or equal to € 3,650,000; • average number of the employees exceeding 10 but less than or equal to 50 during the financial year. 	<p>Basic presentation of the balance sheet and profit and loss account and simplified presentation of the notes to the financial statements if, at the end of a financial year, two of the followings thresholds are reached:</p> <ul style="list-style-type: none"> • net turnover exceeding € 534,000 but less than or equal to € 7,300,000; • balance sheet total exceeding € 267,000 but less than or equal to € 3,650,000; • average number of the employees exceeding 10 but less than or equal to 50 during the financial year. <p>Simplified presentation of the balance sheet, profit and loss account and notes to the financial statements if, at the end of a financial year, two of the followings thresholds are reached:</p> <ul style="list-style-type: none"> • net turnover not exceeding or equal to € 534,000; • balance sheet total not exceeding or equal to € 267,000; • average number of the employees not exceeding or equal to 10 during the financial year. 	Same as Type B Micro 1.

FR-Type B 2/2	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Auditing	Compulsory. (CoC, Article L.221-9, R.221-5, L.222-2 & R.222-1).	Statutory auditors must be appointed if, at the end of a financial year, two of the followings thresholds are reached: <ul style="list-style-type: none"> • net turnover exceeding € 3,100,000; • balance sheet total exceeding € 1,550,000; • average number of the employees exceeding 50 during the financial year. (CoC, Article L.221-9, R.221-5, L.222-2 & R.222-1).	Not compulsory. (CoC, Article L.221-9, R.221-5, L.222-2 & R.222-1).	Same as Type B Micro 1.
Publication	Generally not compulsory. In case all the indefinitely liable partners are limited liability companies or joint-stock companies the annual financial statements must be filed with the court of the Commercial and Companies Register within seven months from the end of the financial year at the latest. (CoC, Article L.232-21).	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Director's report	Directors' report has to be filed together with the financial statement. (CoC, Book II, Title III, Chapter II, Section 1).	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
References	CoC, Book I, Title II. Book II, Title II & III; PCG.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.

FR-Type C	Type C Medium-sized	Type C Small-sized	Type C Micro 1	Type C Micro 2
Local name of legal entities	<i>Entrepreneur individuel.</i>	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type C Micro 1.
Accounting records	Books and registers required for tax purposes only.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Accounting principles	Local GAAP are incorporated by Article L.123-12 and following of the French Commercial Code and the French General Chart of Accounts (so called PCG).	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Principles for external financial statements	Accrual basis, going concern, prudence, substance over legal form. (CoC, Book I, Title II, Chapter III, Section 2)	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Components of financial statements	Balance sheet, profit and loss account and notes to the financial statements, except if subjected to the French micro-company system. (CoC, Book I, Title II, Chapter III, Section 2 & FTC, Article 50-0).	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Auditing	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Publication	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Director's report	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
References	CoC, Book I, Title II; PCG.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.

3.1.2.7. Germany

DE-Type A 1/2	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Aktiengesellschaft (AG)</i>; • <i>Kommanditgesellschaft auf Aktien (KGaA)</i>; • <i>Gesellschaft mit beschränkter Haftung (GmbH)</i>. 	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Size criteria	<p>Two out of three criteria met on two consecutive annual reporting dates (§ 267 II HGB):</p> <ul style="list-style-type: none"> • net turnover from € 9,680,000 up to € 38,500,000; • balance sheet total from € 4,840,000 up to € 19,250,000; • employees on average from 50 up to 250. 	<p>Two out of three criteria met on two consecutive annual reporting dates (§ 267 I HGB):</p> <ul style="list-style-type: none"> • net turnover up to € 9,680,000; • balance sheet total up to € 4,840,000; • employees on average up to 50. 	Micro-sized entities are not defined for accounting or financial reporting purposes. Requirements are the same as for Type A Small-sized entities.	Same as Type A Micro 1.
Accounting records	Double-entry accounting (GoB), journal (§§ 238, 239 HGB), inventory (§ 240 HGB), general ledger (GoB), sub-ledgers (GoB) (e.g. fixed assets, debtors, creditors).	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Accounting principles	<p>Local GAAP (German trade law – <i>Handelsgesetzbuch HGB</i>) principles:</p> <ul style="list-style-type: none"> • true and fair view (§ 264 II HGB); • provide useful information for economic decisions making (GoB, §§ 238, 239 HGB); • protection of creditors (§ 252 I no 4 HGB). 	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Principles for external financial statements	Faithful representation & reliability (§§ 238, 239, 243 II HGB), completeness (§ 246 I HGB), single valuation (§ 252 I no 3 HGB), accrual principle (§ 252 I no 4, 5), matching principle (§ 252 I no 4, 5 HGB), going concern (§ 252 I no 2 HGB), opening balance principle (§ 252 I no 1 HGB), consistency (§§ 252 I no 6, 265 I HGB), materiality (GoB). German Trade Law determines firm structure of balance sheet and P&L (§§ 266, 275 HGB).	Faithful representation & reliability (§§ 238, 239, 243 II HGB), completeness (§ 246 I HGB), single valuation (§ 252 I no 3 HGB), accrual principle (§ 252 I no 4, 5), matching principle (§ 252 I no 4, 5 HGB), going concern (§ 252 no 2 HGB), opening balance principle (§ 252 I no 1 HGB), consistency (§§ 252 I no 6, 265 I HGB), materiality (GoB). German Trade Law determines firm structure of balance sheet and P&L (§§ 266, 275 HGB) with certain alleviations for Small-sized entities (§§ 266 I, 276 HGB).	Same as Type A Small-sized.	Same as Type A Small-sized.
Components of financial statements	Complete set of financial statements comprises of a) balance sheet; b) profit and loss account; c) notes. (§§ 242 III, 264 I Section 1-3 HGB).	Complete set of financial statements comprises of a) balance sheet; b) profit and loss account; c) notes. (§§ 242 III, 264 I Section 1-4).	Same as Type A Small-sized.	Same as Type A Small-sized.
Auditing	Compulsory (§ 316 I HGB).	Not required (§ 316 I HGB).	Same as Type A Small-sized.	Same as Type A Small-sized.

	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Publication	Within 12 months after balance sheet date the following documents must be submitted electronically to the German Federal Bulletin (§ 325 I HGB): a) financial statement; b) management report (directors' report), c) auditors' opinion, d) report of board of directors (only AG), e) recommendation or resolution on profit distribution.	Within 12 months after balance sheet date the following documents must be submitted electronically to the German Federal Bulletin (§§ 325 I): a) financial statement (only balance sheet and notes - § 326 HGB); b) report of board of directors (only AG); c) recommendation or resolution on profit distribution.	Same as Type A Small-sized.	Same as Type A Small-sized.
Director's report	Compulsory. It must be set up, audited and published along with the financial statements (§ 264 I HGB).	Not required (§ 264 I HGB).	Same as Type A Small-sized.	Same as Type A Small-sized.
References	<p>HGB: Handelsgesetzbuch (German Trade Law): §§ 238, 239 - basic accounting principles and accounting components. § 240 – Inventory. §§ 242 III, 264 I S. 1-3 components and timing of publication of financial statements. § 252 I - basic accounting principles. § 264 I - management report. § 264 II - true and fair view. §§ 266, 275 - requirements to balance sheet and P&L structure. § 267 II - size criteria. § 316 I – Auditing. § 325 I - publication requirements.</p> <p>GoB: Grundsätze ordnungsmäßiger Buchführung (principles of orderly bookkeeping): partly included in HGB, partly "best practice" as to basic accounting principles and accounting components.</p>	<p>Handelsgesetzbuch (HGB; German Trade Law): §§ 238, 239 - basic accounting principles and accounting components. § 240 – Inventory. §§ 242 III, 264 I S. 1-3 - components and timing of publication of financial statements. § 264 I S. 4 - alleviation as to timing of financial statements. § 252 I HGB - basic accounting principles. § 264 I - relief from management report. § 264 II - true and fair view. §§ 266, 275 - requirements to balance sheet and P&L structure. §§ 266 I, 276 - alleviations as to balance sheet and P&L structure. § 267 I - size criteria. § 316 I - relief from Auditing. § 325 I - publication requirements. § 326 – alleviation as to publication req.</p> <p>Grundsätze ordnungsmäßiger Buchführung (GoB; principles of orderly bookkeeping): partly included in HGB, partly "best practice" as to basic accounting principles and accounting components.</p>	Same as Type A Small-sized.	Same as Type A Small-sized.

DE–Type B 1/2	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Local name of legal entities	<ul style="list-style-type: none"> General partnership - <i>Offene Handelsgesellschaft (OHG)</i>; Limited partnership - <i>Kommanditgesellschaft (KG)</i>; Co-operative - <i>Genossenschaft</i>. 	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Size criteria	<p>Partnerships: German law defines only two classes of partnerships (§ 1 I PublG). If two out of three criteria are not met on three consecutive annual reporting dates, the company is not considered a large entity:</p> <ul style="list-style-type: none"> net turnover exceeding € 130,000,000; balance sheet total exceeding € 65,000,000; employees on average exceeding 5,000. <p>Co-operatives: two out of three criteria met on two consecutive annual reporting dates (§ 267 II HGB):</p> <ul style="list-style-type: none"> net turnover from € 9,680,000 up to € 38,500,000; balance sheet total from € 4,840,000 up to € 19,250,000; employees on average from 50 up to 250. 	<p>Partnerships: same as Type B Medium-sized.</p> <p>Co-operatives: two out of three criteria met on two consecutive annual reporting dates (§ 267 I HGB):</p> <ul style="list-style-type: none"> net turnover up to € 9,680,000; balance sheet total up to € 4,840,000; employees on average up to 50. 	Micro-sized entities are not defined for accounting or financial reporting purposes. Requirements are the same as for Type B Small-sized entities.	Same as Type B Micro 1.
Accounting records	Double-entry accounting (GoB), journal (§§ 238, 239 HGB), inventory (§ 240 HGB), general ledger (GoB), sub-ledgers (GoB) (e.g. fixed assets, debtors, creditors).	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Accounting principles	<p>Partnerships: Local GAAP principles:</p> <ul style="list-style-type: none"> provide useful information for economic decisions making (GoB, §§ 238, 239 HGB); protection of creditors. <p>Co-operatives: Local GAAP principles:</p> <ul style="list-style-type: none"> true and fair view (§ 264 II HGB); provide useful information for economic decisions making (GoB, §§ 238, 239 HGB); protection of creditors (§ 252 I Nr. 4 HGB). 	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Principles for external financial statements	<p>Partnerships: faithful representation & reliability (§§ 238, 239, 243 II HGB), completeness (§ 246 I HGB), single valuation (§ 252 I no 3 HGB), accrual principle (§ 252 I no 4, 5), matching principle (§ 252 I no 4, 5 HGB), going concern (§ 252 I no 2 HGB), opening balance principle (§ 252 I no 1 HGB), consistency (§§ 252 I no 6, 265 I HGB), materiality (GoB).</p> <p>Co-operatives: all the above + German Trade Law determines firm structure of balance sheet and P&L (§§ 266, 275 HGB).</p>	<p>Same as Type B Medium-sized.</p> <p>Co-operatives: with certain alleviations for Small-sized entities (§§ 336 II, 266 I, 276 HGB).</p>	Same as Type B Small-sized.	Same as Type B Small-sized.
Components of financial statements	<p>Partnerships: complete set of financial statements comprises of a) balance sheet b) profit and loss account must be prepared within a reasonable amount of time (§§ 242, 243 III HGB).</p> <p>Co-operatives: complete set of financial statements comprises of a) balance sheet b) profit and loss account c) notes and must be prepared within 5 months after balance sheet date (§§ 242, 336 I HGB).</p>	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Auditing	<p>Partnerships: not required.</p> <p>Co-operatives: compulsory (§ 53 GenG).</p>	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.

DE-Type B 2/2	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Publication	Partnerships: not required. Co-operatives: within 12 months after balance sheet date the following documents must be submitted electronically to the German Federal Bulletin: a) financial statement; b) management report (directors' report); c) auditors' opinion; d) report of board of directors (§ 339 I HGB).	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Director's report	Partnerships: not required. Co-operatives: compulsory (§ 336 I HGB). It must be set up, audited and published along with the financial statements.	Partnerships: not required. Co-operatives: not required (§ 336 II HGB).	Same as Type B Small-sized.	Same as Type B Small-sized.
References	<p>PublG: Publizitätsgesetz (law applicable to companies of public interest): § 1 - Size criteria.</p> <p>HGB: Handelsgesetzbuch (German Trade Law): §§ 238, 239 - basic accounting principles and accounting components. § 240 – Inventory. §§ 242, 243 III - components and timing of financial statements. §§ 242, 336 I - components and timing of financial statements (co-operatives). § 252 I - basic accounting principles. § 264 II - true and fair view. §§ 266, 275 - requirements to balance sheet and P&L structure.</p> <p>§ 267 II - size criteria. § 336 I - management report. § 339 I - publication requirements.</p> <p>GoB: Grundsätze ordnungsmäßiger Buchführung (principles of orderly bookkeeping).</p> <p>GenG: Genossenschaftsgesetz (Co-operative Societies Act): § 53 – Auditing.</p>	<p>PublG: Publizitätsgesetz (law applicable to companies of public interest): § 1 - Size criteria.</p> <p>HGB: Handelsgesetzbuch (German Trade Law): §§ 238, 239 - basic accounting principles and accounting components. § 240 – Inventory. §§ 242, 243 III - components and timing of financial statements. §§ 242, 336 I - components and timing of financial statements (co-operatives). § 252 I - basic accounting principles. § 264 II - true and fair view. §§ 266, 275 - requirements to balance sheet and P&L structure. §§ 336 II, 266 I, 276 - alleviations as to balance sheet and P&L structure. § 267 I - size criteria. § 336 II - relief from management report. § 339 I - publication requirements.</p> <p>GoB: Grundsätze ordnungsmäßiger Buchführung (principles of orderly bookkeeping).</p> <p>GenG: Genossenschaftsgesetz (Co-operative Societies Act): § 53 – Auditing.</p>	Same as Type B Small-sized.	Same as Type B Small-sized.

DE-Type C	Type C Medium-sized	Type C Small-sized	Type C Micro 1	Type C Micro 2
Local name of legal entities	<i>Einzelunternehmer (SP).</i>	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes (for exemption see Type C Micro 2).	Micro-sized entities are not defined for accounting or financial reporting purposes (see Type C Micro 2 for accounting and reporting exemption). Requirements for Type C Micro 1 are the same as for Type C Medium-sized and Small-sized entities.	Micro-sized entities are exempted from accounting and financial reporting requirements, if the following criteria are met on two consecutive reporting dates (§ 241a HGB): <ul style="list-style-type: none"> • turnover less than € 500,000; • profit less than € 50,000.
Accounting records	Double-entry accounting (GoB), journal (§§ 238, 239 HGB), inventory (§ 240 HGB), general ledger (GoB), sub-ledgers (GoB) (e.g. fixed assets, debtors, creditors).	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Not required.
Accounting principles	Local GAAP principles: <ul style="list-style-type: none"> • provide useful information for economic decisions making (GoB, §§ 238, 239 HGB); • protection of creditors (§ 252 I no 4 HGB). 	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Not required.
Principles for external financial statements	Faithful representation & reliability (§§ 238, 239, 243 II HGB), completeness (§ 246 I HGB), single valuation (§ 252 I no 3 HGB), accrual principle (§ 252 I no 4, 5), matching principle (§ 252 I no 4, 5 HGB), going concern (§ 252 I no 2 HGB), opening balance principle (§ 252 I no 1 HGB), consistency (§§ 252 I no 6, 265 I HGB), materiality (GoB).	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Not required.
Components of financial statements	Complete set of financial statements comprises of a) balance sheet; b) profit and loss account must be prepared within a reasonable amount of time (§§ 242, 243 III HGB).	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Not required.
Auditing	Not required.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Publication	Not required.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Director's report	Not required.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
References	<p>Handelsgesetzbuch (HGB, German Trade Law): §§ 238, 239 - basic accounting principles and accounting components. § 240 – Inventory. §§ 242, 243 III - components and timing of financial statements. § 252 I - basic accounting principles.</p> <p>GoB: Grundsätze ordnungsmäßiger Buchführung (principles of orderly bookkeeping).</p>	Same as Type C Medium-sized.	Same as Type C Medium-sized.	<p>Handelsgesetzbuch (HGB, German Trade Law): §§ 238, 239 - basic accounting principles and accounting components. § 240 – Inventory. § 241a - accounting and reporting exemption. §§ 242, 243 III - components and timing of financial statements § 252 I - basic accounting principles.</p> <p>GoB: Grundsätze ordnungsmäßiger Buchführung (principles of orderly bookkeeping).</p>

3.1.2.8. Greece

GR-Type A 1/2	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Anonymos Eteria</i> (AE); • <i>Eteria Periorismenis Efthynis</i> (EPE). 	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type A Micro 1.
Accounting records	Double-entry accounting books, daily journal, book of inventory accounts and balance sheets, general and analytical ledgers, trial balance, fixed assets register and inventory book (item movements). (Presidential Decree 186/92 (CBR)).	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Accounting principles	Accounting and financial reporting like Local GAAP are incorporated in Presidential Decree no 1123/1980. Optionally, IFRS must be used for at least five years.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Principles for external financial statements	True and fair view; principle of conservatism; principle of sincerity; regulation principle; going concern assumption; principle of non-compensation; monetary unit assumption; consistency principle; disclosure principle; valuation of the balance sheet items. (articles 42• – 43• of Codified Law 2190/1920).	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Components of financial statements	Balance sheet, profit and loss account, appropriation of profits account, notes to the financial statements. AE and EPE companies that do not exceed the criteria mentioned in the following section “Auditing” are allowed to publish summary financial statements.	Same as Type A Medium-sized. Abridged financial statements are allowed.	Same as Type A Small-sized.	Same as Type A Small-sized..
Auditing	<p>Compulsory for AE: The annual financial statements must be audited by at least one Certified Auditor-Accountant where two of the following three criteria are exceeded in the two previous consecutive financial years:</p> <ul style="list-style-type: none"> • net turnover exceeding €5,000,000; • balance sheet total exceeding €2,500,000; • average number of employees exceeding 50. <p>The annual financial statements of the AE must be audited by at least two licensed accountants, or one Certified Auditor-Accountant where the annual turnover of an AE exceeds €1,000,000 without, however, two out of the above three criteria to be exceeded. (articles 36, 36a, 42a of CL 2190/1920).</p> <p>Compulsory for EPE: EPEs which exceed two of the following three criteria in the two previous consecutive financial years:</p> <ul style="list-style-type: none"> • net turnover exceeding €5,000,000; • balance sheet total exceeding €2,500,000; • average number of employees exceeding 50 <p>must be audited by a Certified Auditor-Accountant.</p> <p>EPEs that do not exceed the above limits for two consecutive financial years are exempt from audit altogether. (Article 23 par. 2 of Law 3190/1955).</p>	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.

	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Publication	<p>Compulsory for AE: copies of the financial statements, directors' report, and the auditors' report must be filed with the local Prefecture at least 20 days prior to the general meeting of the shareholders (Article 43b of CL 2190/1920).</p> <p>The financial statements must be published in the Government Gazette and in selected newspapers. (Article 43b, 26 par.2 of CL 2190/1920)</p> <p>Compulsory for EPE: copies of the financial statements, the administrators' report and the auditors' report (where applicable) must be filed with the local Court of First Instance at least 20 days prior to the meeting of partners (Article 22, par.4, of Law 3190/1955).</p> <p>The financial statements must be published in the Government Gazette and in selected newspapers (Article 22, par.4, of Law 3190/1955).</p>	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Director's report	<p>Compulsory for AE: Director's report has to be filed together with the financial statements (Article 43b of CL 2190/1920).</p> <p>Compulsory for EPE: administrators report has to be filed together with the financial statements. (Article 22, par.3 and 4 of Law 3190/1955).</p>	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
References	<p>CL 2190/1920: articles 36, 36a, 42a, 43b, 26 par.2.</p> <p>Law 3190/1955:articles 23 par.2, 22 par. 3 and 4.</p> <p>Presidential Decree 186/92 (CBR). Presidential Decree 1123/1980 (Greek GAAP – General Chart of Accounts).</p>	Same as Type A Medium-sized	Same as Type A Medium-sized	Same as Type A Medium-sized

GR-Type B 1/2	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Omorythmos Eteria</i> (OE); • <i>Eterorythmos Eteria</i> (EE); • <i>Syneterismos</i>. 	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type B Micro 1.
Accounting records	Double-entry accounting, journal, inventory, general ledgers. The category of books depends on the level of the gross revenues in the previous fiscal year (i.e. less than €1,500,000 Revenues'-Expenses' books and more than €1,500,000 Double-Entry Accounting books). [Presidential Decree 186/92 (CBR)]. Entities whose gross revenues in the previous fiscal year did not exceed € 150,000 may maintain Purchases' books.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Accounting principles	Local GAAP (Presidential Decree 1123/1980).	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Principles for external financial statements	True and fair view; principle of conservatism; principle of sincerity; regulation principle; going concern assumption; principle of non-compensation; monetary unit assumption; consistency principle; disclosure principle; valuation of the balance sheet items.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Components of financial statements	Balance sheet, profit and loss account, appropriation of profits account, and noted to the financial statements. The above requirements do not apply for entrepreneurs maintaining Revenues'-Expenses' books. (Presidential Decree 186/92 (CBR)).	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Auditing	<p>OE and EE: compulsory only for OEs and EEs falling under Article 50a of Law 3190/1955, namely OEs and EEs where:</p> <ol style="list-style-type: none"> 1. all general partners are Corporations (AEs), Limited Liability Companies (EPEs) or Limited Partnerships by Shares; or 2. all general partners are constituted as General or Limited Partnerships whose general partners are Corporations (AEs), Limited Liability Companies (EPEs) or Limited Partnerships by Shares <p>and on the condition that such an OE or EE exceeds two of the following criteria for two (2) consecutive financial years:</p> <ul style="list-style-type: none"> • net turnover: €5,000,000; • balance sheet total: €2,500,000; • average number of employees in the accounting period: 50. <p>(Article 50a § 4 and Article 22 § 4 of Law 3190/1955).</p> <p><i>Syneterismos</i>: there is no such requirement (only for internal purposes, see Article 9 par. 3 of Law 1667/1986).</p>	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.

GR-Type B 2/2	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Publication	<p>OE and EE: compulsory only for OEs and EEs falling under Article 50a of Law 3190/1955. In such a case the publication formalities consist of:</p> <ul style="list-style-type: none"> • filing of the financial statements with the Court of First Instance (Company Registry); and • publication of the balance sheet in the Government Gazette and selected newspapers. <p><i>Syneterismos</i>: the balance sheet and the profit and loss account are published in a newspaper (Article 9 par. 3 of Law 1667/1986).</p>	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Director's report	<p>OE and EE: compulsory only for OEs and EEs falling under Article 50a of Law 3190/1955. In such a case the administrator's report is filed with the Court of First Instance (Company Registry) together with the financial statements. (Article 50a § 4 and Article 22 § 4 of Law 190/1955).</p> <p><i>Syneterismos</i>: compulsory, but no filing obligation.</p>	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
References	<p>Commercial Law: Article 18 ff (18 -50). Law 3190/1955: Article 50a and 22. Law 1667/1986: Article 9 par. 3. Presidential Decree 186/92 (CBR). Presidential Decree 1123/1980 (Greek GAAP – General Chart of Accounts).</p>	<p>Presidential Decree 186/92 (CBR). Presidential Decree 1123/1980 (Greek GAAP – General Chart of Accounts).</p>	<p>Presidential Decree 186/92 (CBR). Presidential Decree 1123/1980 (Greek GAAP – General Chart of Accounts).</p>	<p>Presidential Decree 186/92 (CBR). Presidential Decree 1123/1980 (Greek GAAP – General Chart of Accounts).</p>

GR–Type C	Type C Medium-sized	Type C Small-sized	Type C Micro 1	Type C Micro 2
Local name of legal entities	<i>Atomiki Epihirisi.</i>	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type C Micro 1.
Accounting records	Double-entry accounting, journal, inventory, general ledgers. The category of books depends on the level of the gross revenues in the previous fiscal year (i.e. less than € 1,500,000 Revenues'-Expenses' books and more than € 1,500,000 Double-Entry Accounting books). [Presidential Decree 186/92 (CBR)]. Entities whose gross revenues in the previous fiscal year did not exceed € 150,000 may maintain Purchases' books.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Accounting principles	Local GAAP (Presidential Decree 1123/1980).	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Principles for external financial statements	True and fair view; principle of conservatism; principle of sincerity; regulation principle; going concern assumption; principle of non-compensation; monetary unit assumption; consistency principle; disclosure principle; valuation of the balance sheet items.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Components of financial statements	Balance sheet, profit and loss account. The above requirements do not apply for entrepreneurs maintaining Revenues'-Expenses' books. (Presidential Decree 186/92 (CBR)).	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Auditing	There is no such requirement.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Publication	There is no such requirement.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Director's report	There is no such requirement.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
References	Presidential Decree 186/92 (CBR). Presidential Decree 1123/1980 (Greek GAAP – General Chart of Accounts).	Presidential Decree 186/92 (CBR). Presidential Decree 1123/1980 (Greek GAAP – General Chart of Accounts).	Presidential Decree 186/92 (CBR). Presidential Decree 1123/1980 (Greek GAAP – General Chart of Accounts).	Presidential Decree 186/92 (CBR). Presidential Decree 1123/1980 (Greek GAAP – General Chart of Accounts).

3.1.2.9. Italy

IT-Type A	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Società per azioni</i> (SPA); • <i>Società a responsabilità limitata</i> (SRL); • <i>Società in accomandita per azioni</i> (SAPA). 	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type A Micro 1.
Accounting records	Double entry, journal (Article 2214 of Italian Civil Code), inventory (Article 2217 of Italian Civil code), general ledgers.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Accounting principles	Fourth Directive and Local GAAP. The most important Italian Accounting Principles are: PC 11 Underlying principles of annual financial statements; PC12 Presentation of annual financial statements; PC24 Tangible assets; PC16 intangible assets; PC15 Credits.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Principles for external financial statements	Accrual basis, prudence, going concern, consistency (articles 2423 and 2423bis of Italian Civil Code).	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Components of financial statements	Balance sheet, profit and loss account, notes to the financial statement (articles 2423 – 2423bis – 2423ter – 2424 – 2424 bis – 2425 – 2425bis – 2426 – 2427 – 2427bis of Italian Civil Code).	Abridged financial statements allowed if for two consecutive accounting periods the company does not exceed two of the following conditions: <ul style="list-style-type: none"> • net turnover: €8,800,000 • total balance sheet: € 4,400,000 • the average number of employees in the accounting period: 50. 	Same as Type A Small-sized.	Same as Type A Small-sized.
Auditing	SPA and SAPA: compulsory. SRL: compulsory	SRL: is required to have a board of auditors if the amount of the capital is more than €120,000 or if for two consecutive accounting periods the company exceed two of the following conditions: <ul style="list-style-type: none"> • net turnover: €8,800,000 • total balance sheet: € 4,400,000 • the average number of employees in the accounting period: 50. 	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Publication	Compulsory: annual financial statements must be filed with the Trade Register within 30 days after the shareholders meeting. Generally, SPA, SRL and SAPA are required to approve the financial statements within 120 days after the closing year end. (Article 2435 of Italian Civil Code).	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Director's report	Compulsory: director's report has to be filed together with the financial statement (Article 2428 of Italian Civil Code).	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
References	Italian Civil Code (Royal Decree. no 262 of March 16, 1942).	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.

IT-Type B	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Cooperativa</i>; • <i>Società in nome collettivo</i> (SNC); • <i>Società in accomandita semplice</i> (SAS). 	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type B Micro 1.
Accounting records	Double entry, journal (Article 2214 of Italian Civil Code), inventory (Article 2217 of Italian Civil code), general ledgers.	Same as Type B Medium-sized.	Double entry, journal (Article 2214 of Italian Civil Code), inventory (Article 2217 of Italian Civil code), general ledgers. SNC and SAS can be exempted from keeping a journal, a general ledger and book of inventory if the sales volume does not exceed € 516,456.90 (for supplies of goods) or € 309,874.14 (for supplies of service) - (Article 18, Presidential Decree no 600 of September 29, 1973).	SNC and SAS can be exempted from keeping a journal, a general ledger and book of inventory if the sales volume does not exceed € 516,456.90 (for supplies of goods) or € 309,874.14 (for supplies of service) - (Article 18, Presidential Decree no 600 of September 29, 1973).
Accounting principles	Fourth Directive and Local GAAP. The most important Italian Accounting Principles are: PC 11; Underlying principles of annual financial statements; PC12 Presentation of annual financial statements; PC24 Tangible assets; PC16 intangible assets PC15 Credits.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Principles for external financial statements	Accrual basis, prudence, going concern, consistency (articles 2423 and 2423bis of Italian Civil Code).	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Components of financial statements	Co-operative: balance sheet, profit and loss account, notes to the financial statements (articles 2423 – 2423bis – 2423ter – 2424 – 2424bis – 2425 – 2425 bis – 2426 – 2427 – 2427bis of Italian Civil Code). SNC and SAS: voluntary.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Auditing	Co-operative: compulsory (Article 2519 of Italian Civil Code). SNC and SAS: voluntary.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Publication	Co-operative: annual financial statements must be filed with the Trade Register within 30 days after the shareholders meeting. Generally, Co-operative is required to approve the financial statements within 120 days after the closing year end. (Article 2519 of Italian Civil Code). SNC and SAS: not compulsory.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Director's report	Co-operative: compulsory (Article 2519 of Italian Civil Code). Directors' report has to be filed together with the financial statement. SNC and SAS: not compulsory.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
References	Italian Civil Code (Royal Decree. no 262 of March 16, 1942). Presidential Decree no 600 of September 29, 1973.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.

IT-Type C	Type C Medium-sized	Type C Small-sized	Type C Micro 1	Type C Micro 2
Local name of legal entities	<i>Ditta individuale.</i>	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type C Micro 1.
Accounting records	Double entry, journal (Article 2214 of Italian Civil Code), inventory (Article 2217 of Italian Civil Code), general ledgers.	Same as Type C Medium-sized.	The sole proprietorship is exempted by this system of keeping a journal, a general ledger and book of inventory if the sales volume does not exceed € 516,456.90 (for supplies of goods) or € 309,874.14 (for supplies of service) - (Article 18, Presidential Decree no 600 of September 29, 1973).	Same as Type C Micro 1.
Accounting principles	Fourth Directive and Local GAAP. The most important Italian Accounting Principles are: PC 11 Underlying principles of annual financial statements; PC12 Presentation of annual financial statements; PC24 Tangible assets; PC16 intangible assets; PC15 Credits.	Same as Type C Medium-sized.	Not compulsory.	Not compulsory.
Principles for external financial statements	Accrual basis, prudence, going concern, consistency.	Same as Type C Medium-sized.	Not compulsory.	Not compulsory.
Components of financial statements	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized	Same as Type C Medium-sized
Auditing	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Publication	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Director's report	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
References	Italian Civil Code (Royal Decree. no 262 of March 16, 1942). Presidential Decree no 600 of September 29, 1973.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.

3.1.2.10. Lithuania

LT-Type A 1/2	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Akcine bendrove</i> (AB); • <i>Uzdaroji akcine bendrove</i> (UAB). 	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type A Micro 1.
Accounting records	Double entry bookkeeping.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Accounting principles	<p>All entities shall handle accounting and draw up financial statements in conformity with the following generally accepted accounting principles:</p> <ul style="list-style-type: none"> • principle of an entity; • going concern principle; • periodicity; • consistent accounting methods; • monetary measurement; • accrual-based accounting; • comparability; • principle of prudence; • neutrality; • importance of content. 	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Principles for external financial statements	Annual financial statements must be drawn up to give a true and fair view of an entity's assets, equity, liabilities, income and expenditure.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Components of financial statements	Balance sheet, profit and loss account, cash flow statement, statement of changes in equity, notes to the financial statements.	<p>Annual financial statements in the form of an abridged balance sheet and profit and loss account shall be drawn up by the entities at least two indicators whereof on the date of the drawing up of the financial statements do not exceed the following limits for two consecutive years, including the reporting financial year:</p> <ul style="list-style-type: none"> • net turnover during the reporting year: LTL 10,000,000 (• € 2,896,000); • balance sheet total: LTL 6,000,000 (• € 1,737,000); • average number of employees during the reporting year: 15 persons. 	Same as Type A Small-sized.	Same as Type A Micro 1.

	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Auditing	Compulsory.	<p>AB: Compulsory.</p> <p>UAB: only if meeting two of the following criteria:</p> <ul style="list-style-type: none"> • net turnover exceeds LTL 12,000,000 (€ 3,475,000) in the financial year; • balance sheet total exceeds LTL 6,000,000 (€1,737,000); • average number of employees in the financial year is not less than 50. 	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Publication	Requirement to submit their annual financial statements with auditor report to the register of LPs within 30 days after their approval in the annual general meeting of shareholders.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Director's report	Compulsory.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
References	<p>The 6 November 2001 Law no IX-574 of the Republic of Lithuania "On Financial Accounting" ("Law on Accounting").</p> <p>The November 6, 2001 Law no IX-575 of the Republic of Lithuanian "On Financial Statements of Enterprises" ("Law on Financial Statements").</p> <p>The July 13. 2000 Law no VIII-1835 of the Republic of Lithuania "On Companies" ("Company Law").</p> <p>The December 4, 2007 Law no X-1346 of the Republic of Lithuania "On Small-sized and Medium-sized Business Development".</p>	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.

LT-Type B 1/2	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Tikroji ūkinė bendrija</i> (TUB); • <i>Komandinė ūkinė bendrija</i> (KUB); • <i>Kooperatinis bendrovių įstatymas</i> (KBI). 	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type B Micro 1.
Accounting records	Residents who are engaged in individual activities, legal persons with unlimited civil liability who are not payers of the value added tax and have not got hired employees within the current and previous accounting year, may choose a simplified accounting method.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Accounting principles	<p>All entities shall handle accounting and draw up financial statements in conformity with the following generally accepted accounting principles:</p> <ul style="list-style-type: none"> • principle of an entity; • going concern principle; • periodicity; • consistent accounting methods; • monetary measurement; • accrual-based accounting; • comparability; • principle of prudence; • neutrality; • importance of content. 	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Principles for external financial statements	Annual financial statements must be drawn up to give a true and fair view of an entity's assets, equity, liabilities, income and expenditure.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.

	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Components of financial statements	Balance sheet, profit and loss account, cash flow statement, statement of changes in equity, notes to the financial statements.	Same as Type B Medium-sized.	Annual financial statements in the form of an abridged balance sheet and profit and loss account shall be drawn up by the entities at least two indicators whereof on the date of the drawing up of the financial statements do not exceed the following limits for two consecutive years, including the reporting financial year: <ul style="list-style-type: none"> • net turnover during the reporting year: LTL 10,000,000 (• € 2,896,000); • balance sheet total: LTL 6,000,000(• € 1,737,000); • average number of employees during the reporting year: 15 persons. 	Same as Type B Micro 1.
Auditing	Compulsory if all members of TUB and KUB are joint-stock companies or limited liability companies and entity shall produce its financial statements.	Compulsory if general partners of TUB and KUB are joint-stock companies or limited liability companies and entity shall produce its financial statements and meets two of the following criteria: <ul style="list-style-type: none"> • net turnover exceeds LTL 12,000,000 (€ 3,475,000) in the financial year; • balance sheet total exceeds LTL 6,000,000 (€ 1,737,000); • average number of pay-roll employees in the financial year is not less than 50. 	Not compulsory.	Same as Type B Micro 1.
Publication	Requirement to submit their annual financial statements to the register of LPs within 3 months days after their approval by true members of KUB or TUB.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Director's report	Not compulsory.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.

References	<p>The 6 November 2001 Law no IX-574 of the Republic of Lithuania "On Financial Accounting" ("Law on Accounting").</p> <p>The 6 November 2001 Law no IX-575 of the Republic of Lithuania "On Financial Statements of Enterprises" ("Law on Financial Statements").</p> <p>The 16 October 1990 Law no I-676 of the Republic of Lithuania "On Partnerships".</p>	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
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LT – Type C 1/2	Type C Medium-sized	Type C Small-sized	Type C Micro 1	Type C Micro 2
Local name of legal entities	<i>Individuali imone.</i>	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type C Micro 1.
Accounting records	Residents who are engaged in individual activities, legal persons with unlimited civil liability who are not payers of the value added tax and have not got hired employees within the current and previous accounting year, may choose a simplified accounting method.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Accounting principles	<p>All entities shall handle accounting and draw up financial statements in conformity with the following generally accepted accounting principles:</p> <ul style="list-style-type: none"> • principle of an entity; • going concern principle; • periodicity; • consistent accounting methods; • monetary measurement; • accrual-based accounting; • comparability; • principle of prudence; • neutrality; • importance of content. 	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Principles for external financial statements	Annual financial statements must be drawn up to give a true and fair view of an entity's assets, equity, liabilities, income and expenditure.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.

	Type C Medium-sized	Type C Small-sized	Type C Micro 1	Type C Micro 2
Components of financial statements	Balance sheet, profit and loss account, cash flow statement, statement of changes in equity notes to the financial statements.	Same as Type C Medium-sized.	Annual financial statements in the form of an abridged balance sheet and profit and loss account shall be drawn up by the entities at least two indicators whereof on the date of the drawing up of the financial statements do not exceed the following limits for two consecutive years, including the reporting financial year: <ul style="list-style-type: none"> • net turnover during the reporting year: LTL 10,000,000 (• €2,896,000); • balance sheet total: LTL 6,000,000 (• € 1,737,000); • average number of employees during the reporting year: 15 persons. 	Same as Type C Micro 1.
Auditing	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Publication	Requirement to submit their annual financial statements to the register of LPs within 3 months after their approval by entity owner, unless the owner of the company operates as company manager.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Director's report	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
References	The 6 November 2001 Law no IX-574 of the Republic of Lithuania "On Financial Accounting" ("Law on Accounting"). The 6 November 2001 Law no IX-575 of the Republic of Lithuania "On Financial Statements of Enterprises" ("the Law on Financial Statements"). The 6 November 2003 Law no IX-1805 of the Republic of Lithuania "On private companies".	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.

3.1.2.11. The Netherlands

NL – Type A	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Naamloze Vennootschap</i> (NV); • <i>Besloten Vennootschap met beperkte Aansprakelijkheid</i> (BV). 	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Size criteria	<p>According to the Dutch Civil Code, a medium-sized company must meet two out of the following three criteria on two successive balance sheet dates:</p> <ul style="list-style-type: none"> • net turnover from € 8,800,000 to €35,000,000; • balance sheet total from € 4,400,000 to €17,500,000; • number of employees (average) from 50 to 250. 	<p>According to the Dutch Civil Code, a small-sized company must meet two out of the following three criteria on two successive balance sheet dates:</p> <ul style="list-style-type: none"> • net turnover up to € 8,800,000; • balance sheet total up to €4,400,000; • number of employees (average) up to 50. 	Micro-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.
Accounting records	Double entry, journal, inventory and general ledgers.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Accounting principles	IFRS (voluntarily) or local GAAP (incorporated by Book 2 of the Dutch Civil Code and based on the Fourth Directive).	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Principles for external financial statements	Accrual basis, going concern, prudence, relevance, comparability, reliability.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Components of financial statements	Balance sheet, profit and loss account, notes to the financial statements.	Balance sheet, notes to the financial statements.	Same as Type A Small-sized.	Same as Type A Small-sized.
Auditing	Compulsory.	Not compulsory.	Same as Type A Small-sized.	Same as Type A Small-sized.
Publication	Annual financial statements must be filed with the Trade Registry within thirteen months from the end of the financial year at the latest.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Director's report	Directors' report has to be filed together with the financial statement.	Not compulsory.	Same as Type A Small-sized.	Same as Type A Small-sized.
References	Dutch Civil Code, Book 2, Title 9. Dutch Accounting Standards.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.

NL– Type B	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Maatschap and Vennootschap onder firma</i> (VOF); • <i>Commanditaire Vennootschap</i> (CV); • <i>Cooperatie</i> (COOP). 	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Size criteria	<p>VOF and CV: medium-sized entities are not defined for accounting or financial reporting purposes.</p> <p>COOP: according to the Dutch Civil Code, a medium-sized entity must meet two out of the following three criteria on two successive balance sheet dates:</p> <ul style="list-style-type: none"> • net turnover from € 8,800,000 to € 35,000,000; • balance sheet total from €4,400,000 to €17,500,000; • number of employees (average) from 50 to 250. 	<p>VOF and CV: small-sized entities are not defined for accounting or financial reporting purposes.</p> <p>COOP: according to the Dutch Civil Code, a small-sized entity must meet two out of the following three criteria on two successive balance sheet dates:</p> <ul style="list-style-type: none"> • net turnover up to €8,800,000; • balance sheet total up to € 4,400,000; • number of employees (average) up to 50. 	Micro-size entities are not defined for accounting or financial reporting purposes.	Micro-size entities are not defined for accounting or financial reporting purposes.
Accounting records	Double entry, journal, inventory and general ledgers.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Accounting principles	VOF and CV: voluntary application of local GAAP (incorporated by Book 2 of the Dutch Civil Code and based on the Fourth Directive). COOP: IFRS (voluntarily) or local GAAP (incorporated by Book 2 of the Dutch Civil Code and based on the Fourth Directive).	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Principles for external financial statements	Accrual basis, going concern, prudence, relevance, comparability, reliability.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Components of financial statements	Balance sheet, profit and loss account, notes to the financial statements.	Balance sheet, notes to the financial statements.	Same as Type B Small-sized.	Same as Type B Small-sized.
Auditing	VOF and CV: generally not compulsory. Auditors must be appointed only if all partners that are fully liable are also corporations under the laws of another country. COOP: compulsory.	Not compulsory.	Same as Type B Small-sized.	Same as Type B Small-sized.
Publication	VOF and CV: generally not compulsory. In case all partners that are fully liable are also corporations under the laws of another country, annual financial statements must be filed with the Trade Registry within thirteen months from the end of the financial year at the latest. COOP: annual financial statements must be filed with the Trade Registry within thirteen months from the end of the financial year at the latest.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Director's report	VOF and CV: generally not compulsory. In case all partners that are fully liable	Not compulsory.	Same as Type B Small-sized.	Same as Type B Small-sized.

	are also corporations under the laws of another country, director's report has to be filed together with the financial statement. COOP: director's report has to be filed together with the financial statement.			
References	Dutch Civil Code, Book 2, Title 9. Dutch Accounting Standards.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.

NL –Type C	Type C Medium-sized	Type C Small-sized	Type C Micro 1	Type C Micro 2
Local name of legal entities	<i>Eenmanszaak.</i>	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.
Accounting records	Double entry, journal, inventory and general ledgers.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Accounting principles	There are not specific requirements.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Principles for external financial statements	There are not specific requirements.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Components of financial statements	There are not specific requirements. A financial statement for tax purposes only must be complied.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Auditing	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Publication	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Director's report	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
References	Dutch Civil Code, Book 2, Title 9. Dutch Accounting Standards.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.

3.1.2.12. Norway

NO – Type A 1/2	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Allmennaksjeselskap, (ASA);</i> • <i>Aksjeselskap.</i> 	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Size criteria	Medium-sized companies are not defined for accounting or financial reporting purposes.	<p>According to the Accounting Act's of 17 July 1998 no 56 (Section 1-6) a small-sized company must meet two of the three of the following criteria, in two consecutive financial years, in order to be considered as a Small-sized company:</p> <ul style="list-style-type: none"> • net turnover less than or equal to NOK 60,000,000 (• €7,048,000); • balance sheet total less than NOK 30,000,000 (• €3,525,000); • average employees less than 50. 	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type A Micro 1.
Accounting records	<ul style="list-style-type: none"> • Bookkeeping specification. • Account specification. • Customer specification. • Supplier specification. • Specification of withdrawals to owners, participants and own business. • Specification of sales to owners and participants in companies with fewer than 10 owners or participants. • Specification of sales and other payments to leading employees. • Specification of VAT. • Specification of payment obliged to be reported on salary statement. <p>(Bookkeeping regulation of December 1st, 2004 no 1558 section 3-1).</p>	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Accounting principles	<p>Norwegian Accounting Standards or IFRS.</p> <p>Norwegian Accounting Standards given pursuant to Accounting Act of July 17, 1998 no 56 section 4-6.</p> <p>IFRS is determined used according to Account Act of 1998 section 3-9 and EEC.</p>	Norwegian Accounting Standards for Small-sized businesses (NRS 8).	Same as Type A Small-sized.	Same as Type A Small-sized.
Principles for external financial statements	Going concern, prudence, transaction, earned income matching.	Going concern, prudence, transaction (earned income and matching not compulsory).	Same as Type A Small-sized.	Same as Type A Small-sized.
Components of financial statements	Balance sheet, profit and loss account, notes to the financial statements, cash flow analyses, and auditor's report.	Balance sheet, profit and loss account, notes to the financial statements (light version is provided).	Same as Type A Small-sized.	Same as Type A Small-sized.

	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
<i>Auditing</i>	Compulsory (Audit and Auditors Act of 1999 section 2-1 subsection no 1).	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
<i>Publication</i>	Annual financial statements must be filed with the Norwegian Register of Company Accounts (<i>Regnskapsregister</i>). (Accounting Act of July 17, 1998 no 56 section 8-2).	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
<i>Director's report</i>	Directors' report has to be filed together with the financial statements.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
<i>References</i>	Public Companies ACT of June 13, 1998 no 45. Companies Act of June 13, 1998 no 44. Accounting Act of July 17, 1997 no 56. Bookkeeping Act of November 19, 2004 no 73. Bookkeeping Regulations of December 1 st , 2004 no 1558. Norwegian Accounting Standards (NRS) and International Accounting Standards (IFRS). Audit and Auditors Act of 1999 section 2-1 subsection no 1. Regulation on implementation of approved International Accounting Standards, of December 17, 2004 no 1852 pursuant to Accounting Act of July 17, 1997 no 56 section 3-9.	Companies Act of June 13, 1998 no 44. Accounting Act of July 17, 1997 no 56. Bookkeeping Act of November 19, 2004 no 73. Bookkeeping Regulations of December 1 st , 2004 no 1558. Norwegian Accounting Standards (NRS) and International Accounting Standards (IFRS). Audit and Auditors Act of 1999 section 2-1 subsection no 1.	Same as Type A Medium-sized.	Same as Type A Medium-sized.

NO – Type B 1/2	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Ansvarling selskap</i> (ANS); • <i>Selskap med delt ansvar</i> (DA); • <i>Kommanditt selskap</i> (KS); • Co-operatives (COOP). (The Partnerships Act of June 1985 21, no 83 section 1-1).	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized partnership should meet the following requirements in two consecutive financial years: <ul style="list-style-type: none"> • net turnover must not exceed NOK 5,000,000 (• € 588,000); • they must have less than 5 employees; • they must have less than 5 partners; • none of the owners is an AS or ASA. COOP: annual turnover must not exceed NOK 2,000,000 (• € 235,000).	Same as Type B Micro 1.
Accounting records	<ul style="list-style-type: none"> • Bookkeeping specification. • Account specification. • Customer specification. • Supplier specification. • Specification of withdrawals to owners, participants and own business. • Specification of sales to owners and participants in companies with fewer than 10 owners or participants. • Specification of sales and other payments to leading employees. • Specification of VAT. • Specification of payment obliged to be reported on salary statement. (Bookkeeping regulation of December 1 st , 2004 no 1558 section 3-1).	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Accounting principles	Norwegian Accounting Standards or IFRS. Norwegian Accounting Standards given pursuant to Accounting Act of July 17, 1998 no 56 section 4-6. IFRS is determined used according to Account Act of 1998 section 3-9. Regulation on implementation of approved International Accounting Standards, of December 17, 2004 no 1852 pursuant to Accounting Act of July 17,	Norwegian Accounting Standards for Small-sized businesses (NRS 8).	Same as Type B Small-sized.	Not compulsory.

	1997 no 56 section 3-9.			
Principles for external financial statements	Going concern, prudence, transaction, earned income matching.	Going concern, prudence, transaction (earned income and matching not compulsory).	Not required (otherwise see Type B Small-sized).	Not compulsory.

NO – Type B 2/2	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Components of financial statements	Balance sheet, profit and loss account, notes to the financial statements, cash flow analyses, and auditor's report.	Balance sheet, profit and loss account, notes to the financial statements (light version is provided).	Not compulsory (otherwise see Type B Small-sized).	Not compulsory.
Auditing	Compulsory (Audit and Auditors Act of 1999 section 2-1 subsection no 1).	Same as Type B Medium-sized.	Not compulsory (otherwise see Type B Small-sized).	Not compulsory.
Publication	Annual financial statements must be filed with the Norwegian Register of Company Accounts (<i>Regnskapsregister</i>). (Accounting Act of July 17, no 56 section 8-2).	Same as Type B Medium-sized.	Not compulsory (otherwise see Type B Small-sized).	Not compulsory.
Director's report	Not compulsory. Compulsory for COOPs.	Same as Type B Medium-sized.	Not compulsory (otherwise see Type B Small-sized).	Not compulsory.
References	The Partnerships Act of June 21, 1985 no 83 section 1-1. Accounting Act of July 17, 1997 no 56. Bookkeeping Act of November 19, 2004 no 73. Bookkeeping Regulations of December 1 st , 2004 no 1558. Norwegian Accounting Standards (NRS) and International Accounting Standards (IFRS). Audit and Auditors Act of 1999 section 2-1 subsection no 1. Regulation on implementation of approved International Accounting Standards, of December 17, 2004 no 1852 pursuant to Accounting Act of July 17, 1997 no 56 section 3-9.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.

NO – Type C	Type C Medium-sized	Type C Small-sized	Type C Micro 1	Type C Micro 2
Local name of legal entities	Enkeltpersonforetak (SP).	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.
Accounting records	SPs which during the year had assets with a value of over NOK 20,000,000 (• € 2,350,000) or an average number of employees than 20 man-labour year are subject to “full accounting obligations” (Same as Type B Medium-sized).	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Accounting principles	Norwegian Accounting Standards given pursuant to Accounting Act of July 17, 1998 no 56 section 4-6.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	There are not specific requirements.
Principles for external financial statements	Going concern, prudence, transaction, earned income matching.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	There are not specific requirements.
Components of financial statements	Only with regard to SP subject to “full accounting obligations” (see the above thresholds): balance sheet, profit and loss account, notes to the financial statements, cash flow analyses, and auditor’s report.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Financial statements must be generally complied for tax purposes only.
Auditing	SP with sales revenues of more than NOK 5,000,000 (• € 588,000) per annum shall appoint an auditor.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Generally not compulsory.
Publication	Only with regard to SP subject to “full accounting obligations” (see the above thresholds): Annual financial statements must be filed with the Norwegian Register of Company. (<i>Regnskapsregister</i>). (Accounting Act of July 17, 1997 no 56 section 8-2).	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Generally not compulsory.
Director's report	Only with regard to SP subject to “full accounting obligations” (see the above thresholds): compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Generally not compulsory.
References	Accounting Act of July 17, 1997 no 56. Bookkeeping Act of November 19, 2004 no 73. Bookkeeping Regulations of December 1 st , 2004 no 1558 Norwegian Accounting Standards (NRS) and International Accounting Standards (IFRS). Audit and Auditors Act of 1999 section 2-1 subsection no 1. The Companies Act’s regarding representation and the right to sign on behalf of the firm also applies to sole proprietorships as long as the company has had an average of more than 30 employees, or decisions have been adopted regarding company representation, in the last three months.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.

3.1.2.13. Poland

PL – Type A 1/1	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Spolka akcyjna</i> (SA); • <i>Spolka komandytowo-akcyjna</i> (S.K.A.); • <i>Spolka z ograniczona odpowiedzialnoscia</i> (sp. z o.o.). 	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type A Micro 1.
Accounting records	Double entry journal, inventory, general ledgers, subsidiary ledgers, trial balances, list of items of assets, liabilities and equity.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Accounting principles	Local GAAP according to the Accounting Act of 29 September 1994 or, in the lack of information, IFRS.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Principles for external financial statements	Prudence, going concern, accruals basis, consistency.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Components of financial statements	Balance sheet, profit and loss account, notes to the financial statement, cash flow statement, statement of the changes in owner's equity.	<p>SA: balance sheet, profit and loss account, notes to the financial statement, change in equity statement and cash flow statement.</p> <p>SKA and sp.z.o.o. also must prepare:</p> <ul style="list-style-type: none"> • change in equity statement; • cash flow statement, <p>when they are required to have their annual financial statements audited.</p> <p>Entities, which in the financial year the financial statements are prepared for and in the preceding year, failed to reach any two of the following three figures:</p> <ul style="list-style-type: none"> • net turnover - no more than Polish currency equivalent of €4,000,000 • total balance sheet assets at the end of the financial year - no more than Polish currency equivalent of €2,000,000; • average annual full-time employment - no more than 50 persons. <p>may prepare simplified financial statement, showing information illustrated in the Attachment 1 to the Accounting Act.</p>	Balance sheet, profit and loss account, notes to the financial statements.	Same as Type A Micro 1.
Auditing	Compulsory.	<p>SA: compulsory.</p> <p>SKA and sp.z.o.o.: compulsory for entities exceeding two of the three following limits for the preceding year:</p> <ul style="list-style-type: none"> • net turnover - the equivalent in PLN of at least €5,000,000; • balance sheet total - the equivalent in PLN of at least € 2,500,000; • 50 employees (average). 	SA: compulsory. SKA and sp.z.o.o.: not compulsory.	Same as Type A Micro 1.

	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Publication	Financial statement shall be published in the official business journal of Poland within 15 days from the approval date.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Director's report	Directors' report has to be filed together with the financial statement.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
References	<p><i>Spółka akcyjna</i> (SA) - The Joint Stock Companies are described in the Commercial Code articles 301 – 490.</p> <p><i>Spółka komandytowo-akcyjna</i> (S.K.A.) - The legal framework of limited joint - stock partnerships is contained in articles 125 – 150 of the Commercial Code.</p> <p><i>Spółka z ograniczoną odpowiedzialnością</i> (sp. z o.o.) - The Limited Liability Companies are described in the Commercial Code articles 151 – 300.</p> <p>(Applicable for all of the above Companies) The regulations relating to accounting principles, financial obligations and auditing of financial statement are described in the Polish Accounting Act of September 29, 1994 respectively in the articles (accounting principles) articles 2-8, (financial obligations) articles 45 – 54, (auditing of financial statement) articles 64 – 70.</p> <p>(Applicable for all of the above Companies) The National Court Register Act of August 20, 1997 articles 36 – 49 describe obligation of submitting necessary documentation.</p>	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.

PL –Type B 1/2	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Spolka jawna</i> (sp.j); • <i>Spolka komandytowa</i> (sp.k); • <i>Spoldzielnia</i>. 	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type B Micro 1.
Accounting records	Double entry journal, inventory, general ledgers, trial balances, list of items of assets, liabilities and equity.	Double entry journal, inventory, general ledgers, trial balances, list of items of assets, liabilities and equity. sp.j. which net turnover not exceeds the equivalent in PLN of € 1,200,000 can opt for a simplified accounting system based on tax rules.	Same as Type B Small-sized.	Same as Type B Small-sized.
Accounting principles	Local GAAP according to the Accounting Act of 29 September 1994 or, in the lack of information, IFRS.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Principles for external financial statements	Prudence, going concern, accruals basis, consistency.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Components of financial statements	Balance sheet, profit and loss account, notes to the financial statement, cash flow statement, statement of the changes in owner's equity.	<p><i>sp.j.</i>: option for a simplified profit and loss account for tax purposes only.</p> <p><i>sp.k.</i> and <i>Spoldzielnia</i>: balance sheet, profit and loss account, notes to the financial statements.</p> <p>Entities, which in the financial year the financial statements are prepared for and in the preceding year, failed to reach any two of the following three figures:</p> <ul style="list-style-type: none"> • net turnover - no more than Polish currency equivalent of €4,000,000 • total balance sheet assets at the end of the financial year - no more than Polish currency equivalent of €2,000,000; • average annual full-time employment - no more than 50 persons. • may prepare simplified financial statement, showing information illustrated in the Attachment 1 to the Accounting Act. 	<p><i>sp.k.</i> and <i>Spoldzielnia</i>: balance sheet, profit and loss account, notes to the financial statements.</p> <p><i>sp.j.</i>: option for a simplified profit and loss account for tax purposes only.</p>	Same as Type B Micro 1.
Auditing	Compulsory.	Compulsory for entities exceeding two of the three following limits for the preceding year: <ul style="list-style-type: none"> • net turnover - the equivalent in PLN of at least € 5,000,000; • balance sheet total - the equivalent in PLN of at least €2,500,000; • 50 employees (average). 	Not Compulsory.	Not Compulsory.

PL – Type B 2/2	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Publication	<p><i>sp.j</i> and <i>sp.k</i>: financial statement shall be published in the official business journal of Poland within 15 days from the approval date.</p> <p><i>Spoldzielnia</i>: financial statements shall be published in the official business journal of co-operatives within 15 days from the approval date.</p>	Same as Type B Medium-sized.	<p><i>sp.k</i>: financial statement shall be published in the official business journal of Poland within 15 days from the approval date.</p> <p><i>sp.j</i>: not compulsory in case of option for tax accounting system. <i>Spoldzielnia</i>: financial statements shall be published in the official business journal of co-operatives within 15 days from the approval date.</p>	Same as Type B Micro 1.
Director's report	<i>sp.k</i> : director's report has to be filed together with the financial statement. <i>sp.j</i> and <i>Spoldzielnia</i> : not compulsory.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
References	<p><i>Spolka jawna</i> (<i>sp.j</i>) - The legal framework of general partnerships is contained in articles 22 – 85 of the Commercial Code.</p> <p>The settlements with tax office in the form of tax card and lump-sum tax are described in Lump-sum Income Tax Act of November 20, 1998.</p> <p>The requirements necessary for the tax register of revenues and expenditures and recording of transactions in order to calculate tax liabilities are described in the decree of Ministry of Finance of December 15, 2000.</p> <p><i>Spolka komandytowa</i> (<i>sp.k</i>) - The legal framework of limited partnerships is contained in articles 102 – 124 of the Commercial Code.</p> <p><i>Spoldzielnia</i> - The legal framework of co-operative enterprise is contained in the Co-operative Act of September 16, 1982.</p> <p>(Applicable for all of the above Companies) The regulations relating to accounting principles, financial obligations and auditing of financial statement are described in the Polish Accounting Act of September 29, 1994 respectively in the articles (accounting principles) articles 2-8, (financial obligations) articles 45 – 54, (auditing of financial statement) articles 64 – 70.</p> <p>(Applicable for all of the above Companies) The National Court Register Act of August 20, 1997 articles 36 – 49 describe obligation of submitting necessary documentation.</p>	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.

PL –Type C 1/2	Type C Medium-sized	Type C Small-sized	Type C Micro 1	Type C Micro 2
Local name of legal entities	<i>Indywidualna działalność gospodarcza.</i>	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type C Micro 1.
Accounting records	Double entry journal, inventory, general ledgers, subsidiary ledgers, trial balances, list of items of assets, liabilities and equity.	Double entry journal, inventory, general ledgers, trial balances, list of items of assets, liabilities and equity. In case net turnover not exceeds the equivalent in PLN of € 1,200,000 is possible to opt for a simplified accounting system based on tax rules.	Double entry journal, inventory, general ledgers, trial balances, list of items of assets, liabilities and equity. It is possible to opt for a simplified accounting system based on tax rules.	Same as Type C Micro 1.
Accounting principles	Local GAAP according to the Accounting Act of September 29, 1994 or, in the lack of information, IFRS.	Same as Type C Medium-sized.	Local G.A.A.P. based on Tax Act of July 26, 1991.	Same as Type C Micro 1.
Principles for external financial statements	Prudence, going concern, accruals basis, consistency.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Components of financial statements	Profit and loss account, balance sheet, notes to the financial statement, change in equity statement, cash flow statement.	Profit and loss accounts, balance sheet, notes to the financial statement. Entities, which in the financial year the financial statements are prepared for and in the preceding year, failed to reach any two of the following three figures: <ul style="list-style-type: none"> • net turnover - no more than Polish currency equivalent of €4,000,000 • total balance sheet assets at the end of the financial year - no more than Polish currency equivalent of €2,000,000; • average annual full-time employment - no more than 50 persons. may prepare simplified financial statement, showing information illustrated in the Attachment 1 to the Accounting Act.	Balance sheet, profit and loss account, notes to the financial statements. It is possible to opt for a simplified profit and loss account for tax purposes only.	Same as Type C Micro 1.
Auditing	Compulsory.	Compulsory for sole proprietorship exceeding two of the three following limits for the preceding year: <ul style="list-style-type: none"> • net turnover - the equivalent in PLN of at least €5,000,000; • balance sheet total - the equivalent in PLN of at least € 2,500,000; • 50 employees (average). 	Not compulsory.	Same as Type C Micro 1.
Publication	Financial statement shall be published in the official business journal of Poland.	Same as Type C Medium-sized.	Not compulsory.	Same as Type C Micro 1.
Director's report	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.

PL – Type C 2/2	Type C Medium-sized	Type C Small-sized	Type C Micro 1	Type C Micro 2
References	<p>The legal framework of sole proprietorship is contained in the Act on Freedom of Economic Activity of July 2, 2004.</p> <p>The regulations relating to accounting principles, financial obligations and auditing of financial statement are described in the Polish Accounting Act of September 29, 1994 respectively in the articles (accounting principles) articles 2-8, (financial obligations) articles 45 – 54, (auditing of financial statement) articles 64 – 70.</p> <p>The National Court Register Act of August 20, 1997 articles 36 – 49 describe obligation of submitting necessary documentation.</p> <p>The settlements with tax office in the form of tax card and lump-sum tax are described in Lump-sum Income Tax Act of November 20, 1998.</p> <p>The requirements necessary for the tax register of revenues and expenditures and recording of transactions in order to calculate tax liabilities are described in the decree of Ministry of Finance of December 15, 2000.</p>	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.

3.1.2.14. Portugal

PT – Type A 1/2	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Sociedade anónima</i> (S.A.); • <i>Sociedade por quotas</i> (Lda); • <i>Sociedade em comandita por acções</i>(SCA). 	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type A Micro 1.
Accounting records	Double entry; accounting books including the general ledger and journal (Decree Law no 158/2009).	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Accounting principles	<p>The Decree Law no 158/2009 and respective appendix set the components of the Portuguese generally accepted accounting principles (<i>Sistema de Normalização Contabilística - SNC</i>):</p> <ul style="list-style-type: none"> • Bases for Presentation of Financial Statements (BADF); • Financial Statements Models (MDF); • Pre-defined Plan of Accounts (CC); • Conceptual Framework. 	Same as Type A Medium-sized.	<p>As a general rule, the entities are obliged to adopt SNC (same as Type A Medium-sized).</p> <p>However, as stated in the Article 9 of the Decree Law no 158/2009, the entities are allowed to report under <i>Norma Contabilística de Relato Financeiro para Pequenas Entidades</i> (NCRF-PE) if <i>i</i>) they are not subject to a Legal or Statutory Audit and <i>ii</i>) they do not exceed two of the following limits:</p> <ul style="list-style-type: none"> • net turnover of € 1,000,000; • balance sheet total of €500,000; • 20 employees (average). 	Same as Type A Micro 1.
Principles for external financial statements	Accrual basis, going concern, understandability, relevance, materiality, reliability, faithful representation; substance over legal form; neutrality; prudence; completeness; comparability.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Components of financial statements	Balance sheet; profit and loss account by nature; statement of changes in equity; statement of cash-flows by the direct method; notes to financial statements.	Same as Type A Medium-sized.	<p>If it applies the SNC: same as Type A Medium-sized.</p> <p>If it applies the NCRF-PE: balance sheet; profit and loss account by nature; notes to financial statements.</p>	Same as Type A Micro 1.

PT-Type A 2/2	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Auditing	<p>Compulsory for an entity with the capital represented by shares: “<i>Sociedade anónima</i> (S.A.)” and “<i>Sociedade em comandita por acções</i> (SCA).</p> <p>If the capital is represented by quotas (“Lda”), it is compulsory if the following two limits are exceeded during two consecutive years:</p> <ul style="list-style-type: none"> • net turnover of € 3,000,000; • balance sheet total of € 1,500,000; • number of employees (average) of 50. 	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Publication	<p>In accordance with Decree Law no 8/2007 these entities are required to electronically file a full set of financial statements and some selected information with the Trade Register until the 15th of the 7th month following the year-end.</p>	Same as Type A Medium-sized	Same as Type A Medium-sized	Same as Type A Medium-sized
Director's report	<p>Compulsory in accordance with Article 66 of the Portuguese Commercial Code.</p>	Same as Type A Medium-sized	Same as Type A Medium-sized	Same as Type A Medium-sized
References	<p>Portuguese Commercial Code (as updated by Decree Law no 76A of March 29, 2006).</p> <p>Portuguese Companies Code (as updated by Decree Law no 19 of May 12, 2009).</p> <p>Portuguese Civil Code (as updated by Law no 9 of May 31, 2010).</p> <p>Portuguese Co-operative Code (as updated by Decree Law no 76A of March 29, 2006).</p> <p>Portuguese Corporate Income Tax Code (as updated by Decree Law no 292 of November 13, 2009).</p> <p>Portuguese Personal Income Tax Code (as updated by Decree Law no 292 of November 13, 2009).</p> <p>Decree Law no 259 of July 13, 2009.</p> <p>Sistema de Normalização Contabilística (as updated by Decree Law no 158 of July 13, 2009).</p>	Same as Type A Medium-sized	Same as Type A Medium-sized	Same as Type A Medium-sized

PT-Type B 1/2	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Sociedade civil;</i> • <i>Sociedade em nome colectivo;</i> • <i>Sociedade em comandita simples;</i> • <i>Co-operative.</i> 	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type A Micro 1.
Accounting records	Double entry, accounting books including the general ledger and journal (Decree Law no 158/2009).	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Accounting principles	<p>The Decree Law no 158/2009 and respective appendix set the components of the Portuguese generally accepted accounting principles (<i>Sistema de Normalização Contabilística - SNC</i>):</p> <ul style="list-style-type: none"> • Bases for Presentation of Financial Statements (BADF); • Financial Statements Models (MDF); • Pre-defined Plan of Accounts (CC); • Conceptual Framework. 	Same as Type B Medium-sized.	<p>As a general rule, the entities are obliged to adopt SNC (same as Type B Medium-sized).</p> <p>However, as stated in the Article 9 of the Decree Law no 158/2009, the entities are allowed to report under <i>Norma Contabilística de Relato Financeiro para Pequenas Entidades</i> (NCRF-PE) if <i>i</i>) they are not subject to a Legal or Statutory Audit and <i>ii</i>) they do not exceed two of the following limits:</p> <ul style="list-style-type: none"> • net turnover of € 1,000,000; • balance sheet total of €500,000; • 20 employees (average). 	Same as Type B Micro 1.
Principles for external financial statements	Accrual basis, going concern, understandability, relevance, materiality, reliability, faithful representation, substance over legal form, neutrality, prudence, completeness, comparability.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.

PT –Type B 2/2	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Components of financial statements	Balance sheet; profit and loss account by nature; statement of changes in equity; statement of cash-flows by the direct method; notes to financial statements.	Same as Type B Medium-sized.	If it applies the SNC: same as Type B Medium-sized. If it applies the NCRF-PE: balance sheet; profit and loss account by nature; notes to financial statements.	Same as Type B Micro 1.
Auditing	Compulsory for “Cooperativas”. Not compulsory for the others entities.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Publication	In accordance with Decree Law no 8/2007 these entities are required to electronically file a full set of financial statements and some selected information with the Trade Register until the 15th of the 7th month following the year-end. The publication of financial statements with the Trade Registry is only mandatory for Partnerships which general partners are limited liability companies or entities structured as limited liability companies, and provided that the Partnership has surpassed two of the limits established in article 262 of CSC (Total balance sheet: € 1,500,000; Total turnover: € 3,000,000; Average number of employees per annum: 50).	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Director's report	Compulsory in accordance with Article 66 of the Portuguese Commercial Code for “Cooperativas”. Not compulsory for the others entities.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
References	Portuguese Commercial Code (as updated by Decree Law no 76A of March 29, 2006). Portuguese Companies Code (as updated by Decree Law no 19 of May 12, 2009). Portuguese Civil Code (as updated by Law no 9 of May 31, 2010). Portuguese Co-operative Code (as updated by Decree Law no 76A of March 29, 2006). Portuguese Corporate Income Tax Code (as updated by Decree Law no 292 of November 13, 2009). Portuguese Personal Income Tax Code (as updated by Decree Law no 292 of November 13, 2009). Decree Law no 259 of July 13, 2009. Sistema de Normalização Contabilística (as updated by Decree Law no 158 of July 13, 2009).	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.

PT-Type C1/2	Type C Medium-sized	Type C Small-sized	Type C Micro 1	Type C Micro 2
Local name of legal entities	<i>Empresário em nome individual.</i>	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type A Micro 1.
Accounting records	In accordance with Article 28 of the Personal Income Tax Code, entities with sales volume exceeding € 150,000 are required to maintain accounting records: double entry; accounting books including the general ledger and journal (Decree Law no 158/2009).	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Accounting principles	The Decree Law no 158/2009 and respective appendix set the components of the Portuguese generally accepted accounting principles (<i>Sistema de Normalização Contabilística - SNC</i>); <ul style="list-style-type: none"> • Bases for Presentation of Financial Statements (BADF); • Financial Statements Models (MDF); • Pre-defined Plan of Accounts (CC); • Conceptual Framework. 	Same as Type C Medium-sized.	As a general rule, the entities are obliged to adopt SNC (same as Type C Medium-sized). However, as stated in the Article 9 of the Decree-Law 158/2009, the entities are allowed to report under <i>Norma Contabilística de Relato Financeiro para Pequenas Entidades</i> (NCRF-PE) if <i>i</i>) they are not subject to a Legal or Statutory Audit and <i>ii</i>) they do not exceed two of the following limits: <ul style="list-style-type: none"> • net turnover of € 1,000,000; • balance sheet total of €500,000; • 20 employees (average). 	Same as Type C Micro 1.
Principles for external financial statements	Accrual basis, going concern; understandability, relevance, materiality, reliability, faithful representation, substance over legal form, neutrality, prudence, completeness, comparability.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.

PT – Type C 2/2	Type C Medium-sized	Type C Small-sized	Type C Micro 1	Type C Micro 2
Components of financial statements	Balance sheet; profit and loss account by nature; statement of changes in equity; statement of cash-flows by the direct method; notes to financial statements.	Same as Type C Medium-sized.	If it applies the SNC: same as Type C Medium-sized. If it applies the NCRF-PE: balance sheet; profit and loss account by nature; notes to financial statements.	Same as Type C Micro 1.
Auditing	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Publication	In accordance with Decree Law no 8/2007 these entities are required to electronically file a full set of financial statements and some selected information with the Tax Authorities until the 15th of the 7th month following the year-end	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Director's report	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
References	Portuguese Commercial Code (as updated by Decree Law no 76A of March 29, 2006). Portuguese Companies Code (as updated by Decree Law no 19 of May 12, 2009). Portuguese Civil Code (as updated by Law no 9 of May 31, 2010). Portuguese Co-operative Code (as updated by Decree Law no 76A of March 29, 2006). Portuguese Corporate Income Tax Code (as updated by Decree Law no 292 of November 13, 2009). Portuguese Personal Income Tax Code (as updated by Decree Law no 292 of November 13, 2009). Decree Law no 259 of July 13, 2009. Sistema de Normalização Contabilística (as updated by Decree Law no 158 of July 13, 2009).	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.

3.1.2.15. Romania

RO –Type A	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Societate pe actiuni</i> (SA); • <i>Societate cu raspundere limitata</i> (SRL); • <i>Societate in comandita pe actiuni</i> (SCA). 	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type A Micro 1.
Accounting records	Double entry journal, inventory, general ledgers, monthly trial balance.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Accounting principles	Local GAAP according to the Accounting Law (no 82/1991) and based on Fourth Directive.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Principles for external financial statements	Accrual basis, prudence, going concern, consistency, substance over legal form.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Components of financial statements	Balance sheet, profit and loss account, notes to the financial statements, change in equity statement, cash flow statement.	Balance sheet, profit and loss account, notes to the financial statements. Change in equity statement and cash flow statement are compulsory for companies which at the balance sheet date exceed two of the following limits for two consecutive years: <ul style="list-style-type: none"> • net turnover: €7,300,000; • balance sheet total € 3,650,000; • average employees' number: 50. 	Balance sheet, profit and loss account, notes to the financial statements.	Same as Type A Micro 1.
Auditing	Compulsory.	Compulsory for companies which at the balance sheet date exceed two of the following limits: <ul style="list-style-type: none"> • net turnover: €7,300,000; • balance sheet total € 3,650,000; • average employees' number: 50. 	Not compulsory.	Same as Type A Micro 1.
Publication	Annual financial statements must be filed with the Trade Register within 15 days after the approval date.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Director's report	Directors' report has to be filed together with the financial statement.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
References	Accounting Law no 82/1991 with subsequent amendments, republished in the Official Gazette of Romania no 454 of June 18, 2008. Order of the Ministry of Public Finance no 3055/2009 for approval of accounting regulation conforming to the European Directives, published in the Official Gazette of Romania no 766 of November 10, 2009. Companies Law no 31/1990 with subsequent amendments, republished in the Official Gazette	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.

	of Romania no 1066 of November 17, 2004.			
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RO –Type B	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Societate in nume colectiv</i> (SNC); • <i>Societate in comandita simpla</i> (SCS); • <i>Cooperativa</i>. 	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type B Micro 1.
Accounting records	Double entry journal, inventory, general ledgers, monthly trial balance.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Accounting principles	Local GAAP according to the Accounting Law (no 82/1991) and based on Fourth Directive.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Principles for external financial statements	Accrual basis, prudence, going concern, consistency, substance over legal form.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Components of financial statements	Balance sheet, profit and loss account, notes to the financial statements, change in equity statement, cash flow statement.	Balance sheet, profit and loss account, notes to the financial statements. Change in equity statement and cash flow statement are compulsory for companies which at the balance sheet date exceed two of the following limits for two consecutive years: <ul style="list-style-type: none"> • net turnover: € 7,300,000; • balance sheet total € 3,650,000; • average employees' number: 50. 	Balance sheet, profit and loss account, notes to the financial statements.	Same as Type B Micro 1.
Auditing	Compulsory.	Compulsory for companies which at the balance sheet date exceed two of the following limits: <ul style="list-style-type: none"> • net turnover: € 7,300,000; • balance sheet total € 3,650,000; • average employees' number: 50. 	Not compulsory.	Same as Type B Micro 1
Publication	Annual financial statements must be filed with the Trade Register within 15 days after the approval date.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Director's report	Directors' report has to be filed together with the financial	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.

	statement.			
References	<p>Accounting Law no 82/1991 with subsequent amendments, republished in the Official Gazette of Romania no 454 of June 18, 2008.</p> <p>Order of the Ministry of Public Finance no 3055/2009 for approval of accounting regulation conforming to the European Directives, published in the Official Gazette of Romania no 766 of November 10 2009.</p> <p>Companies Law no 31/1990 with subsequent amendments, republished in the Official Gazette of Romania no 1066 of November 17, 2004.</p> <p>Law no 1/2005 regarding the organization and the functioning of co-operatives, published in the Official Gazette of Romania no 172 of February 28, 2005.</p>	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.

RO –Type C	Type C Medium-sized	Type C Small-sized	Type C Micro 1	Type C Micro 2
Local name of legal entities	<i>Intreprinderi individuale.</i>	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type C Micro 1.
Accounting records	Single entry accounting, inventory of assets ledger, ledger of receipts and payments.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Accounting principles	Local GAAP according to the Accounting Law (no 82/1991) and to Order of the Ministry of Public Finance no 1040/2004 for approval of application norms regarding organisation and conduct of single-entry accounting.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Principles for external financial statements	N/A – cash basis accounting, for tax purposes only	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Components of financial statements	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Auditing	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Publication	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Director's report	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
References	Accounting Law no 82/1991 with subsequent amendments, republished in the Official Gazette of Romania no 454 of June 18, 2008. Order of the Ministry of Public Finance no 1040/2004 for approval of application norms regarding organisation and conduct of single-entry accounting, published in the Official Gazette of Romania no 642 of July 16, 2004. Emergency Ordinance no.44/2008 regarding the undertaking of economic activities by natural authorized persons, family enterprises and individual enterprises, published in the Official Gazette of Romania no 328 of April 25, 2008.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.

3.1.2.16. Slovakia

SK – Type A	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Akciová spoločnosť</i> (akc. spol. or a.s.); • <i>Spoločnosť s ručením obmedzeným</i> (s.r.o. or spol. s.r.o.). 	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type A Micro 1.
Accounting records	Double entry bookkeeping; journal; general ledger; register of inventory. Other accounting records can be required as well.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Accounting principles	Slovak accounting rules are governed by the Act on Accounting, which regulates general accounting principles, maintaining and closing books, asset and liability valuation, profit and loss calculation, financial statements format and auditing requirements.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Principles for external financial statements	Substance over form in certain cases; true and fair view; going concern; materiality; comprehensibility; comparability; reliability; compliance; completeness; supportability; accrual basis.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Components of financial statements	Balance sheet; profit and loss account; notes to the financial statements. Notes to the financial statement must also contain: cash flow statement (only in the case that the financial statements must be audited) and information on movements of equity.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Auditing	<p>a.s.: compulsory</p> <p>s.r.o: financial statements must be audited by an auditor if the accounting entity meets at least two of the following conditions as of the balance sheet date and for the preceding accounting period:</p> <ul style="list-style-type: none"> • its net turnover exceeded €2,000,000; • its total assets exceeded €1,000,000; • its average number of employees exceeded 30 during one accounting period. 	Same as Type A Medium-sized.	Not compulsory. If it is a company whose securities were permitted to be traded on the regulated market, the audit is compulsory.	Same as Type A Micro 1.
Publication	Compulsory to file financial statements to Collection of Deeds of the Commercial Register. Annual financial statements must be filed within 30 days of approval or within the time limit stipulated by special legislation. Publication of financial statements in Commercial Bulletin is compulsory for companies that must have their financial statements audited. Publication on internet is compulsory for companies that must prepare their individual financial statements under IFRS/EU for statutory purposes.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Director's report	Annual report to be filed with the financial statements. Only companies that must have their financial statements audited are required to prepare an annual report.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
References	Commercial Code. Act on the Commercial Register. Act no 431/2002 Coll. on Accounting as amended (the Act on Accounting). Decree of the Finance Ministry of the Slovak Republic no 23054/2002-92 of December 16, 2002 laying down details of the accounting procedures and the framework for the chart of accounts for	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.

	<p>entrepreneurs maintaining accounts under the system of double entry bookkeeping as amended (the Accounting procedures).</p> <p>Decree of the Finance Ministry of the Slovak Republic no 4455/2003-92 laying down details of the structure, description and content of items of individual financial statements and the extent of data contained in individual financial statements to be published by entrepreneurs maintaining accounts under the system of double entry bookkeeping as amended (the decree on financial statements).</p>			
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SK-Type B	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Verejná obchodná spoločnosť</i> (ver. obch. spol. or v.o.s.); • <i>Komanditná spoločnosť</i> (kom. spol. or k.s.); • <i>Družstvo</i>. 	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type B Micro 1.
Accounting records	Double entry bookkeeping; journal; general ledger; register of inventory. Other accounting records can be required as well.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Accounting principles	Slovak accounting rules are governed by the Act on Accounting, which regulates general accounting principles, maintaining and closing books, asset and liability valuation, profit and loss calculation, financial statements format and auditing requirements.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Principles for external financial statements	Substance over form in certain cases; true and fair view; going concern; materiality; comprehensibility; comparability; reliability; compliance; completeness; supportability; accrual basis.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Components of financial statements	Balance sheet; profit and loss account; notes to the financial statements. Notes to financial statement must also contain: cash flow statement (only in the case the financial statements must be audited); information on movements of equity.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Auditing	v.o.s. and k.s.: not compulsory Co-operative: financial statements must be audited by an auditor if the accounting entity meets at least two of the following conditions as of the balance sheet date and for the preceding accounting period: <ul style="list-style-type: none"> • its net turnover exceeded €2,000,000; • its total assets exceeded €1,000,000; • its average number of employees exceeded 30 during one accounting period. 	Same as Type B Medium-sized.	Not compulsory.	Same as Type B Micro 1.
Publication	<i>Komanditná spoločnosť</i> and <i>verejná obchodná spoločnosť</i> : financial statements must be filed within seven months of the end of the accounting period. <i>Družstvo</i> : financial statements must be filed within 30 days of approval. Financial statements must be published in the Commercial Bulletin if they are subject to audit.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Director's report	Annual report to be filed with the financial statements. Only accounting entities that must have their financial statements audited are required to prepare an annual report.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
References	Commercial Code. Act on the Commercial Register Act no 431/2002 Coll. on Accounting as amended (the Act on Accounting). Decree of the Finance Ministry of the Slovak Republic no 23054/2002-92 of December 16, 2002 laying down details of the accounting procedures and the framework for the chart of accounts for entrepreneurs maintaining accounts under the system of double entry bookkeeping as amended (the Accounting procedures). Decree of the Finance Ministry of the Slovak Republic no 4455/2003-92 laying down details of the structure, description and content of items of individual financial statements and the extent of data contained in individual financial statements to be published by entrepreneurs maintaining accounts under the system of double entry bookkeeping as amended (the decree on financial statements).	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.

SK – Type C	Type C Medium-sized	Type C Small-sized	Type C Micro 1	Type C Micro 2
Local name of legal entities	<i>Fyzická osoba – podnikateľ.</i>	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Size criteria	Medium-sized entities are not defined for accounting or financial reporting purposes.	Small-sized entities are not defined for accounting or financial reporting purposes.	Micro-sized entities are not defined for accounting or financial reporting purposes.	Same as Type C Micro 1.
Accounting records	Double entry bookkeeping; journal; general ledger; register of inventory; compulsory if he/she is registered with the Commercial Register. Also other accounting records can be required.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Accounting principles	Slovak accounting rules are governed by the Act on Accounting, which regulates general accounting principles, maintaining and closing books, asset and liability valuation, profit and loss calculation, financial statements format and auditing requirements.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Principles for external financial statements	Substance over form in certain cases; true and fair view; going concern; materiality; comprehensibility; comparability; reliability; compliance; completeness; supportability; accrual basis.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Components of financial statements	Balance sheet; profit and loss account; notes to the financial statements. Notes to the financial statements must also contain: cash flow statement (only in the case that the financial statements must be audited); information on movements of equity.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Auditing	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Publication	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Director's report	Annual report not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
References	Commercial Code. Act on the Commercial Register. Act no 431/2002 Coll. on Accounting as amended (the Act on Accounting). Decree of the Finance Ministry of the Slovak Republic no 23054/2002-92 of December 16, 2002 laying down details of the accounting procedures and the framework for the chart of accounts for entrepreneurs maintaining accounts under the system of double entry bookkeeping as amended (the Accounting procedures). Decree of the Finance Ministry of the Slovak Republic no 4455/2003-92 laying down details of the structure, description and content of items of individual financial statements and the extent of data contained in individual financial statements to be published by entrepreneurs maintaining accounts under the system of double entry bookkeeping as amended (the decree on financial statements).	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.

3.1.2.17. Slovenia

SI-Type A	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Delniška družba</i> (d.d); • <i>Družba z omejeno odgovornostjo</i> (d.o.o.); • <i>Komanditna delniška družba</i> (k.d.d.). 	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Size criteria	<p>A medium-sized entity in Slovenia, as in accordance with Article 55 of Companies Act, is a company that does not exceed for two consecutive financial years two of the following limits:</p> <ul style="list-style-type: none"> • net turnover of €29,200,000; • balance sheet total of € 14,600,000; • 250 employees (average). 	<p>A small-sized entity in Slovenia, as in accordance with Article 55 of Companies Act, is a company that does not exceed for two consecutive financial years two of the following limits:</p> <ul style="list-style-type: none"> • net turnover of € 7,300,000; • balance sheet total of €3,650,000; • 50 employees (average). 	<p>A micro-sized entity in Slovenia, as in accordance with Article 55 of Companies Act, is a company that does not exceed for two consecutive financial years two of the following limits:</p> <ul style="list-style-type: none"> • net turnover of € 2,000,000; • balance sheet total of €2,000,000; • 10 employees (average). 	Same as Type A Micro 1.
Accounting records	Double entry bookkeeping; journal; general ledger; subsidiary ledgers comprise subsidiary records and other subsidiary books of account.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Accounting principles	Slovene Accounting Standards are rules concerning professional conduct in the field of accounting, which have been developed by the Slovenian Institute of Auditors. SAS 1-19 deal with the methods of presenting economic categories in terms of substance, SAS 24-27 deal with the methods of presenting categories in terms of the format used for external reporting, while SAS 20-23, and SAS 28-30 deal with the methods of work in individual accounting fields: budgeting, bookkeeping, accounting supervision, accounting analyses and accounting reporting.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Principles for external financial statements	Accrual basis; going concern; understandability; relevance; reliability; comparability.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Components of financial statements	Balance sheet; profit and loss account; cash flow statement; capital flow statement; annexes with notes to financial statements; business report.	Balance sheet; profit and loss account; annexes with notes to financial statements.	Same as Type A Small-sized.	Same as Type A Small-sized.
Auditing	Compulsory: the audit shall be performed within six months of the end of the financial year.	Not compulsory.	Same as Type A Small-sized.	Same as Type A Small-sized.
Publication	Compulsory. Annual reports shall be submitted for the purpose of publication within eight months of the end of the financial years.	Compulsory. Annual reports shall be submitted for the purpose of publication within three months of the end of the financial years.	Same as Type A Small-sized.	Same as Type A Small-sized.
Director's report	Compulsory. The business report must set out at least a fair presentation of the development and results of the company's operations and its financial	Not compulsory.	Same as Type A Small-sized.	Same as Type A Small-sized.

	position, including the description of essential risks and uncertainties the company is exposed too.			
References	Companies Act (<i>Zakon o gospodarskih družbah</i> - ZGD) OG no 42/2006, Chapter 8, articles from 53 to 70. Slovene Accounting Standards.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.

SI –Type B	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Družba z neomejeno odgovornostjo</i> (d.n.o.); • <i>Komanditna družba</i> (k.d.); • <i>Zadruga</i>. 	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Size criteria	<p>A medium-sized entity in Slovenia, as in accordance with Article 55 of Companies Act, is a company that does not exceed for two consecutive financial years two of the following limits:</p> <ul style="list-style-type: none"> • net turnover of €29,200,000; • balance sheet total of €14,600,000; • 250 employees (average). 	<p>A small-sized entity in Slovenia, as in accordance with Article 55 of Companies Act, is a company that does not exceed for two consecutive financial years two of the following limits:</p> <ul style="list-style-type: none"> • net turnover of € 7,300,000; • balance sheet total of € 3,650,000; • 50 employees (average). 	<p>A micro-sized entity in Slovenia, as in accordance with Article 55 of Companies Act, is a company that does not exceed for two consecutive financial years the following two of limits:</p> <ul style="list-style-type: none"> • net turnover of €2,000,000; • balance sheet total of € 2,000,000; • 10 employees (average). 	Same as Type B Micro 1.
Accounting records	Double entry bookkeeping; journal; general ledger; subsidiary ledgers comprise subsidiary records and other subsidiary books of account.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Accounting principles	<p>Slovene Accounting Standards are rules concerning professional conduct in the field of accounting, which have been developed by the Slovenian Institute of Auditors. SAS 1-19 deal with the methods of presenting economic categories in terms of substance, SAS 24-27 deal with the methods of presenting categories in terms of the format used for external reporting, while SAS 20-23, and SAS 28-30 deal with the methods of work in individual accounting fields: budgeting, bookkeeping, accounting supervision, accounting analyses and accounting reporting.</p> <p>SAS 34 deal with accounting solutions in Co-operatives.</p>	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Principles for external financial statements	Accrual basis; going concern; understandability; relevance; reliability; comparability.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Components of financial statements	Balance sheet; profit and loss account; cash flow statement; capital flow statement; annexes with notes to financial statements; business report.	Balance sheet; profit and loss account.	Same as Type B Small-sized.	Same as Type B Small-sized.
Auditing	Compulsory: the audit shall be performed within six months of the end of the financial year.	Not compulsory.	Same as Type B Small-sized.	Same as Type B Small-sized.
Publication	Compulsory. Annual reports shall be submitted for the purpose of publication within eight months of the end of the financial years.	Compulsory. Annual reports shall be submitted for the purpose of publication within three months of the end of the financial years.	Same as Type B Small-sized.	Same as Type B Small-sized.
Director's report	Compulsory.	Not compulsory.	Same as Type B Small-sized.	Same as Type B Small-sized.
References	Companies Act (<i>Zakon o gospodarskih družbah</i> ; ZGD) OG no 42/2006,	Same as Type B	Same as Type B	Same as Type

	Chapter 8, articles from 53 to 70. Slovene Accounting Standards 2006.	Medium-sized.	Medium-sized.	B Medium-sized.
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SI –Type C 1/2	Type C Medium-sized	Type C Small-sized	Type C Micro 1	Type C Micro 2
Local name of legal entities	<i>Samostojni podjetnik (s.p.).</i>	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Size criteria	<p>A medium-sized entity in Slovenia, as in accordance with Article 55 of Companies Act, is a company that does not exceed for two consecutive financial years to of the following limits:</p> <ul style="list-style-type: none"> • net turnover of €29,200,000; • total balance sheet of €14,600,000; • 250 employees (average). 	<p>A small-sized entity in Slovenia, as in accordance with Article 55 of Companies Act, is a company that does not exceed for two consecutive financial years two of the following limits:</p> <ul style="list-style-type: none"> • net turnover of € 7,300,000; • total balance sheet of €3,650,000; • 50 employees (average). 	<p>A micro-sized entity in Slovenia, as in accordance with Article 55 of Companies Act, is a company that does not exceed for two consecutive financial years two of the following limits:</p> <ul style="list-style-type: none"> • net turnover of € 2,000,000; • total balance sheet of € 2,000,000; • 10 employees (average). 	Same as Type C Micro 1.
Accounting records	Double entry bookkeeping; journal; general ledger; subsidiary ledgers comprise subsidiary records and other subsidiary books of account.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Double entry bookkeeping; journal; general ledger; subsidiary ledgers comprise subsidiary records and other subsidiary books of account. Optionally, single entry bookkeeping system if meeting the following criteria in the last financial year: the average number of employees does not exceed three, or annual revenues are less than €42,000, or the average value of assets calculated as half the sum of the asset value on the first day and last day of the financial year does not exceed €25,000. This also applies to an entrepreneur who starts carrying out an activity and does not employ more than three employees, on average, in the first year.
Accounting	Slovene Accounting Standards are	Same as Type C	Same as Type C	Same as Type C

<i>principles</i>	<p>rules concerning professional conduct in the field of accounting, which have been developed by the Slovenian Institute of Auditors. SAS 1-19 deal with the methods of presenting economic categories in terms of substance, SAS 24-27 deal with the methods of presenting categories in terms of the format used for external reporting, while SAS 20-23, and SAS 28-30 deal with the methods of work in individual accounting fields: budgeting, bookkeeping, accounting supervision, accounting analyses and accounting reporting.</p> <p>SAS 39 deal with the accounting solution in Small-sized sole proprietorships.</p>	Medium-sized.	Medium-sized.	Medium-sized.
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SI – Type C 2/2	Type C Medium-sized	Type C Small-sized	Type C Micro 1	Type C Micro 2
<i>Principles for external financial statements</i>	Accrual basis; going concern; understandability; relevance; reliability; comparability.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
<i>Components of financial statements</i>	Balance sheet; profit and loss account; cash flow statement; capital flow statement; annexes with notes to financial statements; business report.	Balance sheet; profit and loss account.	Same as Type C Small-sized.	Same as Type C Small-sized.
<i>Auditing</i>	Not compulsory (Article 53 of Companies Act).	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
<i>Publication</i>	<p>Compulsory. Annual reports shall be submitted for the purpose of publication within three months of the end of the financial years.</p> <p>Entrepreneurs subject to tax on the basis of the established profit with the consideration of named costs under the provisions on the tax on income from business activities of the act regulating income tax shall not be obliged to submit annual reports for the purpose of publication.</p>	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
<i>Director's report</i>	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
<i>References</i>	Companies Act (<i>Zakon o gospodarskih družbah - ZGD</i>) OG No. 42/2006, Chapter 8, articles from 53 to 70. Slovene Accounting Standards 2006.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.

3.1.2.18. Spain

ES – Type A 1/2	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Sociedad de Responsabilidad Limitada (SL)</i>; • <i>Sociedad Anonima (SA)</i>; • <i>Sociedad en comandita por acciones (S. Com. por A.)</i>. 	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Size criteria	<p>The application of the New General Chart of Accounts (NGCA) for Small-sized and Medium-sized Enterprises (SMEs) is not compulsory. The NGCA for SMEs can be applied by all enterprises, whether companies or individuals, which meet at least two of the following conditions at the close of two consecutive financial years:</p> <ul style="list-style-type: none"> • net turnover not exceeding €5,750,000; • balance sheet total not exceeding €2,850,000; • average employees during the year not exceeding 50. 	<p>The enterprises or individuals that opted to apply the NGCA for SMEs, may apply specific criteria for Micro enterprises if meet at least two of the following conditions at the close of two consecutive financial years:</p> <ul style="list-style-type: none"> • net turnover not exceeding € 2,000,000; • balance sheet total not exceeding € 1,000,000; • average employees during the year not exceeding 10. 	Same as Type A Small-sized.	Same as Type A Micro 1.
Accounting records	Double entry accounting, journal book, inventory book.	Same as Type A Medium-sized.	Same as Type A Medium-sized	Same as Type A Medium-sized.
Accounting principles	<p>Royal Decree no 1514/2007 approves the General Accounting Plan, which contains the Spanish GAAP. This plan is of mandatory application for all enterprises, regardless of their legal form.</p> <p>The application of the New General Chart of Accounts (NGCA) for Small-sized and Medium-sized Enterprises (SMEs) (Royal Decree no 1515/2007) is not compulsory.</p>	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Principles for external financial statements	Accrual basis, going concern, substance over form, prudence.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.

ES – Type A 2/2	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Components of financial statements	Balance sheet, profit and loss account, statement of changes in equity, cash flow statement and notes to the annual account.	Abbreviated form when meeting the size criteria detailed for application of the NGCA for SMEs: balance sheet, profit and loss account, statement of changes in equity and notes to the annual account.	Same as Type A Small-sized.	Same as Type A Small-sized.
Auditing	Companies that are permitted to present abbreviated balance sheets are not subject to this requirement, and the limit for audit is therefore the same limit as mentioned for the preparation of abbreviated annual accounts.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Publication	Compulsory: within one month following the approval of the annual accounts, certification of the agreements adopted by the shareholders at their annual general meeting to approve the annual accounts and the distribution of profit/application of loss is filed with the Mercantile Registry.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Director's report	Compulsory: to be filled with the Mercantile Register within one month following the approval of the annual account.	Companies which prepare abbreviated balance sheets and statements of changes in equity are not required to prepare a directors' report.	Same as Type A Small-sized.	Same as Type A Small-sized.
References	Spanish Code of Commerce: articles: 25 to 30; 34 to 41. Spanish Corporation Act: articles: 171 and 172, 202 to 210 and 218 to 220. Royal Decree no 1514/2007 and Royal Decree no 1515/2007. Act no 16/2007.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.

ES –Type B 1/2	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Sociedad comanditaria simple;</i> • <i>Sociedad colectiva;</i> • <i>Sociedades cooperativas (S. Coop.).</i> 	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Size criteria	<p>The application of the New General Chart of Accounts (NGCA) for Small-sized and Medium-sized Enterprises (SMEs) is not compulsory. The NGCA for SMEs can be applied by all enterprises, whether companies or individuals, which meet at least two of the following conditions at the close of two consecutive financial years:</p> <ul style="list-style-type: none"> • net turnover not exceeding €5,700,000; • balance sheet total not exceeding €2,850,000; • average employees during the year not exceeding 50. 	<p>The enterprises or individuals that opted to apply the NGCA for SMEs, may apply specific criteria for Micro- enterprises if meet at least two of the following conditions at the close of two consecutive financial years:</p> <ul style="list-style-type: none"> • net turnover not exceeding € 2,000,000; • balance sheet assets not exceeding € 1,000,000; • average employees during the year not exceeding 10. 	Same as Type B Small-sized.	Same as Type B Micro 1.
Accounting records	Double entry accounting, journal book, inventory book.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Accounting principles	<p>Royal Decree no 1514/2007 approves the General Accounting Plan, which contains the Spanish GAAP. This plan is of mandatory application for all enterprises, regardless of their legal form.</p> <p>The application of the New General Chart of Accounts (NGCA) for Small-sized and Medium-sized Enterprises (SMEs) (Royal no Decree 1515/2007) is not compulsory.</p>	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Principles for external financial statements	Accrual basis, going concern, substance over form, prudence.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.

	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
<i>Components of financial statements</i>	Balance sheet, profit and loss account, statement of changes in equity, cash flow statement and notes to the annual account.	Abbreviated form when meeting the size criteria detailed for application of the NGCA for SMEs: balance sheet, profit and loss account, statement of changes in equity and notes to the annual account.	Same as Type B Small-sized.	Same as Type B Small-sized.
<i>Auditing</i>	Companies that are permitted to present abbreviated balance sheets are not subject to this requirement, and the limit for audit is therefore the same limit as mentioned for the preparation of abbreviated annual accounts.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
<i>Publication</i>	Compulsory: within one month following the approval of the annual accounts, certification of the agreements adopted by the shareholders at their annual general meeting to approve the annual accounts and the distribution of profit/application of loss is filed with the Mercantile Registry.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
<i>Director's report</i>	Compulsory: to be filled with the Mercantile Register within one month following the approval of the annual account.	Companies which prepare abbreviated balance sheets and statements of changes in equity are not required to prepare a directors' report.	Same as Type B Small-sized.	Same as Type B Small-sized.
<i>References</i>	Spanish Code of Commerce: articles: 25 to 30; 34 to 41. Spanish Corporation Act: articles: 171 and 172, 202 to 210 and 218 to 220. Royal Decree no 1514/2007 and Royal Decree no 1515/2007. Act no 16/2007.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.

ES –Type C 1/2	Type C Medium-sized	Type C Small-sized	Type C Micro 1	Type C Micro 2
Local name of legal entities	<i>Empresario individual.</i>	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Size criteria	<p>The application of the New General Chart of Accounts (NGCA) for Small-sized and Medium-sized Enterprises (SMEs) is not compulsory. The NGCA for SMEs can be applied by all enterprises, whether companies or individuals, which meet at least two of the following conditions at the close of two consecutive financial years:</p> <ul style="list-style-type: none"> • net turnover not exceeding €5,700,000; • balance sheet total not exceeding €2,850,000; • average employees during the year not exceeding 50. 	<p>The enterprises or individuals that opted to apply the NGCA for SMEs, may apply specific criteria for micro- enterprises if meet at least two of the following conditions at the close of two consecutive financial years:</p> <ul style="list-style-type: none"> • net turnover not exceeding € 2,000,000; • balance sheet total not exceeding € 1,000,000; • average employees during the year not exceeding 10. 	Same as Type C Small-sized.	Same as Type C Micro 1.
Accounting records	Double entry accounting, journal book, inventory book.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Accounting principles	<p>Royal Decree no 1514/2007 approves the General Accounting Plan, which contains the Spanish GAAP. This plan is of mandatory application for all enterprises, regardless of their legal form.</p> <p>The application of the New General Chart of Accounts (NGCA) for Small-sized and Medium-sized Enterprises (SMEs) (Royal Decree no 1515/2007) is not compulsory.</p>	Same as Type C Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Principles for external financial statements	Accrual basis, going concern, substance over form, prudence.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Components of financial statements	Balance sheet, profit and loss account, statement of changes in equity, cash flow statement and notes to the annual account.	Abbreviated form when meeting the size criteria detailed for application of the NGCA for SMEs: balance sheet, profit and loss account, statement of changes in equity and notes to the annual account.	Same as Type C Small-sized.	Same as Type C Small-sized.

ES –Type C 2/2	Type C Medium-sized	Type C Small-sized	Type C Micro 1	Type C Micro 2
<i>Auditing</i>	Entities that are permitted to present abbreviated balance sheets are not subject to this requirement, and the limit for audit is therefore the same limit as mentioned for the preparation of abbreviated annual accounts.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
<i>Publication</i>	Compulsory: within one month following the approval of the annual accounts, certification of the agreements adopted by the shareholders at their annual general meeting to approve the annual accounts and the distribution of profit/application of loss is filed with the Mercantile Registry.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
<i>Director's report</i>	Compulsory: to be filled with the Mercantile Register within one month following the approval of the annual account.	Companies which prepare abbreviated balance sheets and statements of changes in equity are not required to prepare a directors' report.	Same as Type C Small-sized.	Same as Type C Small-sized.
<i>References</i>	Spanish Code of Commerce: articles: 25 to 30; 34 to 41. Spanish Corporation Act: articles: 171 and 172, 202 to 210 and 218 to 220. Royal Decree no 1514/2007 and Royal Decree no 1515/2007. Act no 16/2007.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.

3.1.2.19. Sweden

SE –Type A	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Publikt aktiebolag</i> (AB publ); • <i>Privat aktiebolag</i> (AB). 	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Size criteria	<p>In Sweden the Book Keeping Act and the Annual Accounts Act provide definition of small and large companies. All companies listed on a regulated market are large companies. Companies that reach more than one of the following criteria during the last two financial years are also large companies:</p> <ul style="list-style-type: none"> • net turnover: more than SEK 50,000,000 (• €4,785,000); • balance sheet total: more than SEK 25,000,000 (• €2,392,000); • number of employees (average) more than 50. <p>Companies that are not listed or do not reach more than one of these criteria are small companies. Therefore Sweden does not have any medium sized companies, because all companies are either small or large. [Annual Accounts Act (SFS 1995:1554) chapter 1 §3].</p>	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Accounting records	Double-entry bookkeeping.	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Accounting principles	Swedish accounting rules are mainly based on two legal frameworks, the Book Keeping Act and the Annual Accounts Act. Generally accepted Swedish accounting principles (GAAP) have to be followed. The Annual Accounts Act is based on the Fourth Directive 78/660/EC and Seventh Directive 83/349/EC, but also includes some specific Swedish rules. One national rule that is not adopted from the Directive is the reference to generally accepted accounting principles (<i>god redovisningssed</i>) which means how companies actually account for, i.e. the rule implies a reference to accounting practice which include to follow accounting standards from Swedish standard setters. [Book Keeping Act (SFS 1999:1078) and Annual Accounts Act (SFS 1995:1554)].	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Principles for external financial statements	Going concern assumption; consistency between accounting periods, comparability; prudence principle; realization principle; Accrual accounting; item by item principle; gross recognition (no right of offset); opening balance has to be the same as the last year closing balance. [Annual Accounts Act (SFS 1995:1554) chapter 2 §4].	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Components of financial statements	Balance sheet; profit and loss account; cash flow statement (only required for large companies); notes to the financial statements and a director's report. [Annual Accounts Act (SFS 1995:1554) chapter 2 §1].	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Auditing	Compulsory: the annual reports of AB and AB publ. have to be audited by an approved public accountant or authorized public accountant. [Companies Act (SFS 2005:551) chapter 9].	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Publication	Compulsory: AB and AB publ. have to publish their annual reports together with auditor's report to the registration authority. [Annual Accounts Act (SFS 1995:1554) chapter 8].	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Director's report	Compulsory. [Annual Accounts Act (SFS 1995:1554) chapter 2 §1].	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.

References	Book keeping Act (SFS 1999:1078). Annual Account Act (SFS 2005:551). Companies Act (SFS 1995:1554).	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium- sized.
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SE –Type B 1/3	Type B Medium-sized	Type B Small- sized	Type B Micro 1	Type B Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Handelsbolag</i>, HB; • <i>Kommanditbolag</i>, KB; • <i>Ekonomisk förening</i>, Ek.för. 	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Size criteria	<p>In Sweden the Book Keeping Act and the Annual Accounts Act provide definition of small and large companies. All companies listed on a regulated market are large companies. Companies that reach more than one of the following criteria for the two latest financial years are also large companies:</p> <ul style="list-style-type: none"> • net turnover: more than SEK 50,000,000 (• €4,785,000); • balance sheet total: more than SEK 25,000,000 (• €2,392,000); • number of employees: more than 50. <p>Companies that are not listed or do not reach more than one of these criteria are small companies. Therefore Sweden does not have any medium sized companies, because all companies are either small or large.</p> <p>[Annual Accounts Act (SFS 1995:1554) chapter 1 §3].</p>	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Accounting records	Double-entry bookkeeping.	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Accounting principles	<p>Swedish accounting rules are mainly based on two legal frameworks, the Book Keeping Act and the Annual Accounts Act. Generally accepted Swedish accounting principles (GAAP) have to be followed. The Annual Accounts Act is based on the Fourth Directive 78/660/EC and Seventh Directive 83/349/EC, but also includes some specific Swedish rules. One national rule that is not adopted from the Directive is the reference to generally accepted accounting principles (<i>god redovisningssed</i>) which means how companies actually account for, i.e. the rule implies a reference to accounting practice . which include to follow accounting standards from Swedish standard setters</p> <p>[Book Keeping Act (SFS 1999:1078) and Annual Accounts Act (SFS 1995:1554)].</p>	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Principles for external financial statements	<p>Going concern assumption; consistency between accounting periods, comparability; prudence principle; realization principle; accrual accounting; item by item principle; gross recognition (no right of offset); opening balance has to be the same as the last year closing balance.</p> <p>[Annual Accounts Act (SFS 1995:1554) chapter 2 §4].</p>	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.

	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Components of financial statements	<p>HB, KB has to close the accounts with annual report if one or more partners are legal persons. If all partners are physical persons the accounts have to be closed by annual financial statements (<i>årsbokslut</i>). They can also choose to close the accounts with an annual report on a voluntary basis. The annual report has to consist of balance sheet, profit and loss account, cash flow statement (only required for large companies), notes and a director's report. Annual financial statements have to consist of a profit and loss account and balance sheet and some notes.</p> <p>Ek.för: Annual report consist in: balance sheet, profit and loss account; cash flow statement (only required for large companies); notes and director's report</p> <p>[Book Keeping Act (SFS 1999:1078) chapter 6. Annual Accounts Act (SFS 1995:1554) chapter 2 §1].</p>	Same as Type B Medium-sized.	Same as Type B Medium-sized.	<p>HB, KB has to close the accounts with annual report if one or more partners are legal persons. If all partners are physical persons the accounts have to be closed by annual financial statements (<i>årsbokslut</i>). They can also choose to close the accounts with an annual report on a voluntary basis. If the net turnover is lower than SEK 3,000,000 (• € 287,000) a year and if all partners are physical persons it is possible to close the accounts with simplified annual financial statement (<i>förenklat årsbokslut</i>). They can also choose to close the accounts with an annual report or annual financial statements on a voluntary basis. The annual report has to consist of balance sheet, profit and loss account, notes and a director's report. Annual financial statements have to consist of a profit and loss account and balance sheet and some notes. A simplified annual financial statement has to consist of a profit and loss account and a balance sheet.</p> <p>Ek.för: same as Type B Medium-sized.</p> <p>[Book Keeping Act (SFS 1999:1078) chapter 6. Annual Accounts Act (SFS 1995:1554) chapter 2 §1].</p>
Auditing	<p>HB, KB: compulsory for large entities.</p> <p>[Audit law (SFS 1999:1079)].</p> <p>An Ek.för.has to have at least one auditor. For a small Ek.för. there are no requirements that the auditor have to be approved or authorized.</p> <p>[Co-operative Societies Act (SFS 1987:667), chapter 8].</p>	Same as Type B Medium-sized.	<p>HB, KB: not compulsory for small entities.</p> <p>(Audit law (SFS 1999:1079).</p> <p>Ek.för: same as Type B Medium-sized.</p>	<p>HB, KB: same as Type B Micro 1.</p> <p>Ek.för same as Type B Medium-sized.</p>
Publication	<p>HB, KB: that close their accounts with annual report have to publish their annual report to registration authority, <i>Bolagsverket</i>.</p> <p>[(Book keeping Act chapter (SFS 1999:1078) chapter 6 § 2 and Annual Accounting Act (SFS 1995:1554) chapter 8].</p> <p>Ek.för: annual report has to be available for those who ask for them. If someone require, the Ek.för has to send it to registration authority.</p> <p>[Book keeping Act (SFS 1999:1078) chapter 6, § 2 and Annual Accounting Act (SFS 1995:1554) chapter 8].</p>	Same as Type B Medium-sized.	<p>HB and KB closing their accounts with annual report: compulsory.</p> <p>HB and KB closing their accounts with annual financial statement: Not compulsory. [Book keeping Act (SFS 1999:1078) chapter 6, § 2 and Annual Accounting Act (SFS 1995:1554) chapter 8].</p> <p>Ek.för: annual report has to be available for those who ask for them. If someone require, the Ek.för has to send it to registration authority.</p> <p>(Book keeping Act [SFS 1999:1078)</p>	<p>HB and KB closing their accounts with annual report: compulsory.</p> <p>HB and KB closing their accounts with annual financial statement or simplified annual financial statement: not compulsory.</p> <p>[Book keeping Act (SFS 1999:1078) chapter 6, § 2 and Annual Accounting Act (1995:1554) chapter 8].</p> <p>Ek.för: annual report has to be available for those who ask for them. If someone require, the Ek.för has to send it to registration authority.</p> <p>[Book keeping Act (SFS 1999:1078) chapter 6, § 2 and Annual Accounting Act</p>

			chapter 6, § 2 and Annual Accounting Act (SFS 1995:1554) chapter 8].	(SFS 1995:1554) chapter 8].
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SE –Type B 3/3	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Director's report	Compulsory. [Annual Accounts Act (SFS 1995:1554) chapter 2 §1].	Same as Type B Medium-sized.	Annual report: compulsory. Annual financial statement: not compulsory. [Annual Accounts Act (SFS 1995:1554) chapter 2 §1. Book keeping Act (SFS 1999:1078) chapter 6].	Annual report: compulsory. Annual financial statement and simplified annual financial statement: Not compulsory. [Annual Accounts Act (1995:1554) chapter 2 §1. Book keeping Act (SFS 1999:1078) chapter 6].
References	Book keeping Act (SFS 1999:1078). Annual Account Act (SFS 1995:1554). Companies Act (SFS 2005:551). Audit law (SFS 1999:1079). Co-operative Societies Act (SFS 1987:667).	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.

SE – Type C	Type C Medium-sized	Type C Small-sized	Type C Micro 1	Type C Micro 2
Local name of legal entities	<i>Enskild firma.</i>	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Size criteria	In Sweden the Book Keeping Act and the Annual Accounts Act provide definition of small and large entities. Entities that reach more than one of the following criteria for the two latest financial years are large companies: <ul style="list-style-type: none"> • net turnover: more than SEK 50,000,000 (• €4,785,000); • balance sheet total: more than SEK 25,000,000 (• €2,392,000); • number of employees: more than 50. 	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Accounting records	Double-entry bookkeeping.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Accounting principles	Swedish accounting rules are mainly based on two legal frameworks, the Book Keeping Act and the Annual Accounts Act. Generally accepted Swedish accounting principles (GAAP) have to be followed. The Annual Accounts Act is based on the Fourth Directive 78/660/EC and Seventh Directive 83/349/EC, but also includes some specific Swedish rules. One national rule that is not adopted from the Directive is the reference to generally accepted accounting principles (<i>god redovisningssed</i>) which means how companies actually account for, i.e. the rule implies a reference to accounting practice which include to follow accounting standards from Swedish standard setters. [Book Keeping Act (SFS 1999:1978) and Annual Accounts Act (SFS 1995:1554)].	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Principles for external financial statements	Going concern assumption; consistency between accounting periods, comparability; prudence principle; realization principle; accrual accounting; item by item principle; gross recognition (no right of offset); opening balance has to be the same as the last year closing balance. [Annual Accounts Act (SFS 1995:1554) chapter 2 §4].	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Components of financial statements	<i>Enskild firma</i> have to close the accounts with annual financial statements (<i>årsbokslut</i>) or simplified annual financial statement (<i>förenklat årsbokslut</i>). The requirements of annual financial statements or simplified annual financial statements vary depending on the size of net turnover. The accounts have to be closed by annual financial statements. If the net turnover is lower than SEK 3,000,000 (• €287,000) a year it is possible to close the accounts with simplified annual financial statement. They can also choose to close the accounts with annual financial statements on a voluntary basis. Annual financial statement has to consist of a profit and loss account and balance sheet and some notes. A simplified annual financial statement has to consist of an profit and loss account and a balance sheet. [Book keeping Act (SFS 1999:1078) chapter 6].	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Auditing	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Publication	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Director's report	Not compulsory.	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
References	Book Keeping Act (SFS 1999:1078).	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.

3.1.2.20. The United Kingdom

UK –Type A 1/2	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Public limited company</i> (PLC); • <i>Private company limited by shares</i> (PLS); • <i>Private company limited by guarantee</i> (PCLBG); • <i>Limited liability partnership</i> (LLP). 	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Size criteria	<p>In accordance with the Companies Act 2006, Section 465, a company qualifies as medium-sized if meets at least two of the following conditions for two consecutive years:</p> <ul style="list-style-type: none"> • net turnover of not more than £ 25,900,000 (• € 28,412,000); • balance sheet total of not more than £ 12,900,000 (• € 14,151,000); • not more than 250 employees (average). <p>PLCs are excluded from the medium-size category.</p>	<p>In accordance with the Companies Act 2006, Section 382, a company qualifies as Small-sized if meets at least two of the following conditions for two consecutive years:</p> <ul style="list-style-type: none"> • net turnover of not more than £ 6,500,000 (• € 7,130,000); • balance sheet total of not more than £ 3,260,000 (• € 3,576,000); • average number of employees must be not more than 50. 	Micro-size entities are not defined for accounting or financial reporting purposes.	Same as Type C Micro 1.
Accounting records	<p>Companies Act (CA) 2006 Section 386 provides that every company must keep accounting records which:</p> <ul style="list-style-type: none"> • show and explain business transactions; • disclose the financial position of the company at any point in time with reasonable accuracy; and • allow company directors to show that any balance sheet and profit and loss account prepared under the CA 2006 complies with the accounting provisions in the Act. 	Same as Type A Medium-sized.	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Accounting principles	<p>Companies Act 2006 Section 395: a company can choose to follow IFRS or full UKGAAP. Special rules apply for LLPs.</p>	<p>Can choose to follow IFRS or full UKGAAP. If Small-sized, it has a further option to use Financial Reporting Standard for Smaller Entities (FRSSE - which is a simplified version of the UKGAAP). Special rules for LLPs.</p>	Same as Type A Medium-sized.	Same as Type A Medium-sized.
Principles for external financial statements	<p>IAS 1 and other accounting statements (i.e. not in UK Companies Act): Accrual basis, going concern, consistency of presentation, substance over legal form, prudence.</p>	Same as Type A Medium-sized.	Not applicable.	Not applicable.

	Type A Medium-sized	Type A Small-sized	Type A Micro 1	Type A Micro 2
Components of financial statements	<p>Section 396 of the Companies Act mandates individual companies' accounts to include a balance sheet and a profit and loss. IAS 1 and other accounting statements (e.g. in UK GAAP) require these and other primary statements.</p> <p>Thus the full components of a set of accounts typically comprise: balance sheet, profit and loss account, cash flow statement, statement of changes in equity, notes to the financial statements. There are some exemptions from the requirement to present some of these statements, notably the cash flow statement, in some circumstances. These exemptions usually arise from the accounting standards.</p> <p>Medium-sized companies are Entitled to submitted abbreviated accounts to the Companies House.</p> <p>Abbreviated accounts of a medium-sized company must include: the abbreviated profit and loss account; the full balance sheet; a special auditor's report; the directors' report; and notes to the accounts.</p>	<p>Same as Public Company. Small-sized companies are entitled to submitted abbreviated accounts to the Companies House.</p> <p>Abbreviated accounts of a Small-sized company must include: the abbreviated balance sheet and ; and a special auditor's report (unless the company is also claiming audit exemption).</p>	Not applicable.	Not applicable.
Auditing	<p>Section 475 of the CA 2006 specifies that a company's annual accounts for a financial year must be audited. Same for LLPs (LLPs Regulation).</p>	<p>Section 475 of the CA 2006 specifies that a company's annual accounts for a financial year must be audited. Exemption is given to Small-sized entities (S. 477), dormant companies (S. 480) and LLPs.</p>	Not applicable.	Not applicable.
Publication	<p>Section 442 of the CA 2006 specifies that the accounts for a public and private company should be delivered to the Registrar (Company House). Medium-sized companies may be entitled to submit abbreviated accounts to the Companies House (which means less information).</p> <p>Public companies have 6 months in which to file accounts, private companies have 9 months.</p>	<p>Section 442 of the CA 2006 specifies that the accounts for a private company should be delivered to the Registrar by nine months after the end of that period. In most case, small-sized companies may be entitled to submit abbreviated accounts to the Companies House (which means less information).</p>	Not applicable.	Not applicable.
Director's report	<p>Companies Act 2006, Section 415: Directors' report has to be filed together with the financial statement.</p>	<p>Companies Act 2006, Section 415A: Yes. However Small-sized entities do not have to deliver a copy of the directors' report or the profit and loss account to Companies House.</p>	Not applicable.	Not applicable.
References	<p>UK Companies Act 2006 for all companies, whether public or private and whether unlimited, limited by guarantee or limited by share.</p> <p>Note that LLP's are subject to their own act (not the UK Companies Act), however, this act "mirrors" the Companies Act and for sections quoted here, the section numbers and rules are the same. The two acts only differ when there are references to specific items e.g. to shares (which clearly don't exist in the case of an LLP).</p>	<p>Same as Type A Medium-sized.</p>	Not applicable.	Not applicable.

UK –Type B 1/2	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Local name of legal entities	<ul style="list-style-type: none"> • <i>Ordinary partnership</i> (OP); • <i>Limited partnership</i> (LP); • <i>Co-operative</i> (CO) and as range of other entities (e.g. friendly societies). 	Same as Type B Medium-sized.	Same as Type B Medium-sized.	Same as Type B Medium-sized.
Size criteria	No definition for this type of entities as the concept of “medium-sized” and “Small-sized” applies only to companies and LLP’s.	Not applicable.	Not applicable.	Not applicable.
Accounting records	OP: yes (Partnership Act 1890); LP: yes - if partners are limited companies (see Limited companies); CO: yes (e.g. Friendly and Industrial Societies Act 1968).	Not applicable.	Not applicable.	Not applicable.
Accounting principles	OP: not compulsory (unless required in the Partnership Deed). If required it could be prepared in any accounting basis; LP: can choose to follow IFRS or full UKGAAP. If Small-sized, it has a further option to use Financial Reporting Standard for Smaller Entities (FRSSE - which is a simplified version of the UKGAAP); CO: IFRS or UK GAAP.	Not applicable.	Not applicable.	Not applicable.
Principles for external financial statements	OP: in general N/A; LP: see limited companies; CO and other entities: regulated by the Performance & Accounting Standard Committee (PASC).	Not applicable.	Not applicable.	Not applicable.
Components of financial statements	OP: not required; LP: yes (see Limited companies); CO: regulated by the Performance & Accounting Standard Committee (PASC).	Not applicable.	Not applicable.	Not applicable.
Auditing	<ul style="list-style-type: none"> • OP: not required; • LP: see limited companies; • CO: no if <ul style="list-style-type: none"> ◦ the value of its assets at the end of the preceding year of account did not in the aggregate exceed £1,400,000 (• € 1,536,000), and ◦ its net turnover for that year did not exceed £350,000 (• € 384,000). 	Not applicable.	Not applicable.	Not applicable.

UK – Type B 2/2	Type B Medium-sized	Type B Small-sized	Type B Micro 1	Type B Micro 2
Publication	<p>OP: not required;</p> <p>LP: if SI 1993/1820 applies and the General Partner is a limited company, a copy of the partnership accounts must be appended to and filed with the limited company accounts;</p> <p>CO: no unless it has been signed by the secretary of the society and by two members of the committee of the society acting on behalf of that committee.</p>	Not applicable.	Not applicable.	Not applicable.
Director's report	<p>OP: not required;</p> <p>LP: N/A;</p> <p>CO: N/A.</p>	Not applicable.	Not applicable.	Not applicable.
References	<p>None of these entities are subject to distinction between “medium-sized” and “Small-sized” in the way that companies and LLP’s are (refer Type A).</p> <p>For partnerships other than LLPs (see earlier), most requirements, e.g. preparation of accounts, need for an audit etc are dealt with in the partnership deed itself – i.e. the rules are often entity specific. The Act of 1890 sets out basic duties and requirements (e.g. to share profits) and will supplement this deed where necessary but it can be over-ruled by the deed in question.</p> <p>Co-operatives and some other entities are governed by the Friendly and Industrial Societies Act 1968. There are other types of entity with their own specific legislation which is too complex and entity-specific to generalise about.</p>	Not applicable.	Not applicable.	Not applicable.

UK –Type C	Type C Medium-sized	Type C Small-sized	Type C Micro 1	Type C Micro 2
Local name of legal entities	Sole trader	Same as Type C Medium-sized.	Same as Type C Medium-sized.	Same as Type C Medium-sized.
Size criteria	No requirements.	Not applicable.	Not applicable.	Not applicable.
Accounting records	No requirements, other than for the purposes of completing a tax return.	Not applicable.	Not applicable.	Not applicable.
Accounting principles	The sole trader is not subject to any accounting or auditing requirements.	Not applicable.	Not applicable.	Not applicable.
Principles for external financial statements	No requirements.	Not applicable.	Not applicable.	Not applicable.
Components of financial statements	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Auditing	No requirements.	Not applicable.	Not applicable.	Not applicable.
Publication	No requirements.	Not applicable.	Not applicable.	Not applicable.
Director's report	Not applicable.	Not applicable.	Not applicable.	Not applicable.
References	Sole traders are not governed by business law in the way that legal entities such as companies and partnerships are. They may of course be subject to the requirements of particular departments – notably the Tax Office. There is no concept of “medium-sized” or “small” size applying to sole traders.	Not applicable.	Not applicable.	Not applicable.

3.1.3. Good accounting practices and conclusions for the selected Countries

3.1.3.1. General overview

The purpose of the present Chapter is to identify as a first step good accounting practices taking into account:

- The selected Countries (see Chapter 3.1.1.2);
- The Type of legal form (i.e. Types A, B and C – see Chapter 3.1.1.1);
- The size of the entities (i.e. Medium-, and Small-sized and Micros 1 and 2 – see Chapter 3.1.1.3);
- The technical areas included in the Accounting Matrices which are the following: 1) accounting records; 2) accounting principles; 3) principles for external financial statements; 4) components of financial statements; 5) auditing; 6) publication; 7) director's report (see Chapter 3.1.1.4);
- The information on the selected Countries included in the Accounting Matrices (see Chapters 3.1.2.1 – 3.1.2.20).

More specifically, **good accounting practices** are defined here as the most recurring accounting practices and choices, which represent an average value (i.e. as a sort of benchmark) within the analysed sample of selected Countries.

Good accounting practices will be identified on the basis of the obligations or prohibitions expressly indicated (for any technical areas) in the local legislations and/or regulations of the selected Countries. Consequently, where no obligations (or prohibitions) are expressly provided we have not examined the good accounting practices since they may be in case explored in the following Survey Chapter. In this respect, it is clear that identification of good accounting practices for Type B and C entities will be affected by the absence of EU harmonisation with respect to those types of entities (which are not regulated by the Fourth Directive).

Moreover, it is recognised that not all of the above practices can assist all businesses since, for instance, enterprises that operate on a simpler business model may find only some of them useful (at the same time, the presence of a wide range of different business sectors must also be taken into account); therefore, a specific analysis will have to be made on a case by case basis. Finally, it should be noted that a detailed comparative analysis of the accounting principles (affecting the financial statements items in terms of classification and measurement) in use in the selected Countries is out of the scope of the present work.

As a second step, our conclusions will be provided on the basis of the good accounting practices identified.

3.1.3.2. Preliminary considerations and official definition of Medium-sized, Small-sized and Micro entities

Type A

With reference to SMEs of Type A, the good accounting practices are affected by the Fourth Directive³⁰. The local implementation of the Accounting Directives (i.e. Fourth and Seventh Directives) has facilitated the establishment of a harmonised framework in the selected Countries³¹ even if some differences still remain (within the options indicated by the Fourth Directive).

In particular, a certain number of the selected Countries have not introduced in their local legislation an official definition for accounting purposes of Medium- and Small- sized enterprises (according to Articles 11 and 27 of the Fourth Directive). As regards the definition of Micro-sized enterprises, it should be noted that the Member States have not adopted it yet since at the moment this category is existing for accounting purposes only at the level of a Commission proposal (see the definition of the Micro 1 entity indicated in Chapter 3.1.1.2)³².

However, the absence of a Medium- and/or Small-sized official definition in the domestic legislation of the selected Countries does not necessarily have a significant impact since the size criteria (i.e. the thresholds) indicated in the Fourth Directive have been taken into account by these Countries (even within the ranges allowed over time by the Fourth Directive or, in some cases, by applying lower thresholds) for regulating accounting obligations (such as auditing and abridged financial statements).

Table No. 1 on the next page provides an overview of the official definitions (if any) of Medium- and Small-sized companies in terms of thresholds adopted by the selected Countries in their local accounting legislation. Micro-sized companies are not indicated in the tables simply because, as already stated, the criteria for Micro-sized are not officially determined for accounting purposes at the EU- level, since at the moment there is only a Commission proposal for Micro sized companies. In particular, for Type A entities, the table shows:

1. Countries which have adopted an official definition of Medium- and Small-sized companies;
2. Countries which have adopted thresholds for the definition of Medium- and Small-sized companies;
3. Countries which have adopted thresholds that are in line with the Fourth Directive.

³⁰ Similar consideration should also be given to co-operatives whose accounting treatment is generally the same as that of the selected Countries to Type A entities.

³¹ Following the EEA Agreement between the EU and EFTA, Norway has undertaken to adopt the Accounting Directives (Article 77 of the EEA Agreement and Annex XXII of the same Agreement).

³² With the exception of Slovenia and Spain, which however adopt a Micro definition which is slightly different in terms of thresholds from the one suggested in the Commission proposal 2009 COM (2009) 83 final. More specifically, a micro-sized entity in Slovenia is a company that does not exceed, for two consecutive financial years, two of the following limits: a) net turnover of €2,000,000; b) balance sheet total of €2,000,000; c) 10 employees (average). A micro-sized entity in Spain is a company that does not exceed, for two consecutive financial years, two of the following limits: a) net turnover of €2,000,000; b) balance sheet total of €1,000,000; c) 10 employees (average).

The logical path adopted for this specific analysis is the following:

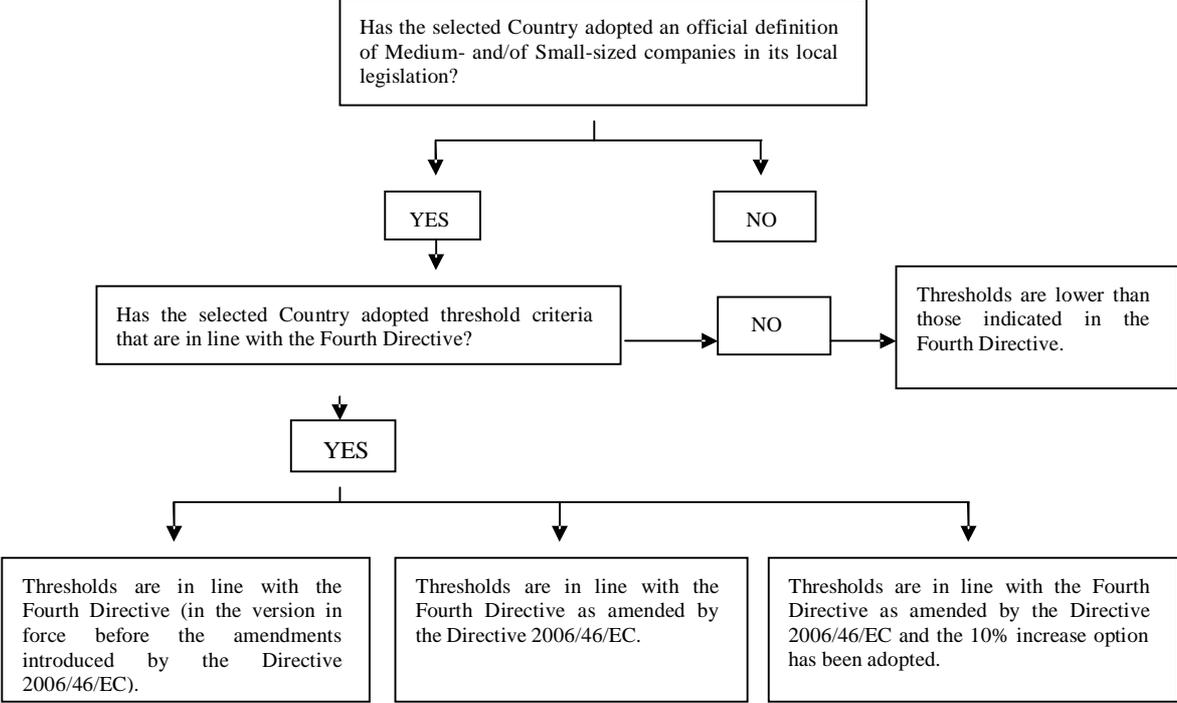


Table No. 1 - Chapter 3 - Official definitions of Medium- and Small-sized companies (for accounting purposes)

Type A		Size Criteria (Official definition)		Thresholds	
		Medium-sized - Fourth Directive	Small-sized - Fourth Directive	Medium-sized	Small-sized
1	Austria ³³	Yes (***)	Yes (***)	(*) Entities which, on their balance sheet dates, do not exceed the limits of two of the following three criteria: <ul style="list-style-type: none"> • net turnover of not more than €29,200,000; • balance sheet total of not more than €14,600,000; • average number of employees during the financial year not more than 250. 	Entities which, on their balance sheet dates, do not exceed the limits of two of the following three criteria: <ul style="list-style-type: none"> • net turnover of not more than €7,300,000; • balance sheet total of not more than €3,650,000; • average number of employees during the financial year not more than 50.
2	Belgium	--	Yes (*)		
3	Czech Rep.	--	--		
4	Denmark	Yes (***)	Yes (***)		
5	Estonia	--	--		
6	France	--	--		
7	Germany	Yes (***)	Yes (***)		
8	Greece	--	--		
9	Italy	--	--		
10	Lithuania	--	--		
11	Netherlands	Yes (**)	Yes (**)		
12	Norway	--	Yes (**)		
13	Poland	--	--		
14	Portugal	--	--		
15	Romania	--	--		
16	Slovakia	--	--		
17	Slovenia	Yes (*)	Yes (*)		
18	Spain	--	Yes (****)		
19	Sweden	--	Yes (****)		
20	UK	Yes (*)	Yes (*)		
				(**) Entities which, on their balance sheet dates, do not exceed the limits of two of the following three criteria: <ul style="list-style-type: none"> • net turnover of not more than €35,000,000; • balance sheet total of not more than €17,500,000; • average number of employees during the financial year not more than 250. 	Entities which, on their balance sheet dates, do not exceed the limits of two of the following three criteria: <ul style="list-style-type: none"> • net turnover of not more than €8,800,000; • balance sheet total of not more than €4,400,000; • average number of employees during the financial year not more than 50.
				(***) Entities which, on their balance sheet dates, do not exceed the limits of two of the following three criteria: <ul style="list-style-type: none"> • net turnover of not more than €38,500,000; • balance sheet total of not more than €19,250,000; • average number of employees during the financial year not more than 250. 	Entities which, on their balance sheet dates, do not exceed the limits of two of the following three criteria: <ul style="list-style-type: none"> • net turnover of not more than €9,680,000; • balance sheet total of not more than €4,840,000; • average number of employees during the financial year not more than 50.

(*) Lower thresholds provided by the Fourth Directive 78/660/EEC (in force before the amendments made by Directive 2006/46/EC).

(**) Thresholds provided by the Fourth Directive 78/660/EE as amended by Directive 2006/46/EC.

(***) Option to increase the thresholds up to 10% (Article 12, par. 2 and Article 27 of the Fourth Directive 78/660/EEC) for the purposes of translation into national currencies³⁴.

(****) Domestic thresholds which are lower than those indicated by the Fourth Directive 78/660/EEC³⁵.

Non-Euro adopter (local currencies have been converted to EURO at official exchange rates in force on November 30, 2009). Consequently, thresholds could be slightly different from those indicated above and provided for by the Fourth Directive (see the Accounting Matrices).

As above indicated, Belgium, the Czech Republic, Estonia, France, Greece, Italy, Lithuania, Norway, Poland, Portugal, Romania, Slovakia, Spain and Sweden do not recognize the

³³ The Austrian Commercial Code defines also the “Large companies” (i.e. companies which are above the thresholds indicated for Medium companies).

³⁴ Following Article 12, par. 2 of the Fourth Directive: “For the purposes of translation into national currencies, the amounts in European units of account specified in Article 11 may be increased by not more than 10 %”.

³⁵ In the case of Spain, the enterprises that opted to apply the New General Chart of Accounts (NGCA) for SMEs, may apply specific criteria for Small enterprises if they meet at least two of the following conditions at the close of two consecutive financial years: Medium/Small: a) net turnover not exceeding €5,750,000; b) balance sheet total not exceeding €2,850,000; c) average employees during the year not exceeding 50. In the case of Sweden, companies that do not reach more than one of the following criteria during the last two financial years are small companies: a) net turnover: more than SEK 50,000,000 (• €4,785,000); b) balance sheet total: more than SEK 25,000,000 (• €2,392,000); c) number of employees (average) more than 50.

Medium-sized category in their accounting legislation (in the case of Sweden only Small or Large³⁶ companies are defined).

However, despite this lack of official definitions, the components of financial statements (i.e. Balance Sheet, Profit and Loss Account and Notes to the Accounts), Auditing, Publication and Director's report are generally compulsory and in line with the Fourth Directive.

At the same time a certain number of the selected Countries have not introduced in their local accounting legislation a definition of a Small-sized company (i.e. the Czech Republic, Estonia, France, Greece, Italy, Lithuania, Poland, Portugal, Romania and Slovakia).

Despite this lack of definitions of the components of Abridged financial statements, their publication and the Director's report are generally compulsory and the requirements are in line with the Fourth Directive (see Chapter 3.1.3.3.1).

Type B

With reference to Type B entities, as a preliminary consideration it is worthwhile pointing out that unlike Type A companies, Type B entities are not subject to the Fourth Directive; in other words, Type B entities are not regulated at EU-level.

Furthermore, it is necessary to underline that (with the sole exception of Norway) any official definition for co-operatives (which have been included in the Type B category for the purposes of this Study) follows the same provisions as indicated for Type A companies. Consequently, the following comments refer only to partnerships.

The following table indicates whether or not there is an official definition of Medium- and Small-sized entities in the legislation of the selected Countries.

Table No. 2 - Chapter 3 - Official definition of Medium-, Small-sized and Micro enterprises (for accounting purposes)

Type B		Size Criteria (Official definition)		
		Medium -sized	Small- sized	Micro
1	Austria ³⁷	Yes	Yes	--
2	Belgium	--	Yes	--
3	Czech Rep.	--	--	--
4	Denmark	Yes	Yes	--
5	Estonia	--	--	--
6	France	--	--	--
7	Germany ³⁹	--	Yes	--
8	Greece	--	--	--
9	Italy	--	--	--
10	Lithuania	--	--	--
Type B		Size Criteria (Official definition)		
		Medium -sized	Small- sized	Micro
11	Netherlands	--	--	--
12	Norway ³⁸	--	--	Yes
13	Poland	--	--	--
14	Portugal	--	--	--
15	Romania	--	--	--
16	Slovakia	--	--	--
17	Slovenia	Yes	Yes	Yes
18	Spain	--	Yes	Yes
19	Sweden	--	Yes	--
20	UK	--	--	--

³⁶ In Sweden all companies that are listed on a statutory market are large companies.

³⁷ Definition applies only for *Genossenschaft* (GEN).

³⁸ Micro-sized partnership should meet the following requirements in two consecutive financial years: a) net turnover must not exceed NOK 5,000,000 (• €588,000); b) they must have less than 5 employees; c) they must have less than 5 partners; d) none of the owners is an AS or ASA. COOP: annual turnover must not exceed NOK 2,000,000 (• €235,000).

³⁹ German law defines only two classes of partnerships (§ 1 I PublG). If two out of three criteria are not met on three consecutive annual reporting dates, the company is not considered a large entity: a) net turnover exceeding €130,000,000; b) balance sheet total exceeding €65,000,000; c) employees on average exceeding 5,000.

With the exception of Germany and Norway, thresholds adopted by Austria, Belgium, Denmark, Slovenia, Spain and Sweden are identical to those already indicated in the table above on Type A companies (Table 1).

On the basis of the information gathered, in 17 of the selected Countries indicated in the table No. 2 above, an official definition of Medium-sized entities for accounting purposes has not been adopted in the local accounting legislation; indeed, only in Austria, Denmark and Slovenia a definition of such entities has been included in the national accounting legislations.

Moreover, we may note that in most of the selected Countries analysed a definition of Small-sized entities for accounting purposes has not been introduced in the local jurisdictions (i.e. The Czech Republic, Estonia, France, Greece, Italy, Lithuania, The Netherlands⁴⁰, Norway, Poland, Portugal, Romania, Slovakia and the United Kingdom).

Only a few of the selected Countries have introduced a definition of such entities in the national legal system (i.e. Austria, Belgium, Denmark, Germany, Slovenia, Spain and Sweden). However, it should be considered that in certain Countries' accounting legislations, enterprises are divided only into the categories of Small-sized and Large (i.e. Germany and Sweden).

With reference to Micro enterprises, only Norway, Slovenia and Spain have introduced in the local legislation a definition of Micro entities.

Type C

Type C entities have not been defined for accounting purposes by 17 out of the 20 selected Countries. The only exceptions are the following: Slovenia, Spain and Sweden (which adopt the same thresholds as already illustrated for Type A and B entities with reference to the above mentioned three Countries).

3.1.3.3. Good accounting practices

In light of the above good accounting practices are identified below.

As already mentioned in Chapter 3.1.3 good accounting practices are identified on the basis of the information included in the Accounting Matrices; however, additional information collected from the Accounting Legislation Reports (included in Annex 1) are also provided below.

3.1.3.3.1. Type A

Type A: Medium-sized

Accounting records

Journals and ledgers, Double-Entry Accounting and chart of accounts are adopted by the selected Countries⁴¹.

The above listed accounting records are identified as good accounting practices.

Moreover, EDP (Electronic Data Processing)⁴²-based accounting systems are generally accepted by the selected Countries.

Accounting records are generally kept and managed in the local language. However, there are Countries in which foreign language accounting systems are also allowed (e.g. Austria, Belgium⁴³, Denmark, Estonia, Greece, Lithuania and Norway).

⁴⁰ The definition provided covers only Co-operatives.

⁴¹ See also Annex 5 of the "Final Report of the Expert Group, Accounting Systems for Small Enterprises – Recommendations and good practices".

⁴² EDP (Electronic Data Processing), is also known today as "IS" (Information Services)

Accounting records are kept in local currency by the non-Euro Adopters. However, there are Countries in which (under certain conditions) additional foreign currencies are allowed in the accounting records (e.g. Denmark, Lithuania, Norway, Romania, Slovakia and Sweden). Accounting records have to be kept for a minimum period which may vary depending on the Country since no harmonisation has been reached for this specific obligation (e.g. Slovenia requires that under certain conditions accounting records have to be stored permanently; Lithuania: 15 years; France, Germany and Italy: 10 years; Austria, Belgium and Estonia: 7 years; Greece and Spain: 6 years).

Accounting principles

As regards the accounting principles in force within the selected Countries, it should be noted that local GAAP are adopted by the selected Countries. Local GAAP can be directly incorporated in the local legislation (e.g. companies/commercial codes and financial statements/accounting acts) or issued by national accounting standard boards/committees.

Local GAAP are identified as good accounting practices.

In some cases local GAAP are already influenced by IFRS. In addition, in some Countries (e.g. Denmark, Estonia, Greece, the Netherlands, Norway, Portugal, Slovenia, and the United Kingdom), the IFRS or IFRS-EU⁴⁴ accounting standards may also be opted for or additionally adopted when specific topics are not covered by the local GAAP (e.g. Poland).

Principles for external financial statements

General principles for external financial statements are set forth in Articles 2 and 31 of the Fourth Directive and have been implemented by the selected Countries. General accounting principles are basically the following: 1) true and fair view; 2) going concern; 3) consistent application of valuation rules; 4) prudence; 5) realisation; 6) recognition; 7) separate valuation of components of assets and liabilities; 8) opening balance; 9) clarity; and 10) comparability.

The above listed principles are identified as good accounting practices.

Components of financial statements

The following Countries include the Balance Sheet, the Profit and Loss Account and the Notes to the Accounts (see Article 2 of the Fourth Directive) as components of Financial statements (i.e. the 3 basic components): Austria, Belgium, the Czech Republic⁴⁵, Denmark, France, Germany, Greece⁴⁶, Italy, and the Netherlands. Norway also includes the Cash flow statement. The following Countries include both the Cash flow statement and the Statement of changes in equity as components of the Financial statements: Estonia, Lithuania, Poland, Portugal, Romania, Slovakia⁴⁷, Slovenia, Spain, Sweden and the United Kingdom.

The above-mentioned 3 basic components of Financial statements are identified as good accounting practices.

Auditing

It should be noted that there are cases in which Auditing requirements are affected by the legal form of the entity much more than the size of the legal entity⁴⁸. More specifically, there are Countries in which Auditing is in any case compulsory (i.e. regardless of the size) for

⁴³ Depending on the region where the company is located, French, German and Dutch languages are allowed.

⁴⁴ The term IFRS refers to International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). The term IFRS-EU refers to IFRS adopted by the European Union.

⁴⁵ Voluntarily cash flow statement and statement of changes in equity can be adopted.

⁴⁶ Greece also requires the “appropriation account” which is part of the profit and loss account and explains how profits have been used to pay dividends, and/or to increase reserves indicated in the balance sheet.

⁴⁷ This is valid only when the financial statements must be audited.

⁴⁸ Audit could also be affected by the company’s share capital amount.

joint-stock/public limited companies (e.g. Austria⁴⁹, Denmark⁵⁰, Estonia⁵¹, France, Germany, Italy, Lithuania, Norway⁵², Poland, Portugal, Slovakia, Romania⁵³ and Sweden⁵⁴).

In Austria, Belgium, Germany, Italy, Romania, the Netherlands, Slovenia and the United Kingdom, the audit requirements follow the Fourth Directive provisions (see Article 51 of the Fourth Directive). Moreover, there are Countries (i.e. the Czech Republic, Denmark, Estonia, France, Greece, Lithuania, Poland, Portugal, Slovakia and Spain) which have adopted lower thresholds than the ordinary ones suggested by the Fourth Directive. The following Tables No. 3 and 4 illustrate that indicated above.

Table No. 3 - Chapter 3 - Audit requirements – Thresholds according to the Fourth Directive

MS	AUDIT REQUIREMENTS (Thresholds)
AT (***)	Required for companies (GmbH) exceeding two of the following limits for two consecutive financial years: <ul style="list-style-type: none"> net turnover: €9,680,000; balance sheet total: €4,840,000; number of employees: 50 (average annual workforce).
BE (*)	Required for companies exceeding two of the following limits for two consecutive financial years: <ul style="list-style-type: none"> net turnover: €7,300,000; balance sheet total: €3,650,000; number of employees: 50 (average annual workforce). <p>Moreover, it is required when the average annual workforce exceeds 100 employees.</p>
DE (***)	Required for GmbH exceeding two of the following limits for two consecutive financial years: <ul style="list-style-type: none"> net turnover: €9.680.000; balance sheet total: €4.840.000; number of employees: 50 (average annual workforce).
IT (**)	Required for Srl if the capital is more than €120,000 or if, for two consecutive accounting periods, the company exceeds two of the following conditions: <ul style="list-style-type: none"> net turnover: €8,800,000; total balance sheet: €4,400,000; number of employees: 50 (average annual workforce).
RO (*)	Required for companies exceeding two of the following limits for two consecutive financial years: <ul style="list-style-type: none"> net turnover: €7,300,000; balance sheet total €3,650,000; number of employees: 50 (average annual workforce).
NL (***)	Required for companies exceeding two of the following limits for two consecutive financial years: <ul style="list-style-type: none"> net turnover: €8,800,000; balance sheet total: €4,400,000; number of employees: 50 (average annual workforce).
SI (*)	Required for companies exceeding two of the following limits for two consecutive financial years: <ul style="list-style-type: none"> net turnover: €7,300,000; balance sheet total €3,650,000; number of employees: 50 (average annual workforce).
UK (*)	Required for companies exceeding two of the following limits for two consecutive financial years: <ul style="list-style-type: none"> net turnover: £ 6.500,000 (• €7,130,000);

⁴⁹ Audit is compulsory in Austria for limited liability companies (GmbH) only when a “supervisory board” is required (a supervisory board is mandatory if the amount of the share capital exceeds €70,000 and the GmbH has more than 50 shareholders, or if the GmbH has more than 300 employees on average per year). The statutory supervisory board (*Aufsichtsrat*) consists of at least three members who are elected by the shareholders' meeting. The main functions of the supervisory board are to appoint and remove the members of the management board, to supervise and, as appropriate, give advice to the management board, to safeguard the shareholders' interest and to give the corporation's employees some participation in management matters. The audited annual financial statements must be approved by the supervisory board before they are submitted to the shareholders' meeting.

⁵⁰ In general Danish Public and Private Limited Companies must prepare audited financial statements. Although small companies are allowed to present and file unaudited financial statements if for two consecutive accounting periods the companies do not exceed two of the following thresholds: a) balance sheet amount of DKK 1,500,000 (• €200,000) b) Net turnover of DKK 3,000,000 (• €400,000) c) average number of 12 employees in the accounting period.

⁵¹ Auditing is compulsory in Estonia also for private limited companies (OU) when the share capital exceeds EEK 400,000 (• €25,000).

⁵² Auditing is compulsory in Norway for all Type A companies.

⁵³ Appointment of auditors is mandatory for Joint Stock Companies (SA) having implemented the dualist system of administration (i.e. managed by a board of directors and a supervisory board).

⁵⁴ Auditing is compulsory in Sweden for all Type A companies.

	<ul style="list-style-type: none"> • balance sheet total: £ 3.260,000 (• €3,576,000); • number of employees: 50 (average annual workforce).
(*)	Lower thresholds provided by the Fourth Directive 78/660/EEC (in force before the amendments made by Directive 2006/46/EC).
(**)	Thresholds provided by the Fourth Directive 78/660/EEC as amended by Directive 2006/46/EC.
(***)	Option to increase the thresholds up to 10% (Article 12, par. 2 ⁵⁵ and Article 27 of the Fourth Directive 78/660/EEC) for the purposes of translation into national currencies.

Table No. 4 - Chapter 3 - Audit requirements – Lower thresholds than indicated in the Fourth Directive

MS	AUDIT REQUIREMENTS (Thresholds)
CZ	<p>a.s.: compulsory for companies exceeding one or more of the following limits for both the current year and the preceding year:</p> <ul style="list-style-type: none"> • net turnover: CZK 80,000,000 (• €3,064,000); • balance sheet total: CZK 40,000,000 (• €1,532,000); • number of employees: 50 (average annual workforce). <p>s.r.o.: compulsory for companies exceeding two of the said limits for both the current year and the preceding year.</p>
DK	<p>Required for companies exceeding two of the following limits for two consecutive financial years:</p> <ul style="list-style-type: none"> • net turnover: DKK 3,000,000 (• € 400.000) • balance sheet total: DKK 1,500,000 (• €200,000) • average number of 12employees in the accounting period.
EE	<p>OU: compulsory if share capital exceeds EEK 400,000. (• €25,000) or it meets two of the following criteria:</p> <ul style="list-style-type: none"> • net turnover exceeds EEK 10,000,000 (• €639,000); • balance sheet total exceeds EEK 5,000,000 (• €320,000); • number of employees exceeds 10 (average annual workforce).
FR	<p>SARL: statutory auditors must be appointed if, at the end of a financial year, two of the following thresholds are reached:</p> <ul style="list-style-type: none"> • net turnover exceeding €3,100,000; • balance sheet total exceeding €1,550,000; • average number of the employees exceeding 50. <p>SAS: statutory auditors must be appointed if, at the end of a financial year, two of the following thresholds are reached:</p> <ul style="list-style-type: none"> • net turnover exceeding €2,000,000; • balance sheet total exceeding €1,000,000; • average number of the employees exceeding 20.
GR	<p>AE - The annual financial statements must be audited by at least one Certified Auditor-Accountant where two of the following three criteria are exceeded in the two previous consecutive financial years:</p> <ul style="list-style-type: none"> • net turnover exceeding €5,000,000; • balance sheet total exceeding €2,500,000; • average number of employees exceeding 50. <p>The annual financial statements of the AE must be audited by at least two licensed accountants, or one Certified Auditor-Accountant where the annual turnover of an AE exceeds €1,000,000 without, however, two of the above three criteria to be exceeded.</p> <p>EPE - EPEs which exceed two of the following three criteria in the two previous consecutive financial years:</p> <ul style="list-style-type: none"> • net turnover exceeding €5,000,000; • balance sheet total exceeding €2,500,000; • average number of employees exceeding 50 <p>must be audited by a Certified Auditor-Accountant.</p> <p>EPEs that do not exceed the above limits for two consecutive financial years are exempt from audit altogether.</p>
LT	<p>UAB: only if two of the following criteria are met:</p> <ul style="list-style-type: none"> • net turnover exceeds LTL 12,000,000 (€3,475,000) in the financial year; • balance sheet total exceeds LTL 6,000,000 (€1,737,000); • number of employees: 50 (average annual workforce)..
PL	<p>SKA and sp.z.o.o.: compulsory for entities exceeding two of the following limits for the preceding year:</p> <ul style="list-style-type: none"> • net turnover - the equivalent in PLN of at least €5,000,000; • balance sheet total - the equivalent in PLN of at least €2,500,000; • number of employees: 50 (average annual workforce)
PT	<p>Lda: compulsory if the following two limits are exceeded during two consecutive years:</p> <ul style="list-style-type: none"> • net turnover of €3,000,000; • balance sheet total of €1,500,000; • number of employees: 50 (average annual workforce).
SK	<p>Required for companies (s.r.o.) exceeding two of the following limits for two consecutive financial years:</p> <ul style="list-style-type: none"> • net turnover exceeding €2,000,000; • total assets exceeding €1,000,000; • average number of employees exceeded 30 during one accounting period.
ES	<p>Compulsory if at least two of the following conditions at the close of two consecutive financial years are met:</p> <ul style="list-style-type: none"> • net turnover not exceeding €5,700,000; • balance sheet total not exceeding €2,850,000; • number of employees: 50 (average annual workforce).

Auditing of Medium-sized Type A companies is identified as good accounting practice.

⁵⁵ “For the purposes of translation into national currencies, the amounts in European units of account specified in Article 11 may be increased by not more than 10 %”.

Publication

Publication is compulsory for all the selected Countries (which follows Article 47 of the Fourth Directive).

Publication is identified as good accounting practice.

However, it should be taken into account that there are different deadlines by which the Financial statements (if compulsory) must be published: in some Countries the Financial statements must be filed within 15 days of the approval date (e.g. Romania and Poland), while in other Countries the same documents must be filed by the end of the following financial year (e.g. the Czech Republic) or by the 15th day of the 7th month following the year-end (e.g. Portugal).

In addition, the companies in the selected Countries use either a year-end of December 31 (i.e. the end of the calendar year) or the end of a quarter (March 31, June 30, or September 30).

Director's report

The Directors' report is compulsory for the selected Countries (Article 46 of the Fourth Directive).

Drawing up a director's report is considered as good accounting practice.

Type A: Small-sized

Accounting records

See Type A Medium-sized.

Accounting principles

See Type A Medium-sized.

Norway and Portugal, Spain and the United Kingdom have adopted specific accounting principles for Small-sized businesses.

Under certain conditions, Norwegian companies which are obliged to keep accounting records may employ simplified accounting rules. The primary condition is that they meet the definition of Small-sized companies. Small-sized companies employ the Norwegian accounting standards for small businesses (so-called NRS 8)⁵⁶.

Small-sized entities in Spain may opt for the New General Chart of Accounts (NGCA)⁵⁷ for Small enterprises.

Small-sized entities in the United Kingdom may opt for a simplified version of the UK GAAP (Financial Reporting Standard for Smaller Entities – FRSSE)⁵⁸.

Principles for external financial statements

See Type A Medium-sized.

Components of financial statements

See Type A Medium-sized.

Small-sized companies are generally allowed to prepare abridged/simplified financial statements.

⁵⁶ See “Accountability for Small Company Norway” in Annex 1/L- Norway.

⁵⁷ General Chart of Accounts (NGCA) – Annex 1/R- Spain

⁵⁸ See paragraph 14.1 Overview of IFRS, UK GAAP and FRSSE – in Annex 1/T- UK

The same thresholds as indicated for the auditing requirements generally apply (France⁵⁹, Lithuania⁶⁰ and Poland⁶¹ adopt different thresholds).

Abridged/simplified financial statements are identified as good accounting practices.

Auditing

See Type A Medium-sized.

Auditing is generally not compulsory for companies which do not meet threshold requirements identified for Type A Medium-sized in the tables above.

Auditing exemption is identified as good accounting practice.

Publication

See Type A Medium-sized.

Director's report

The Director's report is generally not compulsory when auditing is not required.

The fact that the Director's report is not compulsory is identified as good accounting practice.

Type A: Micro-entities (Micro 1 and Micro 2)

Considerations concerning Micro 1 and 2 companies have been merged together since outputs are substantially identical.

Accounting records

See Type A Small-sized.

Accounting principles

See Type A Small-sized.

As far as Portugal is concerned, the so-called "*Norma Contabilística de Relato Financeiro para Pequenas Entidades*" may apply⁶².

Principles for external financial statements

⁵⁹ Basic presentation of the balance sheet, profit and loss account and notes to the financial statements if, at the end of a financial year, two of the following thresholds are exceeded: a) net turnover of €7,300,000; b) balance sheet total of €3,650,000; c) average number of the employees of 50 during the financial year. Basic presentation of the balance sheet and profit and loss account and simplified presentation of the notes to the financial statements if, at the end of a financial year, two of the following thresholds are exceeded: a) net turnover of €534,000 but less than or equal to €7,300,000; b) balance sheet total of €267,000 but less than or equal to €3,650,000; c) average number of the employees of 10 but less than or equal to 50 during the financial year.

⁶⁰ Annual financial statements in the form of an abridged balance sheet and profit and loss account shall be drawn up by the entities at least two indicators whereof on the date of the drawing up of the financial statements do not exceed the following limits for two consecutive years, including the reporting financial year: a) net turnover during the reporting year: LTL 10,000,000 (• €2,896,000); b) balance sheet total: LTL 6,000,000 (• €1,737,000); c) average number of employees during the reporting year: 15 persons.

⁶¹ Entities, which in the financial year the financial statements are prepared for and in the preceding year, failed to reach any two of the following three figures: a) net turnover - no more than Polish currency equivalent of €4,000,000; b) total balance sheet assets at the end of the financial year - no more than Polish currency equivalent of €2,000,000; c) average annual full-time employment - no more than 50 persons, may prepare simplified financial statement, showing information illustrated in the Attachment I to the Accounting Act.

⁶² As stated in the Article 9 of the Decree Law no 158/2009, the entities are allowed to report under *Norma Contabilística de Relato Financeiro para Pequenas Entidades* (NCRF-PE) if *i*) they are not subject to a Legal or Statutory Audit and *ii*) they do not exceed two of the following limits: a) net turnover of €1,000,000; b) balance sheet total of €500,000; d) 20 employees (average).

See Type A Small-sized.

Components of financial statements

See Type A Small-sized.

Auditing

See Type A Small-sized.

Publication

See Type A Small-sized.

Director's report

See Type A Small-sized.

3.1.3.3.2. Type B

Type B: Medium-sized

Accounting Records

The Double-Entry Accounting method, journals, ledgers and charts of accounts are adopted in all the selected Countries⁶³.

Consequently, the above accounting records (and the Double-Entry Accounting method) are identified as good accounting practices.

As regards the possibility of keeping accounting records in a foreign language and/or currency, please refer to the comments provided for Type A companies.

Accounting principles

With regard to the accounting principles in force within the selected Countries, it should be noted that local GAAP are generally adopted.

Local GAAP are identified as good accounting practices.

Moreover, it may be noted that in some of the selected Countries, (i.e. Estonia, Norway, Poland and the United Kingdom) Type B Medium-sized entities may opt for the IFRS or IFRS-EU accounting standards.

Principles for external financial statements

In the selected Countries, among the principles for the preparation of the Financial statements, the following elements are consistently found: prudence, accrual basis, true and fair view, and consistency.

These principles are identified as good accounting practices.

Components of financial statements

In most of the selected Countries examined (i.e. Belgium, the Czech Republic, Denmark, Estonia, France, Greece, Lithuania, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and the United Kingdom), the Medium-sized enterprises in Type B are obliged to produce financial statements consisting of a Balance Sheet, Profit and Loss Account and Notes to the Accounts.

On the other hand, in Austria, Germany and Sweden, the Notes to the Accounts are not required.

⁶³ Residents in Lithuania who are engaged in individual activities, legal persons with unlimited civil liability who are not payers of the value added tax and have not got hired employees within the current and previous accounting year may chose a simplified accounting method.

By analysing data from the Desk Research, it is shown that in the majority of the selected Countries analysed, the Financial statements for Type B entities consist of a Balance Sheet, Profit and Loss Account and Notes to the Accounts.

Under these circumstances, the Financial statements consisting of Balance Sheets, Profit and Loss Accounts and Notes to the Accounts are identified as a good accounting practice.

In light of the above, most of the selected Countries analysed have extended the requirements for Type A entities to Type B Medium-sized entities in line with the Fourth Directive.

The Cash flow statement is also commonly required in many of the selected Countries (i.e. the Czech Republic⁶⁴, Estonia, Lithuania, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and the United Kingdom).

Auditing

In most of the selected Countries analysed (i.e. Belgium, the Czech Republic, Greece⁶⁵, Estonia, France, Lithuania⁶⁶, the Netherlands⁶⁷, Norway, Poland, Romania, Slovenia, Spain, Sweden and the United Kingdom), it was observed that the Medium-sized Type B enterprises are subject to Auditing.

Auditing is identified as good accounting practice.

Thresholds adopted by the selected Countries for Auditing obligations are the same as those for Type A companies.

Publication

Publication of annual accounts is compulsory in 9 of the selected Countries (i.e. the Czech republic, Norway, Poland, Lithuania, Romania, Slovakia, Slovenia, Spain, Sweden), or compulsory on the basis of the partners' status in 7 of the selected Countries (i.e. Belgium, Estonia, France, Greece, Portugal, the Netherlands, the United Kingdom⁶⁸).

However, Publication is not compulsory in Austria, Denmark, Germany and Italy.

Thus, Publication is identified as a good accounting practice.

Moreover, there are different deadlines by which the Financial statements (if compulsory) must be published: in some Countries the Financial statements must be filed within 15 days of the approval date (e.g. Romania and Poland), while in other Countries the same documents must be filed by the end of the following financial year (e.g. the Czech Republic) or by the 15th day of the 7th month following the year-end (e.g. Portugal).

In the light of the above, however, it should be taken into account, that Publication terms are affected by the ordinary financials statement closing period which may vary depending on the Country (December 31 or the end of a quarter).

Director's report

The Director's report is not required in most of the selected Countries.

In particular, the Director's report is not compulsory in Austria, Germany, Italy, Lithuania, Norway, Poland, Portugal, Slovakia and the United Kingdom.

Moreover, the Director's report is not compulsory in Belgium, France and the Netherlands when partners are physical persons.

⁶⁴ On a voluntary basis.

⁶⁵ Compulsory if all members of the entities are Joint Stock Companies.

⁶⁶ See previous comment.

⁶⁷ See previous comment.

⁶⁸ Only Limited Partnership.

However, the Director's report is compulsory in the Czech Republic, Denmark, Estonia, Romania, Slovenia, Spain, and Sweden. Lastly, in Greece it is compulsory both in light of the status of partners and if certain thresholds are passed.

Given the adopted methodology criterion and definition of good accounting practices (see Chapter 3.1.3.), the Director's report cannot be analysed from a good accounting practice perspective. In other words no good accounting practices will be provided.

Type B: Small-sized

Accounting records

The Double-Entry Accounting method, journals, ledgers and charts of accounts are adopted by several of the selected Countries (i.e. Austria, Belgium, the Czech Republic, Denmark, Estonia, France, Germany, Italy, Lithuania, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden).

Consequently, the above accounting records are identified as good accounting practices.

In addition, in Greece, the double-entry accounting method is compulsory only when the level of the gross revenues (i.e. turnover) in the previous fiscal year exceeded €1.500.000.

As regards the possibility of keeping accounting records in a foreign language and/or currency, please refer to comments provided for Type A companies.

Accounting principles

With regard to the accounting principles in force in the selected Countries, it should be noted that local GAAP are generally adopted.

Local GAAP are identified as good accounting practices.

Moreover, it should be noted that in some of the selected Countries, (i.e. Estonia, Norway, Poland and the United Kingdom), Type B Small-sized entities may opt for the IFRS or IFRS-EU accounting standards.

In addition, in some Countries (i.e. Norway, Portugal, Spain and the United Kingdom) some specific accounting principles for Small-sized entities are applicable.

Principles for external financial statements

In the selected Countries, among the principles for external Financial statements, the following elements are consistently found: prudence, accrual basis, true and fair view, and consistency.

These principles are identified as good accounting practices.

Components of financial statements

Type B Small-sized entities are obliged to produce a set of accounting documents. In fact, in some of the selected Countries (e.g. Austria, Germany, Slovenia), the documents required are the Balance Sheet and the Profit and Loss Accounts while in others, these documents must be accompanied by the Notes to the Accounts (e.g. Belgium, the Czech Republic, Denmark, France⁶⁹, Greece⁷⁰, Norway⁷¹, Poland⁷², Slovakia and Spain⁷³) or the Cash flow

⁶⁹ The notes to the financial statements can be simplified if certain thresholds are not exceeded.

⁷⁰ The above requirements do not apply for entrepreneurs keeping Revenues and Expenses books.

⁷¹ If all partners are physical persons.

⁷² There is an option to simplify the profit and loss account for tax purposes only if the net turnover does not exceed the equivalent in PLN of €1,200,000.00.

⁷³ Abbreviated form is provided if certain thresholds are not exceeded.

statement and the Statement of the changes in the owners' equity (e.g. Estonia, Lithuania, Portugal, Romania⁷⁴).

Finally, in some Countries (e.g. Italy and the United Kingdom⁷⁵), Small-sized entities are not obliged to follow a scheme for their voluntary Financial statements, while in the Netherlands the Financial statements consists of a Balance Sheet and Notes to the Accounts.

The Desk Research shows that, in the majority of the selected Countries analysed, for Type B Small-sized entities, the Financial statements consist of Balance Sheets, Profit and Loss Account and Notes to the Accounts.

Consequently, the components of Financial statements such as Balance Sheets, Profit and Loss Accounts and Notes to the Accounts, are identified as good accounting practices.

Auditing

With reference to audit requirements, a wide range of obligations in the selected Countries can be noted.

In a number of Countries (i.e. Austria, Denmark, Germany, Italy, Portugal, Slovakia and Slovenia) Auditing is not compulsory, while in other Countries it is compulsory (e.g. Estonia and Norway).

Furthermore, in 7 of the selected Countries (i.e. Belgium, the Czech Republic, France, Poland, Romania, Spain, and Sweden), Auditing is compulsory for entities which meet threshold requirements identified for Type A Medium-sized companies in the Tables No. 3 and No. 4 above. Moreover, in 3 of the selected Countries, the entities must be audited if they exceed the above mentioned thresholds and additionally on the basis of the status of the partners (i.e. Greece, Lithuania and the Netherlands).

Lastly, in the United Kingdom Auditing is required only for limited partnerships.

Auditing is identified as good accounting practice.

Publication

Also with reference to the Publication of the Financial statements, there are notable differences between the obligations for partnerships provided by national laws in the selected Countries.

Publication is compulsory in 9 Countries (i.e. the Czech Republic, Lithuania, Norway, Poland, Romania, Slovakia, Slovenia, Spain, and Sweden) while it is not compulsory in 4 Countries (i.e. Austria, Denmark, Germany and Italy).

In several of the selected Countries (i.e. Belgium, Estonia, France, Greece, the Netherlands and Portugal⁷⁶), Publication is compulsory on the basis of the status of the partners; especially if the partners with unlimited liabilities are corporations or foreign companies.

Finally, in the United Kingdom limited partnerships are the only entities required to publish their Financial statements, and they must do so only if the partners are corporations.

Thus, the Publication of annual accounts is identified as a good accounting practice.

Moreover, there are different deadlines by which the Financial statements (if compulsory) must be published.

In 2 countries, the Financial statements must be filed within 15 days of the approval date (i.e. Romania and Poland), while in other countries the same documents must be filed by the

⁷⁴ If certain thresholds are exceeded.

⁷⁵ However, limited partnerships are required to comply with the same provisions as limited liability companies.

⁷⁶ Only if partnerships meet specific criteria.

end of the following financial year (i.e. the Czech Republic) or on the 15th day of the 7th month following the year-end (i.e. Portugal).

Director's report

The results of the analysis of the data gathered in the selected Countries highlight that the Director's report is compulsory in 6 of the selected Countries (i.e. Denmark, Estonia, France, Sweden, Poland and Romania); however, the Director's report is not compulsory in 9 Countries (i.e. Austria, Germany, Italy, Lithuania, Norway, Portugal, Slovenia, Slovakia and the United Kingdom).

Given the adopted methodology criterion and definition of good accounting practices (see Chapter 3.1.3.1), the Director's report cannot be analysed under a good accounting practice perspective.

However, there are certain specific provisions in some of the selected Countries. For example, in the Netherlands, the Director's report is compulsory if the partners are foreign companies.

In Belgium, the obligation exists only if certain thresholds are exceeded and the partners are legal persons. In the Czech Republic and Spain, this obligation comes into force if certain size thresholds are exceeded (limits for which it is compulsory to have an audit performed).

In Greece, the Director's report is compulsory only if the partners are – directly or indirectly – corporations. On the basis of the above, the analysis has shown that, the Director's report may be compulsory on the basis of the partners' status or if certain thresholds are exceeded.

Type B: Micro 1

Accounting records

Double-Entry Accounting method, journals, ledgers and charts of accounts are adopted by the following in the selected Countries: the Czech Republic, Denmark Estonia, France, Germany, Lithuania, the Netherlands, Norway, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden.

The above accounting records are identified as good accounting practices.

In other Countries, the double-entry method is compulsory only when some thresholds are exceeded (e.g. Austria, Belgium and Italy).

Finally, in some Countries only accounting records for tax purposes are required (i.e. Greece, Poland and the United Kingdom).

With regard to the possibility of keeping accounting records in a foreign language and/or currency, please refer to comments provided for Type A companies.

Accounting principles

With regard to the accounting principles in force in the selected Countries, it should be noted that local GAAP are generally adopted.

Local GAAP are identified as good accounting practices.

Moreover, it should be noted that in 4 of the selected Countries (i.e. Estonia, Norway, Poland and the United Kingdom), Type B Micro entities may opt for the IFRS or IFRS-EU accounting standards. In addition, in 4 Countries (i.e. Norway, Portugal, Spain and the United Kingdom) certain specific accounting principles for Micro entities are applicable (see Type A Small-sized).

Principles for external financial statements

In all of the selected Countries, among the principles for external Financial statements, the following principles are consistently found: prudence, accrual basis, true and fair view, and consistency.

These principles are identified as good accounting practices.

Components of financial statements

From the analysis it has emerged that, in the selected Countries, Type B Micro 1 entities are obliged to produce Financial statements. In fact, in some of the selected Countries (e.g. Austria, Germany, Lithuania and Slovenia), the documents required are the Balance Sheet and Profit and Loss Account, while in others, these documents must be accompanied by the Notes to the Accounts (e.g. Belgium, the Czech Republic, Denmark, France⁷⁷, Greece⁷⁸, Poland⁷⁹, Slovakia, Spain⁸⁰, Romania and Portugal⁸¹) or by the Cash flow statement and the Statement of the changes in owners' equity (e.g. Estonia⁸²).

Finally, in some Countries (e.g. Italy, Norway⁸³ and the United Kingdom⁸⁴), Type B Micro 1 entities are not obliged to follow a scheme of their voluntary financial statements, while in the Netherlands the Financial statements consist of only Balance Sheet and Notes to the Accounts and no Profit and Loss Account.

Thus, the components of the financial statements such as Balance Sheet and Profit and Loss Account and simplified Notes to the Accounts are identified as good accounting practices.

Auditing

With reference to audit requirements, in 17 of the selected Countries (i.e. Austria, Belgium, the Czech Republic, Denmark, France Germany, Greece Italy, Lithuania, Portugal, Slovakia, the Netherlands, Poland Romania, Slovenia, Spain and Sweden), it is not compulsory for the annual accounts to be subjected to Auditing by person or firms authorised by national law to audit accounts.

Given the adopted methodology criterion and definition of good accounting practices (see Chapter 3.1.3.1), Auditing cannot be analysed from a good accounting practice perspective.

In some of the selected Countries (e.g. Estonia and Norway) it is compulsory if some thresholds are exceeded, while in the United Kingdom Auditing is required only for limited partnerships.

Publication

In 6 of the selected Countries (i.e. the Czech Republic, Lithuania, Romania, Slovakia, Slovenia, Spain) the Publication of annual accounts is compulsory, while in 7 Countries it is not compulsory (i.e. Austria, Denmark, Germany, Greece, Italy, Portugal, Norway).

Given the adopted methodology criterion and definition of good accounting practices (see Chapter 3.1.3.1), Publication cannot be analysed from a good accounting practice perspective.

⁷⁷ The notes to the financial statements may be simplified if certain thresholds are not exceeded.

⁷⁸ The above requirements do not apply for entrepreneurs keeping Revenues- Expenses books.

⁷⁹ General partnerships: option for a simplified profit and loss account for tax purposes only if the net turnover does not exceed the equivalent in PLN of €1,200,000.00.

⁸⁰ Abbreviated form is provided if certain thresholds are not exceeded.

⁸¹ If some specific thresholds are not exceeded and the entities are not subject to audit obligations.

⁸² Very small entities (if turnover in the last accounting year is no higher than €500,000.00) are exempt from drafting financial statements.

⁸³ If certain thresholds are not exceeded.

⁸⁴ However, limited partnerships are required to comply with the same provisions as limited companies.

It is worthwhile pointing out that in 4 Countries (i.e. Belgium, Estonia, France, the Netherlands), whether or not the entities are required to publish the annual accounts depends on the status of the partners, while in Poland and Sweden the Publication of the annual accounts is compulsory only if the preparation of the annual accounts is required.

Lastly, in the United Kingdom, limited partnerships are the only entities required to publish their annual accounts, and they must do so only if the partners are corporations.

Moreover, there are different deadlines by which the Financial statements (if compulsory) must be published.

In one country, the Financial statements must be filed within 15 days of the approval date (i.e. Romania), while in other countries the same documents must be filed by the end of the following financial year (i.e. the Czech Republic) or within three months of the end of the financial year (i.e. Slovenia).

Director's report

As far as the Director's report is concerned, in most of the selected Countries (i.e. Austria, Belgium, the Czech republic, Germany, Greece, Italy, Lithuania, the Netherlands, Norway, Slovakia Slovenia and the United Kingdom), the Director's report is not compulsory.

Given the adopted methodology criterion and definition of good accounting practices (see Chapter 3.1.3.1), the Director's report cannot be analysed from a good accounting practice perspective.

Type B: Micro 2

Accounting records

Double-Entry Accounting method, journals, ledgers and charts of accounts are adopted by the following selected Countries: the Czech Republic, Denmark, Estonia, France, Germany, Lithuania, the Netherlands, Norway, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden.

The same method is not compulsory in Austria.

The above-listed accounting records are identified as good accounting practices.

See Type B Micro 1.

Accounting principles

As regards the accounting principles in force in the selected Countries, it should be noted that local GAAP are generally adopted.

Local GAAP are identified as good accounting practices.

See Type B Micro 1.

Principles for external financial statements

In all the selected Countries, among the principles for external Financial statements, the following principles are consistently found: prudence, accrual basis, true and fair view, and consistency.

These principles are therefore identified as good accounting practices.

Components of financial statements

From the analysis it has emerged that, in the selected Countries, the entities of Type B Micro 2 size are obliged to produce Financial statements.

In fact, in some of the selected Countries (e.g. Austria⁸⁵, Germany, Lithuania, Slovenia, Sweden), the documents required are the Balance Sheet and the Profit and Loss Account, while in others, these documents must be accompanied by the Notes to the Accounts (e.g., the Czech Republic, Denmark, France⁸⁶, Greece⁸⁷, Poland⁸⁸, Slovakia, Romania, Portugal⁸⁹ and Spain⁹⁰) and by the Cash flow statement and the Statement of the changes in owner's equity (e.g. Estonia).

Finally, in some Countries (e.g. Belgium⁹¹, Italy, Norway and the United Kingdom⁹²) Type B Micro 2 entities are not obliged to draw up Financial statements, while in the Netherlands the Financial statements consist of the Balance Sheet and the Notes to the Accounts.

Thus, the components of the Financial statements such as Balance Sheets and Profit and Loss Account are identified as good accounting practices.

Auditing

With reference to audit requirements, in 18 out of the 20 Countries (i.e. Austria, Belgium, the Czech Republic, Denmark, France Germany, Greece Italy, Lithuania, Norway, Portugal, Slovakia, the Netherlands, Poland Romania, Slovenia, Spain and Sweden) it is not compulsory for the annual accounts to be subject to Auditing by a person or firms authorised by national law to audit accounts.

Given the adopted methodology criterion and definition of good accounting practices (see Chapter 3.1.3.1), Auditing cannot be analysed from a good accounting practice perspective.

Finally, in Estonia the Auditing is compulsory if some thresholds are exceeded while in the United Kingdom Auditing is required only for limited partnerships.

Publication

In 6 of the selected Countries (i.e. the Czech Republic, Lithuania, Romania, Slovakia, Slovenia, Spain) the Publication of annual accounts is compulsory.

However, in 7 Countries Publication is not compulsory (i.e. Austria, Denmark, Germany, Greece, Italy, Norway and Portugal).

Given the adopted methodology criterion and definition of good accounting practices (see Chapter 3.1.3.1), Publication cannot be analysed from a good accounting practice perspective.

It is worthwhile pointing out that in 4 Countries (i.e. Belgium, Estonia, France, the Netherlands) whether or not the entities are required to publish the annual accounts depends on the status of the partners, while in Poland and Sweden the Publication of the annual accounts is compulsory only if the preparation of the same annual accounts is required.

Lastly, in the United Kingdom, limited partnerships are the only entities required to publish their annual accounts and they must do so only if the partners are corporations.

⁸⁵ However, the drafting of the financial statements is not compulsory.

⁸⁶ The notes to the financial statements can be simplified if certain thresholds are not exceeded.

⁸⁷ The above requirements do not apply for entrepreneurs keeping Revenues- Expenses books.

⁸⁸ General partnerships: option for a simplified profit and loss account for tax purposes only if net turnover does not exceed the equivalent in PLN of €1,200,000.00.

⁸⁹ If certain thresholds are not exceeded and the entities are not subject to audit obligations.

⁹⁰ The statement of changes in equity is also provided.

⁹¹ Very small entities with a turnover in the last accounting year of no higher than 500,000, may keep simplified accounts based upon receipts and expenditures.

⁹² However, limited partnerships are required to comply with the same provisions as limited companies.

Director's report

With reference the Director's report, the analysis highlights that in most of the selected Countries (i.e. Austria, Belgium, the Czech Republic, Germany, Greece, Italy, Lithuania, the Netherlands, Norway, Slovakia Slovenia and the United Kingdom), the Director's report is not compulsory.

Given the adopted methodology criterion and definition of good accounting practices (see Chapter 3.1.3.1), the Director's report cannot be analysed from a good accounting practice perspective.

3.1.3.3.3. Type C

Type C: Medium-sized

Accounting records

Journals and ledgers, Double-Entry Accounting method and charts of accounts are adopted in most of the selected Countries (e.g. Austria, the Czech Republic, Denmark, Germany, Greece, Italy, the Netherlands, Norway, Poland, Portugal Slovakia, Slovenia, Spain and Sweden).

The above listed accounting records are identified as good accounting practices.

However, it should be noted that in some of the selected Countries (i.e. Belgium, Estonia, Romania, and the United Kingdom), regardless of the size, Type C entities are allowed to keep accounts for tax purposes only.

Moreover, in Estonia and Romania Type C Medium-sized entities are allowed to keep accounts on a cash basis.

As regards the keeping of accounts in a foreign language and/or foreign currency, please refer to the comments provided for Type A companies.

Accounting principles

With regard to the accounting principles in force in the selected Countries, it should be noted that local GAAP are generally adopted.

Local GAAP can be directly incorporated in the local legislation (e.g. companies/commercial codes and financial statements/accounting acts) or issued by national accounting standard boards/committees.

Local GAAP are identified as good accounting practices.

In Romania specific accounting principles for single-entry accounting exist.

Local GAAP are not applicable when only accounts for tax purposes are kept (e.g. Belgium, the Netherlands and the United Kingdom).

Principles for external financial statements

See Type B Medium-sized.

Where simplified accounting systems (or accounting for tax purposes only) are applicable, it should be noted that there are no specific requirements in terms of principles for external Financial statements (e.g. Belgium, the Netherlands, and the United Kingdom).

Components of financial statements

In 11 of the selected Countries examined (i.e. the Czech Republic, Denmark, France, Lithuania, Norway, Poland, Portugal, Slovakia, Slovenia, Spain and Sweden), the Medium-

sized enterprises in Type C are obliged to produce Financial statements consisting of a Balance Sheet, Profit and Loss Account and Notes to the Accounts.

However, in Austria, Germany and Greece the Notes to the Accounts are not required.

The Cash flow statement is also commonly required (i.e. Lithuania, Norway, Poland, Portugal, Slovenia, Spain and the United Kingdom).

Finally, in some Countries, the Financial statements are not compulsory (i.e. Belgium, Estonia⁹³ Italy, the Netherlands⁹⁴, Romania and the United Kingdom).

Thus, the components of the Financial statements such as Balance Sheets and Profit and Loss Accounts and simplified Notes to the Accounts are identified as good accounting practices.

Auditing

In 15 Countries (i.e. Austria, Belgium, Denmark, France, Germany, Greece, Italy, Lithuania, the Netherlands, Portugal, Romania, Slovakia and Slovenia, Sweden and the United Kingdom) it is not compulsory for the annual accounts to be subject to Auditing by a person or firms authorised by national law to audit accounts, while it is compulsory in the Czech Republic, Estonia, Norway, Poland and Spain.

Given the adopted methodology criterion and definition of good accounting practices (see Chapter 3.1.3.1), Auditing cannot be analysed from a good accounting practice perspective.

Publication

In 15 of the selected Countries examined (i.e. Austria, Belgium, Denmark, Estonia⁹⁵, France, Germany, Greece, Italy, the Netherlands, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom) this kind of entity is exempt from publishing their annual accounts.

Moreover, Publication is not compulsory in Lithuania if the entity's owner operates as enterprise manager. Finally, Publication is compulsory in the Czech Republic, Norway, Poland and Portugal.

Given the adopted methodology criterion and definition of good accounting practices (see Chapter 3.1.3.1), Publication cannot be analysed from a good accounting practice perspective.

Director's report

The Director's report is not required in 17 out of 20 of the selected Countries analysed.

In particular, the Director's report is not compulsory in Austria, Belgium, Denmark, Estonia⁹⁶, France, Germany, Greece, Italy, Lithuania, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Sweden and the United Kingdom.

However, the Director's report is compulsory in the Czech Republic, Norway and Spain.

Given the adopted methodology criterion and definition of good accounting practices (see Chapter 3.1.3.1), the Director's report cannot be analysed from a good accounting practice perspective.

⁹³ When accounts are kept on a cash basis.

⁹⁴ Financial statements for tax purposes only must be drawn up.

⁹⁵ When accounts are kept on a cash basis.

⁹⁶ In Estonia it is compulsory only if accounts are kept on an accrual basis.

Type C: Small-sized

Accounting records

Journals and ledgers, Double-Entry Accounting method and charts of accounts are adopted in 11 of the selected Countries (i.e. Austria, the Czech Republic, Denmark, Germany, Italy, the Netherlands, Portugal, Slovakia, Slovenia, Spain and Sweden).

The above accounting records are identified as good accounting practices.

In Greece, Norway and Poland, these kinds of enterprises are allowed to keep accounts only for tax purposes or on a cash basis, as long as certain thresholds included in the definition of Small-sized entities are not exceeded.

Lastly, in certain selected Countries (i.e. Belgium, France, Romania and the United Kingdom), these kinds of entities are required to keep accounts only for taxation purposes or even on the cash basis (as in Estonia).

As regards the keeping of accounts in a foreign language and/or foreign currency, please refer to the comments provided for Type A companies.

Accounting principles

As regards the accounting principles in force in the selected Countries, it should be noted that local GAAP are generally adopted.

Local GAAP can be directly incorporated in the local legislation (e.g. companies/commercial codes and financial statements/accounting acts) or issued by national accounting standard boards/committee.

Local GAAP are identified as good accounting practices.

In Romania specific accounting principles for single-entry accounting exist. However, it should be noted that in Estonia, Type C Small sized enterprises may opt to apply the IFRS.

In Spain it is possible to adopt the New General Chart of Account for Small- and Medium-sized enterprises (on a voluntary basis).

Principles for external financial statements

See Type C Medium-sized.

Components of financial statements

In 8 of the selected Countries examined (i.e. the Czech Republic, Denmark, France, Lithuania, Portugal, Slovakia, Spain and Sweden), the Small-sized enterprises in Type C are obliged to produce Financial statements consisting of a Balance Sheet, Profit and Loss Account and Notes to the Accounts. However, in Austria, Germany and Slovenia the Notes to the Accounts are not required.

Moreover, in 3 Countries (i.e. Greece, Norway and Poland) the Financial statements are compulsory only when some thresholds are exceeded.

The Cash flow statement is also required in some Countries (i.e. the Czech Republic⁹⁷, Lithuania, Norway and Portugal).

Finally, in 6 Countries the Cash flow statement is not compulsory (i.e. Belgium, Estonia⁹⁸, Italy, the Netherlands⁹⁹, Romania and the United Kingdom).

⁹⁷ On a voluntary basis.

⁹⁸ When accounts are kept on a cash basis.

⁹⁹ Financial statements for tax purposes only must be drawn up.

By analysing data from the Desk Research, it is shown that in the majority of the selected Countries analysed, the identified good accounting practices consist of a Balance Sheet and Profit and Loss Account.

Auditing

In 17 Countries (i.e. Austria, Belgium, Denmark, Estonia, France, Germany, Greece, Italy, Lithuania, the Netherlands, Norway, Portugal, Romania, Slovakia, Slovenia, Sweden and the United Kingdom) it is not compulsory for the annual accounts to be subject to Auditing by a person or firms authorised by national law to audit accounts.

In 3 Countries (i.e. the Czech Republic, Spain and Poland) Auditing is compulsory only if some thresholds are exceeded.

Given the adopted methodology criterion and definition of good accounting practices (see Chapter 3.1.3.1), Auditing cannot be analysed from a good accounting practice perspective.

Publication

In 15 of the selected Countries examined (i.e. Austria, Belgium, Denmark, Estonia¹⁰⁰, France, Germany, Greece, Italy, the Netherlands, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom) this kind of entity is exempt from publishing their annual accounts.

Moreover, the Publication is not compulsory in Lithuania if the entity's owner operates as company manager.

Finally, Publication of the annual accounts is compulsory in the Czech Republic, Norway, Poland and Portugal.

Given the adopted methodology criterion and definition of good accounting practices (see Chapter 3.1.3.1), Publication cannot be analysed from a good accounting practice perspective.

Director's report

The Director's report is not required in most of the selected Countries analysed. In particular, the director's report is not compulsory in 17 Countries: Austria, Belgium, Denmark, Estonia¹⁰¹, France, Germany, Greece, Italy, Lithuania, the Netherlands, Poland, Portugal, Romania, Slovakia Slovenia, Sweden and the United Kingdom.

However, the Director's report is compulsory in the Czech Republic, Norway and Spain (if some thresholds are exceeded).

Given the adopted methodology criterion and definition of good accounting practices (see Chapter 3.1.3.1), the Director's report cannot be analysed from a good accounting practice perspective.

Type C: Micro 1

Accounting records

With reference to this technical area, it has emerged that 9 of the Countries analysed (i.e. Belgium, the Czech Republic, Estonia, Greece, the Netherlands, Norway, Poland, Romania and the United Kingdom) allow for the adoption of simplified accounting systems for taxation purposes.

Moreover, accounting on a cash basis or accounting for tax purposes only is allowed if some thresholds are not exceeded (i.e. Austria, Germany and Italy).

¹⁰⁰ When accounts are kept on a cash basis.

¹⁰¹ In Estonia it is compulsory only if accounts are kept on an accruals basis.

Journals and ledgers, Double-Entry Accounting method and charts of accounts are still compulsory in Denmark, France, Lithuania, Slovakia Spain and Sweden or compulsory when some thresholds are exceeded (i.e. Portugal and Slovenia).

Given the adopted methodology criterion and definition of good accounting practices (see Chapter 3.1.3.), accounting records cannot be analysed from a good accounting practice perspective.

As regards the keeping of accounts in a foreign language and/or foreign currency, please refer to the comments provided for Type A companies.

Accounting principles

With regard to the accounting principles in force in the selected Countries, it should be noted that local GAAP are generally adopted.

Local GAAP can be directly incorporated in the local legislation (e.g. companies/commercial codes and Financial statements/accounting acts) or issued by national accounting standard boards/committees.

Local GAAP are identified as good accounting practices.

In Romania specific accounting principles for single-entry accounting exist.

As far as Portugal is concerned, the so called “*Norma Contabilística de Relato Financeiro para Pequenas Entidades*” may apply.

Moreover, in Spain it is possible to adopt the New General Chart of Account for Small- and Medium-sized enterprises (on a voluntary basis).

Local GAAP are not applicable when only accounts for tax purposes are kept (e.g. Belgium, Italy, the Netherlands, and the United Kingdom).

Principles for external financial statements

See Type C Medium-sized.

Where simplified accounting or accounting for tax purposes systems are only applicable, there are no specific requirements in terms of principles for external Financial statements (e.g. Belgium, Italy, the Netherlands and the United Kingdom).

Components of financial statements

In some of the selected Countries examined (i.e. Denmark, France, Portugal, Slovakia, Spain and Sweden), the Micro 1-sized enterprises are obliged to produce Financial statements consisting of a Balance Sheet, Profit and Loss Account and Notes to the Accounts.

However, in Germany, Lithuania and Slovenia the Notes to the Accounts are not required.

In some Countries Financial statements are not compulsory (i.e. Belgium, the Czech Republic Estonia¹⁰², Greece, Italy, the Netherlands¹⁰³, Norway, Poland¹⁰⁴, Romania, and the United Kingdom).

Moreover, in one Country the Financial statements are compulsory only when some thresholds are exceeded (i.e. Austria¹⁰⁵).

Given the adopted methodology criterion and definition of good accounting practices (see Chapter 3.1.3.1), components of Financial statements cannot be analysed from a good accounting practice perspective.

¹⁰² When accounts are kept on a cash basis.

¹⁰³ Financial statements for tax purposes only must be drawn up.

¹⁰⁴ In Poland, it is possible to opt for a simplified profit and loss account for tax purposes only.

¹⁰⁵ Balance sheet and profit and loss account only in case turnover exceeds €700,000.

Auditing

In 18 Countries (i.e. Austria, Belgium, the Czech Republic, Denmark, France, Germany, Greece, Italy, Lithuania, the Netherlands, Portugal, Poland, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom) it is not compulsory for the annual accounts to be subject to Auditing by a person or firms authorised by national law to audit accounts.

In Estonia and Norway it is compulsory only if some thresholds are exceeded.

Given the adopted methodology criterion and definition of good accounting practices (see Chapter 3.1.3.1), Auditing cannot be analysed from a good accounting practice perspective.

Publication

In 15 of the selected Countries examined (i.e. Austria, Belgium, Denmark, Estonia¹⁰⁶, France, Germany, Greece, Italy, the Netherlands, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom) this kind of entity is exempt from publishing their annual accounts.

Moreover, the Publication is not compulsory in Lithuania, if the entity owner operates as enterprise manager or if some thresholds are exceeded (i.e. Norway).

Given the adopted methodology criterion and definition of good accounting practices (see Chapter 3.1.3.1), Publication cannot be analysed from a good accounting practice perspective.

Finally, Publication is compulsory in the Czech Republic, Poland and Portugal.

Director's report

The Director's report is not required in most of the selected Countries analysed. In particular, the director's report is not compulsory in 19 Countries: Austria, Belgium, the Czech Republic, Denmark, Estonia¹⁰⁷, France, Germany, Greece, Italy, Lithuania, the Netherlands, Poland, Portugal, Romania, Spain, Slovakia, Slovenia, Sweden and the United Kingdom.

However, the Director's report is compulsory in Norway, if certain thresholds are exceeded.

Given the adopted methodology criterion and definition of good accounting practices (see Chapter 3.1.3.1), Director's report cannot be analysed from a good accounting practice perspective.

Type C: Micro 2

Accounting records

With reference to this technical area, it has emerged that for Micro 2 entities, journals and ledgers, Double-Entry Accounting method are still compulsory in Denmark, Lithuania, Slovakia, Spain and Sweden or compulsory when certain thresholds are exceeded (i.e. Portugal and Slovenia).

However, the majority of the selected Countries analysed (i.e. Austria, Belgium, the Czech Republic, Estonia, France, Germany, Greece, Italy, the Netherlands, Norway, Poland, Romania and the United Kingdom) allow for the adoption of simplified tax accounting systems.

Simplified tax accounting systems are identified as good accounting practices.

¹⁰⁶ When accounts are kept on a cash basis.

¹⁰⁷ In Estonia it is compulsory only if accounts are kept on an accrual basis.

As regards the keeping of accounts in a foreign language and/or foreign currency, please refer to the comments provided for Type A companies.

Accounting principles

With regard to the accounting principles in force within the selected Countries, it should be noted that local GAAP are generally adopted.

Local GAAP can be directly incorporated in the local legislation (e.g. companies/commercial codes and financial statements/accounting acts) or issued by national accounting standard boards/committees.

Local GAAP are identified as good accounting practices.

In Romania specific accounting principles exist for single-entry accounting.

As far as Portugal is concerned the so-called “*Norma Contabilística de Relato Financeiro para Pequenas Entidades*” may apply.

Moreover, in Spain it is possible to adopt the New General Chart of Account for Small- and Medium-sized enterprises (on a voluntary basis).

Local GAAP are not applicable when only accounts for tax purposes are kept (e.g. Belgium, Italy, Germany, the Netherlands, Norway, and the United Kingdom).

Principles for external financial statements

See Type C Micro 1.

Components of financial statements

In some of the selected Countries examined (i.e., Denmark, France, Portugal, Slovakia, Spain), the Micro 1-sized enterprises in Type C are obliged to produce Financial statements consisting of a Balance Sheet, Profit and Loss Account and Notes to the Accounts. However, in Lithuania, Sweden and Slovenia the Notes to the Accounts are not required.

In some Countries the preparation of Financial statements is not required (i.e. Austria, Belgium, the Czech Republic, Estonia¹⁰⁸, Germany, Greece, Italy, the Netherlands¹⁰⁹, Norway, Poland¹¹⁰, Romania, the United Kingdom).

By analysing data from the Desk Research, it emerges that, in 12 out of 20 of the selected Countries, Type C entities are not obliged to produce Financial statements (which are thus produced exclusively for internal use or for tax purposes).

Given the adopted methodology criterion and definition of good accounting practices (see Chapter 3.1.3.1), components of Financial statements cannot be analysed from a good accounting practice perspective.

Auditing

See Type C Micro 1.

Publication

In 16 of the selected Countries examined (i.e. Austria, Belgium, Denmark, Estonia¹¹¹, France, Germany, Greece, Italy, the Netherlands, Norway Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom) this kind of entity is exempt from publishing their annual accounts.

¹⁰⁸ When accounts are kept on a cash basis.

¹⁰⁹ Financial statements for tax purposes only must be drawn up.

¹¹⁰ In Poland, it is possible to opt for a simplified profit and loss account for tax purposes only.

¹¹¹ When accounts are kept on a cash basis.

Moreover, the Publication is not compulsory in Lithuania if the entity's owner operates as enterprise manager.

Finally, Publication is compulsory in the Czech Republic, Poland and Portugal.

Given the adopted methodology criterion and definition of good accounting practices (see Chapter 3.1.3.1), Publication cannot be analysed from a good accounting practice perspective.

Director's report

The Director's report is not compulsory in any of the selected Countries.

Given the adopted methodology criterion and definition of good accounting practices (see Chapter 3.1.3.1), Director's report cannot be analysed from a good accounting practice perspective.

3.1.3.4. Conclusions

3.1.3.4.1. General remarks

The purpose of the Desk Research is to provide an overview of the existing accounting requirements envisaged for SMEs by the legislations of the selected Countries.

We would first like to state that the analysis carried out did not focus on the social and economic reasons which led the selected Countries to introduce rather complex accounting provisions governing all or some of the technical areas addressed by this investigation.

Generally speaking, it could be argued that the driving principle behind national legislations with regard to the accounting requirements has an ethical nature and, in other words, is aimed at safeguarding the economic system and the social relationships deriving from it.

The accounting requirements, as specifically described in reference to the technical areas, serve the purpose pursued by the legislation; sometimes the legislative aims may not be convergent, as it is the case, for example, of the "Components of financial statements" considered from a civil law and tax law perspective.

On the basis of the above, please find herewith below the conclusions, with reference to each technical area, for each type of entity investigated by the Desk research.

3.1.3.4.2. Type A

With reference to Type A companies, it should be noted that the accounting requirements relating to the 6 technical areas are affected by the Fourth Directive.

The local implementation of the Fourth Directive has facilitated the establishment of a harmonized framework in the selected Countries even if some differences still remain (within the various options indicated by such Directive).

From the performed analysis it has emerged that the size (Medium, Small, Micro 1 and Micro 2) only partially impacts the provision of accounting requirements. In particular, with the exception of the technical areas referring to the components of the Financial statements, the Auditing and the Directors' report, the accounting requirements are the same regardless of the company's size.

It is to be noted that the selected Countries have bound the fulfilments related to the above mentioned 3 technical areas (i.e. having or not having auditing obligations, have full Financial statements rather than abridged financial statements, having or not having the Directors' report) to the exceeding of size-related thresholds, varying from country to country and that generally correspond (with some exceptions, see Chapter 3.1.3.3.1 Type A

Small-sized “Components of financial statements”) to those identified for the audit requirements.

In this regard, it would be opportune to highlight that such thresholds are not harmonized among the selected Countries, since only a part of such Countries adopts the thresholds envisaged by the Fourth Directive, even if within the various options foreseen by the same Directive (see Table No. 3 of Chapter 3).

On the other hand, there are other Countries which adopt thresholds lower than the above mentioned ones (see Table No. 4 of Chapter 3).

Moreover, with specific regard to the auditing requirements it is necessary to underline that the auditing obligations not only depend on the above thresholds, but also on the legal form adopted by the company. More in particular, in most selected Countries Auditing is in any case compulsory for joint stock/public limited companies, irrespective of their size.

On the basis of the analysis of the audit requirements, it is therefore possible to conclude that, as far as the audit obligation thresholds are concerned, most Countries have chosen size thresholds lower than those envisaged by the Fourth Directive, increasing in this way the number of entities subject to such obligation (and consequently, as above stated, also to the preparation of the full Financial statements and the Director’s report).

Finally, with regard to the accounting principles, the Desk Research has highlighted that a significant number of Countries allows the optional adoption of the IFRS or of the IFRS-EU.

3.1.3.4.3. Type B

With reference to the partnerships included in Type B and on the basis of the Desk Research findings, we can note how the size aspect (Medium, Small, Micro 1 and Micro 2) becomes a more noteworthy driver for the purposes of the accounting requirements they are expected to meet.

With reference to the technical area “Director’s report”, it is possible to state that this document is not foreseen for Type B entities, irrespective of their size.

During analyses it emerged, *de facto*, that most of the selected Countries extended the same fulfilments required for Type A to Medium-sized enterprises in reference to accounting records, the preparation of full Financial statements and the requirement to undergo Auditing. With reference to Publication duties, it is however possible to note that the same vary not only on the basis of the size, but also according to the partners status (see Chapter 3.1.3.1); in fact, publication is required in many Countries when members with unlimited liability in a partnership are a limited liability company or a foreign company.

Moreover, with reference to the accounting principles, it can be noted that, beyond the local GAAP of different selected Countries, in 4 Countries, Type B Medium-sized entities may choose the IFRS or IFRS-EU accounting standards.

Concerning the Small-sized dimension, the accounting requirements are shown to be markedly variable within the selected Countries with reference to the preparation of abridged financial statements.

As far as the accounting records are concerned, the Double-Entry Accounting method as well as journals, ledgers and chart of accounts are commonly required (in 18 Countries out of 20).

As regards publication, this fulfilment is required in almost 50% of the selected Countries and, as with Medium-sized entities, in some Countries also Small-sized entities are required to publish their annual accounts on the basis of their partners’ status (e.g. if they are limited liability companies).

Furthermore, with reference to the audit requirements of Type B Small-sized entities, it is to be underlined that such fulfilment is generally envisaged in most Countries even if subject in some cases to dimensional thresholds (in terms of net turnover, total assets and average number of employees).

In addition, in some Countries, some specific accounting principles for Small-sized entities are applicable.

Moving on to Micros 1 and 2 sizes, it is possible to show that, although the requirements remain in terms of keeping accounts with the Double-Entry Accounting method as well as the duty to prepare abbreviated financial statements, the Auditing is generally not compulsory in the selected Countries.

As far as Publication is concerned, the relevant duties significantly vary in the selected Countries, even if generally, in case the partners are individuals, such fulfilment is not compulsory.

With reference to the technical area “accounting principles” it can be noted that in some Countries specific accounting principles are applicable to Micro entities.

Finally, with reference to co-operatives it is necessary to clarify that within the legal accounting systems studied, the same rules generally applicable to Type A companies are applied.

3.1.3.4.4. Type C

With reference to the entities included in Type C and on the basis of the Desk Research findings, generally speaking, it is possible to conclude that such entities, irrespective of their size, are not subject to any duties in terms of Auditing, preparation of the Directors’ report nor the Publication of the annual accounts.

With regard to Type C Medium size entities, it is possible to notice that in most selected Countries, such entities must prepare the abbreviated Financial statements; nevertheless a significant number of Countries (in 6 out of 20) has chosen the non-obligatory preparation of the Financial statements.

Furthermore, with reference to the accounting records, in most selected Countries (in 14 out of 20) these kinds of entities are required to adopt the double entry accounting method, journals, ledgers and chart of accounts.

With regard to the accounting principles to be adopted, these are substantially the local GAAP.

With reference to Type C Small-sized entities, it is possible to notice that in most selected Countries, such entities must prepare the abbreviated Financial statements; moreover, in some Countries such fulfilment is subject to the exceeding of given thresholds. In addition, a significant number of Countries (in 6 out of 20) has chosen the non-obligatory preparation of the Financial statements.

Furthermore, with reference to the accounting records, in most selected Countries these kinds of entities are required to adopt Double-Entry Accounting method, journals, ledgers and chart of accounts.

With regard to the accounting principles to be adopted, these are substantially the local GAAP; only in Estonia, there is a possibility to adopt the IFRS principles¹¹².

Moving on to Micros 1 and 2 sized entities and with regard to the technical area “components of financial statements”, it is possible to see that the number of selected

¹¹² See paragraph 3.3 Accounting principles in Annex 1/E - ESTONIA

Countries not requiring the preparation of any Financial statements (since envisaged for tax purposes only), goes from a minimum of 10 Countries out of 20 for Micro 1 entities, to a maximum of 12 Countries out of 20 for Micro 2 entities.

With reference to the technical area “accounting records”, it is possible to see that the number of selected Countries allowing the adoption of simplified accounting systems for tax purposes only, goes from a minimum of 9 Countries out of 20 for Micro 1 entities, to a maximum of 14 Countries out of 20 for Micro 2 entities.

Therefore, with specific reference to the technical areas “accounting records” and “components of financial statements” it is possible to conclude that the smaller the entity is, the fewer are the accounting requirements related to the above mentioned technical areas (thus underscoring a tendency to reduce accounting obligations according to diminishing size).

Moreover, the exemption from the preparation of the Financial statements and the use of simplified accounting systems, in those Countries where such practice is allowed, makes the local GAAP inapplicable.

3.2. Statistical data

3.2.1. Scope and focus of the research

One of the objectives of the Desk Research is to deliver some statistical data on the structure of Small- and Medium-sized Enterprises (SMEs) in Europe, including:

- All the EU Member States;
- Iceland and Norway (EEA countries);
- Switzerland (EFTA Member State).

More specifically, this Chapter provides a quick overview of the nature and characteristics of SMEs in European business, but it is also a showcase for the data available in this field.

The collected data contains per each Country, legal form and size of SMEs the following information:

- The number of entities;
- The number of persons employed;
- The sector of business activity and the share of employment.

The Statistical Department of CNA took care of collecting the required statistical data for each legal form and size of SMEs in the non-financial business economy in all EU Member States and EEA countries plus Switzerland, so to provide the most comprehensive framework of the small and medium businesses economy in Europe, regardless of political or institutional considerations.

Whenever a cross tabulation by size class and legal form is not available, then an approximation is used as described in Chapter 3.2.2.3 “Additional estimates on data” below. All data are summarized in this Chapter, whilst the analytical figures are presented in the statistical tables in Annex 2A (Users), Annex 2B (Preparers), Annex 2C (Accounting Professionals) and Annex 2D (all Respondents in aggregate form) of this report where data (number of entities, the number of persons employed, and the sector of business activity) are presented for all the Countries surveyed.

3.2.2. Methodology

The major source of information is the Statistical Office of the European Communities Eurostat's Structural Business Statistics (SBS)¹¹³ that provides information for the period 2002-2007 (the most recent period available) on the number of enterprises, employment, sales, value added, and investment, all by size class, sector and country.

In order to provide a more complete picture of the European SMEs or to fill in some missing information this resource has been integrated by data provided by other sources that are clearly mentioned in each table.

SBS data have been integrated mainly in order to widen the geographic coverage - in particular for Iceland, Norway and Switzerland - using public available data. In addition estimation has been made for the “missing” data. Detailed information on the sources used and estimation done are provided in the annexed tables (in Annexes 2A - 2D) and in Chapter 3.2.2.3. “Additional estimates on data”.

Collected data are comparable between countries as regards the time period, legal form and size of SMEs. Except when specifically underlined, the data presented was extracted from a variety of Eurostat databases in March 2010 (time base 2007); however, for each particular figure the reference year is shown in the presenting table in Annexes 2A - 2D. It should, however, be taken into account that the major advantage of the Eurostat SBS database is the fact that data are harmonized.

3.2.2.1. Limitations

Per country data could not be collected for each legal form and size of SMEs concerning the sector of business activity. The Eurostat SBS database, indeed, allows extracting tables on the distribution of enterprises per legal form by NACE sector, but no further discrimination is made along the enterprise size dimension, neither the data ensure full geographic coverage of the research (all 2007 data are missing for almost two thirds of the Countries under investigation). Nor other publicly available and comprehensive data sources offer such a data break-up along both these dimensions.

As a consequence, data cross tabulation per legal form and size of SMEs is not presented.

3.2.2.2. SME definition used in the research

For the purpose of the statistical data collection presented in this Chapter, SMEs are defined as enterprises in the non-financial business economy¹¹⁴ that employ less than 250 persons. The complements of SMEs - enterprises that employ 250 or more persons - are large scale enterprises (LSEs).

Within the SME sector, the following size-classes are distinguished:

- Micro enterprises, employing fewer than 10 persons¹¹⁵;
- Small-sized enterprises, employing fewer than 50 persons;
- Medium-sized enterprises that employ fewer than 250 persons.

¹¹³ http://epp.eurostat.ec.europa.eu/portal/page/portal/european_business/data/database

¹¹⁴ Non financial business economy is defined in this study as the economic activities other than those of the financial service activities, including insurance, reinsurance, pension funding activities and activities to support financial services. Reference: Eurostat, NACE sections C to K, covering Industry (sections C-E), Construction (F), Trade (G) and Services (H, I, K).

¹¹⁵ Measured as an annual average during the financial year.

This definition is used for statistical reasons and SBS uses these very same size classes, but it needs to be pointed out that these are not the accounting definitions of SMEs in the Fourth Directive.

Indeed the definition of SMEs as stated in the Commission Recommendation of 6 May 2003 concerning the definition of Micro, Small- and Medium-sized enterprises takes account of the number of employees, annual turnover, annual balance sheet total¹¹⁶; but this definition does not find a consistent and complete correspondence with any Eurostat's and other publicly accessible data bases not the Fourth Directive definition of SMEs.

This is due basically to three main reasons:

- First, in almost all the countries surveyed, a large set of enterprises (particularly Micros and Small-sized enterprises, with unlimited personal liability such as sole proprietorships and partnerships) is relieved from the publication of annual accounts (that are the primary, if not unique, source of turnover and balance sheet total data);
- Second, only in a handful of countries (e.g. France, Italy and a few others) published annual accounts are systematically and electronically collected, recorded and publicly disclosed, also to local statistical institutions for statistical purposes;
- Third, annual account data gathered by fiscal authorities are generally prevented from being publicly disclosed, and they are rarely shared with other public bodies.

As a consequence, since two out of the three criteria mentioned in the Commission Recommendation (namely annual turnover, annual balance sheet total) rely on figures that are not publicly available for the most part of the enterprises in many countries, and even less at a European level, the sole criterion that can be applied for SME censual statistics¹¹⁷ is, as said, the number of persons employed. Neither was it possible to employ without a less than acceptable risk of wrong projection at a continental level, any statistical sampling covering the whole scope of the Desk Research.

Nonetheless, this criterion seems to be, by itself, precise enough to discriminate the SME population. In fact, on average, recent figures demonstrate that SMEs clusters¹¹⁸ defined on the basis of the number of employees fall within the boundaries set for the “annual turnover” criterion as well. Furthermore, a rough estimate, performed by CNA in the framework of this research, upon a non-representative sample of some 100 enterprises extracted from the European Kompass Database (KPEU)¹¹⁹ shows that less than 5% of the enterprises with no more than 250 occupied persons, has in fact over 35 million Euro in annual net turnover.

Furthermore, in the Survey (see Chapter 4) the Micro category has been divided into “Micro 1” and “Micro 2” enterprises, whose both definitions use up till 10 employees as the upper dimensional threshold; this could be done by requesting financial information directly from the enterprise thus adding value to “first hand” data collected with the research also in this perspective.

3.2.2.3. Additional estimates on data

Comparisons across countries in the Eurostat SBS database are sometimes limited by methodological factors (summary of main issues can be found in “Limits to comparability

¹¹⁶ See <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2003:124:0036:0041:en:PDF>

¹¹⁷ “Censual statistics” are Statistics relating to, or containing, a census.

¹¹⁸ “Clusters” are subsets of similar observed units.

¹¹⁹ Datasheet at <http://ds.datastarweb.com/ds/products/datastar/sheets/kpeu.htm>

over time and across countries” enclosed to Reference Metadata in Euro SDMX Metadata Structure¹²⁰).

Therefore, in the “Annual Report on EU Small and Medium-sized Enterprises”¹²¹ already cited estimates for the number of enterprises and employment have been made. This has been done by making preliminary estimates on the number of enterprises and overall employment. The latter is made up using the initial estimate of the number of enterprises and an assumption on the average number of occupied persons per enterprise.

These initial assumptions were subsequently embedded in the available data such that (a) full consistency with aggregated data was achieved, and (b) the result obeyed logical constraint. The logical constraints taken into account were: (a) a positive number of enterprises should coincide with a positive number of employment and zero employment should coincide with a zero number of enterprises, and (b) the average employment per enterprises should fall within applicable size-bands¹²².

The Table No. 5 below, on the distribution of legal form per enterprise-size categories was prepared using the latest available distribution data from SBS for each country, supplemented with data extracted from central statistical offices¹²³ or derived from a European country deemed comparable with the one for which data was missing. We assumed that distribution per legal form, in general, slightly changes over the short term¹²⁴, so that an allocation can be reasonably applied from one year to another to get an approximation of actual figures.

Hence, the general figures obtained for each country were broken down per enterprise-size categories, distributing the micro enterprises between the legal forms “sole proprietorship”, “partnership” and “private joint stock company limited” (in that order) until exhaustion of the “Micro” class and reiterating the process for Small- and Medium-sized businesses (for the legal forms not entirely consumed in previous steps). Large enterprises were all inserted by default in the “private joint stock company limited” class.

Numbers of persons employed in the cross-table were approximated assuming that sole proprietorships belonging to the class of Micro enterprises score one self-employed worker and then by distributing proportionally the remaining quota of persons employed for each enterprise-size class between “partnerships” and “private joint stock companies limited” (thus obeying the constraint on the average number of occupied persons per enterprise).

For the sake of transparency, formulas - along with hidden columns and “blanked” values - have been left inside the worksheet cells, instead of having them replaced with resulting figures, so to allow an easy audit of calculations performed.

¹²⁰ Internet: http://epp.eurostat.ec.europa.eu/cache/ITY_SDDS/Annexes/sbs_esms_an6.pdf

¹²¹ “Annual Report on EU Small and Medium-sized Enterprises”, EIM Business & Policy Research (Zoetermeer, January 12, 2009) edited by David Audretsch, Rob van der Horst, Ton Kwaak and Roy Thurik. See at:

http://ec.europa.eu/enterprise/policies/sme/files/craft/sme_perf_review/doc_08/spr08_annual_reporten.pdf

¹²² See EIM Business & Policy Research, January 2009, Annex II, pages 45-46 .

¹²³ Ufficio Federale di Statistica (www.bfs.admin.ch) for Switzerland; Statistics Iceland (www.statice.is); Statistics Norway (www.ssb.no) and Central statistics Office of Ireland (www.cso.ie).

¹²⁴ On average the annual variation in the three year course 2005-2007 is less than 1%.

The following table summarised the list of the countries that have been included in the analysis with the related country code.

Table No. 5 - Chapter 3 - Countries included in the analysis

AT: Austria	FR: France	PT: Portugal
BE: Belgium	IE: Ireland	RO: Romania
BG: Bulgaria	IT: Italy	SI: Slovenia
CY: Cyprus	LV: Latvia	SK: Slovakia
CZ: The Czech Republic	LT: Lithuania	FI: Finland
DK: Denmark	LU: Luxembourg	SE: Sweden
DE: Germany	HU: Hungary	UK: The United Kingdom
EE: Estonia	MT: Malta	NO: Norway
EL: Greece	NL: The Netherlands	CH: Switzerland
ES: Spain	PL: Poland	IS: Iceland

Liechtenstein, although it is an EEA country, has not been included in the Desk Research considered the very small amount of businesses (about 3.650) and that Liechtenstein, due to the structure of its company and tax legislation, is a place for off shoring companies (the industrial member companies of the Liechtenstein Chamber of Commerce and Industry employed in 2008 some 33.000 people in their foreign subsidiaries - majority-owned or “under management control” - abroad), thus making questionable local-only figures for a good part of enterprises.

3.2.3. Data analysis

3.2.3.1. Number of persons employed

According to the definitions of SBS Regulation variables, the number of persons employed is defined as the “total number of persons who work in the observation unit (inclusive of working proprietors, partners working regularly in the unit and unpaid family workers), as well as persons who work outside the unit who belong to it and are paid by it (e.g. sales representatives, delivery personnel, repair and maintenance teams)”¹²⁵.

It includes persons absent for a short period (e.g. sick leave, paid leave or special leave), and also those on strike, but not those absent for an indefinite period. It also includes “part-time workers who are regarded as such under the laws of the country concerned and who are on the pay-roll, as well as seasonal workers, apprentices and home workers on the pay-roll”¹²⁶.

The number of persons employed excludes manpower supplied to the unit by other enterprises, persons carrying out repair and maintenance work in the enquiry unit on behalf of other enterprises, as well as those on compulsory military service.

¹²⁵ Eurostat • OECD Manual on Business Demography Statistics - ISSN 1977-0375 – page 91.

¹²⁶ Ibidem

3.2.3.2. Number of enterprises

The enterprise is the smallest combination of legal units that is an organizational unit producing goods or services, which benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources.

An enterprise carries out one or more activities at one or more locations. An enterprise may be a sole legal unit¹²⁷.

A count of the number of enterprises should include all units active during at least a part of the reference period. In the EU and other European countries the situation is less harmonised than could be expected.

In fact, the EEC Regulation 696/93¹²⁸ on the statistical units prescribes the list and definitions of units for all EU members. Enterprises are covered in most European countries, except Finland, France, Hungary, Norway and Portugal.

In these countries it is the legal unit, not the enterprise that is covered. The legal unit may be different from the enterprise in the fact that it may take several legal units to form an enterprise. Further to enterprises, European business frames would typically cover a local entity (either local unit or local kind of activity unit).

Extra dimensions could cover the legal unit or the enterprise group as is the case in Denmark, Finland, France, the Netherlands, Sweden and the United Kingdom. In Hungary the business frame covers legal units: companies, partnerships and sole proprietors. Sweden has the largest variety of coverage with no less than 7 different units for statistical and administrative uses¹²⁹.

3.2.3.3. Legal form of enterprises

According to the Eurostat Manual on Business Demography Statistics, the following legal forms can be found in most European countries¹³⁰:

- Sole proprietorship: enterprise owned exclusively by one natural person;
- Partnership: association of persons who conduct a business under a collective name. It can take the form of a limited partnership;
- Limited liability companies: enterprises comprising joint-stock companies, limited partnerships with share capital and private limited company. Harmonised rules at European level governing the publication of accounts for these types of companies are laid down by the Fourth Directive;

¹²⁷ Source: Council Regulation (EEC), No. 696/93, Section III A of 15.03.1993 on the statistical units for the observation and analysis of the production system in the Community

¹²⁸ The Council Regulation (EEC), No. 696/93 of 15 March 1993) on statistical units for the observation and analysis of the production system in the Community lays down a list of eight (types of) statistical units defined on the basis of three criteria (legal, geographical and activity criteria):

1. the Enterprise;
2. the Institutional Unit;
3. the Enterprise Group;
4. the Kind-of-activity Unit;
5. the Unit of Homogeneous Production;
6. the Local Unit;
7. the Local Kind-of-Activity Unit;
8. the Local Unit of Homogeneous Production.

¹²⁹ See at <http://www.ssd.scb.se>

¹³⁰ Eurostat • OECD Manual on Business Demography Statistics - ISSN 1977-0375 – page 85.

- Co-operative societies: these are bodies set down by law in each country. They shall comply with several general principles, for example they may only be entitled to provide their services to members, profits are often distributed in proportion to members' dealings with the society, etc;
- Non-profit making bodies.

Enterprises with other forms of legal constitution: this group includes nationalized industries, publicly-owned enterprises and state or local authority monopolies.

For the purpose of the Study, the legal forms of an SMEs are classified as either

- Type A: private joint stock company with limited liabilities for those owning shares;
- Type B: personally owned limited and unlimited liability partnerships (included are also other legal forms such as co-operatives, associations, etc.); or
- Type C: personally owned and no limit to personal liability such as sole proprietorships (unincorporated).

Trusts, foundations and listed companies are therefore not covered by this classification and therefore excluded from this report.

3.2.3.4. SMEs in the European economy at a glance

According to the figures shown below in Table No. 6, in 2007 the EU non-financial business economy counts over 21 million enterprises, over 99% of which are SMEs (i.e., having less than 250 on average occupied persons per year).

By contrast, there are only about 45.000 large enterprises in existence in Europe, which account for only 0,2% of all enterprises.

Within the SME sector, the vast majority (roughly 19 million, accounting for 91,8% of the total) are Micro enterprises, having less than 10 occupied persons.

The typical European enterprise is consequently a Micro enterprise; approximately half of these Micro enterprises have no employees at all¹³¹. There are about 1,45 million Small-sized enterprises, representing 6,9% of the total stock.

About 1% of all enterprises (228.000) are Medium-sized enterprises.

On average, an enterprise provides work and income for 6 - 7 persons; in absolute figures, this measure of enterprise size varies between only 2 in micro enterprises and over 1.000 in large scale enterprises (LSEs). With respect to types of legal forms, the vast majority of the enterprises lies in the Type C followed by the Type A; Type C companies prevail among smaller firms, while medium-sized and large businesses are all of Type A.

¹³¹ Thus only providing employment and income to self-employed and family workers

Table No. 6 - Chapter 3 - Number of enterprises by enterprise size-class and legal form type in the EU according to Eurostat SBS

Enterprise size class	MICRO		SMALL		MEDIUM		LARGE		TOTAL	
Type of legal form	19.279.555	91,8%	1.450.008	6,90%	228.209	1,09%	45.184	0,22%	21.002.956	100%
Personally owned and no limit to personal liability	11.213.751	53,4%	1.972	0,01%	0	0,00%	0	0,00%	11.215.723	53,40%
Private or publicly quoted joint stock companies with limited liability for those owning shares	5.753.972	27,4%	1.445.170	6,88%	228.209	1,09%	45.184	0,22%	7.472.536	35,58%
Personally owned limited and unlimited liability partnerships.	2.311.832	11,0%	2.866	0,01%	0	0,00%	0	0,00%	2.314.698	11,02%

Source: CNA elaboration upon "Annual Report on EU Small and Medium-sized Enterprises", based on Eurostat SBS; Europe-30 countries¹³² 2007

3.2.3.5. Employment impact of SMEs

The most striking phenomenon of SMEs is perhaps their contribution to employment in the European economy.

About two-third (67,2%) of total employment in the private, non-financial economy is found in Micro, Small- and Medium-sized enterprises.

As can be seen in the Table No. 7 below almost 90 million people is employed by SMEs, whereas large enterprises employ about 44 million people.

Within the group of SMEs, the Micro enterprises employ most people: almost 40 million, i.e. nearly 30% of the total employment in the private, non-financial economy.

Micro enterprises employ on average 2 people as can be seen in the same table. So, 92% of all enterprises employ 30% of the total private labour force and are at the same time very small indeed.

¹³² Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Romania, Slovenia, Slovakia, Spain, Sweden, Switzerland, the United Kingdom.

Table No. 7 - Chapter 3 - Number of enterprises and person employed by enterprise size-class in the EU

	Micro	Small-sized	Medium-sized	Large	Total
Europe-30 countries ¹³³ 2007					
Number of enterprises	19.279.555	1.450.008	228.209	45.184	21.002.956
% of enterprises	91,8%	6,9%	1,09%	0,22%	100%
Number of persons employed	39.971.506	27.182.991	22.701.131	44.186.670	134.042.298
Share of employment	29,6%	20,8%	16,8%	32,8%	100%
Employees per enterprise (mean)	2,1	19,3	99,5	930	

Source: CNA Interpreta S.r.l. elaboration upon "Annual Report on EU Small and Medium-sized Enterprises", based on Eurostat SBS

More than 80% of employment within the SME sector is found in some industrial sectors; the sub sectors trade (23,5 million) and manufacturing (21 million) are the largest with respectively 27% and 24% of total employment in SMEs. Within the group of micro enterprises the trade sub sector is by far the largest with almost 12,9 million people or 33% of total employment in micro enterprises.

Table No. 8 - Chapter 3 - Number of persons employed by enterprise size-class and NACE section

	Number of persons employed, Europe-27 Countries ¹³⁴	Micro	Small-sized	Medium-sized	SME total
c -i, k	NACE section non-financial business economy	38.890.244	27.062.432	21.956.658	87.909.334
c	mining and quarrying	44.838	100.597	99.828	245.263
d	manufacturing	4.968.513	7.280.720	8.809.330	21.058.563
e	electricity, gas and water supply	37.886	83.165	231.152	352.203
f	construction	5.734.333	4.335.376	2.205.743	12.275.452
g	wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	12.855.342	6.668.595	3.924.522	23.448.459
h	hotels and restaurants	4.197.317	2.477.447	994.025	7.668.789
i	transport, storage and communication	2.290.919	1.793.974	1.565.481	5.650.374
k	real estate, renting and business activities	8.761.096	4.322.558	4.126.577	17.210.231
	TOTAL	38.890.244	27.062.432	21.956.658	87.909.334

Source: CNA Interpreta S.r.l. elaboration upon "Annual Report on EU Small and Medium-sized Enterprises", based on Eurostat SBS

¹³³ Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Romania, Slovenia, Slovakia, Spain, Sweden, Switzerland, the United Kingdom.

¹³⁴ Sectoral data breakdown per size not available for Iceland, Norway and Switzerland

3.2.3.6. Sector dimension

Enterprises of different sizes are distributed unevenly over sectors of industry.

As it can be seen from the Table No. 9 below, trade and real estate, renting and business activities are the largest sectors of industry in terms of the number of enterprises.

Table No. 9 - Chapter 3 - Number of enterprises by enterprise size-class and NACE section

	Number of enterprises, Europe 29 Countries ¹³⁵	Micro	Small-sized	Medium-sized	SME	Large	TOTAL
c -i, k	NACE section Non-financial business economy	19.251.555	1.449.008	227.209	20.927.772	44.184	20.971.956
c	mining and quarrying	16.388	5.116	1.032	22.536	279	22.815
d	manufacturing	1.958.600	365.262	87.575	2.411.437	19.519	2.430.956
e	electricity, gas and water supply	24.162	4.372	2.465	30.999	1.113	32.112
f	construction	2.734.366	236.839	24.835	2.996.040	2.577	2.998.617
g	wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	6.203.760	372.236	42.760	6.618.756	6.901	6.625.657
h	hotels and restaurants	1.609.216	144.659	11.126	1.765.001	1.385	1.766.386
i	transport, storage and communication	1.167.175	91.867	16.225	1.275.267	3.677	1.278.944
k	real estate, renting and business activities	5.537.888	228.657	41.191	5.807.736	8.733	5.816.469

Source: CNA Interpreta S.r.l. elaboration upon "Annual Report on EU Small and Medium-sized Enterprises", based on Eurostat SBS

Also the number of occupied persons per enterprises (the average enterprise size) is less than the non-financial business economy average.

Other typical small scale sectors are construction and hotels and restaurants.

On the other side of the spectrum, electricity, mining, and manufacturing industry are large scaled sectors in the sense that the average number of occupied persons per enterprise is well above the average of the non-financial business economy.

The two following Tables No. 10 and 11 compare mean figures of occupied persons per enterprise by sector: the first of the two covers all the enterprises regardless of their size (thereby including large enterprises), while the second one deals with SMEs only.

The fourth column in Table No. 11 indicates the average number of occupied persons per enterprise at SME aggregated level (Micro, Small- and Medium-sized)

¹³⁵ Sectoral data breakdown per size not available for Iceland.

Table No. 10 - Chapter 3 - Average enterprise size, in terms of occupied persons, by NACE section (all businesses)

	Average enterprise size by sector (global), Europe 27 Countries ¹³⁶ , non-financial business economy	Occupied persons per enterprise
NACE section		
	mining and quarrying	37
	manufacturing	15
	electricity, gas and water supply	56
	construction	5
	Wholesale and retail trade	5
	hotels and restaurants	5
	transport, storage and communication	10
	real estate, renting and business activities	5

Source: CNA Interpreta S.r.l. elaboration upon "Annual Report on EU Small and Medium-sized Enterprises", based on Eurostat SBS

Table No. 11 - Chapter 3 - Average enterprise size, in terms of occupied persons, by size class and NACE section (SMEs only)

	Average enterprise size by sector (SMEs), Europe 27 Countries	Micro	Small-sized	Medium-sized	SME
c -i, k	NACE section non-financial business economy	2	19	100	4
c	mining and quarrying	3	20	101	11
d	manufacturing	3	20	104	9
e	electricity, gas and water supply	2	22	100	12
f	construction	2	19	93	4
g	wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	2	19	95	4
h	hotels and restaurants	3	18	94	4
i	transport, storage and communication	2	20	100	5
k	real estate, renting and business activities	2	20	103	3

Source: CNA Interpreta S.r.l. elaboration upon "Annual Report on EU Small and Medium-sized Enterprises", based on Eurostat SBS

¹³⁶ Sectoral data breakdown per size not available for Iceland, Norway and Switzerland

3.2.3.7. Conclusions

Data availability on enterprises at the European level clearly affects the business and statistical information sectors, but it also has a significant impact on European-wide decision making processes; the matter is therefore of public interest.

The enterprise data availability situation briefly described above gives place to some comments and suggestions on what could be done to correct this current state.

There are two important aspects of this situation:

- on one hand the effectiveness of the institutional system of public disclosure placed on enterprises' data and;
- on the other the level of exchange of those data among public administrations and national statistical institutes, both at the local and European levels.

Concerning the latter, and quite paradoxically, this is a situation where national public administrations are individually data rich but public communities seem to be knowledge poor.

The public sector is a big producer and collector of a large variety of enterprises data: this government information is indeed a valuable resource and its economic benefits to society are maximised when it is available in a fair and timely manner to all, so that it could be more widely spread and transformed in collective knowledge – mainly through statistical means - to reap important economic and social benefits.

Notwithstanding the strategic importance of public sector information, we are still far from establishing a “free zone” for statistical information from the public authorities on account of the lack of openness and harmonisation of national policies and practices in this matter and practical problems connected with languages and standards.

In our opinion, clear and consistent regulations for the re-use of public sector information among governments and statistical bodies constitute a major condition for establishing the knowledge potential of public data in the new electronic environment and the development of a collective statistical knowledge base.

Coming to the first of the two aspects mentioned above, as we noticed, the smaller the enterprise the less publicly accessible information is available about it. Now, the exemption for Micros and Small-sized enterprises from publication of annual accounts, whether it might or not have effects on the cost and competitive position of these enterprises, surely affects the availability of reliable sources for statistical surveys on SMEs and the possibility of any “enlightened” and viable policy making on those issues.

Similarly, on a broader level, the lack of efficient organisational structures (e.g. electronic business registers), capable to assure that all published annual accounts are analytically and quickly recorded, lays significant limitations on the amount of knowledge available to policy consultants and decision makers when it comes to define public policies on accounting standards and practices and evaluate their impact or consequences.

Besides any consideration about market transparency, the negative effects here above are further reinforced by the fact that different accounting standards settled on national levels are currently applied to Small-sized and micro entities, which account for the greatest part of the European enterprises.

Initiatives to overcome these gaps would strengthen the traditional position of EU decision-makers, who have repeatedly appreciated the value of harmonised accounting as one of the decisive guarantees for the merging and orderly functioning of the internal European market.

Yet, standard taxonomies - such as the eXtensible Business Reporting Language (XBRL) - are emerging, which can improve financial and business reporting and lowering the costs of producing, collecting, sharing and comparing such information¹³⁷.

Perhaps more importantly, these new technologies handle the complex financial semantics (such as assets, liabilities, income, expenses, debits and credits) that cause problems when reporting financial data and they can be a quite easy way to the widespread adoption of the European uniform standards created by the Accounting Directives' concerning contents and extent of the requirements of financial disclosure (e.g. the Fourth Directive¹³⁸).

This kind of technological innovation lays the ground for moving towards a new enterprises public data disclosure framework, which:

- fully exploits IT capabilities - so that information is made available “*ab origine*” by electronic means - to lower the cost of data disclosure and possibly widen the number of enterprises requested to publish their data;
- is based on standardized information that can be easily exchanged “cross-border” to line up national databases and aggregated for statistical purposes both at national and European level.

Clearly, since this new setting would not come at no-cost, it would be desirable – if not compelling – to balance it with some sort of compensation (simplification) suitable to reduce the overall administrative burden borne by businesses.

A possible solution could be represented by the so called “only once” principle, consisting in the obligation for all public administrations which collect data from businesses (business registers, tax authorities, national insurance institutions, country statistical offices, etc.) to share common data and in preventing any administration from requesting a piece of information to an enterprise whenever this has already been collected by a different administration.

This would save time and money currently spent for data redundancy and bureaucratic duties duplication placed upon enterprises and it would be a fair complement of the Public Sector information (PSI) re-uses effort promoted by the 2003 EU Directive¹³⁹.

¹³⁷ XBRL is an XML-defined open standard used for analyzing, exchanging and reporting financial information. It defines the contents of financial reports and statements to make it easier to disseminate, access and compare financial information. In particular, XBRL provides an identifying tag for each item of financial data instead of treating financial information as a block of text, as in a standard Internet page or printed document; the attribute tags are language-independent and to translate a taxonomy for use in any language other than English requires only that the data labels be translated.

¹³⁸ See <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31978L0660:EN:NOT>

¹³⁹ Internet: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2003:345:0090:0096:EN:PDF>

4. THE SURVEY

The Survey provides for the tasks of analysing and identifying the users' perceived needs for accounting information from SMEs in Europe as well as the SMEs' own needs for accounting information in the non-financial business economy for the 20 selected Countries. For this purpose a Survey was launched among three Respondent categories: Users, Preparers and Accounting Professionals. A "User" is a person who uses the financial statements of SMEs in the decision making process; a "Preparer" is a person who is mainly involved in/or in charge of the preparation of the financial statements of an SME; an "Accounting Professional" is a person who is mainly working with auditing and/or accountancy consultation tasks and dealing with SMEs of different legal forms and sizes having at least 5 years' experience in the field.

In this Chapter recommendations on perceived accounting requirements are made and conclusions are drawn based on the analysed results of the Survey.

The first step in the Survey was to finalize the three different questionnaires and to agree with the European Commission upon a final version of the three questionnaires that were addressed to the three different Respondent categories.

The final versions of the three English language questionnaires were translated into all the languages of the Respondents: Austrian, Belgian, Czechoslovak, Danish, Estonian, French, German, Greek, Italian, Lithuanian, Dutch, Norwegian, Polish, Portuguese, Romanian, Slovakian, Slovenian, Spanish, and Swedish.

A web site dedicated to this Survey was set up and the three questionnaires in all the mentioned languages were uploaded on it, in order to be filled in online by the Respondents. In addition to this an electronic version of the three questionnaires was drafted to be sent by e-mail to the selected Respondents in the selected Countries.

After this selected multi-country staff was appointed in order to collect and input the data into the database as well as carrying out the phone interviews.

The Survey was launched at the end of January 2010 and was terminated at the end of October 2010.

The questionnaires were sent to 17.383 selected Respondents of the three categories (11.392 Users, 5.722 Preparers and 269 Accounting Professionals), and 18.060 phone interviews were made in order to help and assist the Respondents in filling in the questionnaires.

Notwithstanding the huge number of interviews made (much higher than the number statistically required), the response rate was lower (60,14% of replies i.e. 1560 questionnaires out of the 2594 questionnaires statistically calculated) than it was expected.

The reasons for this low response rate are of various kinds, as they have been reported by the interviewers during the Survey; the more specific reasons are indicated into the relevant analysis of the results in Chapter 4.3.

4.1. Scope and focus of the Survey

The Survey is designed to collect data on SMEs in the non-financial business economy in the selected Countries. Data are collected via questionnaires addressed to Users, Preparers and Accounting Professionals in each of the selected Countries.

The sample size and stratification plan of the Survey are described here after. Also the adopted sampling methodology is explained in order to specify how it allows for extracting conclusions by each legal form and size of SMEs regarding the Users' and Preparers' needs for accounting information. This will foster, as well, a proper use and interpretation of the data that have been collected.

The Countries selected for the Survey, aiming at ensuring consistency and representation of the entire European Union and EEA are:

1. Austria	2. Belgium	3. The Czech Republic	4. Denmark
5. Estonia	6. France	7. Germany	8. Greece
9. Italy	10. Lithuania	11. The Netherlands	12. Norway
13. Poland	14. Portugal	15. Romania	16. Slovakia
17. Slovenia	18. Spain	19. Sweden	20. The United Kingdom

According to the requirements set by the European Commission the Survey sample should comprise minimum 15 countries selected as follows:

- All 7 countries: France, Germany, Italy, The Netherlands, Poland, Spain and The United Kingdom;
- 3 countries to be selected among the following: Austria, Belgium, Greece, Ireland, Liechtenstein, Luxembourg or Portugal;
- 3 countries to be selected among the following: Bulgaria, Cyprus, The Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Romania, Slovakia or Slovenia;
- 2 countries to be selected among the following: Denmark, Finland, Iceland, Norway or Sweden.

For the identification of the statistical sample surveyed a specific sampling procedure has been developed in order to guarantee the representation of the statistical sample based on the selected variables (i.e. the enterprise's legal form and size class), trying to keep a uniform representation among the different countries and, at the same time, guaranteeing a high percentage of statistical probability and a small percentage of errors.

In the following Chapter the procedure that served to theoretically determine the statistical sample to be covered by the Survey is described.

4.1.1. Data sources used to determine the target population

4.1.1.1. DATAWare-House of Eurostat

We have used data from the Industry, Trade and Service (ICTS)/Structural Business Statistics (SBS)¹⁴⁰.

SBS data are collected primarily by National Statistical Institutes (NSIs); the data are collected through statistical surveys, the business registers or other administrative sources. The NSIs can use one or several of these sources, according to the survey strategy they have adopted, taking into account the costs, the quality and the response burden on enterprises.

The database contains the full range of public data available at Eurostat, presented in multi-dimensional tables with multiple selection features and export formats.

¹⁴⁰ http://epp.eurostat.ec.europa.eu/portal/page/portal/european_business/data/database

For the stratification by enterprise-size class and legal form we used the following sub-directories of the Eurostat Structural business statistics (SBS) database:

4.1.1.2. SMEs data per employment class and sector

In these sub-directories of the Eurostat SBS database, characteristics are published by country and detailed down to NACE group level (3-digits) and employment size class.

- SBS Industry and Construction/SMEs - Annual enterprise statistics broken down by size classes - industry and construction; subdivided into:
 - Mining and quarrying (section C)
 - Manufacturing (section D)
 - Energy (section E)
 - Construction (section F)
- SBS Trade/SMEs - Annual enterprise statistics broken down by size classes - industry and construction; subdivided into:
 - Trade (section G)
- SBS Services/SMEs - Annual enterprise statistics broken down by size classes - services; subdivided into:
 - Hotels and restaurants (section H)
 - Transport, storage and communication (section I)
 - Real estate, renting and business activities (section K)

4.1.1.3. SMEs data per legal form

Business demography statistics - all activities / Business demography indicators presented by legal form (type A, type B and type C); it does not contain dimensional (enterprise size class) layers.

More details on these sources and their content can be found at the official Eurostat web site¹⁴¹.

¹⁴¹ http://epp.eurostat.ec.europa.eu/portal/page/portal/european_business/data/database

4.1.2. Sampling units' requirements

- The sample for the Survey must be sufficient to allow for extracting conclusions by each legal form and each size of SMEs in the non-financial business economy at an aggregate European level regarding Users' and Preparers' needs for accounting information;
- The observational unit is the single enterprise;
- Each enterprise is detected through a questionnaire filled in by a person belonging to one of the following categories: Users, Preparers or Accounting Professionals; and
- The sample must be structured so that the total number of replies will guarantee relevant conclusions by each legal form and each size of SMEs in the non-financial business economy at an aggregate European level regarding Users' and Preparers' needs for accounting information; to this end, the final distribution of the replies received at the end of the Survey should meet the following indicative composition:
 - 70% from the Users' category;
 - 20% from the Preparers' category;
 - 10% from the Accounting Professionals' category.

4.1.3. Statistical universe

The statistical universe was determined in Chapter 3 “Desk Research” based upon Eurostat SBS data (time base year is 2007), for the following variables:

Enterprise size-classes:

- Micro enterprises (1-9 persons employed);
- Small-sized enterprises (10-49 persons employed);
- Medium-sized enterprises (50-249 persons employed).

The Eurostat SBS database does not use the net turnover and the balance sheet total as criteria for determining the SME size – because data for those two dimensions are not available for all the enterprises to National Statistical Institutes - but only the number of employees. As a consequence it was not possible to use the accounting definitions of SMEs to determine the sampling of the enterprises. The distinction made in the Survey results between “Micro 1” and “Micro 2” enterprises was carried out working over financial data directly provided by the Respondents in the relevant section of the questionnaire (i.e. annual turnover).

Legal form types were distinguished according to the same definition as used in the Desk Research, namely:

- Type A: private joint stock companies with limited liability for those owning shares;
- Type B: Personally owned limited and unlimited liability partnerships. Included are also other legal forms such as co-operatives, associations;
- Type C: Personally owned and no limit to personal liability such as sole proprietorships.

4.1.4. Targeted population and sampling frame

Successful statistical practice is based on focused problem definition. In sampling, this includes defining the population from which our sample is drawn. In the most

straightforward cases, it is possible to identify and measure every single item in the population and to include any one of them in our sample. However, in our case this was not possible due to the lack of a single and comprehensive register of European businesses.

As a remedy, we looked for a *sampling frame* which had the property that we can identify every single element and include any in our sample: the most straightforward type of frame is a pan-European business directory of enterprises with appropriate contact information.

The sampling frame had to be representative of the population, though the appraisal of this condition - in our case - poses a question mainly outside the domain of statistical theory demanding the judgment of experts in business information. Indeed, all the business directories omit, to a lesser or greater extent, a number of enterprises that, as a consequence, have no prospect of being sampled; however, representative sampling is the only justified procedure for choosing individual objects for use as the basis of generalization. The sampling frame selected for the Survey is the European Kompass Database (KPEU), a pan-European business directory widely adopted by academic and research institutions for statistical analysis. Kompass¹⁴² is a directory file that provides information for approximately 2,8 million enterprises in 65 countries worldwide, including all the EU Member States and EEA countries, with an emphasis on manufacturing, industrial, and associated service sectors.

4.1.5. Theoretical sample

4.1.5.1. Sampling method

Survey samples can be broadly divided into two types: probability samples and non-probability samples:

- A probability sampling scheme is one in which every unit in the population has a chance (greater than zero) of being selected in the sample, and this probability can be determined;
- A non-probability sampling scheme is any sampling method where some elements of the population have *no* chance of selection or where the probability of selection cannot be accurately determined; hence, because the selection of elements is non random, non-probability sampling does not allow the estimation of sampling errors.

The combination of these traits makes it possible to produce unbiased estimates of population totals, by weighting sampled units according to their probability of selection.

Statistical theory shows that only surveys based on probability samples can be used to create sound statistical inferences about a larger target population. Surveys based on non-probability samples are not externally valid and they can only be said to be representative of the people that have actually completed the survey¹⁴³.

A survey based on a probability sample can in theory produce statistical measurements of the target population that are unbiased (the expected value of the sample mean is equal to the population mean) and have a measurable sampling error, which can be expressed as a confidence interval¹⁴⁴, or margin of error¹⁴⁵.

¹⁴² www.kompass.com

¹⁴³ The main reason that non-probability samples are used is that probability samples cost much more to produce.

¹⁴⁴ The confidence interval is a particular kind of interval estimate of a population parameter and is used to indicate the reliability of an estimate. How frequently the interval contains the parameter is determined by the confidence level or confidence coefficient.

¹⁴⁵ Margin of error occurs whenever a population is incompletely sampled; it is a statistic expressing the amount of random sampling error in a survey's results. The larger the margin of error, the less faith one should have that the reported results are close to the "true" figures; that is, the figures for the whole population. Like

According to the fundamental principles of probability sampling, we created a probability based survey sample by constructing a list of the target population (the sample frame), a randomized process for selecting units from the sample frame (selection procedure) and a method of contacting selected units to and enabling them complete the survey (data collection mode).

4.1.5.2. The stratified sampling approach adopted

In the stratified random sampling approach, the population is divided into subpopulations (called strata) along relevant dimensions¹⁴⁶ and random samples are then drawn separately from each of these strata, using any probability sampling method (sometimes including further sub-stratification). This may be done to provide better control over the sample size (and hence, accuracy) within each subpopulation; when the variable/s of interest are correlated with the subpopulation, it can also improve overall accuracy.

In our case, there are several potential benefits to stratified sampling:

- First, dividing the population into distinct, independent strata can enable to draw inferences about specific subgroups that may be lost in a more generalized random sample;
- Second, utilizing a stratified sampling method can lead to more efficient statistical estimates (provided that strata are selected based upon relevance to the criterion in question).

Even if a stratified sampling approach does not lead to increased statistical efficiency, such a tactic will not result in less efficiency than would simple random sampling, provided that each stratum is proportional to the group's size in the population.

There are, however, some potential drawbacks to using stratified sampling in our Survey: since our design includes many of strata and sets a specified minimum sample size per group, stratified sampling requires a larger sample than would other methods, thus resulting more expensive to be implemented.

Moreover, its effectiveness largely depends on three conditions that, due to a lack of prior knowledge, could not be fully predicted and tested during the sampling design phase, i.e.:

1. Variability within strata is minimized;
2. Variability between strata is maximized; and
3. The variables upon which the population is stratified are strongly correlated with the dependent variables.

According to the principles of stratified sampling, the Survey targeted population was first segmented into mutually exclusive sub-groups (by legal form and enterprise size classes); then we selected the enterprises from each segment trying to achieve the defined target sample sizes combined in a specified proportion – or quota - among subject categories (i.e. Users, Accounting Professionals, and Preparers).

Indeed, this final step makes our approach slightly diverging from a “pure” probability sampling one, because the selection of the sample is not fully randomized, thus raising the problem that our sample might be biased because not every unit got the same chance of

confidence intervals, the margin of error can be defined for any desired confidence level, but usually a level of 90%, 95% or 99% is chosen (typically 95%). This level is the probability that a margin of error around the reported percentage would include the "true" percentage. Along with the confidence level, the sample design for a survey, and in particular its sample size, determines the magnitude of the margin of error. A larger sample size produces a smaller margin of error, all else remaining equal.

¹⁴⁶ In our case geography (countries), legal form and enterprise size-class.

selection. Nonetheless, even inferences from full probability-based surveys may still suffer from many types of bias: bias in surveys is undesirable, but often unavoidable.

That said, let's see the "bias-risk" management issues connected to the major types of bias that might have occurred in our sampling process:

- Coverage bias: this bias can occur when population members do not appear in the sample frame (under coverage). As said all the business directories suffer from some kind of omission; however the Kompas Database coverage was considered wide enough, in terms of all the variables believed to be correlated to the Survey items, to minimize this sort of bias;
- Selection Bias occurs when some units have a differing probability of selection that is unaccounted for in the research. In many situations the sample fraction may be varied by stratum and data will have to be weighted to correctly represent the population. Thus for example, the micro businesses population could be under-represented in the sample, but weighted up appropriately in the analysis to compensate;
- Item non-response bias (failing to complete one or more sections/questions of the Survey) lays the potential for bias to result. Indeed, non-response bias occurs in statistical surveys if the answers of Respondents differ from the potential answers of those who did not answer. There are different ways to test for non-response bias. In our Survey some values are already known from all potential participants (e.g. country, legal form) and can be compared to the values that prevail in the subgroup of those who answered. If there is no significant difference this is an indicator that there might be no non-response bias. Furthermore, in this Survey, those who didn't answer have also systematically been phoned and a small number of the Survey questions were asked to check if their answers differ significantly from those who answered the Survey. Eventually, Survey weights would serve helping to correct for non-response.

4.1.5.3. Calculations

Sample calculations were performed over the targeted universe divided into layers resulting from the combination of "legal form" and "size class" variables. The variable upon which it was predetermined the maximum error rate that is acceptable, is the proportion "p" defined as the proportion of a phenomenon any under assumptions of maximum variability ($p = 0,5$).

The sample stratification has therefore been assumed under the cautionary hypothesis that the proportion for each layer ($p_i = p = 0,5$) throughout all layers. So, the allocation of the sample size "n" into the different layers is proportional to the square root of the layer dimension ($radqN_i / \sum radqN_i$).

This schema has the flaw, at the same significance level, of expanding the sample size "n" (or, conversely stated, of increasing the error rate for the same value of "n"). On the other hand, it allows a redistribution of "n" among the layers, which improves the significance level of under-sampled layers.

The sample size "n" was calculated with the following formula¹⁴⁷ :

$$n = \frac{\sum \frac{N_i^2 pq}{w_i}}{N^2 D + \sum N_i pq} \quad \text{where} \quad w_i = \frac{radq(N_i)}{\sum radq(N_i)}$$

¹⁴⁷ Mendenhall W, Shaeffer RL. "Elementary Survey Sampling". Belmont, California, Duxbury Press; 1971

According to this schema, in order to achieve 95% probability (confidence level) of containing the error within a margin $\pm 1,37\%$, the required sample size “n” was 2.594. However, the realized number of 1.560 interviews was only 60% of the targeted one, thereby increasing the error rate to $\pm 3,34\%$, which can be still considered limited enough to draw reliable conclusions at an aggregate European level, and both for the legal type and enterprise size class dimensions separately considered.

Table No. 1 - Chapter 4 - Sample dimension and margin of error (under cautionary hypothesis $p= 0,5$)

N (targeted population size)	Margin of error (%)			Confidence	n (Sample size)
	Percentage	Absolute value	Percentage points		
	21.002.956	3,34%	0,01670	1,67000	95%

4.1.6. Stratification plan

The stratification of the Survey is defined in terms of enterprise size and legal form and country. The stratification aims to minimize the standard deviation of the weights used in raising sample results to population levels, taking account of the fact that, in many tables, Survey data by legal form¹⁴⁸ and/or by enterprise size class are presented. Nonetheless, the targeted population size of some clusters (as resulting from the combination of legal form type and size class in the Desk Research carried out upon Eurostat SBS data) is merely virtual or effectively too scarce to be meaningfully represented in the sample¹⁴⁹.

The allocation of the sample items into the different layers has been worked out as illustrated in the table below (where “Ni” is the targeted population size and “ni” is the theoretical sample size in each layer).

Table No. 2 - Chapter 4 - Calculation of the Survey sample

	Ni	Ni ²	radq Ni	wi=radq Ni/sumr adqNi	wi=Ni/N	pq	Ni ² . pq /wi	N ²	Nipq	D=B ² /z ²	ni
Legal type A											
LARGE	45.184	2.041.593.856	213	0,01912	0,00215	0,25	28.325.731.573	441.124.160.737.936	11.296	0,00007	30
MEDIUM-SIZED	228.209	52.079.347.681	478	0,04050	0,01087	0,25	321.516.506.721	441.124.160.737.936	57.052	0,00007	63
SMALL-SIZED	1.445.170	2.088.516.328.900	1.202	0,10190	0,06881	0,25	5.123.686.265.022	441.124.160.737.936	361.293	0,00007	159
MICRO1	5.176.273	26.793.798.029.511	2.275	0,19286	0,24645	0,25	34.732.003.189.205	441.124.160.737.936	1.294.068	0,00007	301
MICRO2	577.699	333.736.596.760	760	0,06443	0,02751	0,25	1.294.961.919.440	441.124.160.737.936	144.425	0,00007	101
Legal type B											
MEDIUM-SIZED											
SMALL-SIZED	2.866	8.213.956	54	0,00454	0,00014	0,25	452.499.811	441.124.160.737.936	717	0,00007	7
MICRO1	1.858.954	3.455.709.974.116	1.363	0,11558	0,08851	0,25	7.474.929.269.794	441.124.160.737.936	464.739	0,00007	180
MICRO2	452.878	205.098.482.884	673	0,05705	0,02156	0,25	898.826.687.189	441.124.160.737.936	113.220	0,00007	89
Legal type C											
SMALL-SIZED	1.972	3.888.784	44	0,00376	0,00009	0,25	21.893	441.124.160.737.936	493	0,00007	6
MICRO1	5.382.600	28.972.387.927.296	2.320	0,19557	0,25628	0,25	3.121.966.419	441.124.160.737.936	1.345.650	0,00007	305
MICRO2	5.831.151	34.002.316.386.896	2.415	0,20470	0,27763	0,25	3.520.232.813	441.124.160.737.936	1.457.788	0,00007	319
Total	21.002.956		11.797	1	1		49.877.824.057.067		5.250.739		1.560

Source: CNA Interpreta S.r.l. Statistical Department

The stratification procedure resulted in a theoretical sample of 1.295 Micro enterprises, 172 Small-sized enterprises, 63 Medium-sized enterprises and 30 large enterprises. Although there are many more Micro enterprises than larger enterprises in this sample, we notice that the differences in the theoretical sample size between the four distinguished size classes are much smaller than the corresponding differences in the real enterprise population.

Notwithstanding all targeting efforts, at the end of the Survey the sample stratification slightly differed from the theoretical one as illustrated in the following table.

¹⁴⁸ For the purpose of the survey, the legal form of an SME is classified as a:

Type A: Private joint stock companies with limited liability for those owning shares;

Type B: Personally owned limited and unlimited liability partnerships; and

Type C: Personally owned and no limit to personal liability such as sole proprietorships

¹⁴⁹ In order to guarantee a sufficient number of observations, each layer should be filled at least with 30 observations. If we had to impose a constraint as such, the multiplier needed to be applied in order to raise the smallest layer to 30, would be 5, thus resulting in a global sample size (n) of 7.800 questionnaires.

Table No. 3 - Chapter 4 - Sample layers

Sample layers	No. of enterprises Targeted population	No. of enterprises Theoretical sample	No. of enterprises Effective sample
Type A Private joint stock companies with limited liability for those owning shares	7.472.535	654	869
LARGE	45.184	30	30
MEDIUM-SIZED	228.209	63	155
SMALL-SIZED	1.445.170	159	303
MICRO1	5.176.273	301	315
MICRO2	577.699	101	66
Type B Personally owned limited and unlimited liability partnerships. Included are also other legal forms such as co-operatives, associations	2.314.698	276	339
MEDIUM-SIZED			
SMALL-SIZED	2.866	7	21
MICRO1	1.858.954	180	225
MICRO2	452.878	89	93
Type C Personally owned and no limit to personal liability such as sole proprietorships	11.215.723	630	352
SMALL-SIZED	1.972	6	7
MICRO1	5.382.600	305	147
MICRO2	5.831.151	319	198
Total	21.002.956	1.560	1.560

Source CNA Interpreta S.r.l. Statistical Department

Examining the legal form type and the size class dimensions separately, the final sample stratification differed from the theoretical one - as illustrated in the following Tables 3a) and 3b) – by an over-representation of Types A and B and Small- to large-sized enterprises compared to, respectively, Type C and Micro businesses, both largely represented by Italian enterprises without which the sample would be highly unbalanced towards the upper ends of the two dimensions (see Chapter 4.2.2 “Limitations of the survey”).

Table No. 3 a) - Chapter 4 - Sample layers by legal form type only

Sample layers	No. of enterprises Targeted population	No. of enterprises Theoretical sample	No. of enterprises Effective sample
A Private joint stock companies with limited liability for those owning shares	7.472.535	654	869
B Personally owned limited and unlimited liability partnerships. Included are also other legal forms such as co-operatives, associations	2.314.698	276	339
C Personally owned and no limit to personal liability such as sole proprietorships	11.215.723	630	352
Total	21.002.956	1.560	1.560

Table No. 3 b) - Chapter 4 - Sample layers by enterprise size class only

Sample layers	No. of enterprises Targeted population	No. of enterprises Theoretical sample	No. of enterprises Effective sample
LARGE	45.184	30	30
MEDIUM SIZED	228.209	63	155
SMALL SIZED	1.450.008	172	331
MICRO	19.279.555	1295	1044
Total	21.002.956	1.560	1.560

As a final result, the expected confidence levels attainable for each layer combining legal form type and size class are shown in the Table No. 4 hereunder. We remind that, as a whole, the aggregate sample has a probability of 95% of a margin of error not exceeding $\pm 3,34\%$ (0,01670 in absolute value, which means that an estimates of, say, 60% covers a range between 61,6% and 58,4%).

Just for the sake of exemplification, for cluster Type A – Micro 1 the sample guarantees a 95% probability of a margin of error not exceeding $\pm 11,04\%$ (0,055 in absolute value) and a 90 % probability of a margin of error not exceeding $\pm 9,30\%$ (or 0,046 in absolute value).

In one case (Type C – Small-sized) the sample layer is too small (less than 30 observations) to prevent from achieving any assessment of the reliability of estimates.

Needless to say that estimates at the “legal form” or “size class” level separately are of course much more precise at the same level of confidence, as there are many more Respondents at these levels.

Table No. 4 - Chapter 4 - Confidence levels attainable for each layer

	No.	n	Prob.	Margin of error (a.v.)	P	Margin of error (%)
Type A – LARGE	45.184	30	95%	0,178863294	0,5	35,77%
	45.184	30	90%	0,150573692	0,5	30,11%
Type A - MEDIUM-SIZED	228.209	155	95%	0,078688758	0,5	15,74%
	228.209	155	90%	0,066243087	0,5	13,25%
Type A – SMALL-SIZED	1.445.170	303	95%	0,056293447	0,5	11,26%
	1.445.170	303	90%	0,047389892	0,5	9,48%
Type A - MICRO1	5.176.273	315	95%	0,055215065	0,5	11,04%
	5.176.273	315	90%	0,04648207	0,5	9,30%
Type A - MICRO2	577.699	66	95%	0,12062274	0,5	24,12%
	577.699	66	90%	0,101544653	0,5	20,31%
Type B – SMALL-SIZED	2.866	21	95%	0,213068609	0,5	42,61%
	2.866	21	90%	0,179368982	0,5	35,87%
Type B - MICRO1	1.858.954	225	95%	0,065329379	0,5	13,07%
	1.858.954	225	90%	0,054996671	0,5	11,00%
Type B - MICRO2	452.878	93	95%	0,101610831	0,5	20,32%
	452.878	93	90%	0,085539731	0,5	17,11%
Type C – SMALL-SIZED	1.972	7	95%	0,369747186	0,5	
	1.972	7	90%	0,311266764	0,5	
Type C - MICRO1	5.382.600	147	95%	0,080827934	0,5	16,17%
	5.382.600	147	90%	0,068043924	0,5	13,61%
Type C - MICRO2	5.831.151	198	95%	0,069644385	0,5	13,93%
	5.831.151	198	90%	0,058629202	0,5	11,73%
Total		1.560				

N = targeted population - n= layer sample size - Prob.= probability of error

4.1.6.1. Significance at country level

As said, the size of the sample was determined by considering the need to report on variables at an aggregate European level, with reasonable accuracy and confidence. Instead, disproportionate stratifications have been detected regarding Countries. The country layers size ranges from 2 for Portugal to 664 for Italy. Estonia had no Respondents at all. Only for 13 Countries the layer size equals or exceeds the minimum sample size required for attaining any statistical significance (30 observations).

Table No. 5 - Chapter 4 - Number of questionnaires completed by Country

Country	Size
Austria	36
Belgium	19
The Czech Republic	194
Denmark	5
Germany	65
Estonia	0
France	40
Greece	33
Italy	664
Lithuania	39
The Netherlands	14
Norway	31
Poland	48
Portugal	2
Romania	160
Slovakia	76
Slovenia	27
Spain	48
Sweden	17
The United Kingdom	42
TOTAL	1560

Only for three countries (The Czech Republic, Italy and Romania) we obtained a survey layer equal to or greater than 90, which statistical theory considers necessary for dichotomous variables if sample errors are not to exceed $\pm 10\%$ at a confidence level of 95%. In particular, the geographic layers show a $\pm 4\%$ error rate for Italy and a $\pm 7,2\%$ for the Czech Republic and for Romania.

For two countries (i.e. Germany and Slovakia), the margin of error is around 15 percent and allows conclusions to be reasonably effective in presence of significant gaps in the distribution of responses to the questionnaire items. For four countries (Spain, France, Poland and the United Kingdom), the survey results have to be considered merely indicative. For the remaining countries, no meaning can be given to the results of the survey.

4.2. Methodology

The methodology applied, as better described in the Chapter 4.1 above, is based and focused on the SMEs, as the main target of the Survey.

Indeed, according to the statistical sampling procedure adopted, the entire Survey has been focused on the SMEs, considered either in their capacity of Respondents of the questionnaires and in their capacity of entities as subject matter of the questionnaires.

This means, that the total number of the questionnaires determined (the theoretical sample of 2.594) is basically composed of SMEs. The overall population of the Survey, as better described here above, has been then divided into further subsets according to the size and legal form criteria.

Then those subsets have been again subdivided into the selected Countries, according to the established percentages (i.e. 70% Users, 20% Preparers and 10% Accounting Professionals).

The final stratification plan turned out to be a combination of the figures indicated into the table by legal form (Table 3a) and the figures indicated into the table by size (Table 3b). This stratification plan therefore has guided the selection of the Respondents of the questionnaires.

For each Country the Respondents have been selected taking into account their size and legal form, so to meet the stratification criteria requested by the Study. This approach offers the advantage of stressing the importance of the enterprises as the focus of the Survey, in accordance with the guidelines and the main subject matter of the Study.

The same approach, focused on the enterprises, guides also the analysis of the data collected.

4.2.1. Basic rules followed for questionnaires item construction

Usually, a questionnaire consists of a number of questions that the Respondent has to answer in a set format. A distinction is made between open-ended and closed-ended questions. An open-ended question asks the Respondent to formulate his/her own answer, whereas in a closed-ended question the Respondent has to pick an answer from a given number of options. The response options for a closed-ended question should be exhaustive and mutually exclusive. Three types of response scales for closed-ended questions have been selected for our questionnaires:

- Dichotomous, where the Respondent has two options;
- Ordinal-polytomous, (subdivided into many distinct subordinate parts) where the Respondent has more than two ordered options;
- Continuous, where the Respondent is presented with a continuous scale (e.g. 1, 2, 3).

The questionnaires are divided into homogeneous sections (see hereunder), wherein we tried to make questions flow logically from one to the next. To achieve the best response rates, sections have been arranged from the factual and behavioural to the attitudinal, and questions from the more general to the more specific. In general, our approach to item construction consisted in:

- Using statements which might be interpreted in the same way by members of different subpopulations;
- Having an "open" answer category after a list of possible answers;
- Using positive statements and avoid negatives or double negatives;
- Avoiding any assumptions about the Respondent;
- Using clear and comprehensible wording, easily understandable for all educational levels;
- Using correct spelling, grammar and punctuation;
- Avoiding items that contain more than one question per item.

The questionnaire is considered to be completed, whenever at least two questions of each section 2, or 3, or 4, or 5 of the Survey were completed.

4.2.2. Limitations of the Survey

In the Chapter 4.1.5 above we tried to clarify the statistical significance of the “downsized” sample resulting at the end of the Survey, making it as representative as possible while steadily sticking with the main condition set by the European Commission concerning Survey sampling (“the sample must be sufficient to allow for extracting conclusions by each legal form and each size of SMEs in the non financial business economy at an aggregate

European level”). Compared to the original sample design, main differences can be resumed as follows:

- We recalculated the overall margin of error in the light of the reduced sample size (from the 95% probability of containing the error within $\pm 1,37\%$ to the 95% probability of containing the error within a margin $\pm 3,34\%$ in the smaller sample)
- We readjusted the stratification of the sample dropping the geographical variable - and therefore the proportional distribution among Countries - to favor the other two stratification variables required (legal form and enterprise size); this is an improvement over the approach described in the original bid that neglected legal form type, as data on this dimension have not been available until after the Desk research completion.

Furthermore, despite the substantial share of Italian enterprises, the sample can be deemed representative at the European level for the following reasons:

- a) Even if numerous, Italian enterprises do not constitute the majority of the sample (they are 670 equal to 42,9% of the total sample);
- b) If one compares the composition of the two subsets of the sample (Italian enterprises vs. enterprises from other Countries) it is noted that the two differ little with regard to Respondent categories (i.e. Users, Preparers and Accounting Professionals) and are complementary both in comparison to the legal form – given that the Italian subset enriches the whole sample with enterprises of Types B and C which are underrepresented in the subset of non-Italian businesses – and in comparison to enterprise size, because the Italian subset makes a contribution in the smallest size (Micro) that is underrepresented in the other subset (in favor of Small- and Medium-sized classes). In short, the share of Italian enterprises does not introduce special bias, if anything, and it makes the global sample the most representative with regard to the two relevant dimensions of the Survey.

Nonetheless, we wanted to check for geographical bias, so the presence of distortions related to an over-representation of Italian enterprises has been tested with regard to observations linked to territorial features (i.e. “availability relevance and comparability of accounting data in your country” in Section 2 of the User’s questionnaire). Comparing the values resulting from the two subsamples – Italian and not Italian subgroups - we noticed a substantial correspondence between the ordering of the answers given by the Respondents in the two subgroups: deviations are possibly due to the different legal and dimensional features of the two subsamples, rather than to their geographical composition, thus providing an indication that the over-sampling of Italian enterprises did not introduce significant geographical bias in the Survey.

4.2.3. The questionnaires

The questionnaires have been tailored and structured in order to verify and to analyse not only the actual situation, but also to perceive SMEs’ needs and expectations with reference to possible modifications of the accounting requirements.

The SMEs are divided into categories based on two fundamental criteria which are:

- 1) The legal form of the entity; and
- 2) The size of the entity.

Categorisation was elicited from data provided directly from the Respondent in the first section of the questionnaire (legal form of the entity, number of employees, annual turnover and balance sheet total).

Nonetheless, based on knowledge of the European SMEs situation, the three sub-categories of SMEs (namely Micro, Small- and Medium-sized), were not considered perfectly suitable to represent the real existing situation. Indeed the size limits set for the Micro category, with specific reference to the net turnover limit, were considered, according to the specific CNA expertise and knowledge of the SMEs, to be too much high to represent a large part of micro entities. For this reason, it was deemed correct to modify it, by providing a further category, by splitting the Micro entities in two categories, namely Micro 1 and Micro 2 (see Chapter 3.1.1.2).

Even though this modification has complicated the structure of the questionnaire and also the following data analysis, it has been considered as fundamental in order to correctly outline both the expectations of the stakeholders and of the enterprises.

The work has been then focused on the drafting of the three questionnaires, in accordance with the different legal form of the Respondent.

The Respondents were grouped in three categories as follows: Users, Accounting Professionals and Preparers. For the purposes of the Study these three categories of Respondents are described as:

- **Users' category:** A User is a person who uses the financial statements of SMEs in the decision making related to his/her profession e.g. a banker/creditor, a tax authority, a business owner, a manager, a supplier, a customer or an employee. As a consequence a "User" is not necessarily an SME itself because it can be a large entity as well;
- **Preparers' category:** A Preparer is a person who is mainly involved in and/or in charge of the preparation of the financial statements of an SME. The Preparer must have experience in the field of accounting and/or auditing;
- **Accounting Professionals' category:** An Accounting Professional is a person who is mainly working with auditing and/or accountancy consultation tasks in a well-established accounting or auditing firm and dealing with SMEs of different legal forms and sizes. The Accounting Professional must have at least 5 years' experience in the field of accounting and/or auditing.

All the questionnaires, on the basis of the category of the Respondent, are construed to lead to the identification of the needs and expectations of the Respondents, with reference to the accounting requirements, conditional upon the legal form and the size of the entities.

In particular, the **USER**'s questionnaire has the following sections:

Section 1 – General information, the scope of this section was to collect some data of the entity, in order to better define the size of the enterprises and to check the real capacity of the Respondent as a User. One of the relevant questions is if the Respondent in its activity, review/examine SMEs accounting information or documentation. Only in case of a positive reply the questionnaire will be considered useful for the scope of the Survey, with specific reference to the questions indicated within the following sections. Indeed, in case of a negative answer, it is likely that the User does use other methods or instruments, different from the accounting system, to evaluate and/or rate a SME for its own purposes (e.g. to verify the good standing of an entity) and therefore this kind of User is not part of the Survey.

In case of a positive answer, the questionnaire aims to verify how, in which format, and how often the accounting data are collected, and which is the purpose and the costs borne by the Respondent in collecting such information.

Section 2 – Survey on general accounting information requirements for SMEs, in this section we deal with the evaluation of the availability, reliability/usefulness and comparability of the accounting data with specific reference both to the SMEs registered in the User's country and, also, to the SMEs registered in a non-EU country different from the Respondent's one.

The valuations that can be clearly made with reference to different kinds of SMEs according to their size and legal form should outline a general overview on the general accounting information requirements, in a perspective of a better harmonization of the European accounting framework in order to improve the comparability of accounting data /documents within EU registered entities.

Section 3 – Survey on specific accounting information requirements for SMEs, from this section it can be identified for each cluster, which could be considered relevant for being in line with the accounting requirements of the Respondent. Apart from the information that can usually be found in the accounting documentation (Balance Sheet, Profit and Loss Account and their relevant documentation) and their different degree of importance (Not essential, Useful, Essential and Essential and worthy of in-depth examination), in this section it is possible to outline, for each different cluster, the need of information for further data, not necessarily accounting data. Some data relating to the entity such as the number of the customers, the number of suppliers, the number of the employees, the fair value of the property, the existence of ongoing finance lease agreements, the existence of guarantees received/given, the entity structure, the existence of a quality certification, environmental impact, etc., are considered important information for the evaluation of the entity.

Section 4 – Improvement suggestions, in this section it is outlined whether the Users need more complete and detailed accounting information or ask for the accounting requirements to be simplified.

The answers and therefore the needs of the User, conditional upon its different legal form and size may turn out to be of a different kind, even opposite one to another; for some clusters there would be the need of more specific accounting information while for others there would be a need of more simplification.

Section 5 – Valuation of specific elements in the “IFRS for SMEs”, this section aims to verify if the Users are familiar with “IFRS of SMEs”¹⁵⁰, and their possible remarks and suggestions about “Recognition”, “De-recognition”, “Initial measurement”, “Impairment”, “Amortized cost” and “Disclosure” criteria.

¹⁵⁰ On 9 July 2009 the IASB published an International Financial Reporting Standard (IFRS) designed for use by small and medium-sized entities (SMEs). More information can be found at <http://www.ifrs.org>

Section 6 – Additional notes, the scope of this section is to collect general opinions and suggestions from the Users, at the end of the questionnaire.

The **PREPARER**'s questionnaire differs from the Users' one concerning the different kinds of analysis; the questions have been tailored mostly on the needs of the Respondent to organize and collect the whole data and information of the accounting system of the entity.

For this reason, in the Section 3 – Survey on specific accounting information requirements for SMEs and Section 4 – Improvement suggestions, we requested to provide specific answers with reference to the capacity of the Respondent as a Preparer.

Section 1 – General information, the scope of this section was to collect some data of the entity, in order to better define the size of the enterprises and in particular to check the real capacity of the Respondent as a Preparer. One of the main questions is if the Respondent has experience in the accounting or auditing field. Only in case of a positive reply by the Preparer to this question, the questionnaire will be considered useful for the scope of the Survey, with specific reference to the questions indicated within the following sections.

In case of a positive answer, the questionnaire aims to verify the entity's main economic data, the accounting regime followed and the control tools adopted.

Section 2 – Survey on general accounting information requirements for SMEs, in this section we deal with the evaluation of the availability, reliability/usefulness and comparability of the accounting data with specific reference both to the SMEs registered in the User's country and, also, to the SMEs registered in a non-EU country different from the Respondent's one.

The valuations that can be clearly made with reference to different kinds of SMEs according to their size and legal form should outline a general overview on the general accounting information requirements, in a perspective of a better harmonization of the European accounting framework in order to improve the comparability of accounting data /documents within EU registered entities.

Section 3 – Survey on specific accounting information requirements for SMEs, from this section it can be identified which elements of the Balance Sheet and of the Profit and Loss Account of the entity, and also which other elements and information, apart from the one that can usually be found in the accounting documentation that the Preparer considers useful to make available to third parties. The Preparer should also tell if he relies on ratio analysis in analyzing financial reports and, if yes, which kind of ratios he finds to be useful.

Section 4 – Improvement suggestions, in this section it is outlined whether the Preparers need more complete and detailed accounting information or ask for the accounting requirements of their entity to be simplified.

Section 5 – Valuation of specific elements in the “IFRS for SMEs”, this section aims to verify if the Preparers are familiar with “IFRS of SMEs”, and their possible remarks and suggestions about “Recognition”, “De-recognition”, “Initial measurement”, “Impairment”, “Amortized cost” and “Disclosure” criteria.

Section 6 – Additional notes, the scope of this section is to collect general opinions and suggestions from the Preparers, at the end of the questionnaire.

The **ACCOUNTING PROFESSIONAL**'s questionnaire is similar to the Users' one. The only difference concerns the Section 1 – General information, in which other data are required in order to verify the position and task, the experience in the accounting field and the expertise area of the Respondent.

The need to have a questionnaire dedicated to the Accounting Professional (even though the questions are quite the same as the Users' questionnaire ones) is to analyze the answers from the Accounting Professionals' point of view and approach which is basically different from

the Users' one, either because of the different use of the information or because of the different level of depth in the analysis of the accounting information.

Section 1 – General information, the scope of this section is to verify position and task, the experience in the accounting field and the expertise area of the Respondent. Indeed, the Respondent is requested to declare if his/her experience in the accounting or auditing field is more than five years. Only in case of a positive reply by the Accounting Professional to this question, the questionnaire will be considered useful for the scope of the Survey, with specific reference to the questions indicated within the following sections.

In case of a positive answer, this section aims then to verify the specific expertise area of the Respondent.

Section 2 – Survey on general accounting information requirements for SMEs, in this section we deal with the evaluation of the availability, reliability/usefulness and comparability of the accounting data with specific reference both to the SMEs registered in the User's country and, also, to the SMEs registered in a non-EU country different from the Respondent's one.

The valuations that can be clearly made with reference to different kinds of SMEs according to their size and legal form should outline a general overview on the general accounting information requirements, in a perspective of a better harmonization of the European accounting framework in order to improve the comparability of accounting data /documents within EU registered entities.

Section 3 – Survey on specific accounting information requirements for SMEs, from this section it can be identified for each cluster, which could be considered relevant for being in line with the accounting requirements of the Respondent. Apart from the information that can usually be found in the accounting documentation (Balance Sheet, Profit and Loss Account and their relevant documentation) and their different degree of importance (Not essential, Useful, Essential and Essential and worthy of in-depth examination), in this section it is possible to outline, for each different cluster, the need of information for further data, not necessarily accounting data. Some data relating to the entity such as the number of the customers, the number of suppliers, the number of the employees, the fair value of the property, the existence of ongoing finance lease agreements, the existence of guarantees received/given, the entity structure, the existence of a quality certification, environmental impact, etc., are considered important information for the evaluation of the entity.

Section 4 – Improvement suggestions, in this section it is outlined whether the Accounting Professionals need more complete and detailed accounting information or ask for the accounting requirements to be simplified.

Section 5 – Valuation of specific elements in the “IFRS for SMEs”, this section aims to verify if the Accounting Professionals are familiar with “IFRS of SMEs”, and their possible remarks and suggestions about “Recognition”, “De-recognition”, “Initial measurement”, “Impairment”, “Amortized cost” and “Disclosure” criteria.

Section 6 – Additional notes, the scope of this section is to collect general opinions and suggestions from the Accounting Professionals, at the end of the questionnaire.

4.3. Results of the Survey

The results are presented per Users', Preparers' and Accounting Professionals' categories, and divided in general tables with total results according to the requested stratification criteria. Then the results of the specific questions of the relevant questionnaires are presented. Tables with further details and data are presented in Annex 2.

The answers gathered were examined following the logic outlined below:

- As regards the Users' and Accounting Professionals' questionnaires, the attention focused on the type of answer rather than on the Respondent, since the questionnaire was designed to understand the Respondents' opinions regardless of their size or legal form.
- As regards the Preparers' questionnaire, the attention was focused on the type of Respondent, in order to identify one or more possible relations between the Respondents' size and legal form and their opinions on the questions posed.

4.3.1. Users: Analysis of the results

Below is presented the analysis made using the replies given in the Users' questionnaires.

From section 2 onward, the Survey results are shown after the tables, with the related analysis.

Section 1 - General Information

Entity information

The questionnaires were sent to 11.392 Users but the response rate has not been very high as it is explained below. The reasons for this low response rate, as they have been expressed by the Respondents interviewed can be summarized as follows;

- 1) They are not interested in the matter;
- 2) They don't have time to fill the questionnaire;
- 3) They don't reply to questionnaires in general as a company's policy;
- 4) They are not sure that the questionnaire comes from the European Commission and they would like to have more assurances from the EU;
- 5) They will reply later (and then they have never replied);
- 6) There is a general crisis period and they have other things to do and to take care of;
- 7) They are not sure if the company will survive over the crisis and/or they are going to go bankrupt in a short time and/or if they are planning to close down the company or the business;
- 8) They are not familiar with the accounting matters since they the accounting documentation is prepared externally by a hired accountant;
- 9) The questionnaire is too long and it requires an high expertise in the accounting matters;
- 10) They are not used to provide the company's data to third parties.

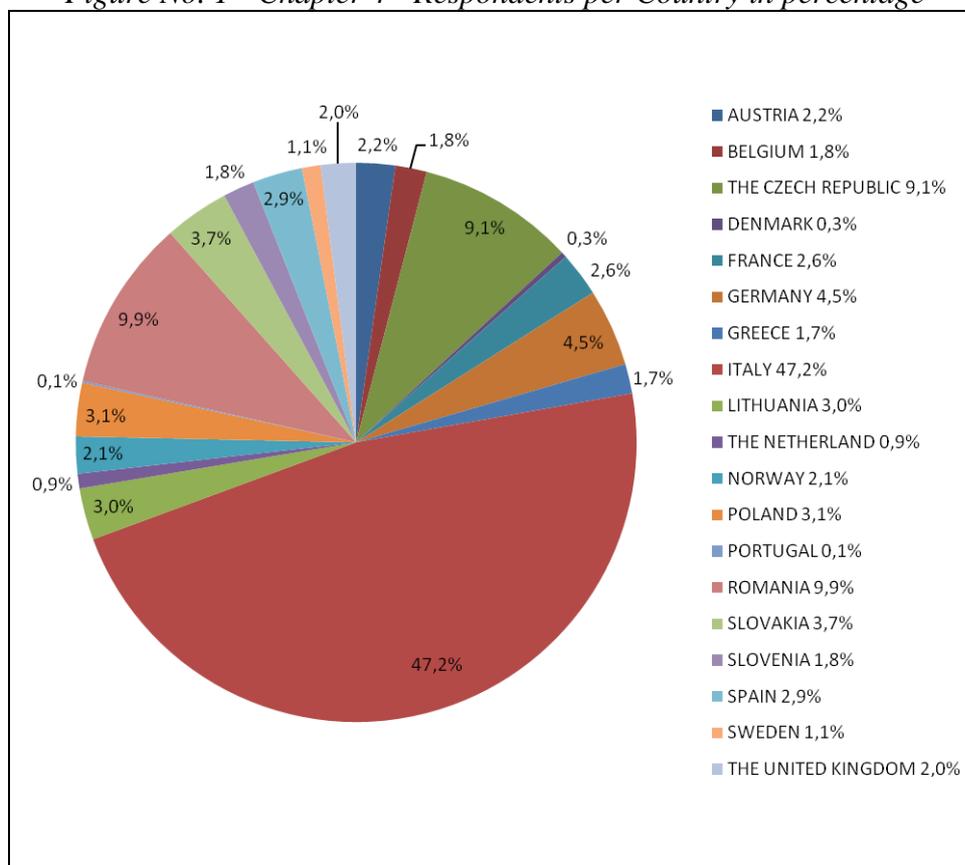
As shown in the Figure No. 1, the Respondents are located in 19 different Countries as Users from Estonia did not respond to the questionnaire.

The Users targeted were mainly enterprises (Micro, Small, Medium and Large entities) interviewed in their capacity as suppliers and customers of other SMEs. Also the Banks and Tax authorities were targeted in the Survey. However very few banks, tax authorities and large entities interviewed replied.

Table No. 6 - Chapter 4 - Respondents per Country

	Values	
Country	% of Respondents	No. of Respondents
AUSTRIA	2,2%	21
BELGIUM	1,8%	17
THE CEZCH REPUBLIC	9,1%	85
DENMARK	0,3%	3
FRANCE	2,6%	24
GERMANY	4,5%	42
GREECE	1,7%	16
ITALY	47,2%	442
LITHUANIA	3,0%	28
THE NETHERLANDS	0,9%	8
NORWAY	2,1%	20
POLAND	3,1%	29
PORTUGAL	0,1%	1
ROMANIA	9,9%	93
SLOVAKIA	3,7%	35
SLOVENIA	1,8%	17
SPAIN	2,9%	27
SWEDEN	1,1%	10
THE UNITED KINGDOM	2,0%	19
Total	100,00%	937

Figure No. 1 - Chapter 4 - Respondents per Country in percentage



The subdivision of the Respondents by Country is not presented for each question of the questionnaire since the Country of origin of the Respondents is not a significant element of analysis (see Chapters 4.1 and 4.2.).

Indeed, in general, the replies do not differ significantly in respect of the Country of origin of the Respondent; whenever the Country of the Respondent becomes a significant element for the analysis this has been indicated and highlighted.

The subdivision of Respondents by legal form and size class is shown in the following table.
 Table No. 7 - Chapter 4 - Respondents by legal form and size class

Legal Form / Size class	Values	
	No of Respondents	% of Respondents
Type A	466	49,73%
LARGE	30	3,20%
MEDIUM-SIZED	96	10,25%
SMALL-SIZED	184	19,64%
MICRO 1	137	14,62%
MICRO 2	19	2,03%
Type B	199	21,24%
MICRO 1	148	15,80%
MICRO 2	51	5,44%
Type C	272	29,03%
SMALL-SIZED	2	0,21%
MICRO 1	120	12,81%
MICRO 2	150	16,01%

Total	937	100,00%
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The following table shows the subdivision of Respondents by market sector and size.

Table No. 8 - Chapter 4 - Respondents by market sector and size

Legal Form / Size	Values	
	No. of Respondents	% of Respondents
Manufacturing	520	55,50%
LARGE	10	1,07%
MEDIUM-SIZED	79	8,43%
SMALL-SIZED	106	11,31%
MICRO 1	240	25,61%
MICRO 2	85	9,07%
Services	273	29,14%
LARGE	9	0,96%
MEDIUM-SIZED	16	1,71%
SMALL-SIZED	46	4,91%
MICRO 1	114	12,17%
MICRO 2	88	9,39%
Trade	137	14,62%
LARGE	4	0,43%
MEDIUM-SIZED	1	0,11%
SMALL-SIZED	34	3,63%
MICRO 1	51	5,44%
MICRO 2	47	5,02%
Finance	7	0,75%
LARGE	7	0,75%
Total	937	100,00%

Respondent information

The position of Respondents representing the Users is summarised in the following table.

Table No. 9 - Chapter 4 - Position of respondents

Position / Size class	Values		% out of the total
	Number of Respondents	% of Respondents	
LARGE	16	3,21%	
Employee	5	1,00%	
Manager	6	1,20%	
Shareholder	1	0,20%	
Owner	2	0,40%	
Other	2	0,40%	
MEDIUM-SIZED	56	11,22%	
Employee	26	5,21%	
Manager	16	3,21%	
Owner	6	1,20%	
Other	8	1,60%	
SMALL-SIZED	74	14,83%	
Employee	48	9,62%	
Manager	9	1,80%	
Owner	7	1,40%	
Other	10	2,00%	
MICRO 1	240	48,10%	
Employee	67	13,43%	
Manager	36	7,21%	
CEO	4	0,80%	
Secretary	1	0,20%	
Shareholder	3	0,60%	
Owner	73	14,63%	
Other	56	11,22%	
MICRO 2	113	22,65%	
Executive	1	0,20%	
Employee	19	3,81%	
Manager	8	1,60%	
CEO	2	0,40%	
Shareholder	8	1,60%	
Owner	57	11,42%	
Other	18	3,61%	
Total Respondents	499	100,00%	53,26%
Total N/A	438		46,74%
Overall total	937		100,00%

438 Respondents (i.e. 46,7% out of the total 937) did not reply.

Questions No. 1 and No. 2 aimed at collecting the general information of the entity, of the Respondent and the entity's main economic data; therefore no significant analysis is made on those data.

3) Do you as a User review/examine accounting information/documentation of SMEs (i.e. your customers, your suppliers, your competitors, etc...)?

Table No. 10 - Chapter 4 - Do you review accounting information/documentation of SMEs?

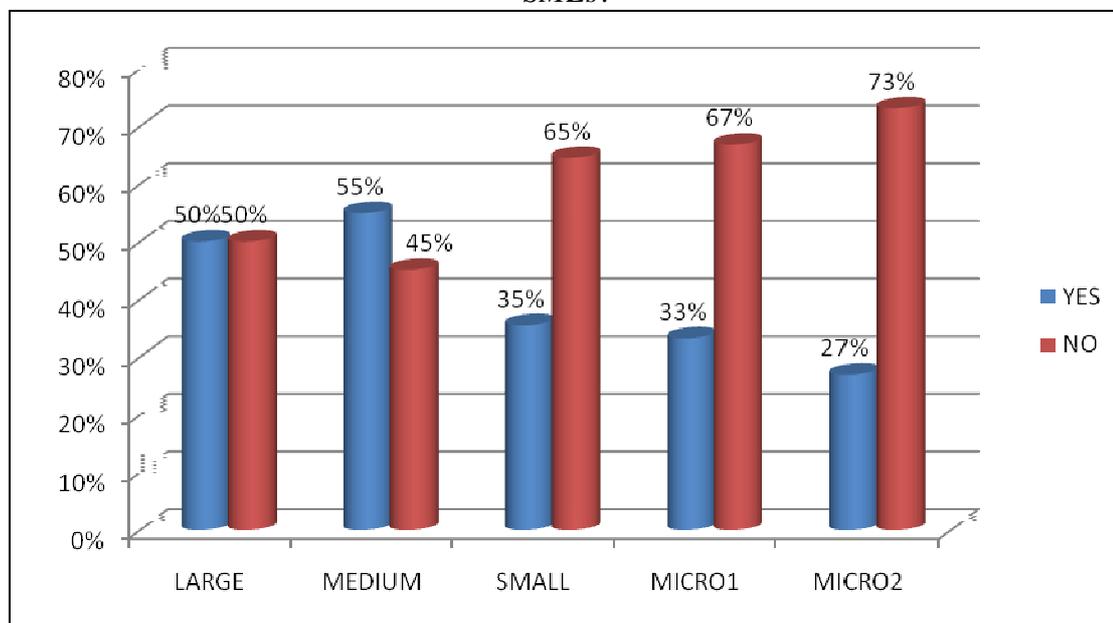
Responses	Values	%	% out of the total
No	537	68,67%	
Yes	245	31,33%	
Total	782	100,00%	83,46%
Total N/A	155		16,54%
Overall total	937		100,00%

155 Respondents (i.e. 16,5% out of the total 937) did not reply.

The answers given show that more than 68% of Respondents do not use accounting data of other enterprises for their evaluations.

Before commenting on the table above, it is worth considering and associating the examination of the following figure.

Figure No. 2 - Chapter 4 - Do you review accounting information/documentation of SMEs?



Source: Annex 2E - Users - Table No. 1

The examination of the table No. 9 and figure No. 2 above in combination shows that, in general, the Respondents seldom use the accounting documentation records of other SMEs.

The more seldom this use is, the smaller the Users' size.

The very high percentage of Respondents who declared not to use the accounting documentation of other SMEs reduces the importance of the answers given to questions No. 4 to 9.

By way of accuracy, the answers given are all reported herein.

4) If yes, how is such information collected?

Table No. 11 - Chapter 4 - Sources used for collecting information

Source	Values	%	% out of the total
Chamber of commerce	97	48,50%	
Directly from the entity	67	33,50%	
Internet	23	11,50%	
Other sources	13	6,50%	
Total	200	100,00%	21,34%
Total N/A	737		78,66%
Overall total	937		100,00%

The answers given show that more than 48% of Respondents collect data from the Chambers of Commerce, approx. 34% directly from the other SMEs, approx. 12% from the Internet and the remaining portion through other means (not specified).

5) Which is the format of the information collected?

Table No. 12 - Chapter 4 - Format of the information collected

Format	Values	%	% out of the total
Electronic format	144	77,42%	
Paper format	37	19,89%	
Other	5	2,69%	
Total	186	100,00%	19,85%
Total N/A	751		80,15%
Overall total	937		100,00%

751 Respondents (i.e. 80,1% out of the total 937) did not reply.

The answers given show that more than 77% of Respondents collect data in electronic format, and approximately 20% in paper format.

6) Do you sustain any cost for the collection of such information?...if Yes, is the cost significant with reference to your activity/business?

Table No. 13 - Chapter 4 - Do you sustain costs for collecting accounting information?

	Values	%	% out of the total
No	85	43,81%	
Yes	109	56,19%	
Total	194	100,00%	20,70%
Total N/A	753		79,30%
Overall total	937		100,00%

743 Respondents (i.e. 79,3% out of the total 937) did not reply.

The answers given show that more than 56% of Respondents sustain costs for gathering accounting data. However, more than 84% of interviewees perceive the costs sustained for gathering third parties' accounting records as a minor cost, as the following table shows:

Table No. 14 - Chapter 4 - Is the cost significant for your business?

	Values	%	% out of the total
No	109	84,50%	
Yes	20	15,50%	
Total	129	100,00%	13,77%
Total N/A	808		86,23%
Overall total	937		100,00%

808 Respondents (i.e. 86,2% out of the total 937) did not reply.

7) How often do you collect this kind of information? (i.e. once per year, per month...,etc.)

Table No. 15 - Chapter 4 - Frequency of data collection

	Values	%	% out of the total
Monthly	64	37,65%	
Yearly	54	31,76%	
Quarterly	37	21,76%	
Semi-annual	15	8,82%	
Total	170	100,00%	18,14%
Total N/A	767		81,86%
Overall total	937		100,00%

767 Respondents (i.e. 81,9% out of the total 937) did not reply.

The answers given show that more than 37% of Respondents requests accounting data on a monthly basis, more than 31% yearly, approximately 22% on a quarterly basis, and the remaining percentage half-yearly.

8) For which purpose have you reviewed/examined accounting information?

Table No. 16 - Chapter 4 - Purposes for reviewing/examining accounting information

Items	Values	%	% out of the total
To verify the solvency	139	69,85%	
To compare one's own information	32	16,08%	
To provide short term/long term loans	6	3,02%	
Entity's reorganization/turnaround	5	2,51%	
Other	17	8,54%	
Total	199	100,00%	21,24%
Total N/A	738		78,76%
Overall total	937		100,00%

738 Respondents (i.e. 78,8% out of the total 937) did not reply.

The answers given show that more than 69% of Respondents use accounting data to verify a third party's solvency, and another 16% to conduct comparative analyses on companies in the same business sector. This information however, should be balanced with the high number of Respondents.

9) Which documentation do you usually request to perform an analysis?

Table No. 17 - Chapter 4 - Information items usually requested to perform an analysis

Information items usually requested to perform an analysis	Values	%	% out of the total
Balance Sheet, Profit and Loss Account	52	27,51%	
Balance Sheet	31	16,40%	
Balance Sheet, Profit and Loss Account, Annual report	17	8,99%	
Profit and Loss Account	14	7,41%	
Balance Sheet, Profit and Loss Account, Notes to the Accounts	11	5,82%	
Balance Sheet, Profit and Loss Account, Annual report, Audit report	10	5,29%	
Balance Sheet, Profit and Loss Account, Audit report	8	4,23%	
Balance Sheet, Annual report	8	4,23%	
Balance Sheet, Profit and Loss Account, Notes to the Accounts, Annual report, Cash flow statement, Audit report	8	4,23%	
Cash flow statement	6	3,17%	
Balance Sheet, Profit and Loss Account, Annual report, Cash flow statement, Audit report	5	2,65%	
Annual report	4	2,12%	
Balance Sheet, Profit and Loss Account, Notes to the Accounts, Annual report, Cash flow statement	3	1,59%	
Balance Sheet, Profit and Loss Account, Annual report, Cash flow statement	2	1,06%	
Balance Sheet, Annual report, Cash flow statement	1	0,53%	
Balance Sheet, Profit and Loss Account, Cash flow statement, Audit report	1	0,53%	
Profit and Loss Account, Notes to the Accounts	1	0,53%	
Audit report	1	0,53%	
Notes to the Accounts	1	0,53%	
Balance Sheet, Profit and Loss Account, Notes to the Accounts, Annual report	1	0,53%	
Balance sheet, Notes to the Accounts, Cash flow statement	1	0,53%	
Annual report, Audit report	1	0,53%	
Profit and Loss Account, Annual report	1	0,53%	
Balance Sheet, Profit and Loss Account, Notes to the Accounts, Annual report, Audit report	1	0,53%	
Total	189	100,00%	20,17%
Total N/A	748		79,83%
Overall total	937		100,00%

The answers given show that the accounting data most used for analysis purposes are the Balance Sheet, Profit and Loss Account and Notes to the Accounts.

748 Respondents (i.e. 79,8% out of the total 937) did not reply.

SECTION 2 - Survey on general accounting information requirements for SMEs

10) With reference to registered SMEs in your Country for which you require information please rate the following elements:

This question collects the opinions of the Respondents with reference to three different aspects of the accounting documentation:

- Availability of accounting data/documents;
- Reliability and importance/usefulness of accounting data/documents;
- Comparability of accounting data/documents.

The possible Respondents were 937; nonetheless since many of them did not provide any reply and the ones who did reply, replied with reference to different clusters (a “cluster” being a group deriving from matching legal form and size of entities), there may be different numbers of replies. The Respondents indeed were asked to tick their replies in a box, representing 12 different combinations/clusters of entities (e.g. Medium-sized Type A entity, Medium-sized Type B entity, Medium-sized Type C and so on).

The tables hereby presented (Tables No. 18, 19 and 20) summarize the opinions provided with reference to each cluster, regardless of the number, type and nationality of the Respondents.

The Respondents were asked to express their opinions by rating the different aspects of the accounting information as follows:

- “+” if the availability/reliability/comparability of the accounting documentation obtained is **adequate** (e.g., exhaustive, complete and/or in line with the information requirements);
- “-“ if the availability/reliability/comparability of the accounting documentation obtained is **inadequate** (e.g., not exhaustive, incomplete and/or not in line with the information requirements);
- “=” if you are not able to respond.” i.e. “**don’t know**”.

- Availability of accounting data/documents in your Country

Table No. 18 - Chapter 4 - Availability of accounting data/documents in the Respondent’s Country

	Medium-sized	Small-sized	Micro 1	Micro 2
Type A	276 adequate 12 inadequate 13 don’t know 636 N/A	269 adequate 14 inadequate 7 don’t know 647 N/A	251 adequate 21 inadequate 9 don’t know 656 N/A	249 adequate 23 inadequate 11 don’t know 654 N/A
Type B	39 adequate 125 inadequate 16 don’t know 757 N/A	35 adequate 128 inadequate 15 don’t know 759 N/A	25 adequate 134 inadequate 15 don’t know 763 N/A	22 adequate 137 inadequate 16 don’t know 762 N/A
Type C	31 adequate 132 inadequate 15 don’t know 759 N/A	25 adequate 135 inadequate 15 don’t know 762 N/A	22 adequate 139 inadequate 14 don’t know 762 N/A	19 adequate 139 inadequate 16 don’t know 763 N/A

The answers given show that accounting data and documents can be easily found and are substantially adequate, mainly in relation to Type A entities, regardless of their size.

On the other hand, Respondents gave a negative judgement (inadequacy) as regards legal forms B and C, regardless of their class size.

The percentage of those who replied “I don’t know” is very high (i.e. 67 - 81%), considering all entities and regardless of their legal form and size.

- Reliability and importance/usefulness of accounting data/documents in your Country

Table No. 19 - Chapter 4 - Reliability and importance/usefulness of accounting data/documents in the Country’s Respondent

	Medium-sized	Small-sized	Micro 1	Micro 2
Type A	84 adequate 7 inadequate 205 don't know 641 N/A	80 adequate 9 inadequate 198 don't know 650 N/A	62 adequate 15 inadequate 201 don't know 659 N/A	60 adequate 17 inadequate 203 don't know 657 N/A
Type B	37 adequate 3 inadequate 134 don't know 763 N/A	35 adequate 5 inadequate 132 don't know 765 N/A	27 adequate 10 inadequate 132 don't know 768 N/A	24 adequate 11 inadequate 134 don't know 768 N/A
Type C	29 adequate 6 inadequate 136 don't know 766 N/A	27 adequate 8 inadequate 133 don't know 769 N/A	24 adequate 11 in adequate 133 don't know 769 N/A	21 adequate 12 in adequate 134 don't know 770 N/A

The answers given show that the accounting data and documents are basically adequate in terms of reliability, as regards all legal forms of entities.

The percentage of those who replied “I don’t know” is very high (i.e. 68 - 82%), considering all entities and regardless of their legal form and size

- Comparability of accounting data/documents in your Country between two entities of the same cluster (e.g. Type A/Medium-sized, Type B/ Small-sized, etc.).

Table No. 20 - Chapter 4 - Comparability of accounting data/documents in the Country’s Respondent

	Medium-sized	Small-sized	Micro 1	Micro 2
Type A	249 adequate 8 inadequate 37 don't know 643 N/A	245 adequate 10 inadequate 32 don't know 650 N/A	230 adequate 12 inadequate 35 don't know 660 N/A	229 adequate 13 inadequate 37 don't know 658 N/A
Type B	31 adequate 3 inadequate 140 don't know 763 N/A	28 adequate 6 inadequate 140 don't know 763 N/A	22 adequate 8 inadequate 141 don't know 766 N/A	20 adequate 8 inadequate 143 don't know 766 N/A
Type C	26 adequate 3 inadequate 140 don't know 765 N/A	25 adequate 5 inadequate 141 don't know 766 N/A	22 adequate 7 inadequate 142 don't know 766 N/A	19 adequate 9 inadequate 143 don't know 766 N/A

The answers show that for most Respondents the accounting data of Type A entities are comparable.

Positive judgements (adequacy) are reduced in relation to Type B (Micro1 and Micro2) and Type C (Micros 1 and 2).

The percentage of those who replied “I don’t know” is very high (i.e. 69 - 82%), considering all entities and regardless of their legal form and size

- Other (specify: _)

Most Respondents did not provide an answer to this question; as a consequence there are no significant considerations.

11) With reference to non-registered SMEs in your Country but within EU for which you require information please rate the following elements:

This question collects the opinions of the Respondents with reference to three different aspects of the accounting documentation with reference to non-registered SMEs in the Country of the Respondent:

- Availability of accounting data/documents;
- Reliability and importance/usefulness of accounting data/documents;
- Comparability of accounting data/documents.

The possible Respondents are 937; nonetheless since many of them did not provide any reply and that the ones who did reply, replied with reference to different clusters (a “cluster” being a group deriving from matching legal form and size), there may be different numbers of replies. The Respondents indeed were asked to tick their replies in a box, representing 12 different combinations/clusters of entities (e.g. Medium-sized Type A entity, Medium-sized Type B entity, Medium-sized Type C and so on).

The tables hereby presented (Tables No. 21, 22 and 23) summarize the opinions provided with reference to each cluster, regardless of the number, type and nationality of the Respondents.

The Respondents were asked to express their opinions by rating the different aspects of the accounting information as follows:

- “+” if the availability/reliability/comparability of the accounting documentation obtained is **adequate** (e.g., exhaustive, complete and/or in line with the information requirements);
- “-“ if the availability/reliability/comparability of the accounting documentation obtained is **inadequate** (e.g., not exhaustive, incomplete and/or not in line with the information requirements);
- “=” if you are not able to respond.” i.e. “**don’t know**.”

- Availability of accounting data/documents

Table No. 21 - Chapter 4 - Availability of accounting data/documents

	Medium-sized	Small-sized	Micro 1	Micro 2
Type A	47 adequate 137 inadequate 109 don't know 644 N/A	44 adequate 134 inadequate 104 don't know 655 N/A	33 adequate 134 inadequate 106 don't know 664 N/A	27 adequate 140 inadequate 107 don't know 663 N/A
Type B	14 adequate 50 inadequate 111 don't know 762 N/A	11 adequate 51 inadequate 109 don't know 766 N/A	8 adequate 52 inadequate 108 don't know 769 N/A	6 adequate 52 inadequate 111 don't know 768 N/A
Type C	11 adequate 42 inadequate 119 don't know 765 N/A	10 adequate 39 inadequate 118 don't know 770 N/A	9 adequate 42 inadequate 114 don't know 772 N/A	7 adequate 41 inadequate 118 don't know 771 N/A

The answers given show that data availability is substantially inadequate, regardless of the entity legal form and size.

However, with reference to Types B and C, the “I don’t know” answers prevail over the inadequacy judgements.

The percentage of those who replied “I don’t know” is very high (i.e. 69 - 82%), considering all entities and regardless of their legal form and size.

- Reliability and importance/usefulness of accounting data/documents

Table No. 22 - Chapter 4 - Reliability and importance/usefulness of accounting data/documents

	Medium-sized	Small-sized	Micro 1	Micro 2
Type A	42 adequate 26 inadequate 218 don't know 651 N/A	40 adequate 23 inadequate 213 don't know 661 N/A	31 adequate 23 inadequate 214 don't know 669 N/A	26 adequate 27 inadequate 215 don't know 669 N/A
Type B	12 adequate 14 inadequate 143 don't know 768 N/A	9 adequate 15 inadequate 139 don't know 774 N/A	6 adequate 16 inadequate 140 don't know 775 N/A	4 adequate 17 inadequate 141 don't know 775 N/A
Type C	7 adequate 16 inadequate 144 don't know 770 N/A	8 adequate 15 inadequate 139 don't know 775 N/A	7 adequate 18 inadequate 138 don't know 774 N/A	5 adequate 16 inadequate 142 don't know 774 N/A

The answers given show that for Type A entities the Respondents expressed a positive judgement (adequacy), while for Types B and C entities negative judgements (inadequacy) prevail.

It is important to underline however, that only a few Respondents provided a judgement. Actually, as regards all types of entities, the “I don’t know” answers were much higher than the answers providing a judgement of “inadequacy”.

The percentage of missing answers is very high (i.e. 69 - 82%) for all entities, regardless of their legal form and size.

- Comparability of accounting data/documents between two entities of the same cluster (e.g., type A/medium-sized, type B/ Small-sized, etc.).

Table No. 23 - Chapter 4 - Comparability of accounting data/documents

	Medium-sized	Small-sized	Micro 1	Micro 2
Type A	48 adequate 17 inadequate 218 don't know 654 N/A	42 adequate 16 inadequate 218 don't know 661 N/A	35 adequate 15 inadequate 217 don't know 670 N/A	29 adequate 19 inadequate 219 don't know 670 N/A
Type B	9 adequate 10 inadequate 147 don't know 771 N/A	8 adequate 10 inadequate 144 don't know 775 N/A	7 adequate 10 inadequate 143 don't know 777 N/A	4 adequate 12 inadequate 145 don't know 776 N/A
Type C	7 adequate 11 inadequate 14 don't know 772 N/A	7 adequate 12 inadequate 142 don't know 776 N/A	7 adequate 10 inadequate 144 don't know 776 N/A	4 adequate 12 inadequate 145 don't know 776 N/A

The answers given show that for Type A entities the Respondents expressed mainly a positive judgement (adequacy), while for Types B and C entities negative judgements (inadequacy) prevail.

It is important to underline however, that only a few Respondents provided a judgement. Actually, as regards all types of entities, the “I don’t know” answers were much higher than the answers providing a judgement of “inadequacy”.

The percentage of missing answers is very high (i.e. 69 - 82%) for all entities, regardless of their legal form and size.

- Other (specify: _)

Most Respondents did not provide an answer to this question; as a consequence there are no significant considerations.

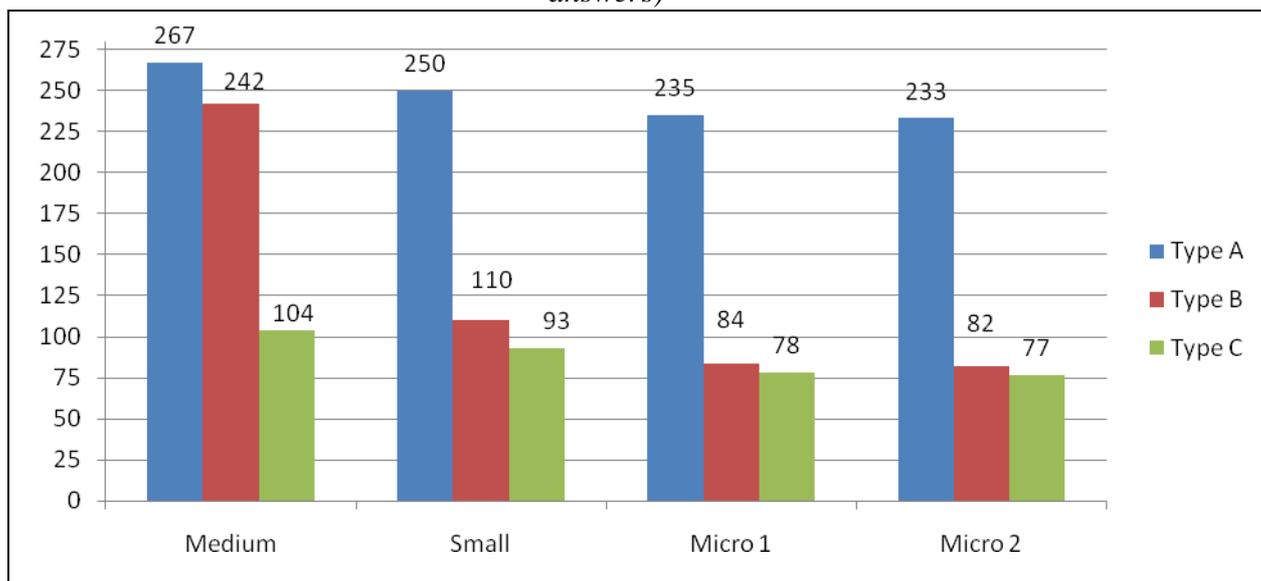
12) Do you see a need for cross-border use of SMEs’ financial reporting?

This question collects the opinions of the Respondents with reference to the need for cross-border use of SMEs’ financial reporting.

The possible Respondents are 937; nonetheless since many of them did not provide any reply and that the ones who did reply, replied with reference to different clusters (a “cluster” being a group deriving from matching legal form and size), there may be different numbers of replies. The Respondents indeed were asked to tick their replies in a box, representing 12 different combinations/clusters of entities (e.g. Medium-sized Type A entity, Medium-sized Type B entity, Medium-sized Type C and so on).

The figure No. 3 hereby presented shows only the positive replies (“yes”) of the Respondents per legal form and size of the entities.

Figure No. 3 - Chapter 4 - Need for a cross-border use of SMEs financial reporting (yes answers)



Source: Annex 2E - Users - Table No. 2

The data gathered shows that the SMEs – and above all Type A Medium- and Small-sized entities – have a propensity to use cross-border accounting documents. This propensity dramatically decreases as the entity size decreases, above all in relation to legal forms Type B and C.

68% of Respondents did not answer this question either.

Those who gave a negative answer to question No. 12 provided some reasons, the main ones being:

- They never use it and do not feel a need for it;
- They are not interested.

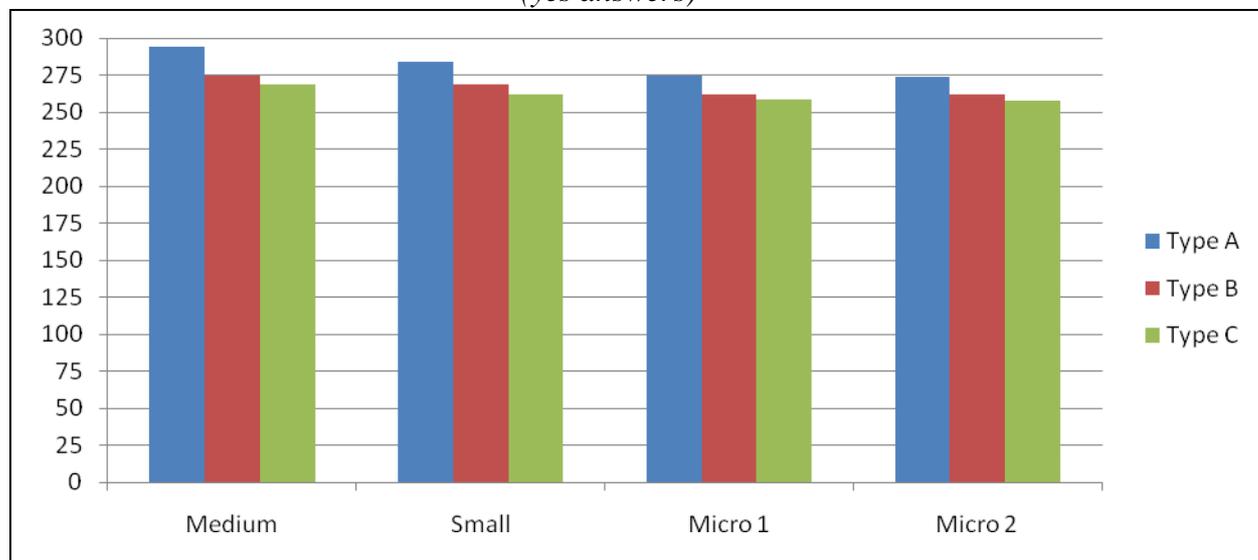
13) Is there a need for a more harmonised accounting framework at EU level?

This question collects the opinions of the Respondents with reference to the need for a more harmonized accounting framework at EU level.

The possible Respondents are 937; nonetheless since many of them did not provide any reply and that the ones who did reply, replied with reference to different clusters (a “cluster” being a group deriving from matching legal form and size of the entities¹⁵¹), there may be different numbers of replies. The Respondents indeed were asked to tick their replies in a box, representing 12 different combinations/clusters of entities (e.g. Medium-sized Type A entity, Medium-sized Type B entity, Medium-sized Type C and so on).

The Figure No. 4 hereby presented shows only the positive replies (“yes”) of the Respondents that see the needs for a more harmonized accounting framework at EU level per legal form and size of entities.

Figure No. 4 - Chapter 4 - Need for a more harmonised accounting framework at EU level
(yes answers)



Source: Annex 2E - Users - Table No. 3

The answers are evenly distributed and show, for all legal forms of entities and sizes examined, that there’s a need for a more harmonised accounting framework.

However, approximately 66% of Respondents did not provide any reply to this question at all.

The main reasons provided by those who gave a negative answer are the following:

- It is in conflict with the desired reduction of accounting and administration fulfilments,
- We do not feel a need for it
- I cannot see how it may actually be useful in the future
- We will have more problems

14) Do you consider it useful to have different disclosure formats for different business models?

Table No. 24 - Chapter 4 - Is it useful to have different disclosure formats for different business models?

	Total	%	% out of the total
Yes	24	14,29%	
No	144	85,71%	
Total	168	100,00%	17,93%
Total N/A	769		82,07%
Overall total	937		100,00%

937 Respondents in total, 24 of which answered “yes”, 144 answered “no”, and 769 did not answer.

Most Respondents gave a negative answer to the question No. 14, as they believe that a different data representation for the different business models would not be useful.

Among those who gave a negative answer to this question, some of them provided reasons; the main ones were:

- A differentiation would render financial statements less comparable;
- I do not feel the need to have additional models other than the current ones;
- Useless bureaucratic requirements.

It should be noted that most Respondents did not show any interest in this matter, as they did not take the question into consideration.

SECTION 3 - Survey of specific accounting information requirements for SMEs

15) Which kind of documentation do you consider necessary for individual SMEs accounts?

The question No. 15 collects the opinion of the Respondents with reference to different kind of accounting documentation:

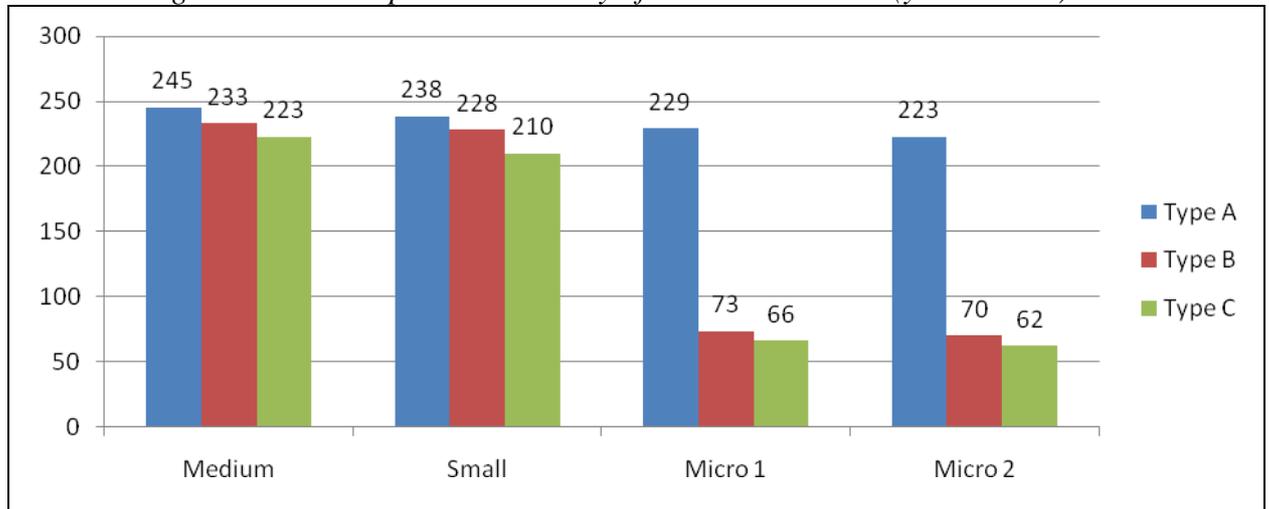
- Balance Sheet
- Profit and Loss Account
- Notes to the Accounts
- Annual report
- Cash flow statement

The possible Respondents are 937; nonetheless since many of them did not provide any reply and the ones who did reply, replied with reference to different clusters (a “cluster” being a group deriving from matching legal form and size of the entities), there may be different numbers of replies. The Respondents indeed were asked to tick their replies in a box, representing 12 different combinations/clusters of entities (e.g. Medium-sized Type A entity, Medium-sized Type B entity, Medium-sized Type C and so on).

The Figures No. 5, 6, 7, 8 and 9 hereby presented show the opinion expressed with reference to each cluster, regardless of the number of the Respondents, their legal form and nationality.

- Balance Sheet

Figure No. 5 - Chapter 4 - Necessity of the Balance Sheet (yes answers)



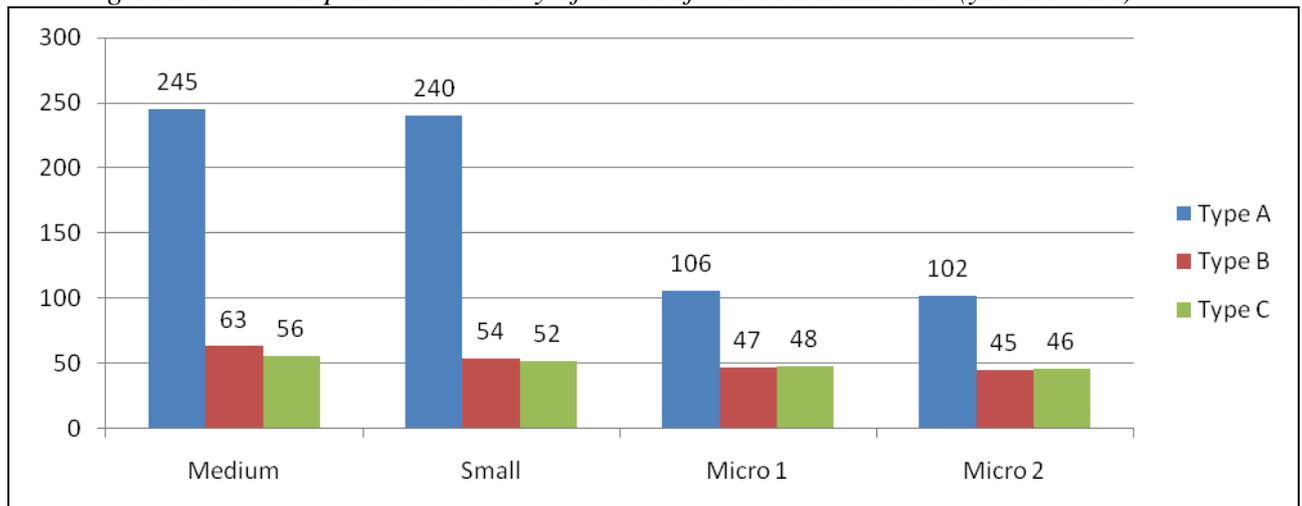
Source: Annex 2E - Users - Table No. 4

Considering the missing answers (i.e. 680) for the purpose of calculations, the answers provided show that 27% of Respondents, in relation to legal form Type A (Medium- and Small-sized) entities, consider the Balance Sheet documents necessary. This percentage decreases as the entities' size decreases and is also affected by the entities' legal form (for Type C and Micro 2 entities, the level of need shown decreases to approximately 7%).

If we do not consider the missing answers for the purpose of calculations, the answers provided show that 95% of Respondents, in relation to legal form Type A entities, consider the Balance Sheet documents necessary. This percentage decreases as the entities' size decreases and is also affected by the entities' legal form (for Type C and Micro 2 entities, the level of need shown decreases to approximately 24%).

- Profit and Loss Account

Figure No. 6 - Chapter 4 - Necessity of the Profit and Loss Account (yes answers)



Source: Annex 2E - Users - Table No. 5

937 Respondents in total, 256 of which expressed at least one preferential option, 681 did not respond i.e. 72,7%.

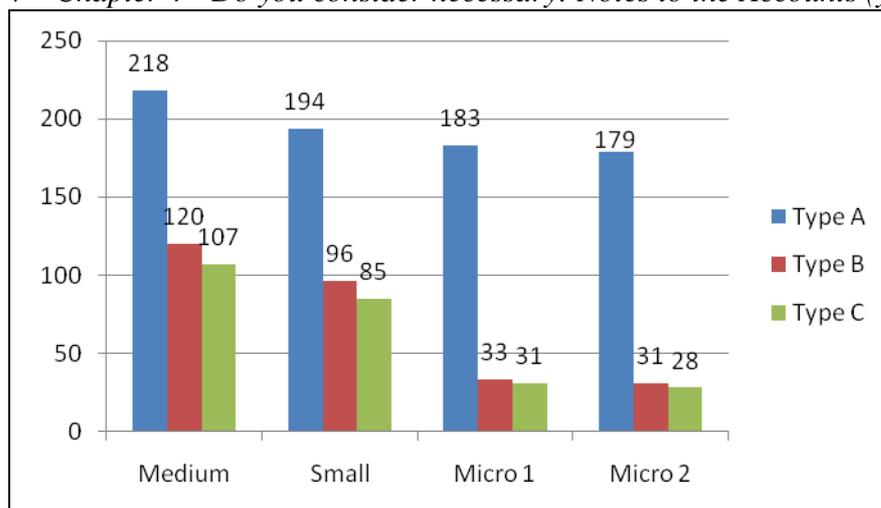
Considering the missing answers for the purpose of calculations, the answers provided show that 26% of Respondents, in relation to legal form Type A (Medium- and Small-sized) entities, consider the P/L Account documents necessary. This percentage decreases as the

entities' size decreases and is mainly affected by the entities' legal form Type B and C, and goes down to a minimum value of approx. 5% (Type C Micro 2).

If we do not consider the missing answers for the purpose of calculations, the answers provided show that 96% of Respondents, in relation to legal form Type A (Medium- and Small-sized) of the entities, consider the P/L Account necessary. This percentage decreases as the entities' size decreases and is mainly affected by the entities' legal form Type B and C, and goes down to a minimum value of approx. 18% (Type C Micro 2).

- Notes to the Accounts

Figure No. 7 - Chapter 4 - Do you consider necessary: Notes to the Accounts (yes answers)



Source: Annex 2E - Users - Table No. 6

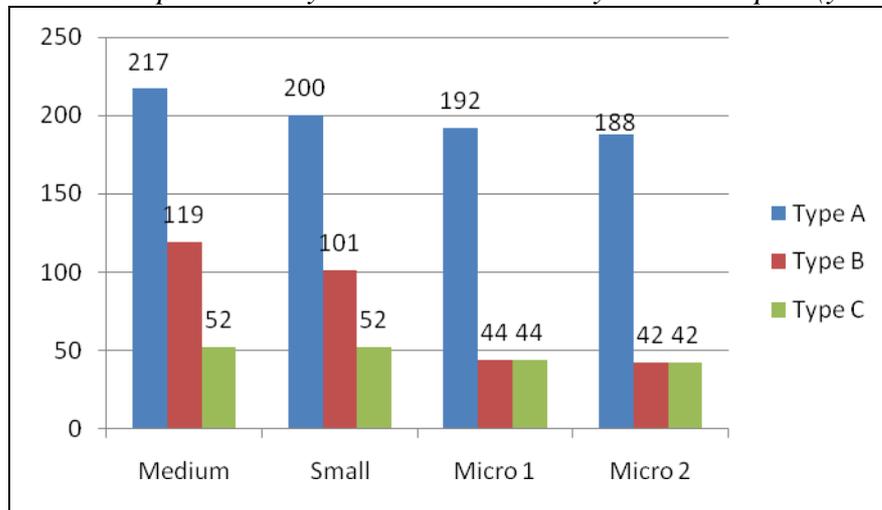
937 Respondents in total, 228 of which expressed at least one preferential option, 709 did not respond i.e. 75,7%.

Considering the missing answers for the purpose of calculations, the answers provided show that 23% of Respondents, in relation to Type A Medium- and Small-sized entities, consider the Notes to the Accounts necessary. This percentage mainly decreases as the size of the entity decreases, and is also affected by its legal form (for Type C, Micros 1 and 2 the level of need shown is below 3%).

If we do not consider the missing answers for the purpose of calculations, the answers provided show that 96% of Respondents, in relation to Type A Medium- and Small-sized entities, consider the Notes to the Accounts necessary. This percentage decreases as the size of the entity decreases, and is also affected by its legal form (for Type C Micros 1 and 2, the level of need shown is below 13%).

- Annual report

Figure No. 8 - Chapter 4 - Do you consider necessary: Annual report (yes answers)



Source: Annex 2E - Users - Table No. 7

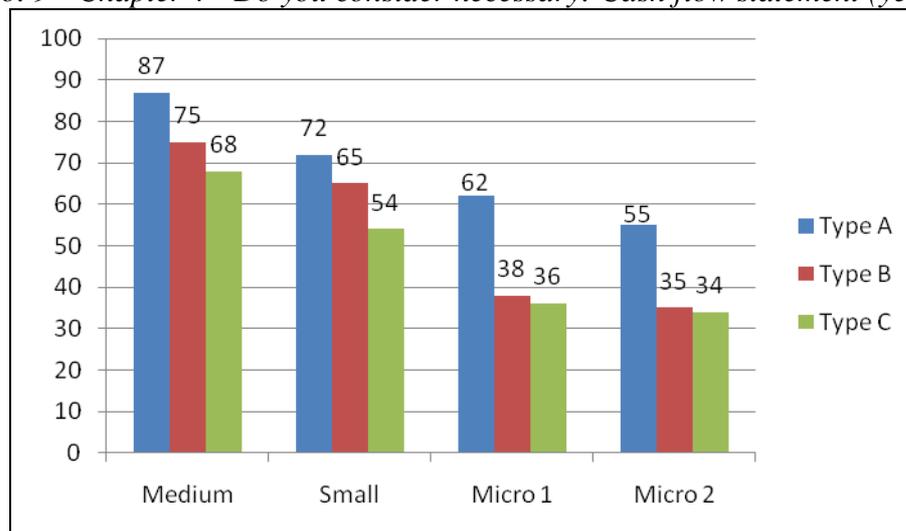
937 Respondents in total, 226 of which expressed at least one preferential option, 711 did not respond i.e. 76%.

Considering the missing answers for the purpose of calculations, the answers provided show that 24% of Respondents, in relation to Type A Medium- and Small-sized entities, consider the Annual Report necessary. This percentage decreases as the entity size decreases and is also affected by its legal form (for Type C entities, the level of need shown is approx. 5%).

If we do not consider the missing answers for the purpose of calculations, the answers provided show that 96% of Respondents, in relation to Type A Medium- and Small-sized entities consider the Annual Report necessary. This percentage decreases as the entity size decreases and is also affected by its legal form (for Type C Micro 1 and Micro 2 entities, the level of need shown is approximately 19%).

- Cash flow statement

Figure No. 9 - Chapter 4 - Do you consider necessary: Cash flow statement (yes answers)



Source: Annex 2E - Users - Table No. 8

937 Respondents in total, 94 of which expressed at least one preferential option, 843 did not respond i.e. 90%.

Considering the missing answers for the purpose of calculations, the answers provided show that the Cash Flow Statement is not considered necessary. Only 9% of Respondents, in relation to Type A Medium- and Small-sized entities, deem the Cash Flow Statement necessary. This percentage mainly decreases as the size of the entity decreases, and is also affected by its legal form (for Type C Micro 1 and Micro 2 entities, the level of need shown is below 4%).

If we do not consider the missing answers for the purpose of calculations, the answers provided show that 93% of Respondents, in relation to Type A Medium- and Small-sized entities consider the Cash Flow Statement necessary. This percentage mainly decreases as the size of the entity decreases, and is also affected by its legal form (for Type C Micro 1 and Micro 2 entities, the level of need shown is below 37%).

- Other information, what...

Almost all Respondents (i.e. 932) did not answer this question; as a consequence there are no significant considerations.

16) Which kind of documentation do you consider necessary for consolidated SMEs accounts?

This question collects the opinion of the Respondents with reference to different kind of accounting documentation for consolidated accounts:

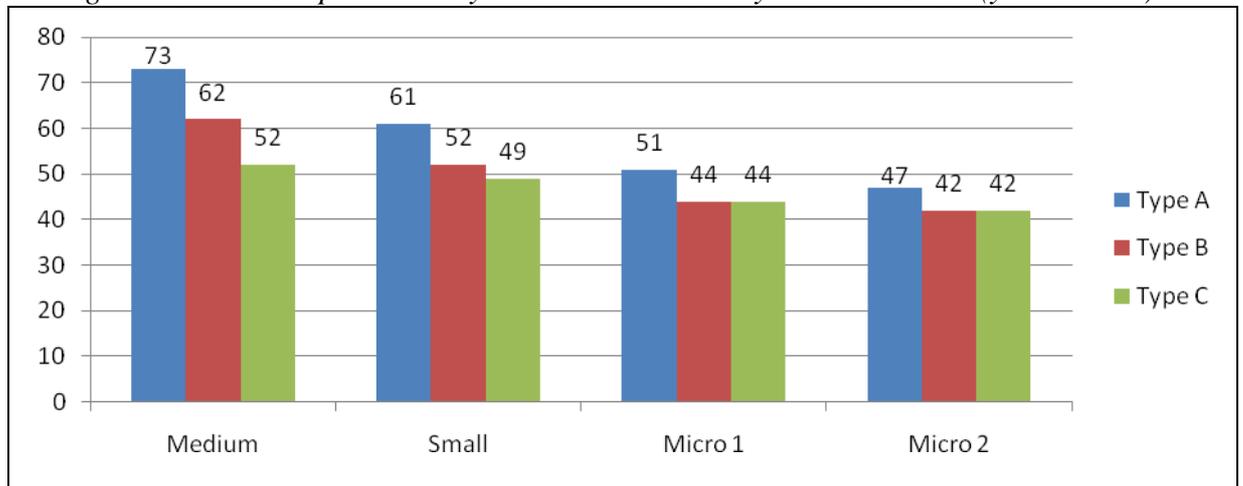
- Balance Sheet
- Profit and Loss Account
- Notes to the Accounts
- Annual report
- Cash flow statement

The possible Respondents are 937; nonetheless since many of them did not provide any reply and that the ones who did reply, replied with reference to different clusters (a “cluster” being a group deriving from matching legal form and size of the entities), there may be different numbers of replies. The Respondents indeed were asked to tick their replies in a box, representing 12 different combinations/clusters of entities (e.g. Medium-sized Type A entity, Medium-sized Type B entity, Medium-sized Type C and so on).

The Figures No. 10, 11, 12, 13 and 14 hereby presented show the opinion expressed with reference to each cluster, regardless of the number of the Respondents, their legal form and nationality.

- Balance Sheet

Figure No. 10 - Chapter 4 - Do you consider necessary: Balance Sheet (yes answers)



Source: Annex 2E - Users - Table No. 9

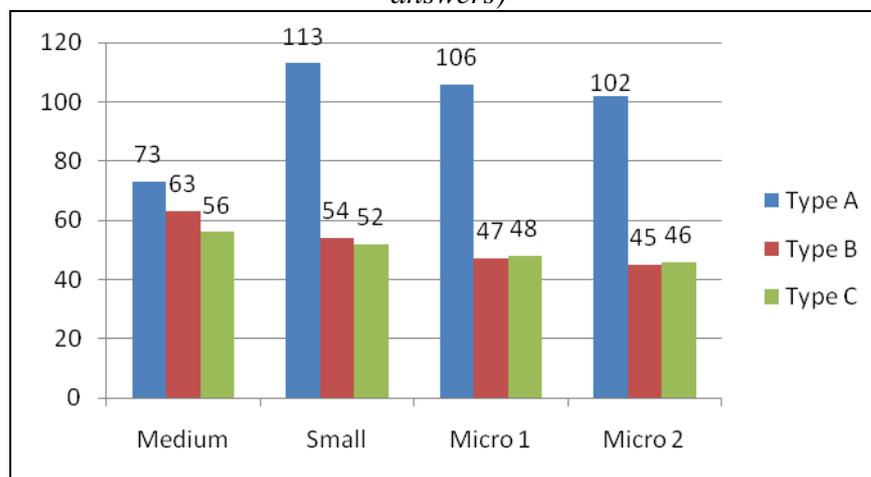
937 Respondents in total, 81 of which expressed at least one preferential option, 856 did not respond i.e. 93,7%.

Considering the missing answers for the purpose of calculations, the answers provided show that the Balance Sheet documents are not considered necessary. Actually, only 7% of Respondents, in relation to Type A Medium- and Small-sized entities, showed an interest in the Balance Sheet. This percentage decreases as the entity size decreases and is also affected by its legal form (for Type C Micro 2 entities, the level of need decreases to 4%).

If we do not consider the missing answers for the purpose of calculations, the answers provided show that 90% of Respondents, in relation to Type A Medium- and Small-sized entities, consider the Balance Sheet documents necessary. This percentage decreases as the entity size decreases, and is also affected by its legal form (for Type C Micro 2 entities, the level of need decreases to 52%).

- Profit and Loss Account

Figure No. 11 - Chapter 4 - Do you consider necessary: Profit and Loss Account (yes answers)



Source: Annex 2E - Users - Table No. 10

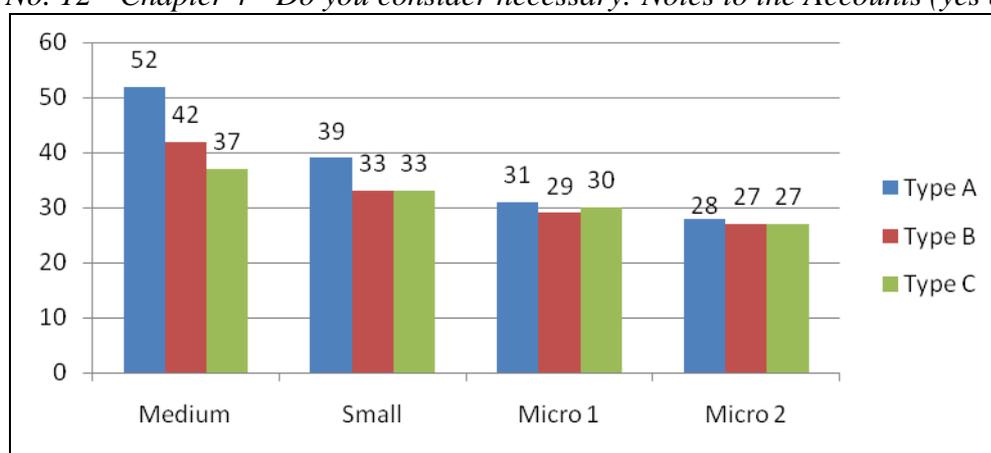
937 Respondents in total, 133 of which expressed at least one preferential option, 804 did not respond i.e. 85.8%.

Considering the missing answers for the purpose of calculations, the answers provided show that only 8% of Respondents, in relation to Type A Medium- and Small-sized entities, believe that the P/L Account is necessary. This percentage, always in relation to Type A, increases to 11% for Micro entities. For the remaining entity legal forms, this percentage strongly decreases as the entity size decreases, going down to 5% for Type C Micro 2 entities.

If we do not consider the missing answers for the purpose of calculations, the answers provided show that 55% of Respondents, in relation to Type A Medium- and Small-sized entities, consider the P/L Account necessary; this percentage, always in relation to Type A, increases to 80% for Micro entities. For the remaining entity legal forms, this percentage strongly decreases as the entity size decreases, going down to 34% for Type C Micro 2 entities.

- Notes to the Accounts

Figure No. 12 - Chapter 4 - Do you consider necessary: Notes to the Accounts (yes answers)



Source: Annex 2E - Users - Table No. 11

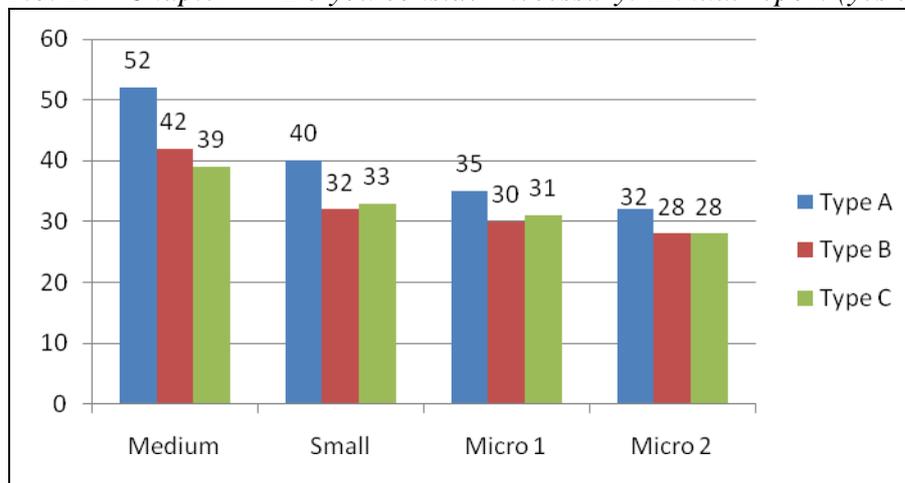
937 Respondents in total, 56 of which expressed at least one preferential option, 881 did not respond i.e. 94.4%.

Considering the missing answers for the purpose of calculations, the answers provided show that over 6% of Respondents, in relation to Type A Medium- and Small-sized entities, consider the Notes to the Accounts necessary. This percentage mainly decreases as the size of the entity decreases, and is also affected by its legal form (Type C Micro 1 and Micro 2, the level of need shown is below 3%).

If we do not consider the missing answers for the purpose of calculations, the answers provided show that over 93% of Respondents, in relation to Type A Medium- and Small-sized entities, consider the Notes to the Accounts necessary. This percentage mainly decreases as the size of the entity decreases, and is also affected by its legal form (for Type C Micros 1 and 2, the level of need shown is below 48%).

- Annual report

Figure No. 13 - Chapter 4 - Do you consider necessary: Annual report (yes answers)



Source: Annex 2E - Users - Table No. 12

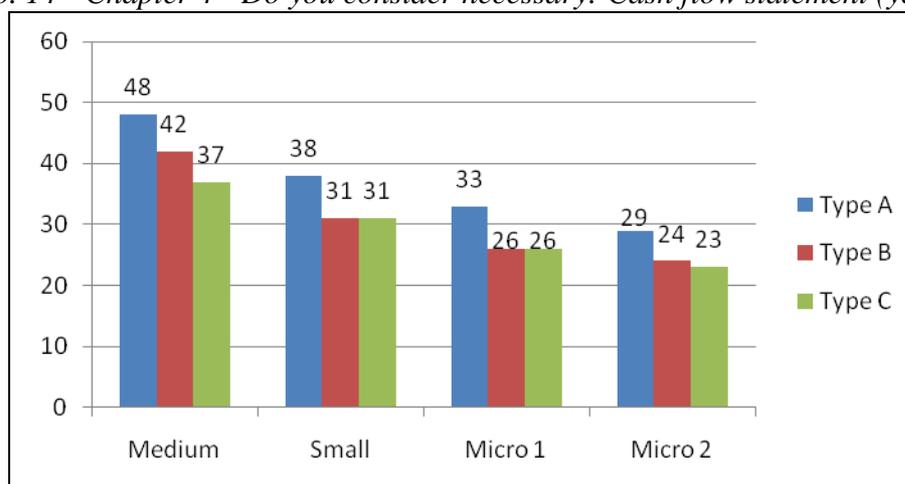
937 Respondents in total, 57 of which expressed at least one preferential option, 880 did not respond i.e. 93,9%.

Considering the missing answers for the purpose of calculations, the answers provided show that 6% of Respondents, in relation to Type A Medium- and Small-sized entities, consider the Annual Report necessary. This percentage mainly decreases as the size of the entity decreases, and is also affected by its legal form (for Type C Micros 1 and 2, the level of need shown is approx. 3%).

If we do not consider the missing answers for the purpose of calculations, the answers provided show that 91% of Respondents, in relation to Type A Medium- and Small-sized entities, consider the Annual Report necessary. This percentage mainly decreases as the size of the entity decreases, and is also affected by its legal form (for Type C Micros 1 and 2, the level of need shown is approx. 49%).

- Cash flow statement

Figure No. 14 - Chapter 4 - Do you consider necessary: Cash flow statement (yes answers)



Source: Annex 2E - Users - Table No. 13

937 Respondents in total: 54 expressed at least one preferential option; 883 did not respond i.e. 94,2%.

Considering the missing answers for the purpose of calculations, the answers provided show that 5% of Respondents, in relation to Type A Medium- and Small-sized entities, consider the Cash flow statement necessary. This percentage mainly decreases as the size of the entity decreases, and is also affected by its legal form (for Type C Micros 1 and 2, the level of need shown is below 3%).

If we do not consider the missing answers for the purpose of calculations, the answers provided show that 89% of Respondents, in relation to Type A Medium- and Small-sized entities, consider the Cash flow statement necessary. This percentage mainly decreases as the size of the entity decreases, and is also affected by its legal form (for Type C Micros 1 and 2, the level of need shown is below 43%).

- Other information, what...

Almost all Respondents (i.e. 924) did not answer this question; as a consequence there are no significant considerations.

17) In this section you should indicate with a numerical value the importance of the Balance Sheets (B/S) elements for the different SMEs

This question collects the opinion of the Respondents with reference to the importance of the following Balance Sheet elements:

- Assets: Intangible assets
- Assets: Tangible assets
- Assets: Financial assets
- Assets: Stocks
- Assets: Debtors
- Assets: Investments
- Assets: Cash at bank and in hand
- Assets: Prepayments and accrued income
- Liabilities: Capital and reserves
- Liabilities: Provisions
- Liabilities: Creditors
- Liabilities: Accruals and deferred income
- Liabilities: Profit (loss) for the financial year

The possible Respondents are 937; nonetheless since many of them did not provide any reply and that the ones who did reply, replied with reference to different clusters (a “cluster” being a group deriving from matching legal form and size of the entities), there may be different numbers of replies. The Respondents indeed were asked to tick their replies in a box, representing 12 different combinations/clusters of entities (e.g. Medium-sized Type A entity, Medium-sized Type B entity, Medium-sized Type C and so on).

The Figures hereby presented (from No. 15 to 27) show the opinion expressed with reference to each cluster, regardless of the number of the Respondents, their legal form and nationality.

The numbers shown in the matrix refer to the numerical answers received, in the following order: 3; 2; 1; 0

Where: Code 3= Essential and worthy of in-depth examination/differentiation

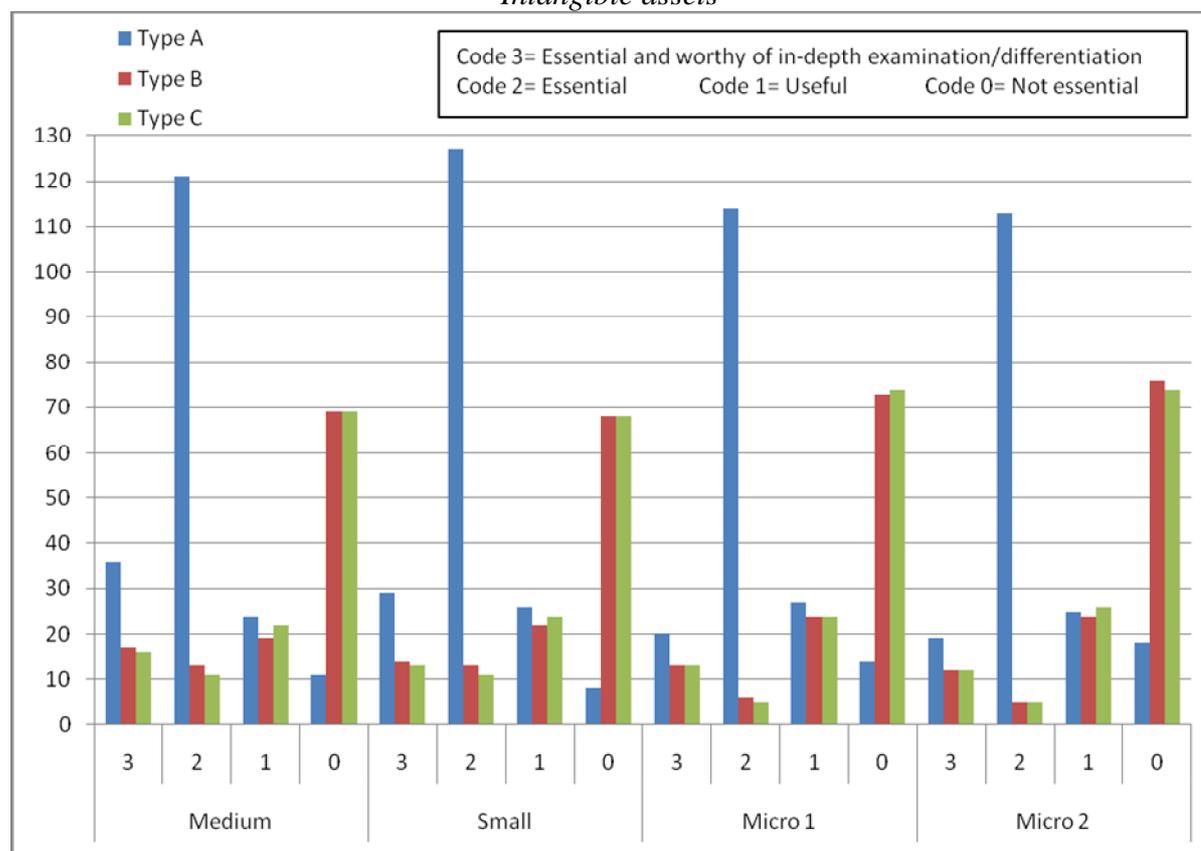
Code 2= Essential

Code 1= Useful

Code 0= Not essential

- Assets - Intangible assets

Figure No. 15 - Chapter 4 - The importance of the Balance Sheets (B/S) elements: Assets - Intangible assets



Source: Annex 2E - Users - Table No. 14

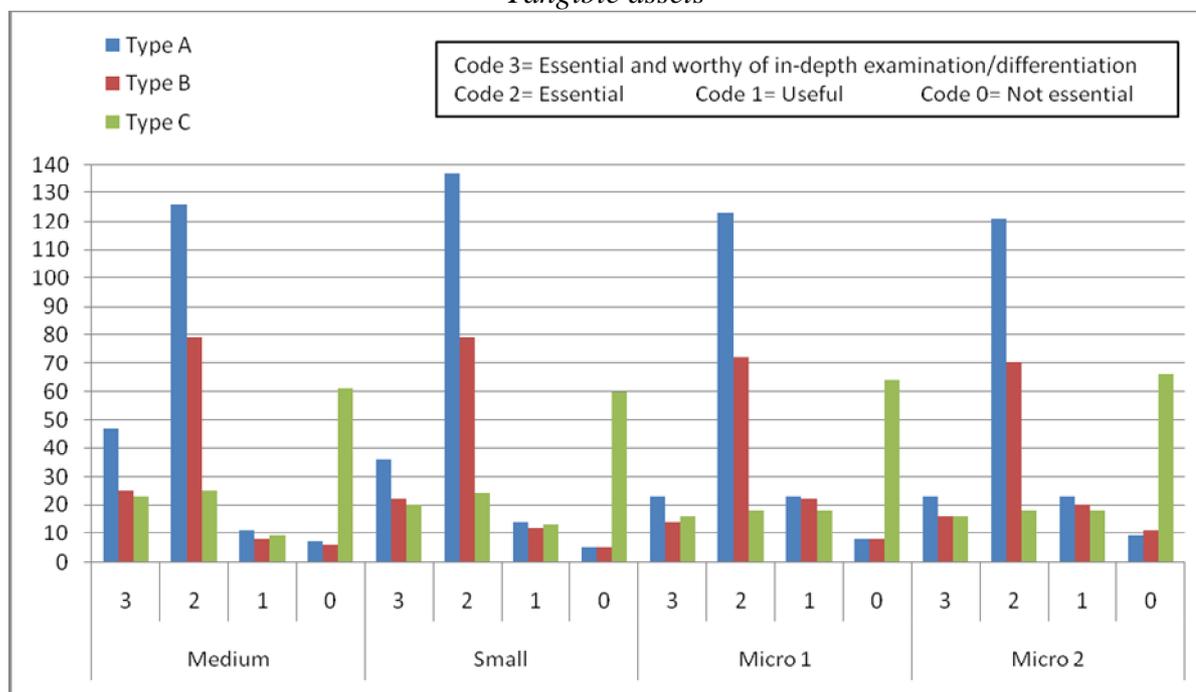
937 Respondents in total, 199 of which expressed at least one judgement, 738 did not respond i.e. 78,76%.

The table analysed shows that:

- For Type A entities, regardless of their size, most judgements are focused on Code 2, highlighting the essential nature of this item in the financial statement;
- For Type B and C entities, regardless of their size, the answers are distributed and focused on Code 0, which reflects non-essential information.

- Assets - Tangible assets:

Figure No. 16 - Chapter 4 - The importance of the Balance Sheets (B/S) elements: Assets - Tangible assets



Source: Annex 2E - Users - Table No. 15

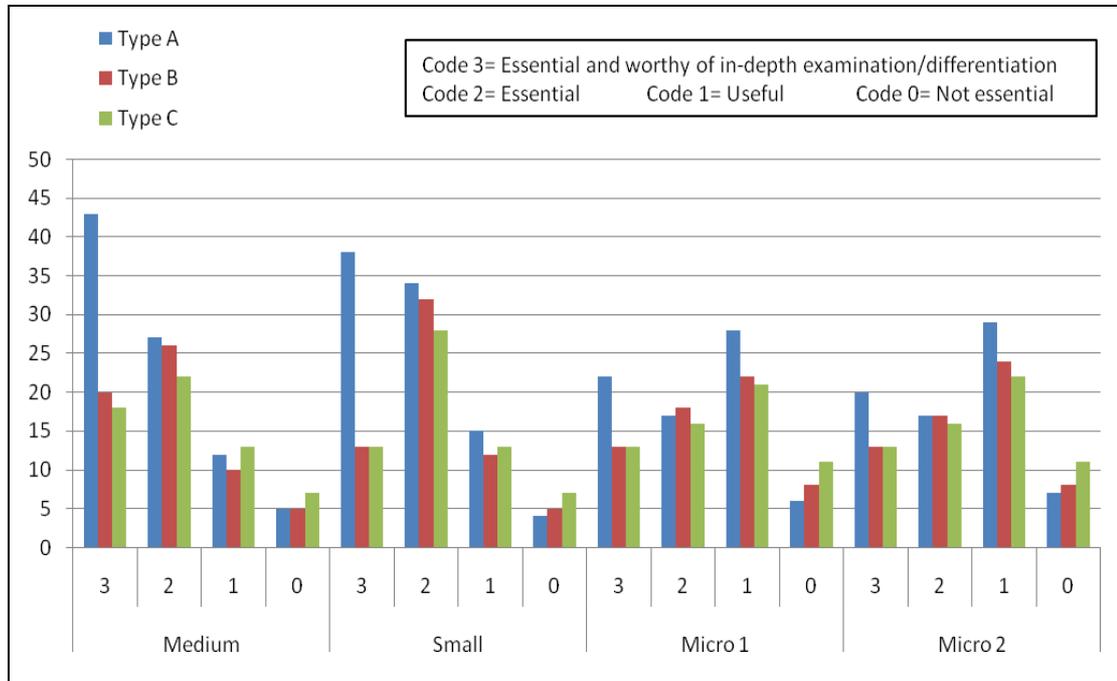
937 Respondents in total, 206 of which expressed at least one judgement, 731 did not respond i.e. 78,01%.

The table analysed shows that:

- As for Type A and B entities, regardless of their size, most judgements are focused on Code 2, highlighting the essential nature of this item in the financial statement. It should be noted that judgements reflecting a non-essential nature of the information increase as the entity size decreases;
- As for Type C entities, regardless of their size, the answers are focused on Code 0, which reflects non-essential information.

- Assets - Financial assets

Figure No. 17 - Chapter 4 - The importance of the Balance Sheets (B/S) elements: Assets - Financial assets



Source: Annex 2E - Users - Table No. 16

937 Respondents in total, 104 of which expressed at least one judgement, 833 did not respond i.e. 88,90%.

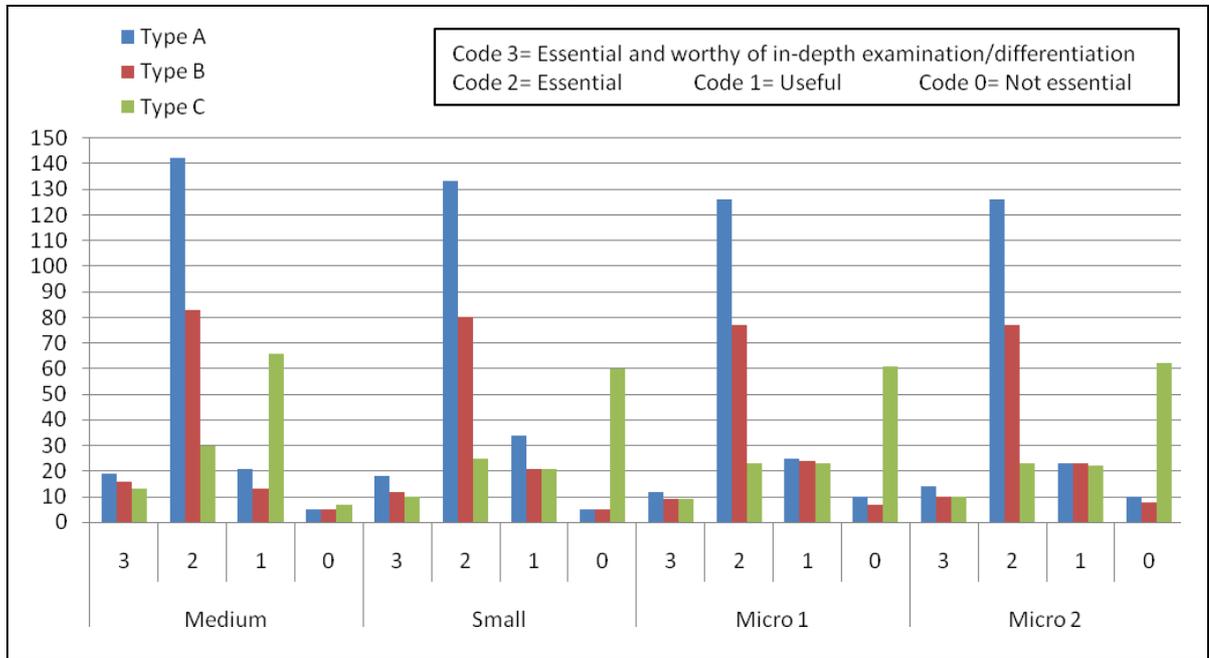
The table analysed shows that:

- As for Type A Medium- and Small-sized entities, Respondents consider information concerning financial assets essential (Codes 2 and 3). As the entity size decreases, so do the judgements reflecting a useful nature (Code 1);
- For Type B and C entities, the answers are focused on Code 2 for Medium- and Small-sized sizes. As the entity size decreases, so do the judgements reflecting a useful nature (Code 1).

With respect to the previous questions, the number of Respondents is much lower, showing a stronger lack of interest in this item of the Balance Sheet.

- Assets – Stocks

Figure No. 18 - Chapter 4 - The importance of the Balance Sheets (B/S) elements: Assets - Stocks



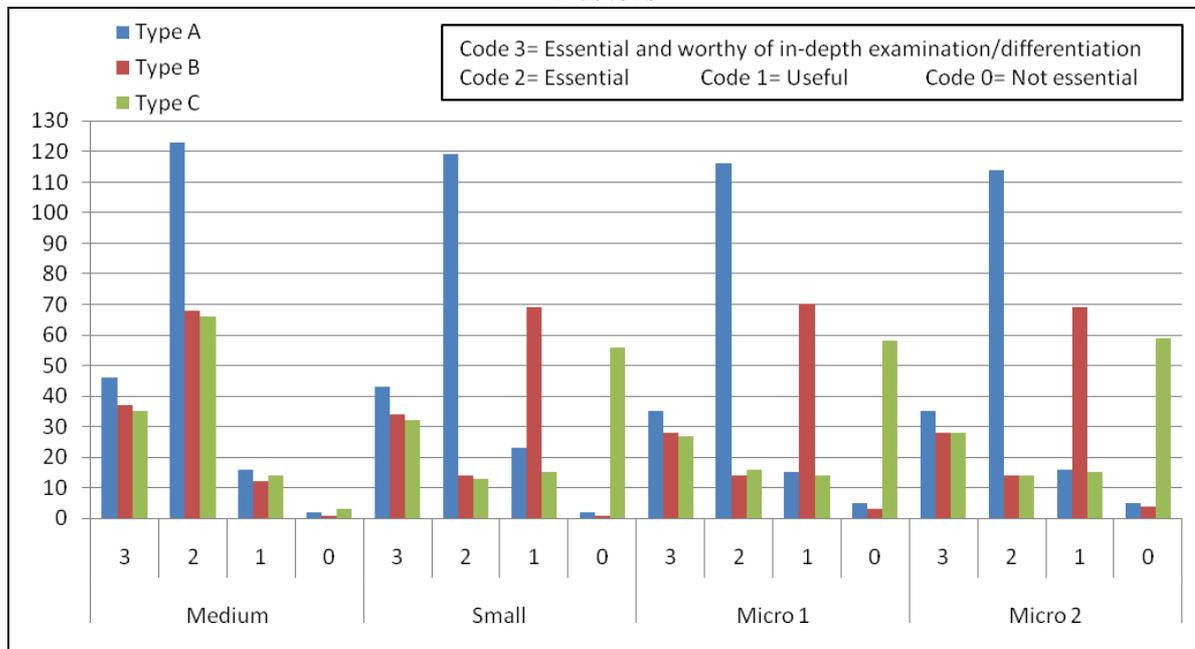
Source: Annex 2E - Users - Table No. 17

937 Respondents in total, 206 of which expressed at least one judgement, 731 did not respond i.e. 78,01%.

The table analysed shows that:

- As for Type A and B entities, regardless of their size, most judgements are focused on Code 2, highlighting the essential nature of this item in the B/S;
- For Type C Medium-sized entities, the judgements are focused on Code 1, but for the other sizes on code 0, which reflects non-essential information.

Figure No. 19 - Chapter 4 - The importance of the Balance Sheets (B/S) elements: Assets - Debtors



Source: Annex 2E - Users - Table No. 18

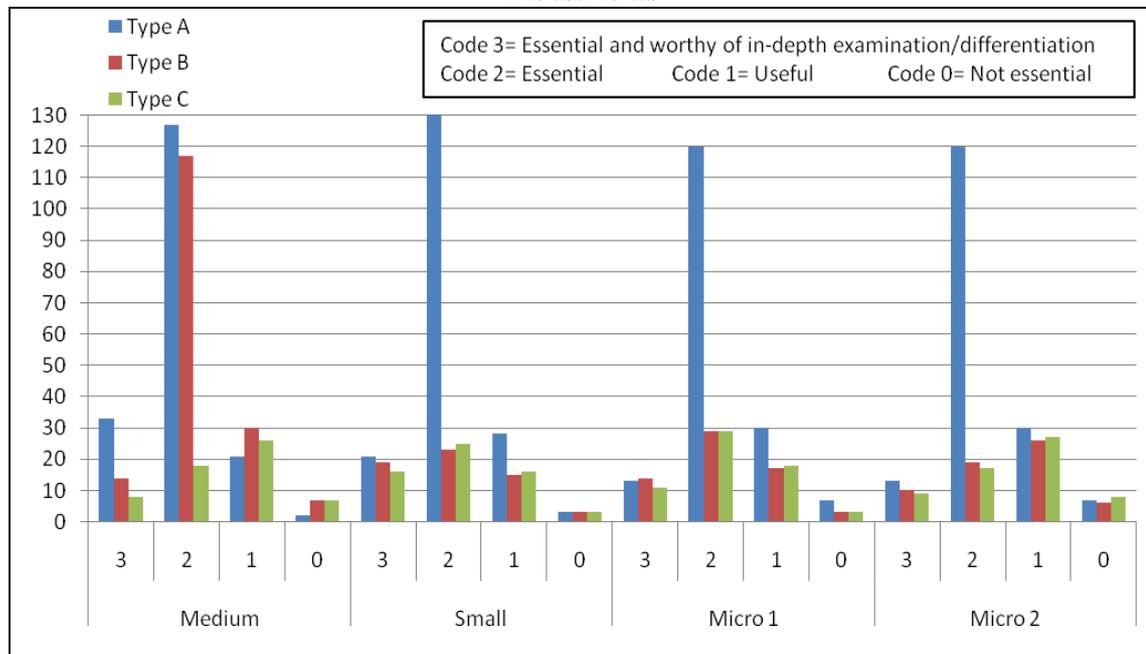
937 Respondents in total, 203 of which expressed at least one judgement, 734 did not respond i.e. 78,34%.

The table analysed shows that:

- As for Type A entities, regardless of their size, most judgements are focused on Code 2, highlighting the essential nature of this item of the B/S;
- For Types B and C Medium-sized entities, the judgements are focused on Code 2, which reflects the essential nature of the information;
- As for the other Type B entities, the majority of judgements are focused on Code 1, highlighting the useful nature of this item of the B/S;
- As for Type C Small-sized, Micro 1 and Micro 2 entities the judgements are focused on Code 0, which reflects a non-essential information.

- Assets – Investments

Figure No. 20 - Chapter 4 - The importance of the Balance Sheets (B/S) elements: Assets - Investments



Source: Annex 2E - Users - Table No. 19

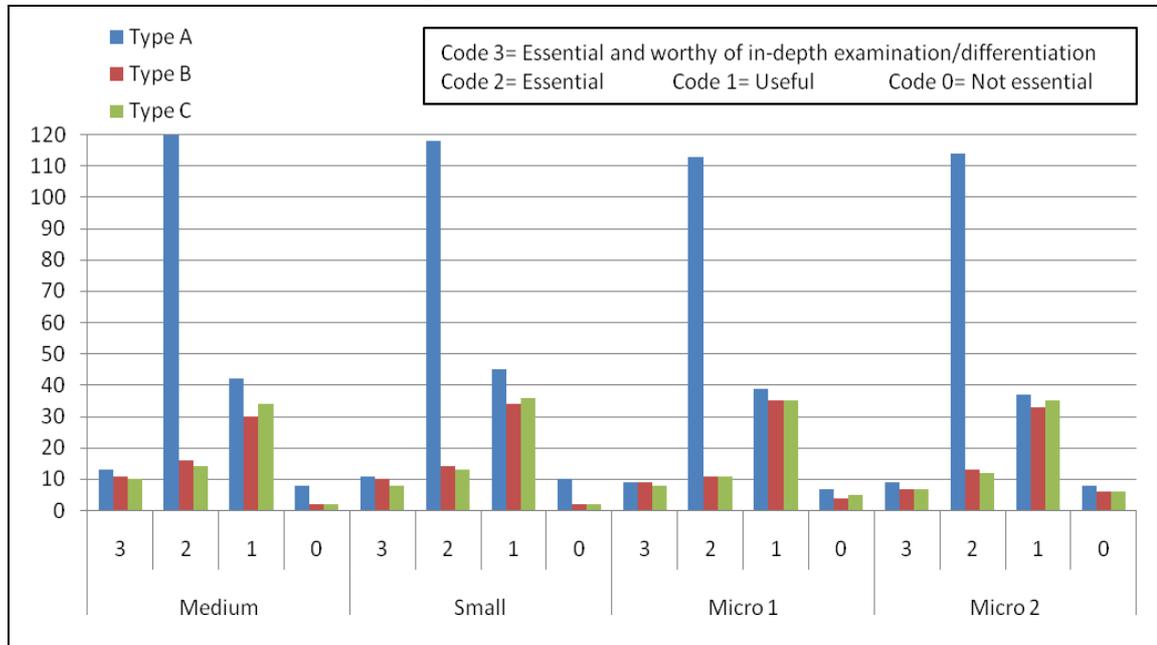
937 Respondents in total, 200 of which expressed at least one judgement, 737 did not respond i.e. 78,66%.

The table analysed shows that:

- As for Type A entities, regardless of their size, most judgements are focused on Code 2, highlighting the essential nature of this item of the B/S;
- As for Type B entities, most judgements are focused on Codes 1, highlighting the useful nature of this item of the B/S; only for Type B Medium-sized entities, judgements are focused on Code 2, which reflects the essential nature of this information;
- As for Type C entities, judgements are focused on Code 1, except for Small-sized and Micro 1, where Code 2 prevails, reflecting the essential nature of this information.

- Assets - Cash at bank and in hand

Figure No. 21 - Chapter 4 - The importance of the Balance Sheets (B/S) elements: Assets - Cash at bank and in hand



Source: Annex 2E - Users - Table No. 20

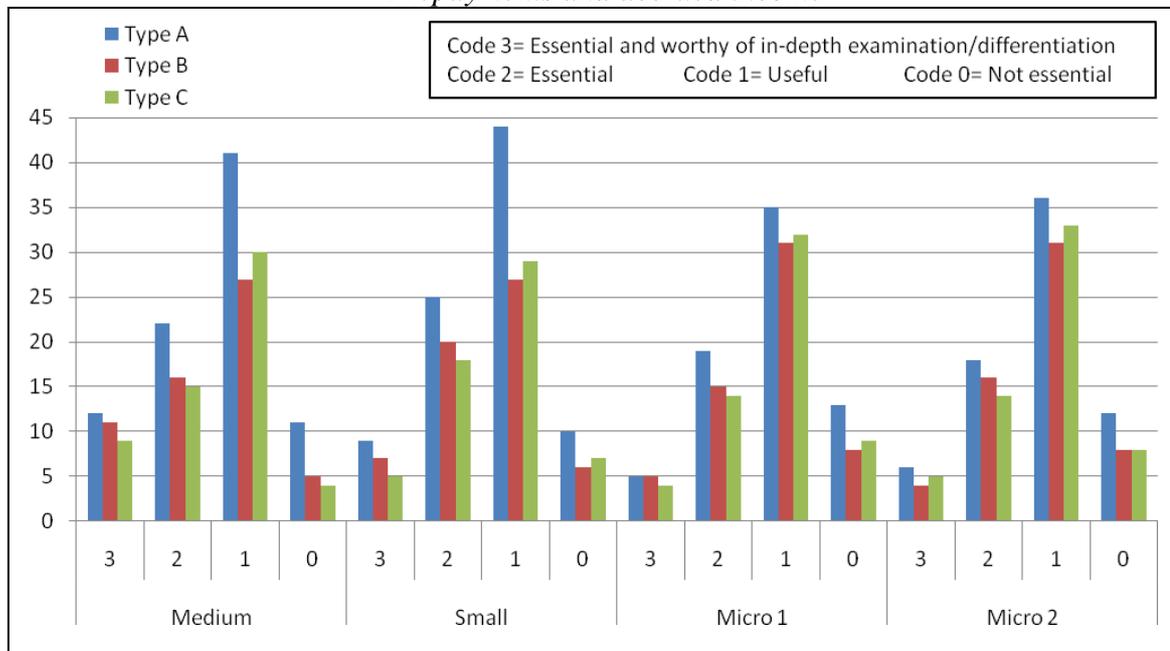
937 Respondents in total, 200 of which expressed at least one judgement, 737 did not respond i.e. 78,66%.

The table analysed shows that:

- As for Type A entities, regardless of their size, most judgements are focused on Code 2, highlighting the essential nature of this item of the B/S;
- As for Type B and C entities, regardless of their size, judgements are focused on Code 1, reflecting the usefulness of the information.

- Assets - Prepayments and accrued income

Figure No. 22 - Chapter 4 - The importance of the Balance Sheets (B/S) elements: Assets - Prepayments and accrued income



Source: Annex 2E - Users - Table No. 21

937 Respondents in total, 103 of which expressed at least one judgement, 834 did not respond i.e. 89,01%.

The table analysed shows that:

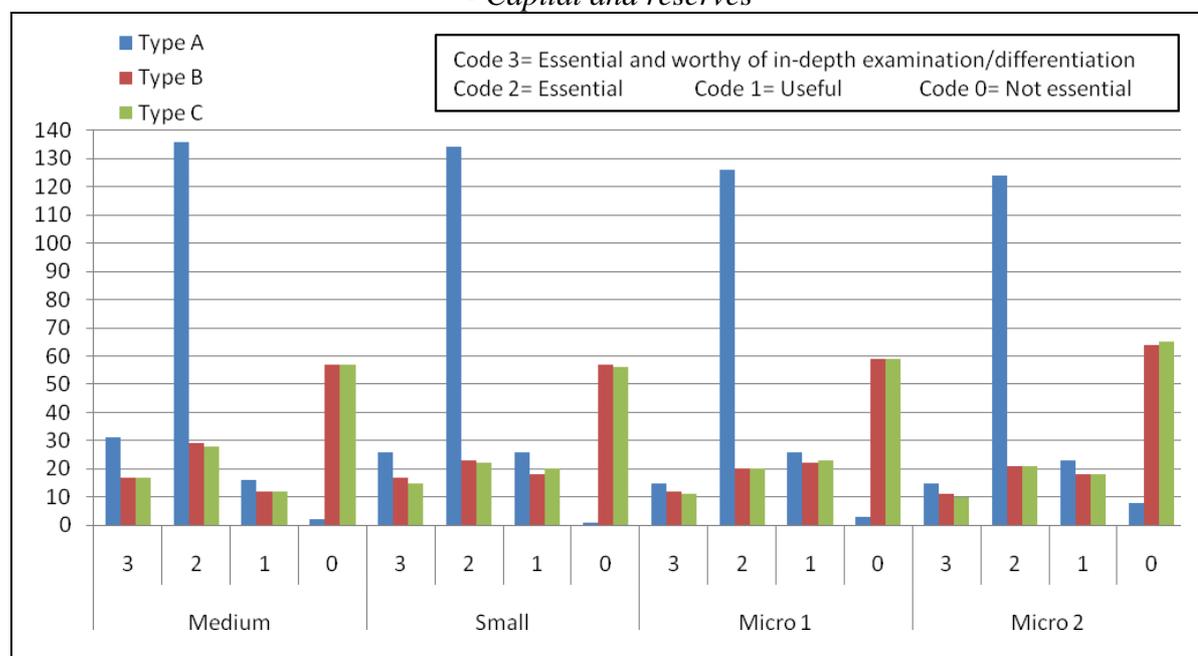
- As for all legal forms, regardless of the size, most judgements are focused on Code 2 (essentiality) and Code 1 (usefulness of this Balance Sheet item, without any particular prevalence;
- With respect to the previous questions, the number of Respondents is much lower, showing a stronger lack of interest in this item of the Balance Sheet.

- Assets - Other information

The answers received to this question are few and, what's more, they are not provided with the specifications required. As a consequence, it is not possible to make any comment on this matter.

- Liabilities - Capital and reserves

Figure No. 23 - Chapter 4 - The importance of the Balance Sheets (B/S) elements: Liabilities - Capital and reserves



Source: Annex 2E - Users - Table No. 22

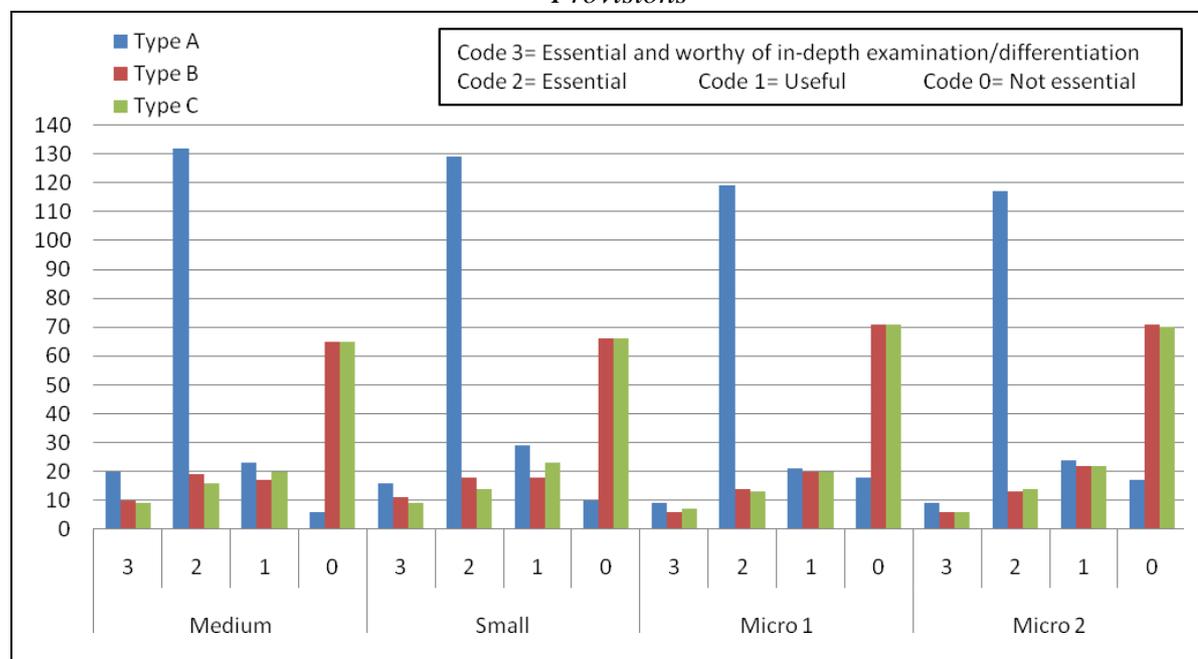
937 Respondents in total, 202 of which expressed at least one judgement, 735 did not respond i.e. 78,44%.

The table analysed shows that:

- As for Type A entities, regardless of their size, most judgements are focused on Code 2, highlighting the essential nature of this item of the B/S;
- As for Type B and C entities, regardless of their size, the judgements are focused on Code 0, which reflects non-essential information.

- Liabilities – Provisions

Figure No. 24 - Chapter 4 - The importance of the Balance Sheets (B/S) elements: Liabilities - Provisions



Source: Annex 2E - Users - Table No. 23

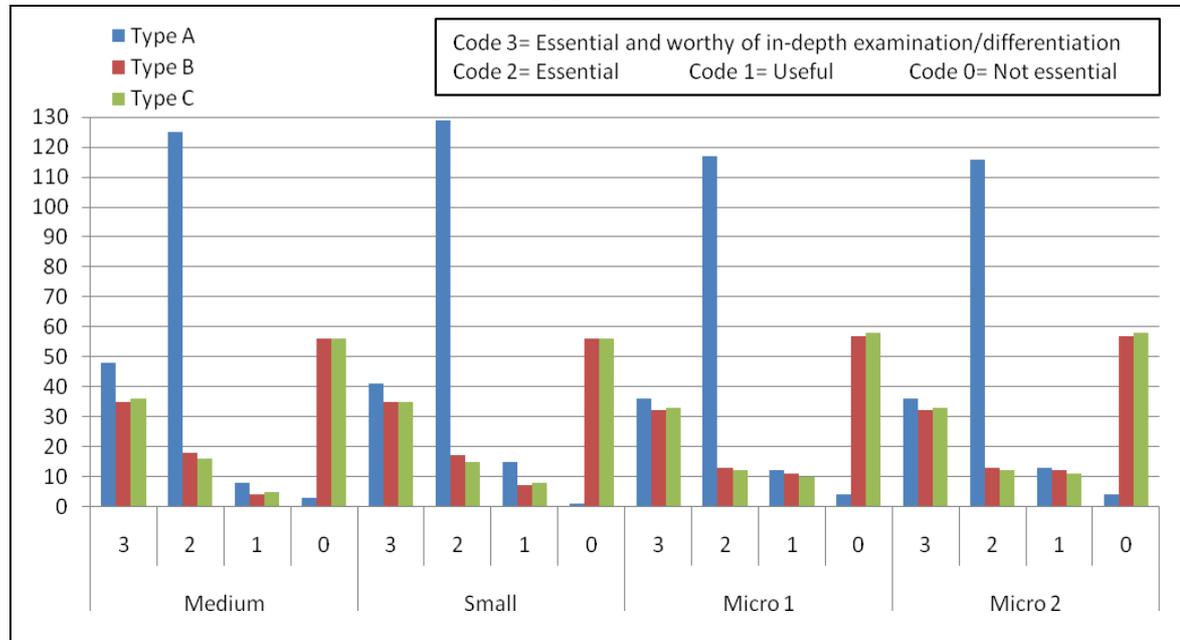
937 Respondents in total, 198 of which expressed at least one judgement, 739 did not respond i.e. 78,87%.

The table analysed shows that:

- As for Type A entities, regardless of their size, most judgements are focused on Code 2, highlighting the essential nature of this item in the financial statement;
- As for Type B and C entities, regardless of their size, the judgements are focused on Code 0, which reflects non-essential information.

- Liabilities – Creditors

Figure No. 25 - Chapter 4 - The importance of the Balance Sheets (B/S) elements: Liabilities - Creditors



Source: Annex 2E - Users - Table No. 24

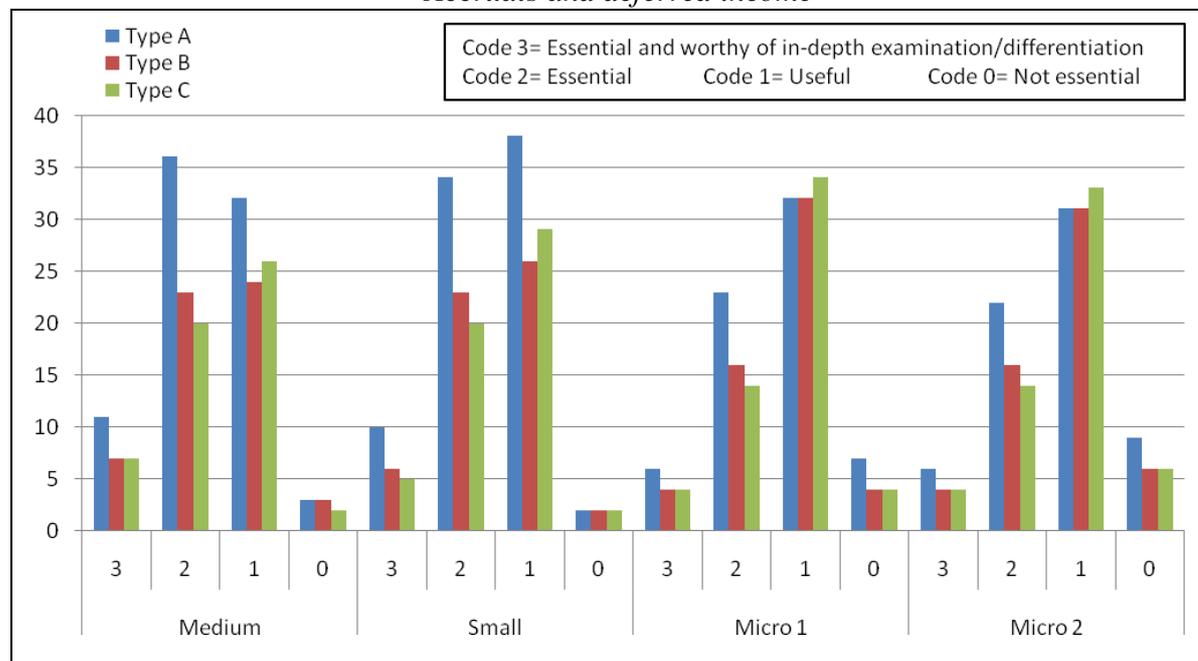
937 Respondents in total, 202 of which expressed at least one judgement, 735 did not respond i.e. 78,44%.

The table analysed shows that:

- As for Type A entities, regardless of their size, most judgements are focused on Code 2, highlighting the essential nature of this item in the financial statement;
- As for Type B and C entities, regardless of their size, judgements are focused on Code 0, which reflects non-essential information.

- Liabilities - Accruals and deferred income

Figure No. 26 - Chapter 4 - The importance of the Balance Sheets (B/S) elements: Liabilities - Accruals and deferred income



Source: Annex 2E - Users - Table No. 25

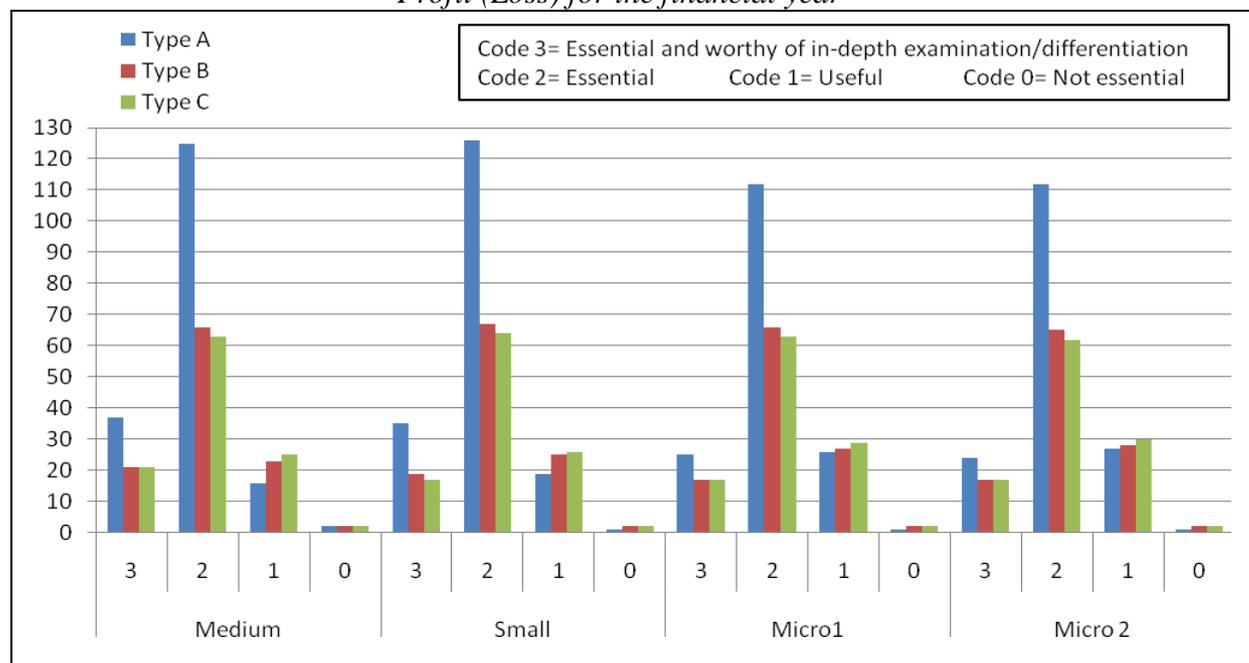
937 Respondents in total, 99 of which expressed at least one judgement, 838 did not respond i.e. 89,43%.

The table analysed shows that:

- As for Type A and B entities, regardless of their size, most judgements are focused on Code 1, highlighting the useful nature of this item in the financial statement. Only for Type A Medium-sized entities do the judgements reflect an essential nature (Code 2);
- With respect to the previous questions, the number of Respondents is much lower, showing a stronger lack of interest in this item of the Balance Sheet.

- Liabilities - Profit (Loss) for the financial year

Figure No. 27 - Chapter 4 - The importance of the Balance Sheets (B/S) elements: Liabilities - Profit (Loss) for the financial year



Source: Annex 2E - Users - Table No. 26

937 Respondents in total, 197 of which expressed at least one judgement, 740 did not respond i.e. 78,98%.

The table analysed shows that:

- As for Type A and B entities, regardless of their size, most judgements are focused on Code 2) prevail, highlighting the essential and useful nature of this item in the financial statement.

- Liabilities - Other information

The answers received to this question are few and, what's more, they are not provided with the specifications required. As a consequence, it is not possible to make any comment on this matter.

In Chapter 4.4., there are summarized the total results of the replies with reference to Question No. 17- *The importance of the Balance Sheets (B/S) elements for the different SMEs.*

18) In this section you should indicate with a numerical value the importance of the Profit and Loss P/L Account's elements for the different SMEs.

Which is the importance of the following P/L Account elements?

The question No. 18 collects the opinion of the Respondents with reference to the importance of the following Profit and Loss Account elements:

- Net turnover
- Variation in stock of finished goods and work in progress
- Work performed by the und. for its own purposes and capitalized
- Other operating income
- Raw materials and consumables
- Other external charges
- Staff costs
- Other operating charges
- Income from participating interests
- Income from other investments and loans forming part of the fixed assets
- Other interests receivable and similar income
- Value adjustments of fin. assets and of inv. held as current assets
- Interest payable and similar charges
- Tax on profit or loss on ordinary activities
- Profit or loss of the financial year
- Extraordinary income
- Extraordinary charges
- Profit or loss of the financial year

The possible Respondents are 937; nonetheless since many of them did not provide any reply and that the ones who did reply, replied with reference to different clusters (a “cluster” being a group deriving from matching legal form and size of the entities), there may be different numbers of replies. The Respondents indeed were asked to tick their replies in a box, representing 12 different combinations/clusters of entities (e.g. Medium-sized Type A entity, Medium-sized Type B entity, Medium-sized Type C and so on).

The Figures hereby presented (from No. 28 to 45) show the opinion expressed with reference to each cluster, regardless of the number of the Respondents, their legal form and nationality.

The numbers shown in the matrix refer to the numerical answers received, in the following order: 3; 2; 1; 0

Where: Code 3= Essential and worthy of in-depth examination/differentiation

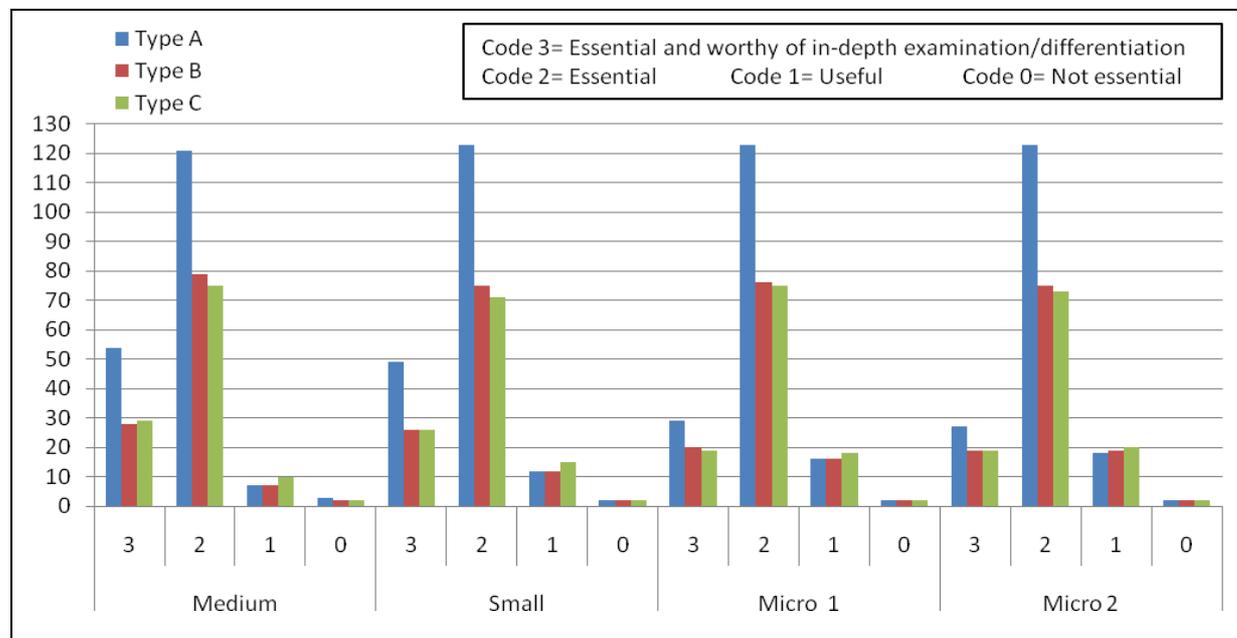
Code 2= Essential

Code 1= Useful

Code 0= Not essential

- Net turnover

*Figure No. 28 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements:
Net turnover*



Source: Annex 2E - Users - Table No. 27

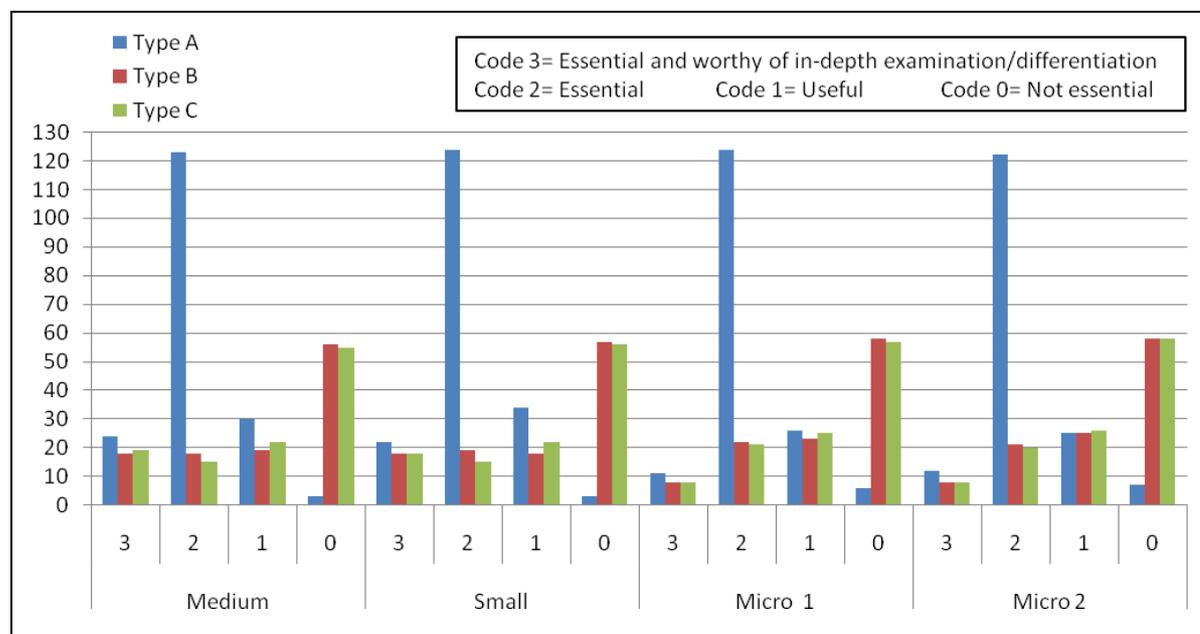
937 Respondents in total, 201 of which expressed at least one judgement, 736 did not respond i.e. 78,55%.

The table analysed shows that:

- For all entities (Types A, B and C) regardless of their size class, the judgements reflecting an essential nature of the information (Code 2) prevail.

- Variation in stocks of finished goods and work in progress:

*Figure No. 29 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements:
Variation in stocks*



Source: Annex 2E - Users - Table No. 28

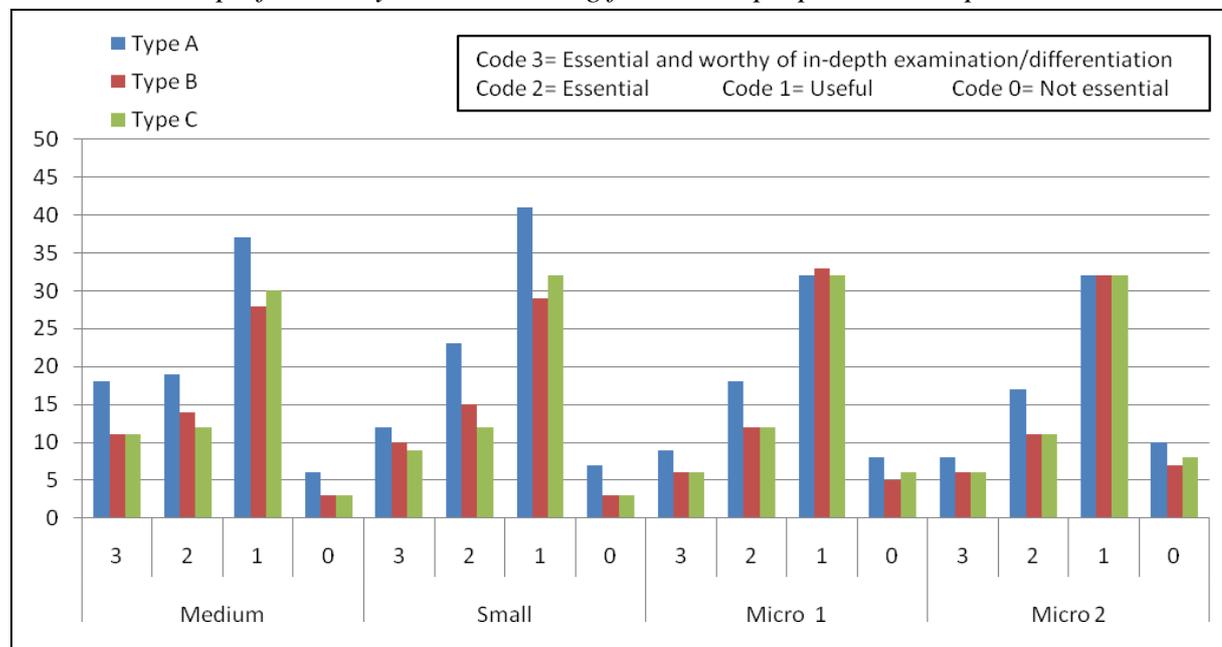
937 Respondents in total, 196 of which expressed at least one judgement, 741 did not respond i.e. 79,08%.

The table analysed shows that:

- As for Type A entities, regardless of their size, most judgements are focused on Code 2, highlighting the essential nature of this item in the financial statement;
- As for Type B and C entities, regardless of their size, judgements are focused on Code 0, which reflects non-essential information.

- Work performed by the undertaking for its own purposes and capitalized

**Figure No. 30 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements:
Work performed by the undertaking for its own purposes and capitalized**



Source: Annex 2E - Users - Table No. 29

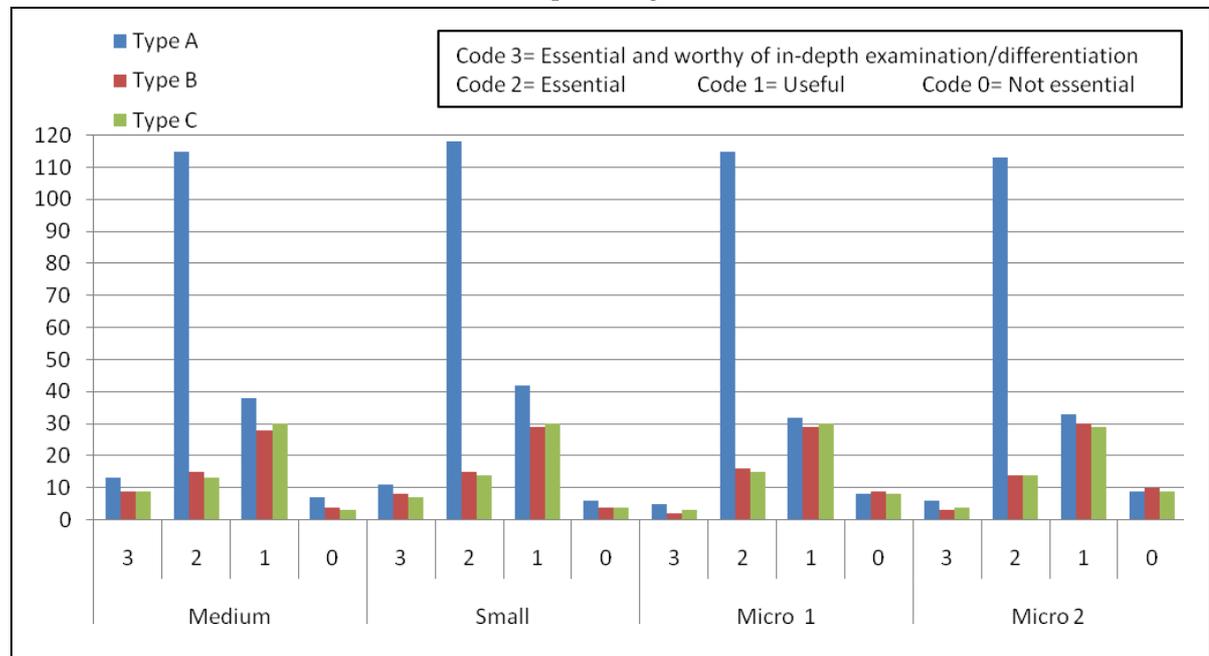
937 Respondents in total, 96 of which expressed at least one judgement, 841 did not respond i.e. 89,75%.

The table analysed shows that:

- For all entities (Types A, B and C), regardless of their size class, the judgements reflecting usefulness (Code 1) prevail.

- Other operating income

*Figure No. 31 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements:
Other operating income*



Source: Annex 2E - Users - Table No. 30

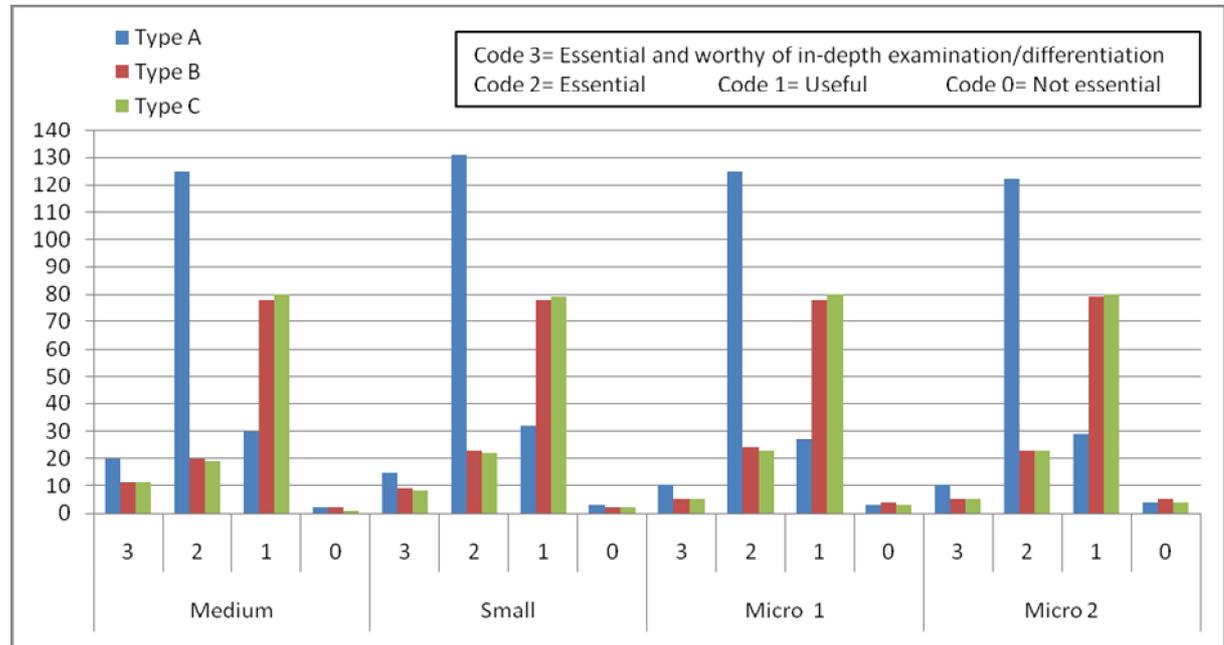
937 Respondents in total, 188 of which expressed at least one judgement, 749 did not respond i.e. 79,94%.

The table analysed shows that:

- As for Type A entities, most Respondents (all entity sizes) consider the information relating to other operating income essential (Code 2);
- As for Type B and C entities, most Respondents (all company sizes) consider the information relating to other operating income (Code 1).

- Raw materials and consumables

*Figure No. 32 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements:
Raw materials and consumables*



Source: Annex 2E - Users - Table No. 31

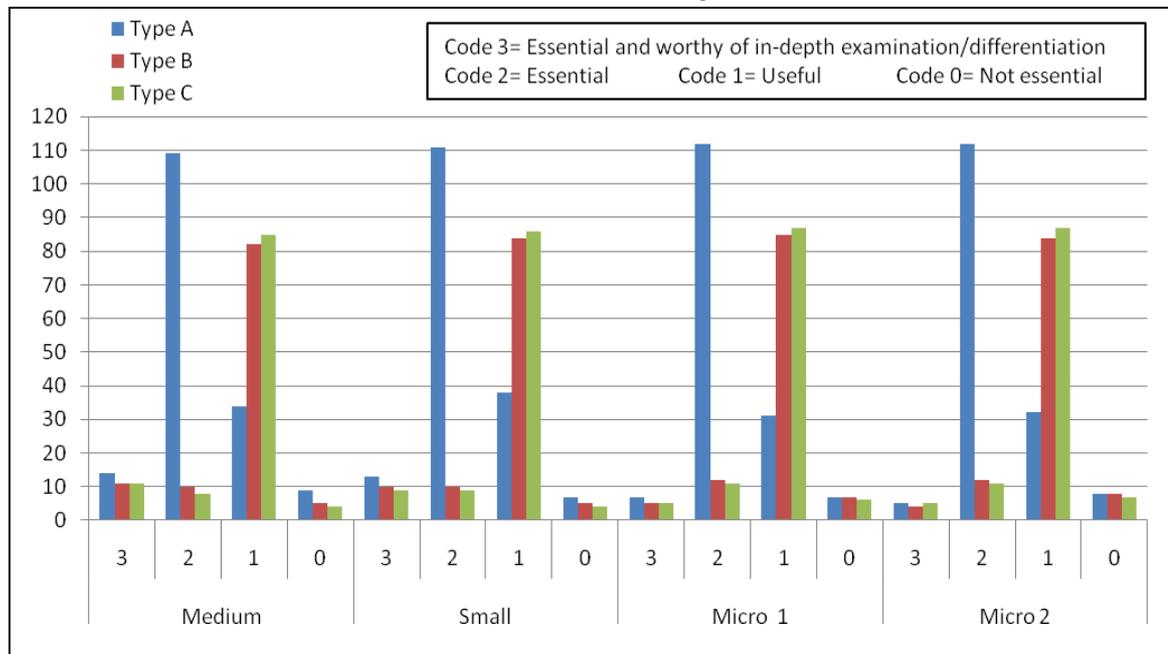
937 Respondents in total, 193 of which expressed at least one judgement, 744 did not respond i.e. 79,40%.

The table analysed shows that:

- As for Type A entities, most Respondents (all entity sizes) consider the information relating to raw materials and consumables essential (Code 2);
- As for Type B and C entities, most Respondents (all entity sizes) consider the information relating to raw materials and consumables useful (Code 1).

- Other external charges

*Figure No. 33 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements:
Other external charges*



Source: Annex 2E - Users - Table No. 32

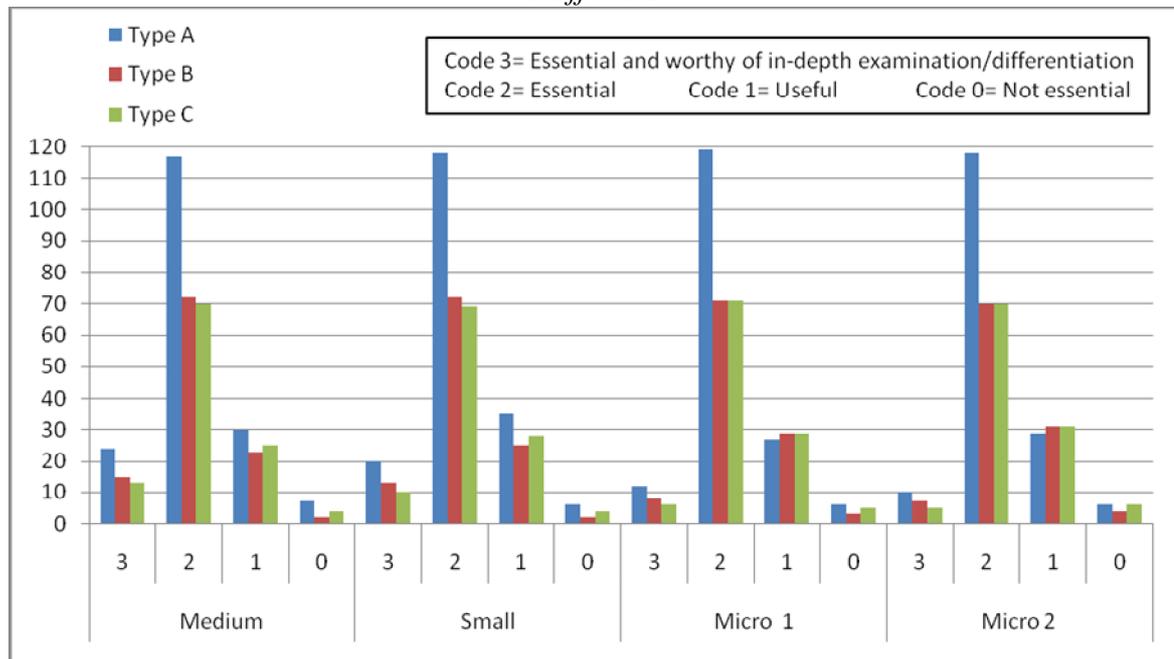
937 Respondents in total, 182 of which expressed at least one judgement, 755 did not respond i.e. 80,58%.

The table analysed shows that:

- As for Type A entities, most Respondents (all entity sizes) consider the information relating to other external charges essential (Code 2);
- As for Type B and C entities, most Respondents (all entity sizes) consider the information relating to other external charges useful (Code 1).

- Staff costs

Figure No. 34 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements:
Staff costs



Source: Annex 2E - Users - Table No. 33

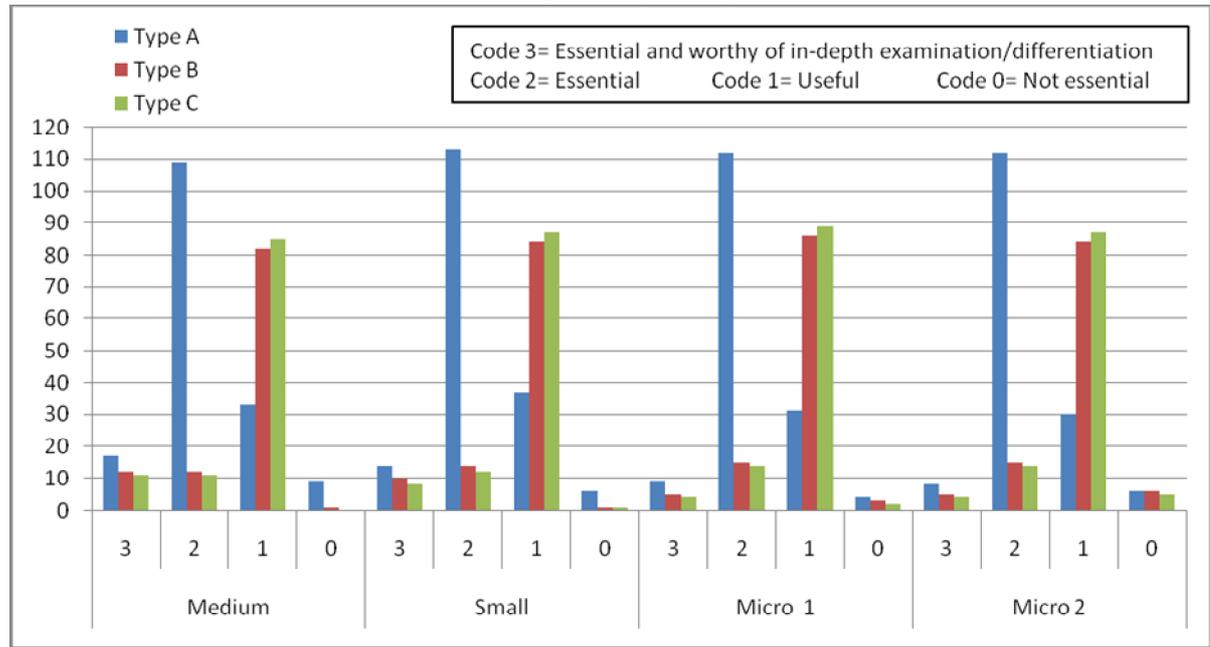
937 Respondents in total, 194 of which expressed at least one judgement, 743 did not respond i.e. 79,30%.

The table analysed shows that:

- For all Type B and C entities, regardless of their size, Respondents who consider the information concerning the staff costs essential (Code 2) prevail.

- Other operating charges

*Figure No. 35 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements:
Other operating charges*



Source: Annex 2 E - Users - Table No. 34

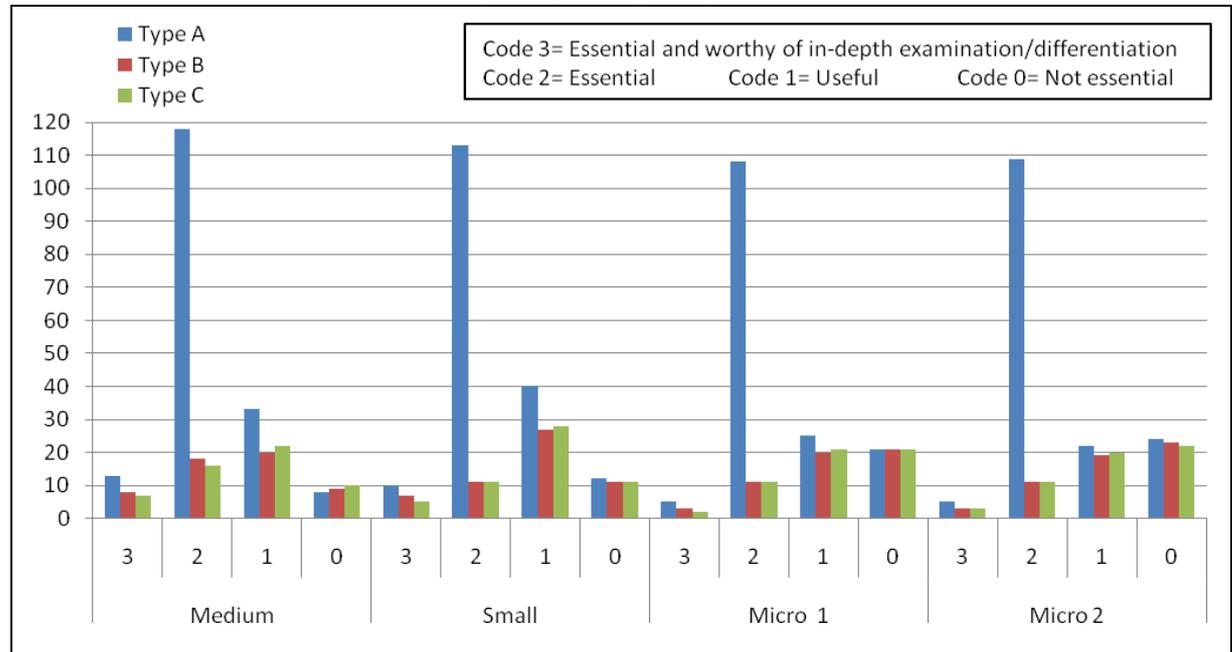
937 Respondents in total, 184 of which expressed at least one judgement, 753 did not respond i.e. 80,36%.

The table analysed shows that:

- For Type A entities, a substantial majority of Respondents of all size classes who consider Essential (Code 2) the information relative to other operating charges;
- As for Type B and C entities, most Respondents (all company sizes) consider the information relating to work on a time and materials basis useful (Code 1).

- Income from participating interests

*Figure No. 36 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements:
Income from participating interests*



Source: Annex 2E - Users - Table No. 35

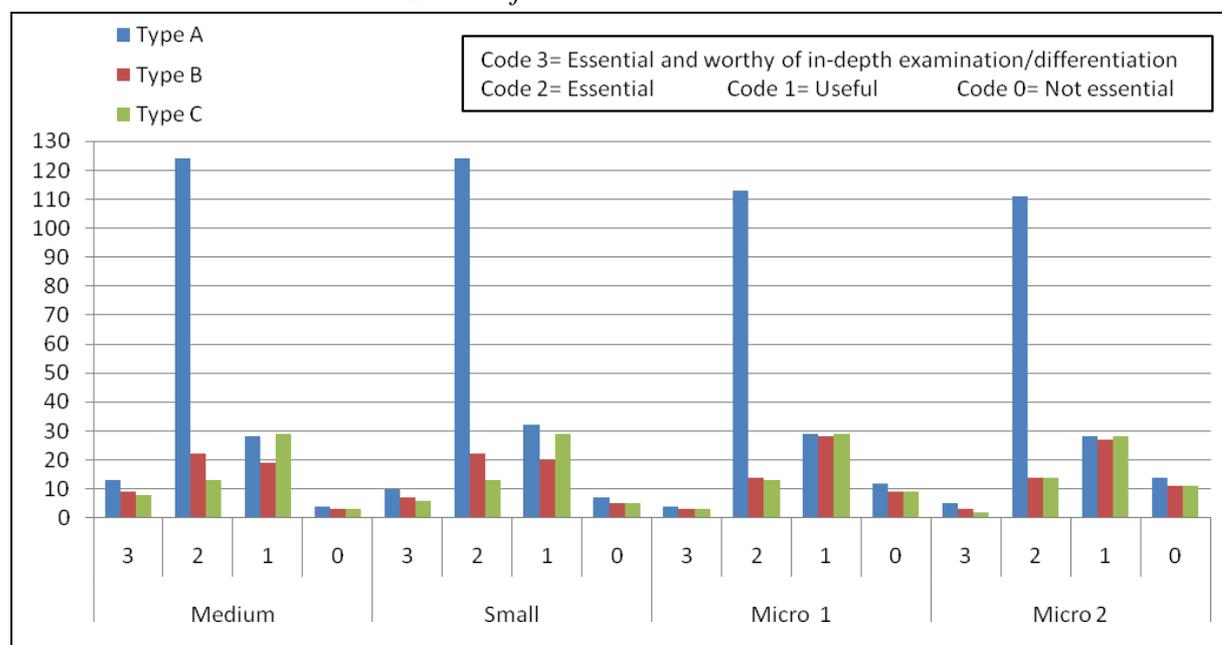
937 Respondents in total, 188 of which expressed at least one judgement, 749 did not respond i.e. 79,94%.

The table analysed shows that:

- For Type A entities, a substantial majority of Respondents considered essential (Code 2) the information relating to income from participating interests;
- As for Type B and C entities, most Respondents consider the information relating to income from participating interests useful (Code 1).

- Income from other investments and loans forming part of the fixed assets

**Figure No. 37 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements:
Income from other investments**



Source: Annex 2E - Users - Table No. 36

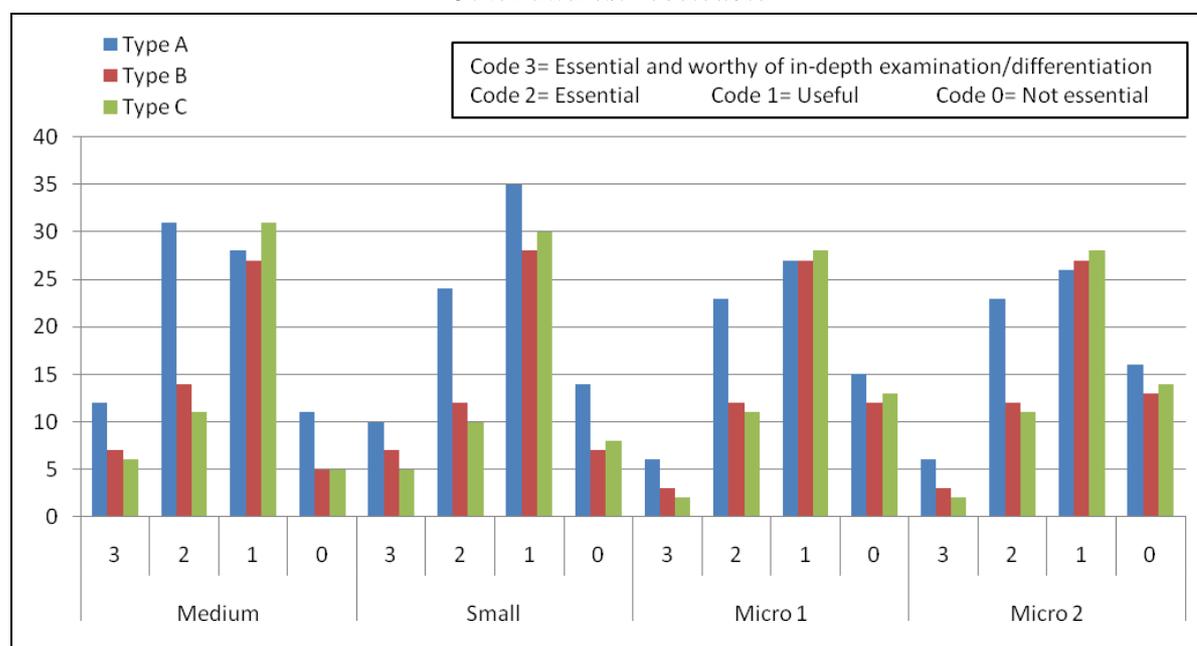
937 Respondents in total, 185 of which expressed at least one judgement, 752 did not respond i.e. 80,26%.

The table analysed shows that:

- As for Type A entities of all size, most Respondents consider the information relating to income from other investments essential (Code 2);
- As to Type B Micros 1 and 2 entities, most Respondents consider the information relating to income from other investments useful (Code 1). As for Medium- and Small sized classes, the judgements reflecting an essential nature (Code 2) prevail;
- As for Type C entities of all size, most Respondents consider the information relating to income from other investments useful (Code 1).

- Other interest receivable and similar income

**Figure No. 38 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements:
Other interest receivable**



Source: Annex 2E - Users - Table No. 37

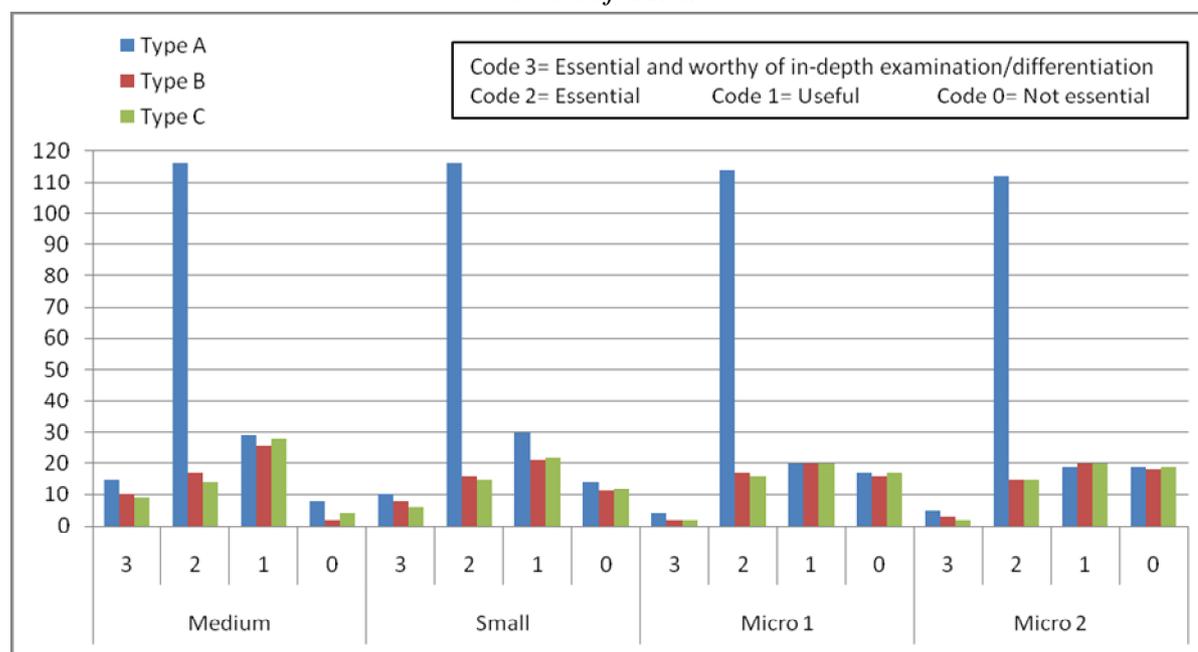
937 Respondents in total, 97 of which expressed at least one judgement, 840 did not respond i.e. 89,65%.

The table analysed shows that:

- As for Type A entities of all sizes, most Respondents consider the information relating to other interests receivable essential (Code 2); as the entity size decreases, so do the judgements reflecting usefulness (code 1) increase;
- As for Type B and C entities of all sizes, most Respondents consider the information relating to other interests receivable useful (Code 1).

- Value adjustments of financial assets and of investments held as current assets

*Figure No. 39 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements:
Value adjustments*



Source: Annex 2E - Users - Table No. 38

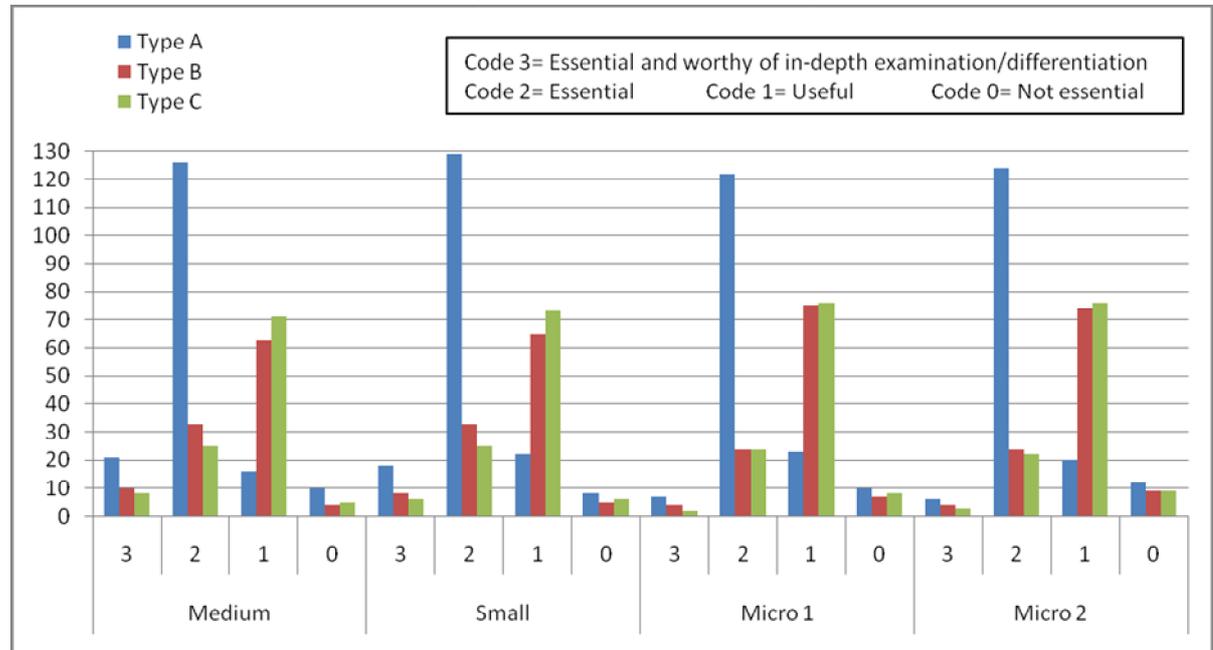
937 Respondents in total, 184 of which expressed at least one judgement, 753 did not respond i.e. 80,36%.

The table analysed shows that:

- As for Type A entities of all sizes, most Respondents consider the information relating to value adjustments essential (Code 2);
- As for Type B and C entities of all sizes, most Respondents consider the information relating to value adjustments useful (Code 1).

- Interest payable and similar charges

*Figure No. 40 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements:
Interest payable and similar charges*



Source: Annex 2E - Users - Table No. 39

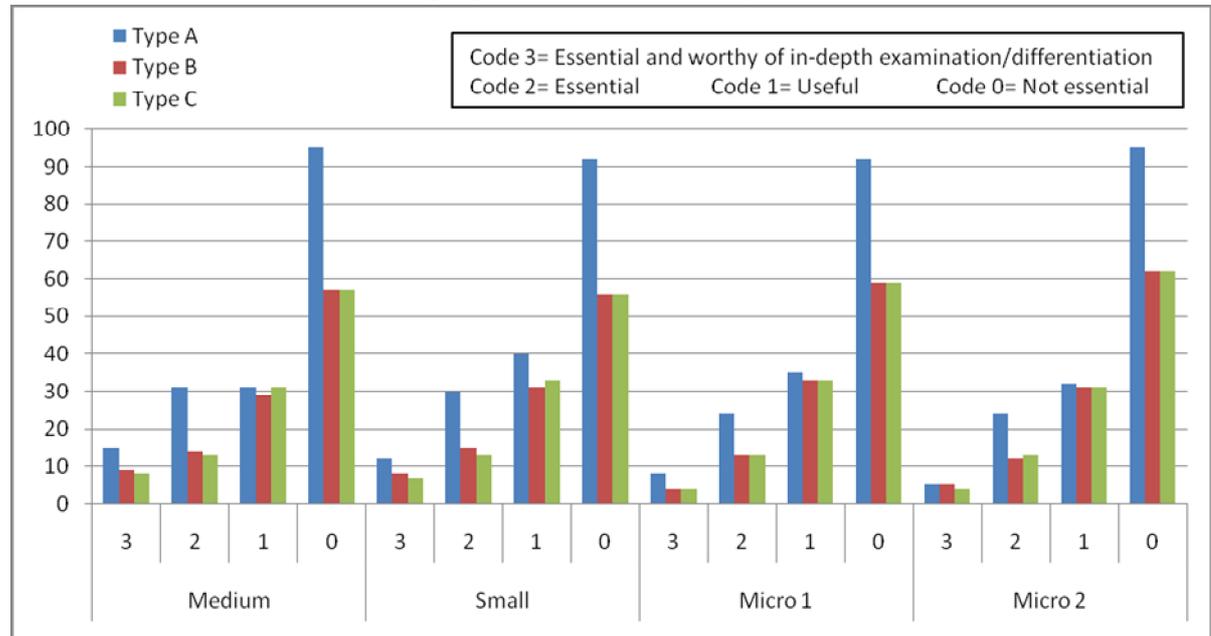
937 Respondents in total, 190 of which expressed at least one judgement, 747 did not respond i.e. 79,72%.

The table analysed shows that:

- As for Type A entities of all sizes, most Respondents consider the information relating to interests payable essential (Code 2);
- As for Type B and C entities of all sizes, most Respondents consider the information relating to interests payable useful (Code 1).

- Tax on profit or loss on ordinary activities

*Figure No. 41 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements:
Tax on profit or loss on ordinary activities*



Source : Annex 2E - Users - Table No. 40

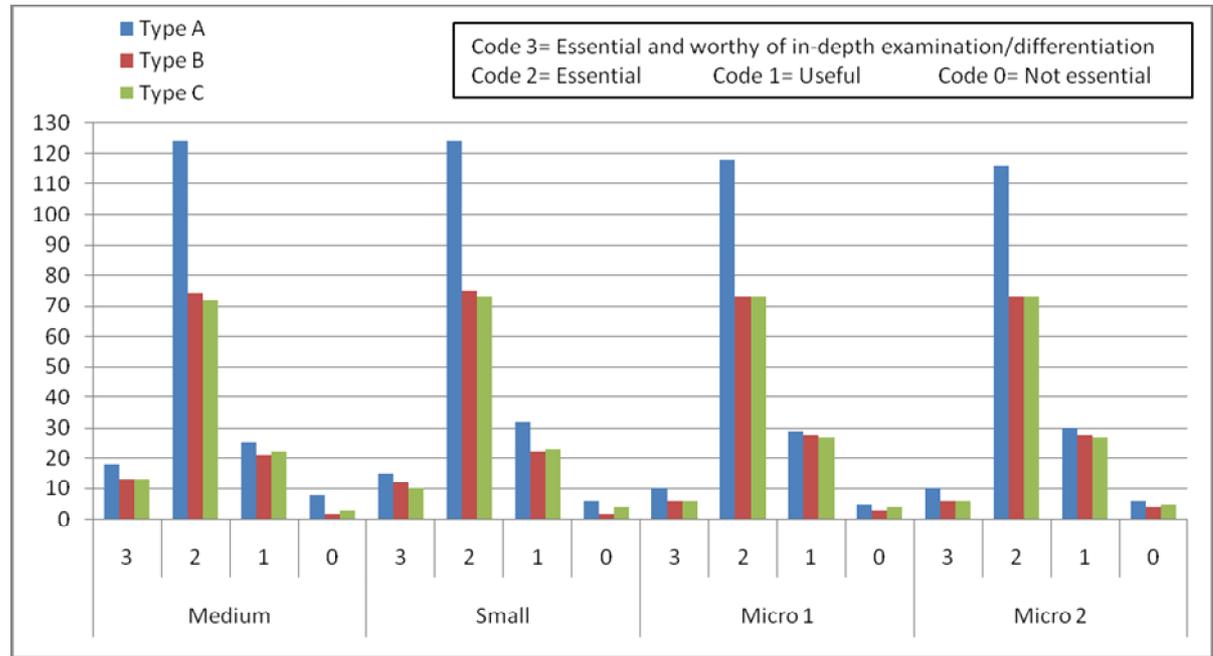
937 Respondents in total, 188 of which expressed at least one judgement, 749 did not respond i.e. 79,94%.

The table analysed shows that:

- For all entities (Types A, B and C), regardless of their size, the judgements reflecting a “non-essential” nature of the information prevail.

- Profit or loss on ordinary activities after taxation

*Figure No. 42 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements:
Profit or loss on ordinary activities after taxation*



Source: Annex 2E - Users - Table No. 41

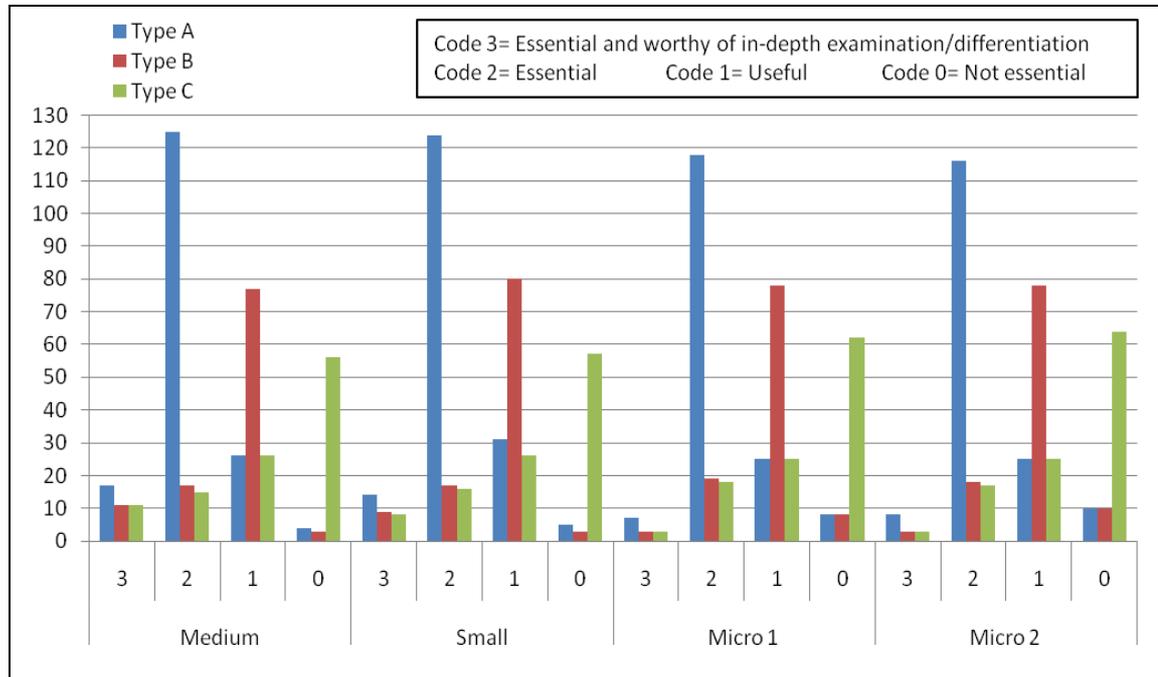
937 Respondents in total, 191 of which expressed at least one judgement, 746 did not respond i.e. 79,62%.

The table analysed shows that:

- For all Type B and C entities, regardless of their size, Respondents who consider this information essential (Code 2) prevail.

- Extraordinary income

*Figure No. 43 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements:
Extraordinary income*



Source: Annex 2E - Users - Table No. 42

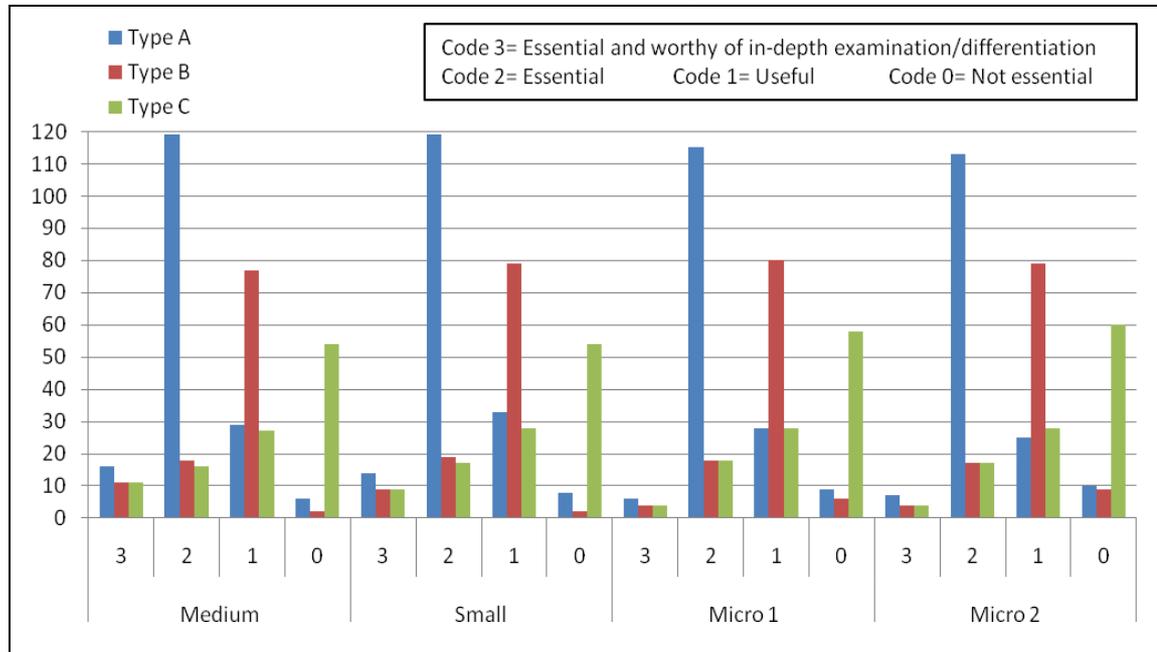
937 Respondents in total, 187 of which expressed at least one judgement, 750 did not respond i.e. 80,04%.

The table analysed shows that:

- For all Type A entities, Respondents who consider this information essential (Code 2) prevail;
- For all Type B entities, Respondents who consider this information useful (Code 1) prevail;
- For all Type C entities, Respondents who consider this information non-essential (Code 0) prevail.

- Extraordinary charges

*Figure No. 44 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements:
Extraordinary charges*



Source: Annex 2E - Users - Table No. 43

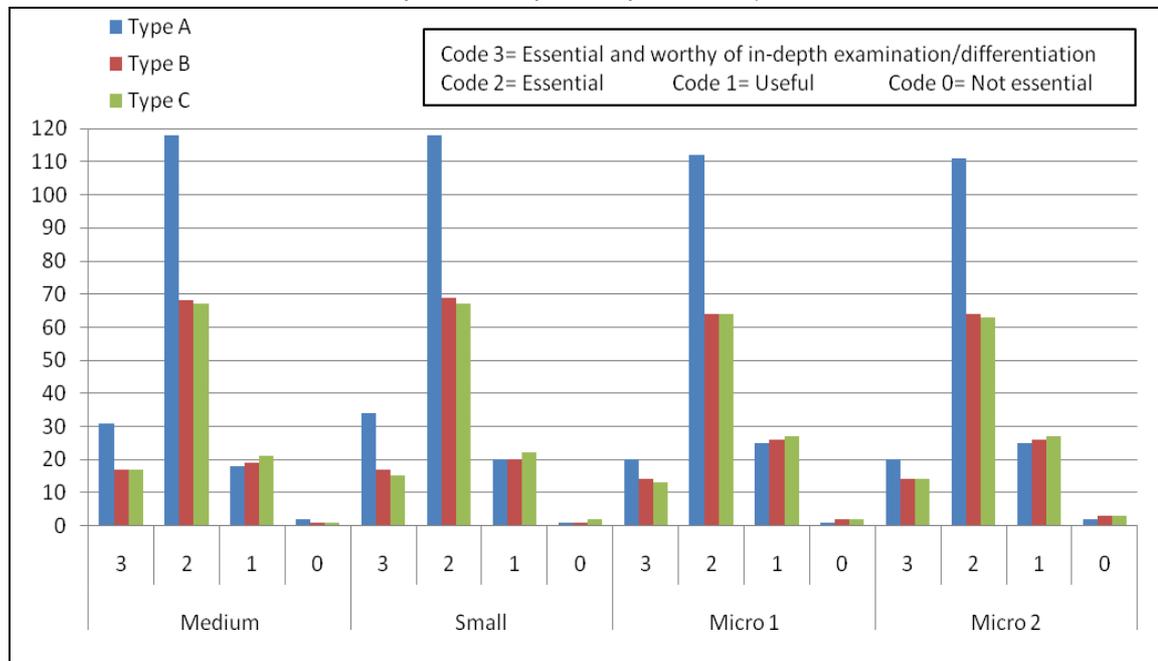
937 Respondents in total, 187 of which expressed at least one judgement, 750 did not respond i.e. 80,04%.

The table analysed shows that:

- For all Type A entities, Respondents who consider this information essential (Code 2) prevail;
- For all Type B entities, Respondents who consider this information useful (Code 1) prevail;
- For all Type C entities, Respondents who consider this information non-essential (Code 0) prevail.

- Profit or loss for the financial year

*Figure No. 45 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements:
Profit or loss for the financial year*



Source: Annex 2E - Users - Table No. 44

937 Respondents in total, 185 of which expressed at least one judgement, 752 did not respond i.e. 80,26%.

The table analysed shows that:

- For Type A entities the judgements reflecting an essential nature of the information (Code 2) prevail, while in relation to Types B and C the level of essentiality shown is clearly lower than the level pertaining to Type A.

- Profit and Loss Account (P/L) - Other information

The answers received to this question are few and, what's more, they are not provided with the specifications required. As a consequence, it is not possible to comment this matter.

In Chapter 4.4., there are summarized the total results of the replies with reference to Question No. 18- *The importance of the Profit and Loss Account's (P/L) elements for the different SMEs.*

19) In this section you should indicate with a numerical value the importance that you attribute to other information contained in the financial statements.

Which is the importance of the following elements?

This question collects the opinion of the Respondents with reference to the importance of the following other information contained in the financial statements:

- Number of customers
- Number of suppliers
- Costs' nature
- Impairment of fixed assets
- Fair value of property, plant and equipment
- Deferred taxes
- Value of real estate with an ongoing leasing/finance lease agree
- Value of capital debt of leasing agreement
- and in the value express above, the amount of residual debt ...
- Value of guarantees received/given
- Amount of derivates
- Pensions
- Post employment benefits
- Share based payments
- Long-term contracts/construction contracts
- Related party transactions
- Research and development projects
- Entity structure
- Controlling body of the entity
- Number of employees
- Operating areas/business areas of the Entity
- The adoption of a Sustainability of Social Report
- Quality certification
- Environmental impact (energy production, ..., etc.)
- Forecasts of future investments/business developments
- Accounting regime followed

The possible Respondents are 937; nonetheless since many of them did not provide any reply and that the ones who did reply, replied with reference to different clusters (a "cluster" being a group deriving from matching legal form and size of the entities), there may be different numbers of replies. The Respondents indeed were asked to tick their replies in a box, representing 12 different combinations/clusters of entities (e.g. Medium-sized Type A entity, Medium-sized Type B entity, Medium-sized Type C and so on).

The Figures hereby presented (from No. 46 to 71) show the opinion expressed with reference to each cluster, regardless of the number of the Respondents, their legal form and nationality.

The numbers shown in the matrix refer to the numerical answers received, in the following order: 3; 2; 1; 0

Where: Code 3= Essential and worthy of in-depth examination/differentiation

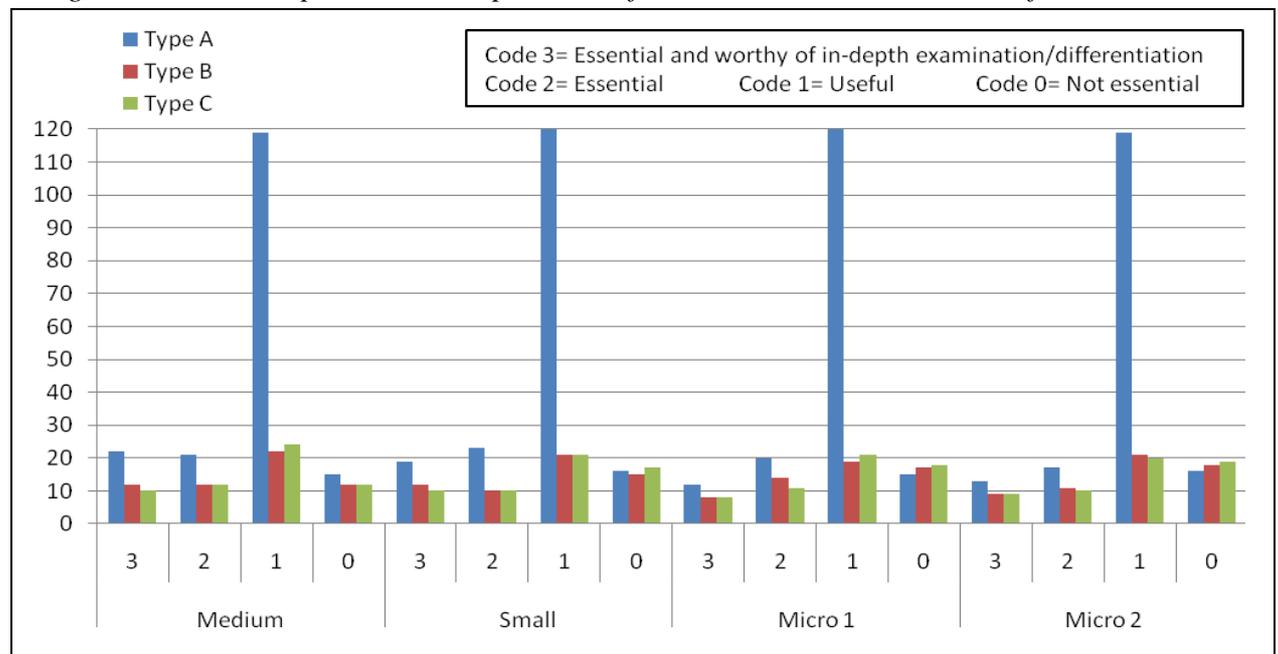
Code 2= Essential

Code 1= Useful

Code 0= Not essential

- Number of customers

Figure No. 46 - Chapter 4 - The importance of the other elements: Number of customers



Source: Annex 2E - Users - Table No. 45

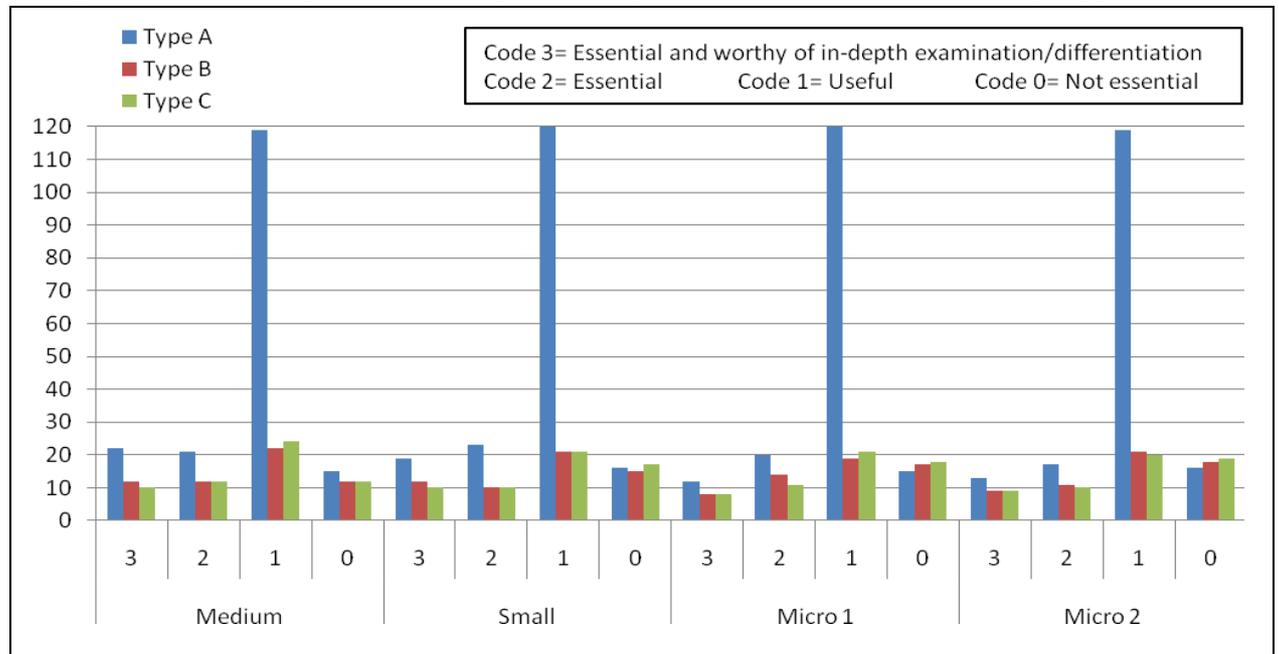
937 Respondents in total, 194 of which expressed at least one judgement, 743 did not respond i.e. 79,30%.

The table analysed shows that:

- For all Type A entities, regardless of their size, the judgements identified by Code 1 (useful information) prevail;
- For all remaining entities, regardless of the legal form and size, although the judgements reflecting a useful nature of the information (Code 1) prevail, the judgements are equally subdivided among the different possible opinions.

- Number of suppliers

Figure No. 47 - Chapter 4 - The importance of the other elements: Number of suppliers



Source: Annex 2E - Users - Table No. 46

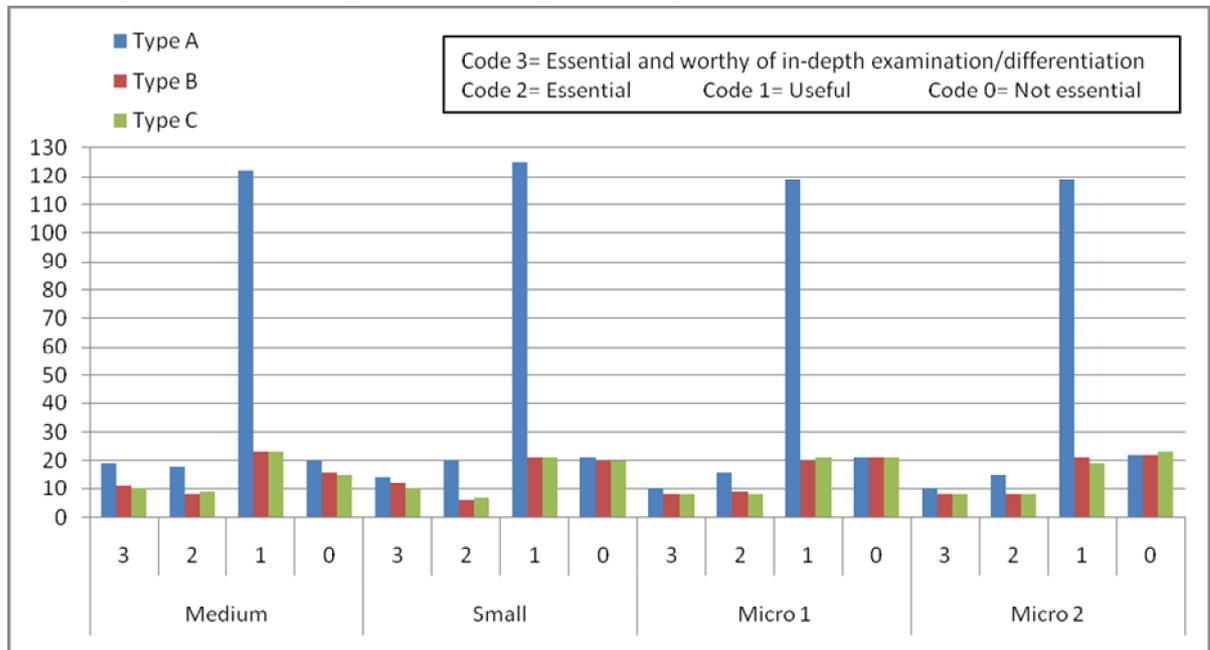
937 Respondents in total, 193 of which expressed at least one judgement, 744 did not respond i.e. 79,40%.

The table analysed shows that:

- For all Type A entities, regardless of their size, the judgements identified by Code 1 (useful information) prevail;
- For all remaining Type B and C entities, the judgements which reflect the usefulness of the information (Code 1) prevail for Medium- and Small-sized entities, while the information is considered non-essential (Code 0) by the Micro 1 and Micro 2 size entities. It should be also noted that prevailing opinions for Types B and C is not as evident as for Types A.

- *Costs' nature*

Figure No. 48 - Chapter 4 - The importance of the other elements: Costs' nature



Source: Annex 2E - Users - Table No. 47

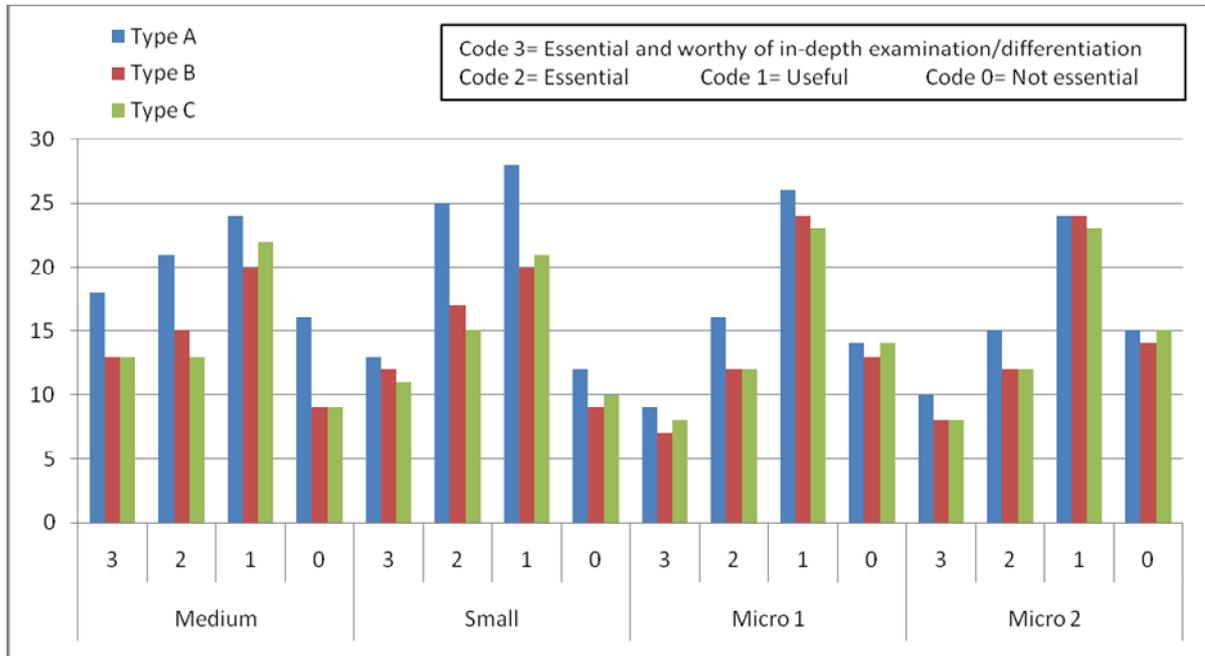
937 Respondents in total, 94 of which expressed at least one judgement, 843 did not respond i.e. 89,97%.

The table analysed shows that:

- For all Type A entities, and for Type B and C Medium-sized, the judgements identified by Code 2 (essential information) prevail;
- For all remaining entities, regardless of their legal form and size, the judgements reflecting the usefulness of the information (Code 1) prevails. However, it should be noted that as the entity's size decreases, the judgements reflecting non-essential information (Code 0) become more and more important.

- Impairment of fixed assets

Figure No. 49 - Chapter 4 - The importance of the other elements: Impairment of fixed assets



Source: Annex 2E - Users - Table No. 48

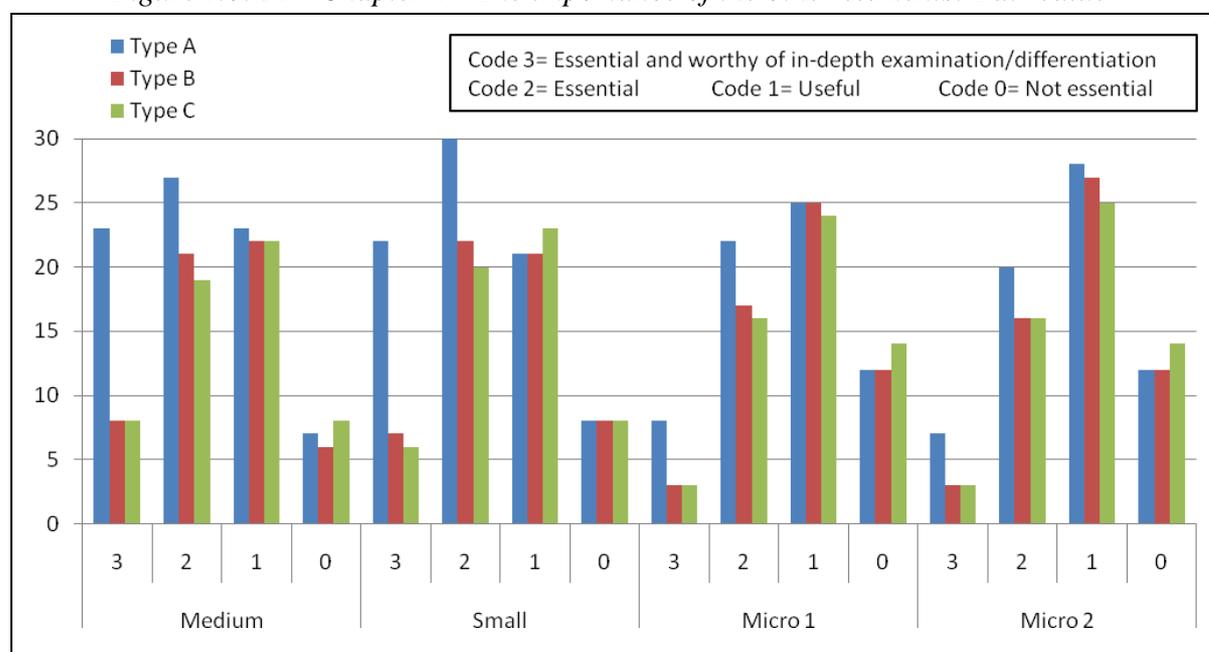
937 Respondents in total, 93 of which expressed at least one judgement, 844 did not respond i.e. 90,07%.

The table analysed shows that:

- For all entities, the judgements identified by Code 1 (useful information). Only for Type A Medium-sized entities, the judgements reflecting an essential nature (Code 2) prevail;
- In addition, it should be noted that as the size of the entity decreases, the judgements reflecting a non-essential nature (Code 0) become more and more important over the judgements expressing “essentiality” Code 1).

- Fair value of property, plant and equipment

Figure No. 50 - Chapter 4 - The importance of the other elements: Fair value



Source: Annex 2E - Users - Table No. 49

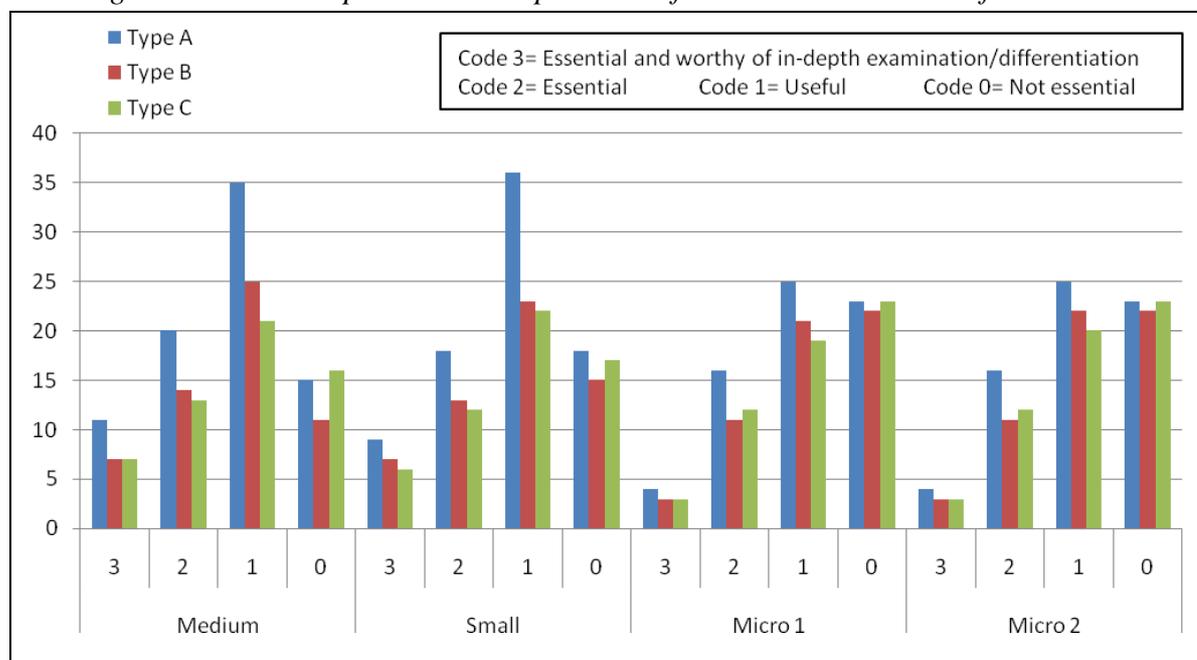
937 Respondents in total, 94 of which expressed at least one judgement, 843 did not respond i.e. 89,97%.

The table analysed shows that:

- For all Type A entities and Type B and C Medium- and Small-sized, the judgements identified by Code 1 (usefulness) and 2 (essentiality) of the information prevail;
- For all remaining entities (Type A, B and C), the judgements which reflect the usefulness of the information (Code 1) prevail. However, as the entity's size decreases, the judgements which reflect the non-essentiality (Code 0) become more and more important over those which consider this information essential (Code 2).

- *Deferred taxes*

Figure No. 51 - Chapter 4 - The importance of the other elements: Deferred taxes



Source: Annex 2E - Users - Table No. 50

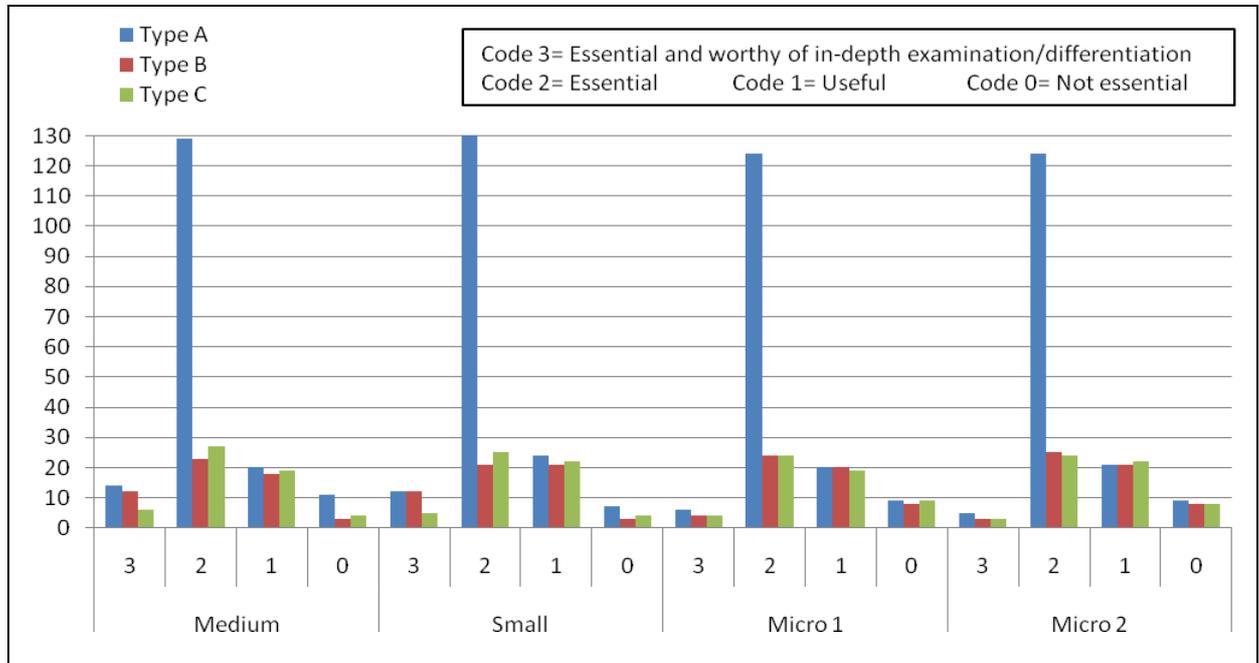
937 Respondents in total, 95 of which expressed at least one judgement, 842 did not respond i.e. 89,86%.

The table analysed shows that:

- For all Type A entities, regardless of their size, judgements identified by Code 1 (useful information) prevail. The same judgement prevails also for Type B and C entities, Medium- and Small-sized. For all the entities, as the size decreases, so do the judgements reflecting a non-essential nature (Code 0) become more and more important, while judgements reflecting an “essential” nature (Code 2) decrease;
- For Type B and C entities, Micro1 and Micro 2, the judgements showing a non-essential nature of the information prevail (Code 0).

- Value of real estate with an ongoing leasing/finance lease agreement

Figure No. 52 - Chapter 4 - The importance of the other elements: Value of real estate with an ongoing leasing/finance lease agreement



Source: Annex 2E - Users - Table No. 51

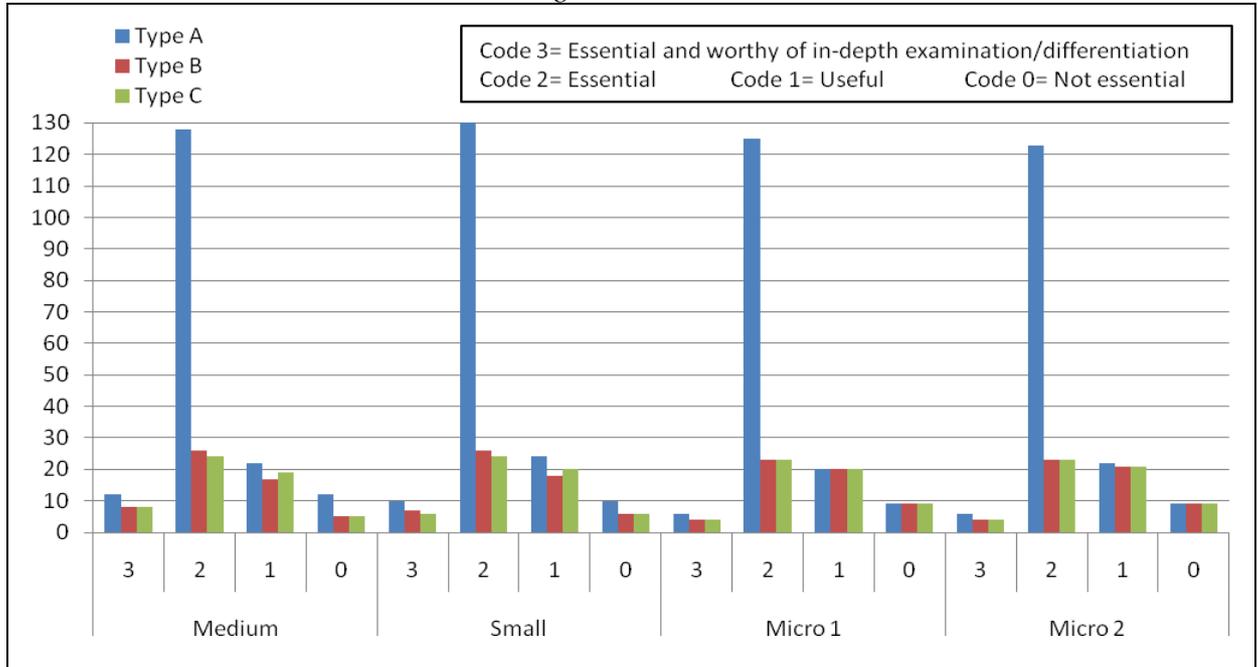
937 Respondents in total, 188 of which expressed at least one judgement, 749 did not respond i.e. 79,94%.

The table analysed shows that:

- For all entities, regardless of their legal form and size, the judgements identified by Code 2 (essential information) prevail;
- It should be also noted that prevailing opinions for Types B and C is not as evident as for Types A.

- - Value debt of leasing agreement

Figure No. 53 - Chapter 4 - The importance of the other elements: Value debt of leasing agreement



Source: Annex 2E - Users - Table No. 52

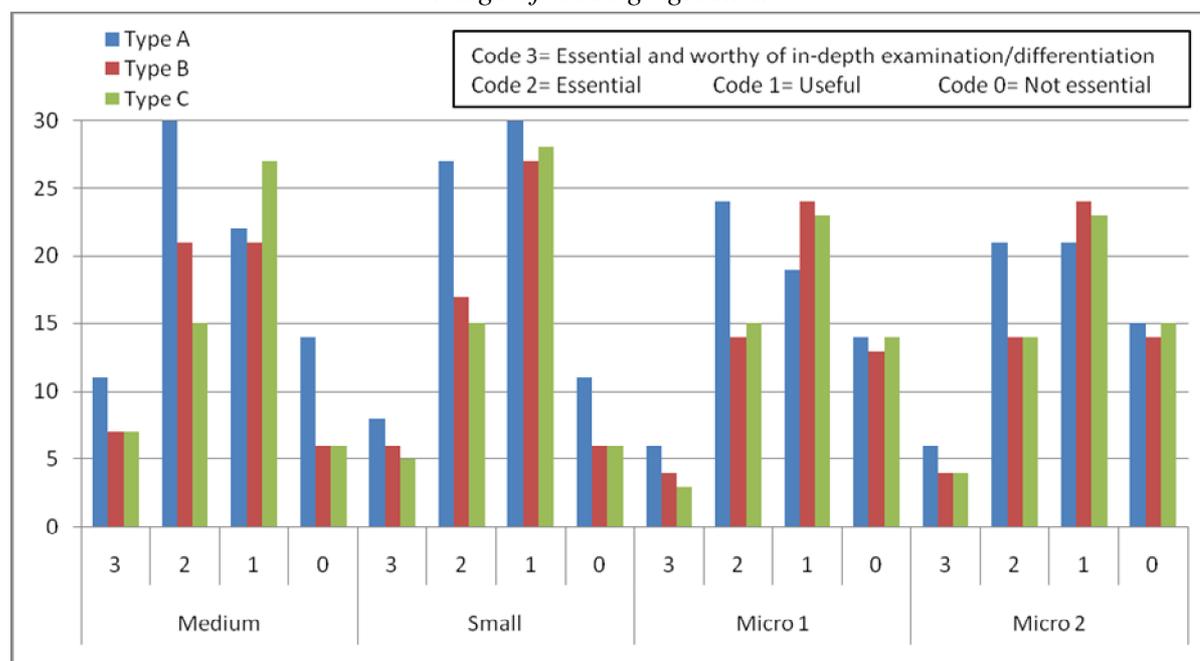
937 Respondents in total, 188 of which expressed at least one judgement, 749 did not respond i.e. 79,94%.

The table analysed shows that:

- For all entities, regardless of their legal form and size, the judgements identified by Code 2 (essential information) prevail;
- It should be also noted that prevailing opinions for Types B and C is not as evident as for Types A.

- Residual debt of capital charge of leasing agreements

Figure No. 54 - Chapter 4 - The importance of the other elements: Residual debt of capital charge of leasing agreements



Source: Annex 2E - Users - Table No. 53

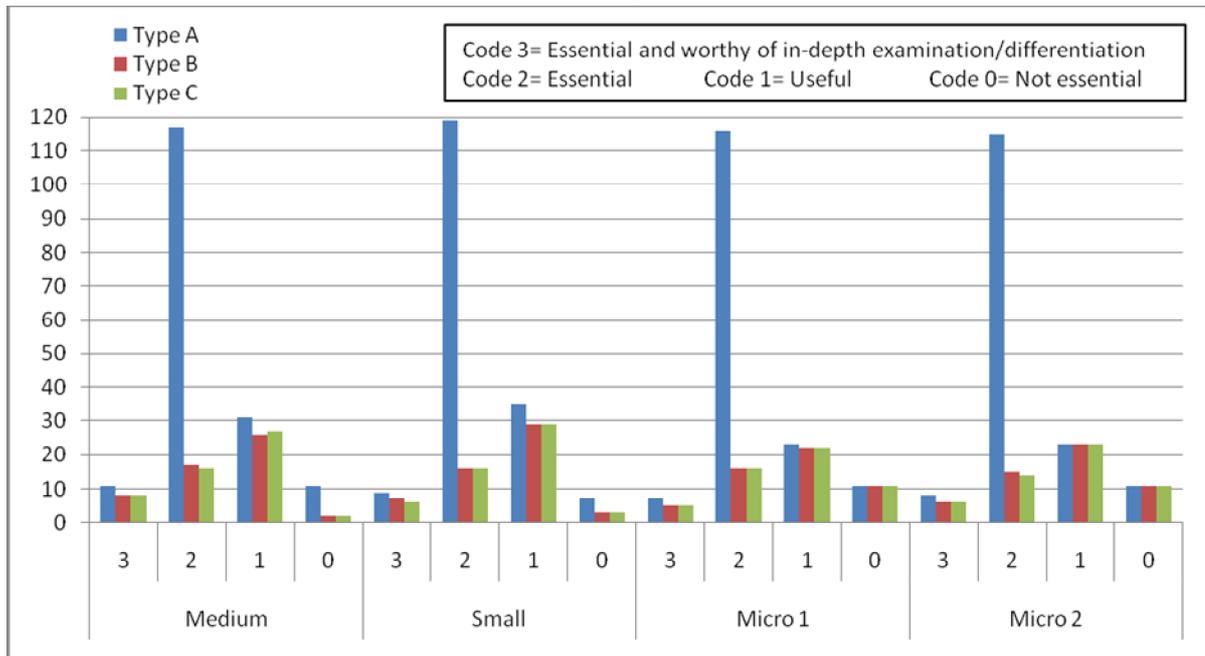
937 Respondents in total, 91 of which expressed at least one judgement, 846 did not respond i.e. 90,29%.

The table analysed shows that:

- For all Type A entities, regardless of their size, the judgements identified by Code 2 (essential information) prevail;
- For all other entities, regardless of their legal form and size, the judgements identified by Code 1 (useful information) prevail.

- Value of guarantees received/given

Figure No. 55 - Chapter 4 - The importance of the other elements: Value of guarantees received/given



Source: Annex 2E - Users - Table No. 54

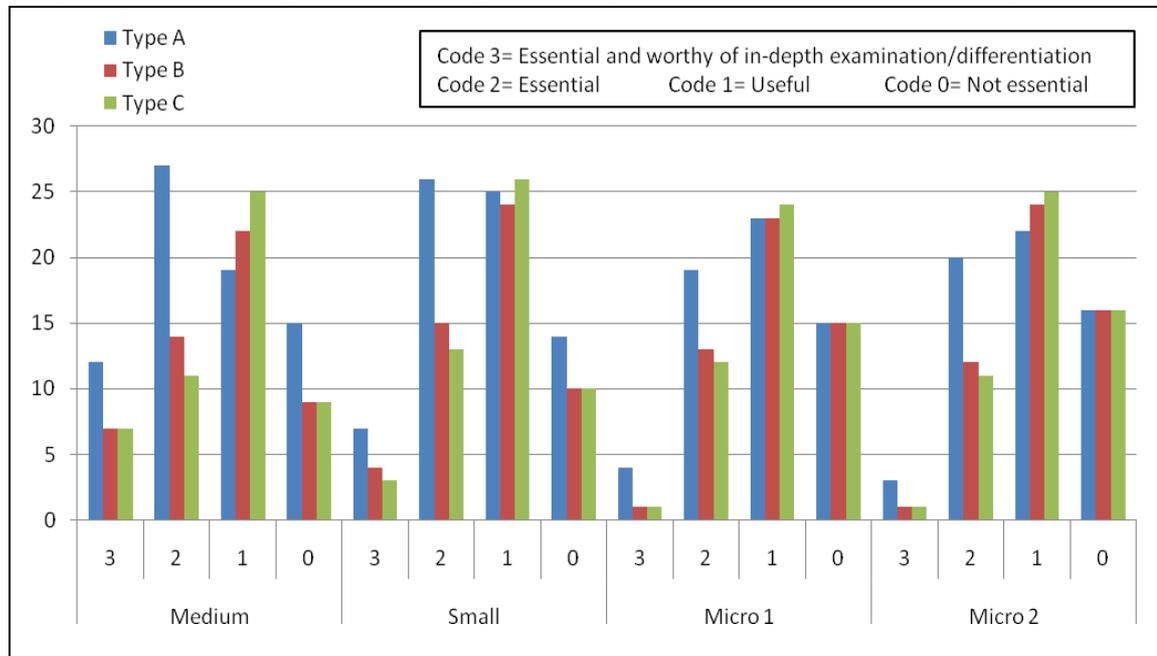
937 Respondents in total, 185 of which expressed at least one judgement, 752 did not respond i.e. 80,26%.

The table analysed shows that:

- For all Type A entities, regardless of their size, the judgements identified by Code 2 (essential information);
- For all other entities, regardless of their legal form and size, the judgements identified by Code 1 (useful information) prevail);
- It should be also noted that prevailing opinions for Types B and C is not as evident as for Types A, since the judgements are not spread over the various possible options.

- Amount of derivatives

Figure No. 56 - Chapter 4 - The importance of the other elements: Amount of derivatives



Source: Annex 2E - Users - Table No. 55

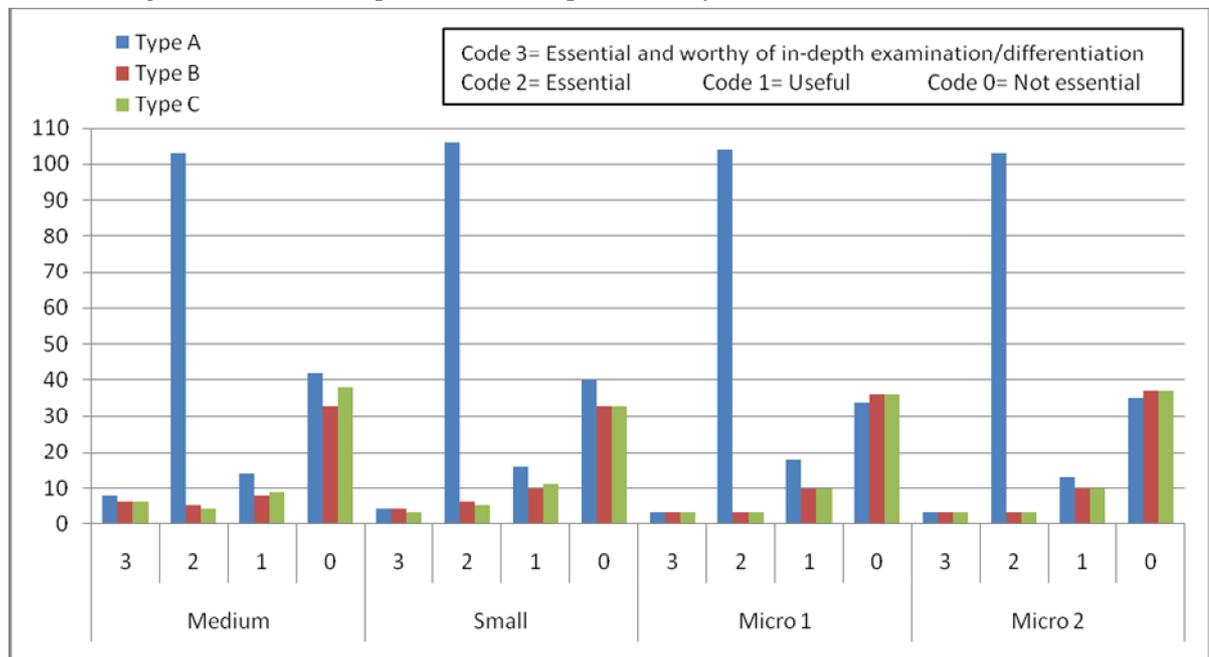
937 Respondents in total, 87 of which expressed at least one judgement, 850 did not respond i.e. 90,72%.

The table analysed shows that:

- For all entities, the judgements identified by Code 1 (useful information) prevail. Only for Type A, Medium- and Small-sized entities, judgements reflecting an essential nature prevail (Code 2);
- It should be noted however that as to this information the judgements reflecting a non-essential nature are important, even if not prevailing.

- Pensions

Figure No. 57 - Chapter 4 - The importance of the other elements: Pensions



Source: Annex 2E - Users - Table No. 56

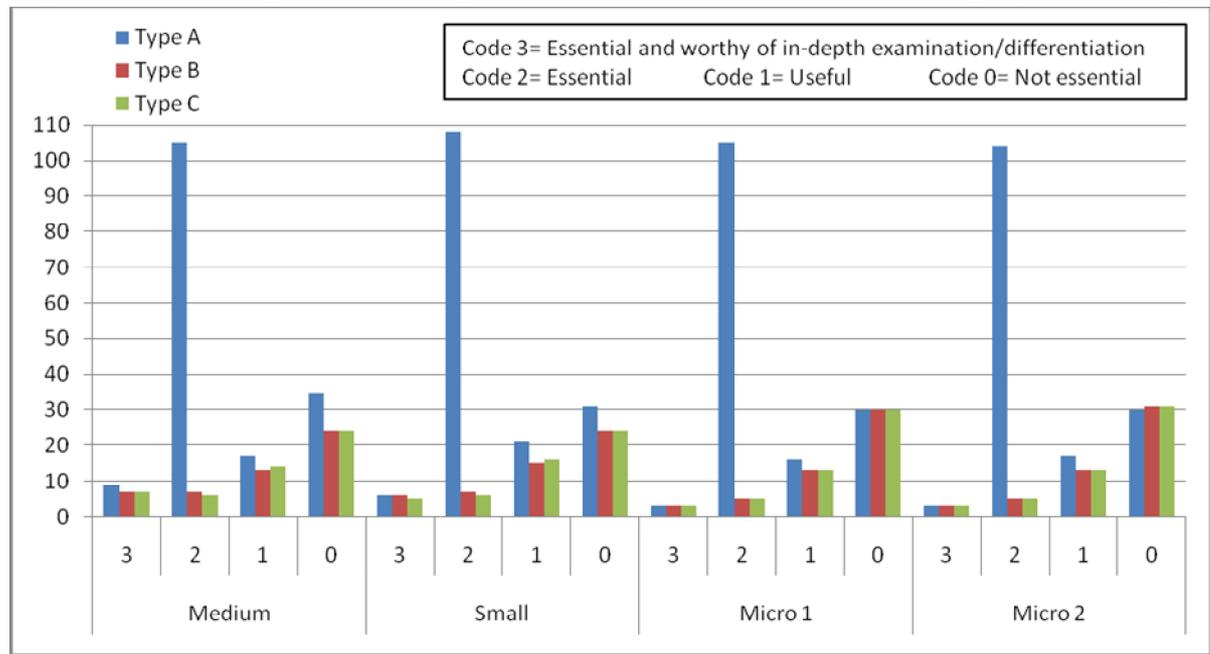
937 Respondents in total, 181 of which expressed at least one judgement, 756 did not respond i.e. 80,68%.

The table analysed shows that:

- For all Type A entities, regardless of their size, the judgements identified by Code 2 (essential information) prevail;
- For all other entities, regardless of their legal form and size, the judgements identified by Code 0 (non-essential information);

- Post employment benefits

Figure No. 58 - Chapter 4 - The importance of the other elements: Post employment benefits



Source: Annex 2E - Users - Table No. 57

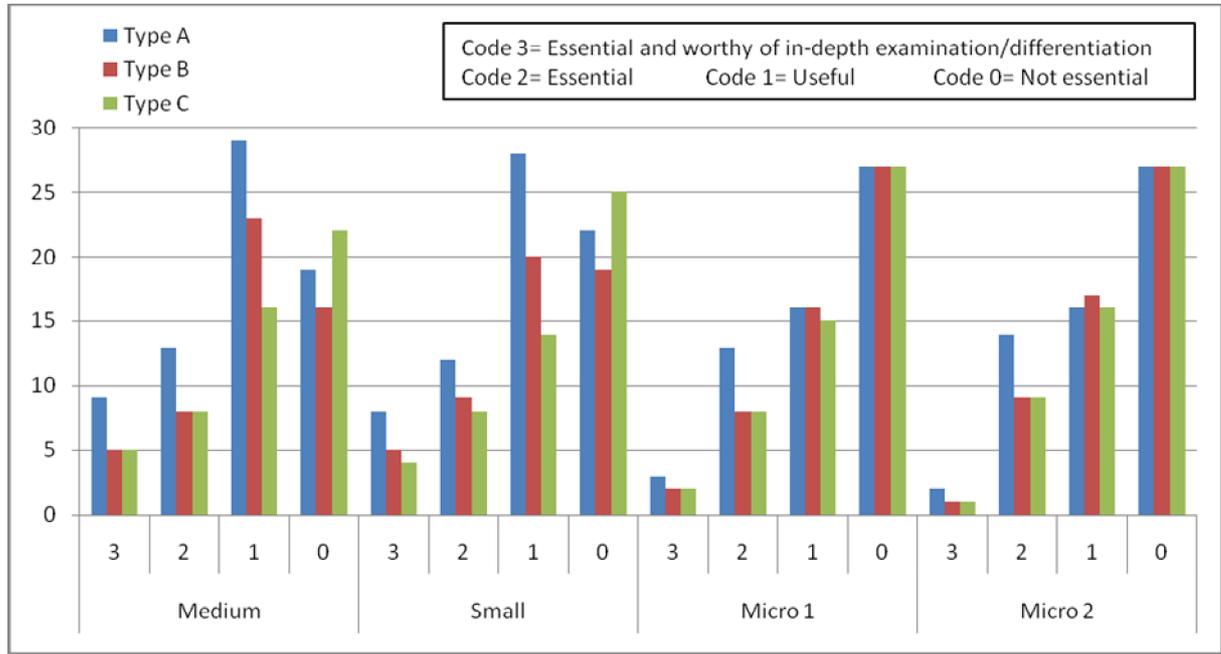
937 Respondents in total, 180 of which expressed at least one judgement, 757 did not respond i.e. 80,79%.

The table analysed shows that:

- For all Type A entities, regardless of their size, the judgements identified by Code 2 (essential information) prevail;
- For all other entities, regardless of their legal form and size, the judgements identified by Code 0 (non-essential information) prevail;

- Share based payments

Figure No. 59 - Chapter 4 - The importance of the other elements: Share based payments



Source: Annex 2E - Users - Table No. 58

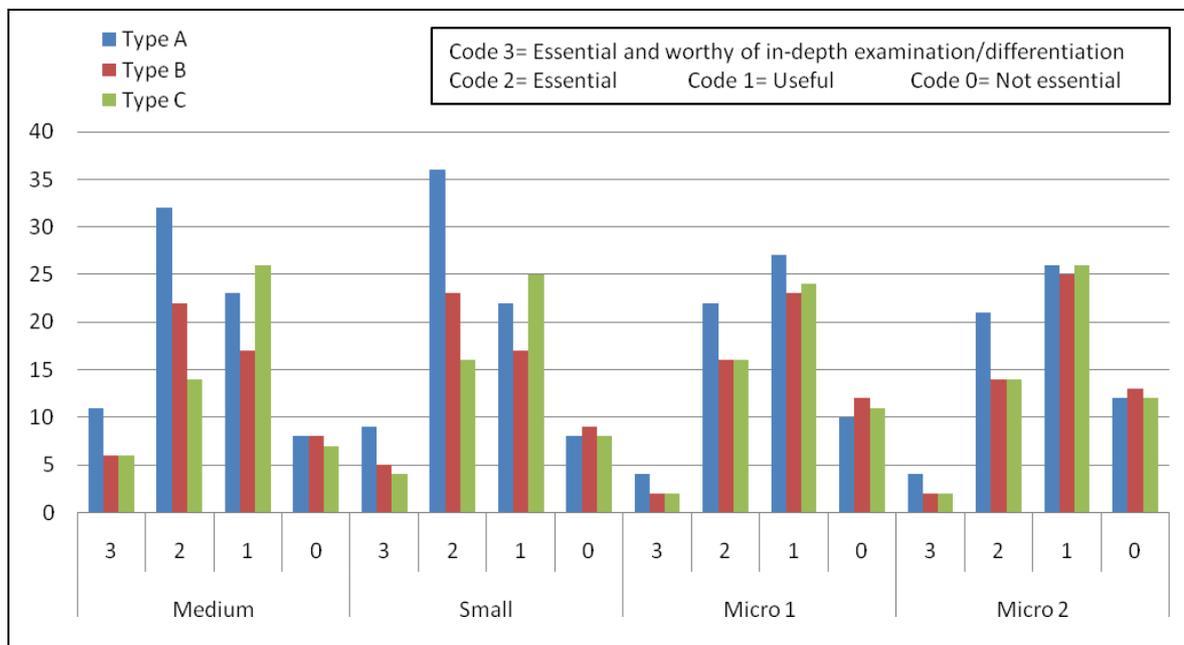
937 Respondents in total, 84 of which expressed at least one judgement, 853 did not respond i.e. 91,04%.

The table analysed shows that:

- For all Type A Medium-sized entities, and for Type B and C entities, the judgements identified by Code 1 (useful information) prevail, even if Code 0, reflecting a non-essential nature plays a major role;
- As the entity's size decreases, so do the judgements reflecting a non-essential nature (Code 0) become more and more important, and are the most numerous answers for all Micros 1 and 2 entities, in addition to all types C.

- Long-term contracts/construction contracts

Figure No. 60 - Chapter 4 - The importance of the other elements: Long-term contracts/construction contracts



Source: Annex 2E - Users - Table No. 59

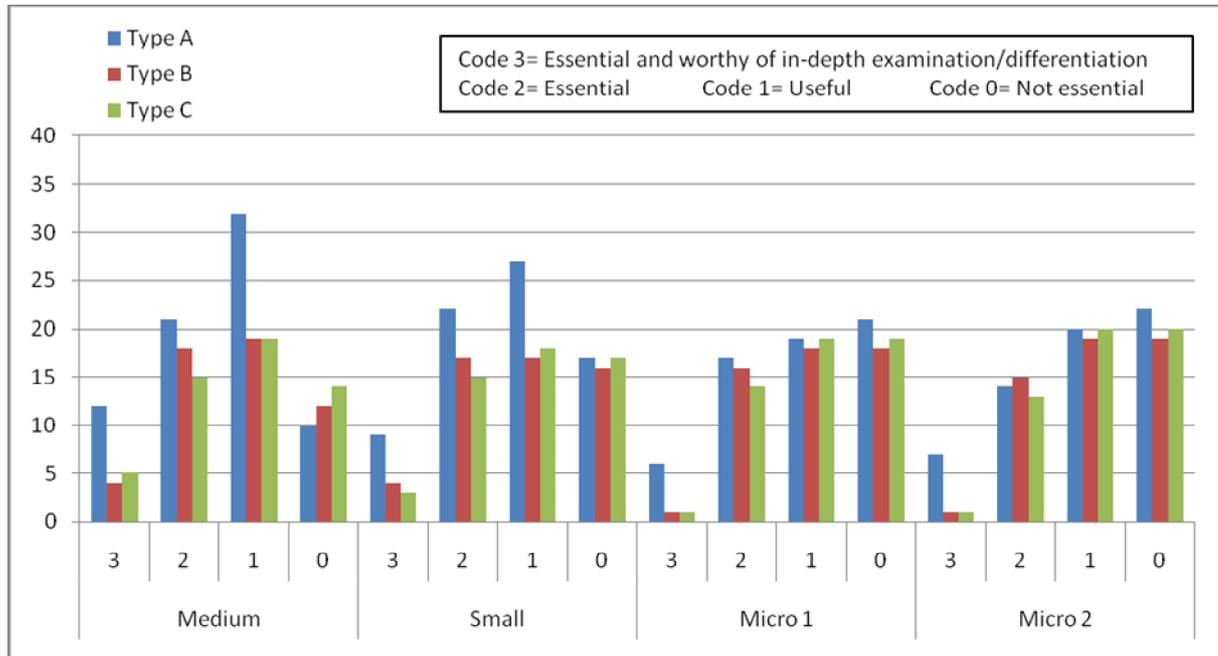
937 Respondents in total, 88 of which expressed at least one judgement, 849 did not respond i.e. 90,61%.

The table analysed shows that:

- For all Medium- and Small-sized Type A entities and Type B, the judgements identified by Code 2 (essential information) prevail, even if Code 0 (non-essential information) plays an important role;
- For all other entities, the judgements reflecting useful information (Code 1) prevail. However, it should be noted that as the entity's size decreases, the judgements reflecting non-essential information (Code 0) become more and more important.

- Related party transactions

Figure No. 61 - Chapter 4 - The importance of the other elements: Related party transactions



Source: Annex 2E - Users -Table No. 60

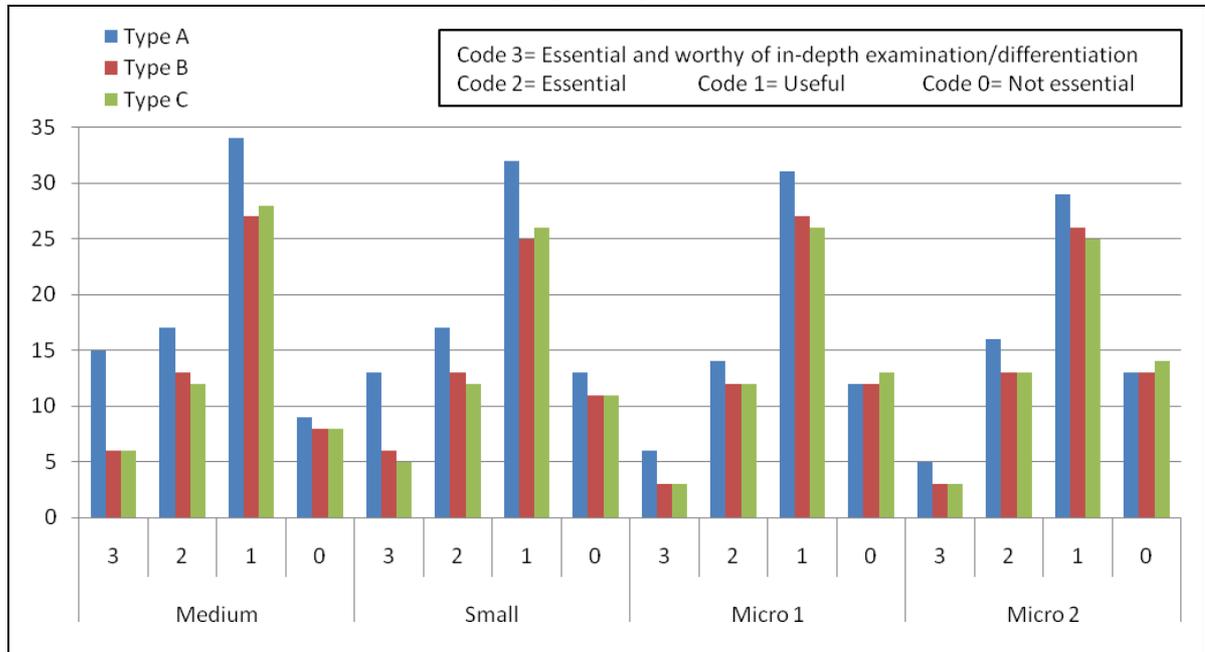
937 Respondents in total, 89 of which expressed at least one judgement, 848 did not respond i.e. 90,50%.

The table analysed shows that:

- For all Medium-sized Type A, B and C entities, the judgements identified by Code 1(useful information) prevail;
- As the entity's size decreases, so do the judgements reflecting a non-essential nature (Code 0) become more and more important, and equal the judgements reflecting a useful information (Code 1) for Micros 1 and 2 entities.

- Research and development projects

Figure No. 62 - Chapter 4 - The importance of the other elements: Research and development projects



Source: Annex 2E - Users - Table No.61

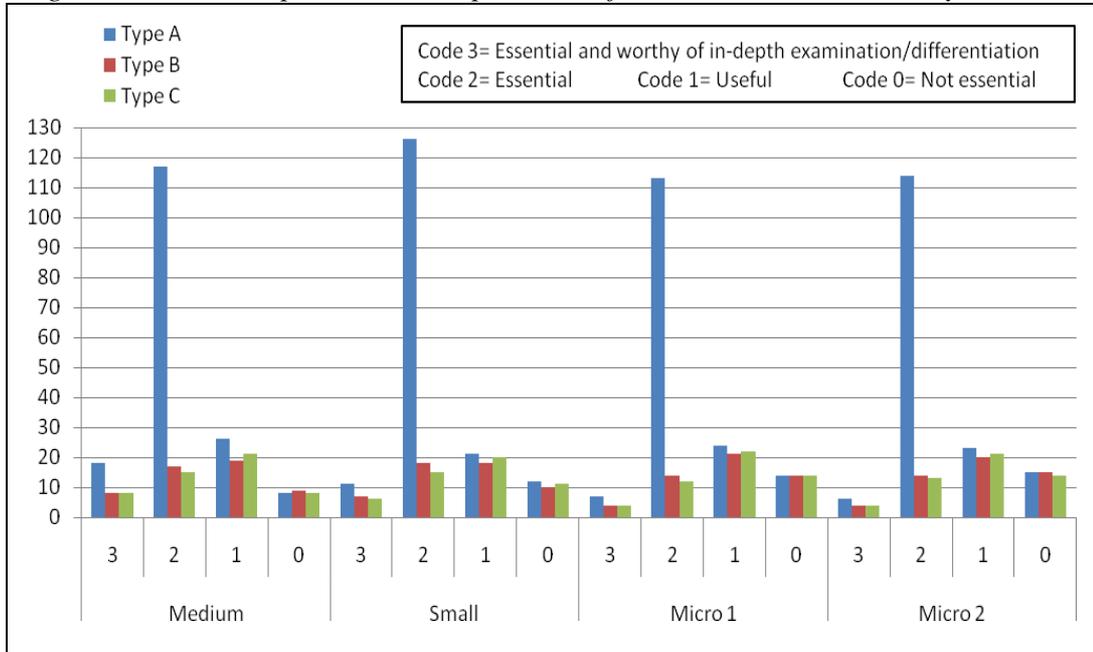
937 Respondents in total, 89 of which expressed at least one judgement, 848 did not respond i.e. 90,50%.

The table analysed shows that:

- For all entities, regardless of their legal form and size, judgements identified by Code 1 (useful information) prevail;
- As the size of the entity decreases, judgements are more evenly spread over Codes 0, 1 and 2.

- Entity structure

Figure No. 63 - Chapter 4 - The importance of the other elements: Entity structure



Source: Annex 2E - Users - Table No. 62

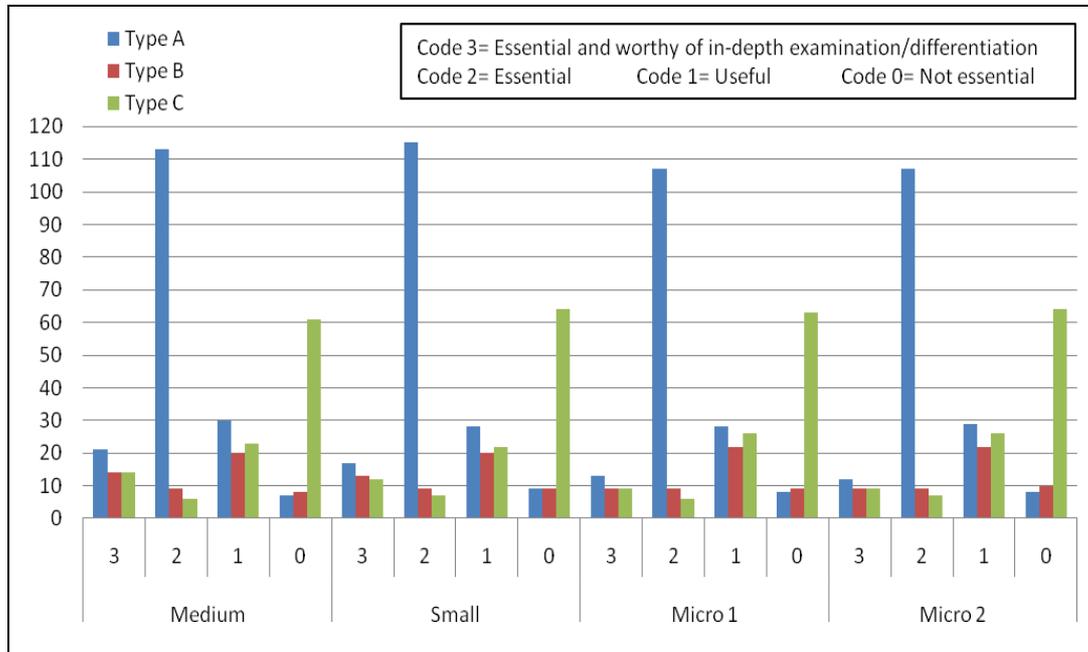
937 Respondents in total, 183 of which expressed at least one judgement, 754 did not respond i.e. 80,47%.

The table analysed shows that:

- For all Type A entities, regardless of their size, the judgements identified by Code 2 (essential information) prevail;
- For all other entities, the judgements reflecting the useful nature of the information (Code 1) prevail;
- As the entity's size decreases, the number of judgements reflecting a non-essential information (Code 0) increase.

- Controlling body of the entity

Figure No. 64 - Chapter 4 - The importance of the other elements: Controlling body of the entity



Source: Annex 2E - Users - Table No. 63

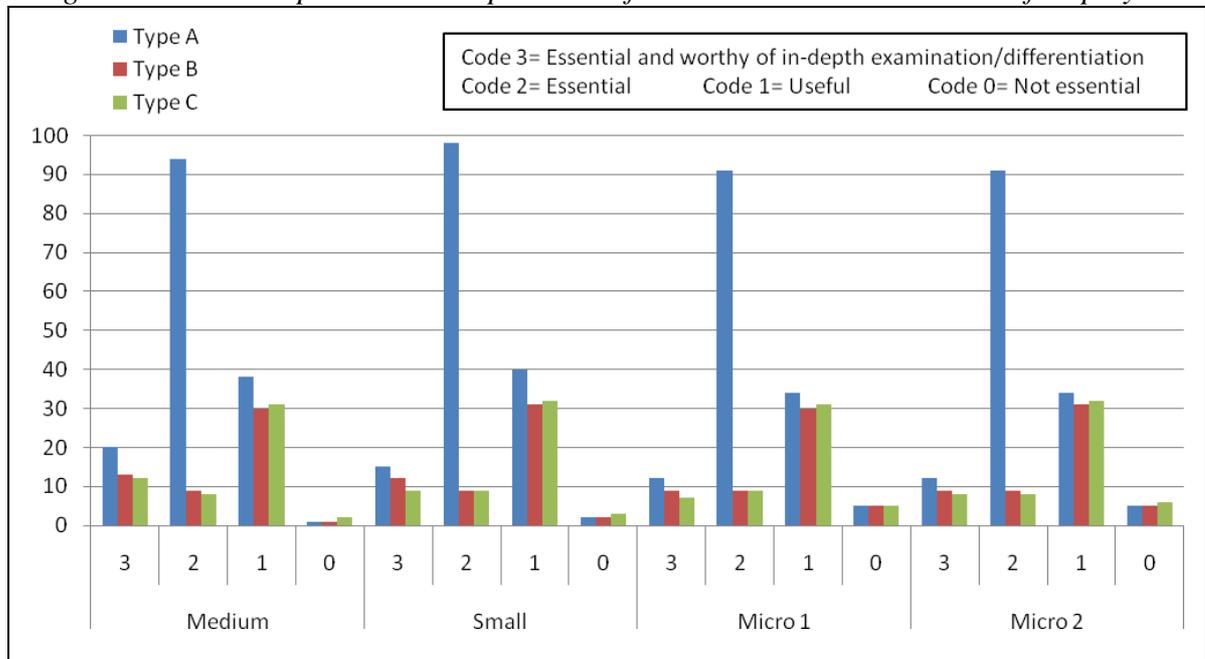
937 Respondents in total, 185 of which expressed at least one judgement, 752 did not respond i.e. 80,26%.

The table analysed shows that:

- For all Type A entities, Respondents who consider this information essential (Code 2) prevail;
- For all Type B entities, Respondents who consider this information useful (Code 1) prevail;
- For all Type C entities, Respondents who consider this information non-essential (Code 0) prevail.

- Number of employees

Figure No. 65 - Chapter 4 - The importance of the other elements: Number of employees



Source: Annex 2E - Users - Table No.64

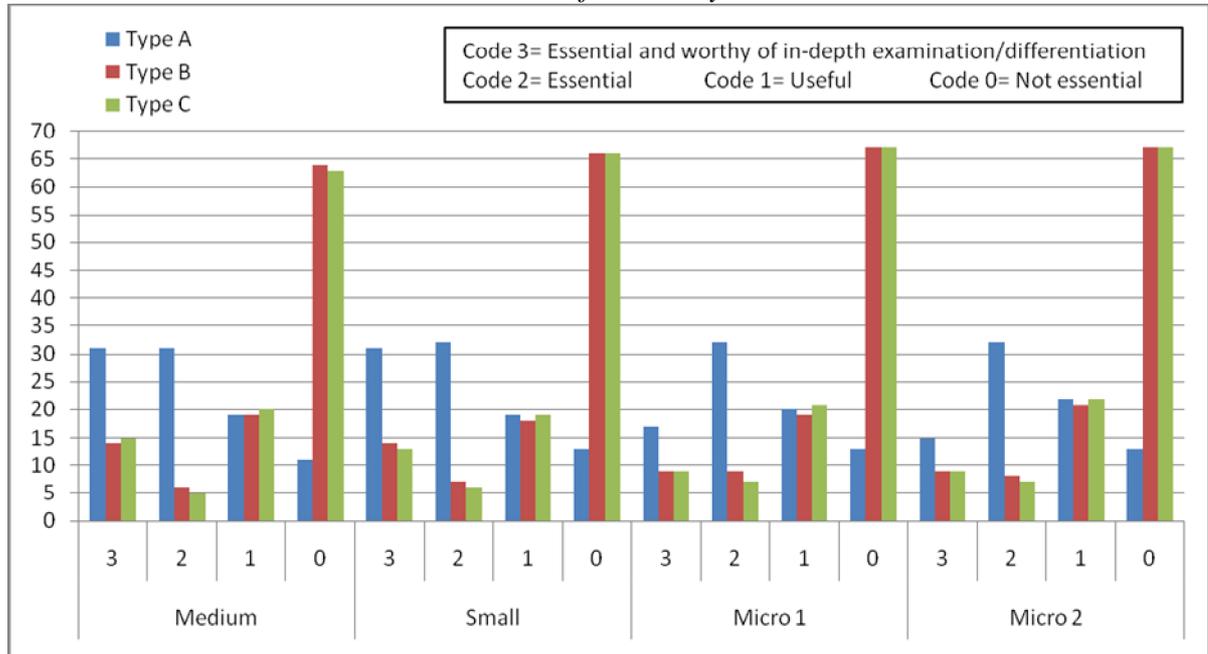
937 Respondents in total, 167 of which expressed at least one judgement, 770 did not respond i.e. 82,18%.

The table analysed shows that:

- For all Type A entities, Respondents who consider this information essential (Code 2) prevail;
- For all Type B and C entities, Respondents who consider this information useful (Code 1) prevail.

- Operating areas/business areas of the Entity

Figure No. 66 - Chapter 4 - The importance of the other elements: Operating areas/business areas of the Entity



Source: Annex 2E - Users - Table No. 65

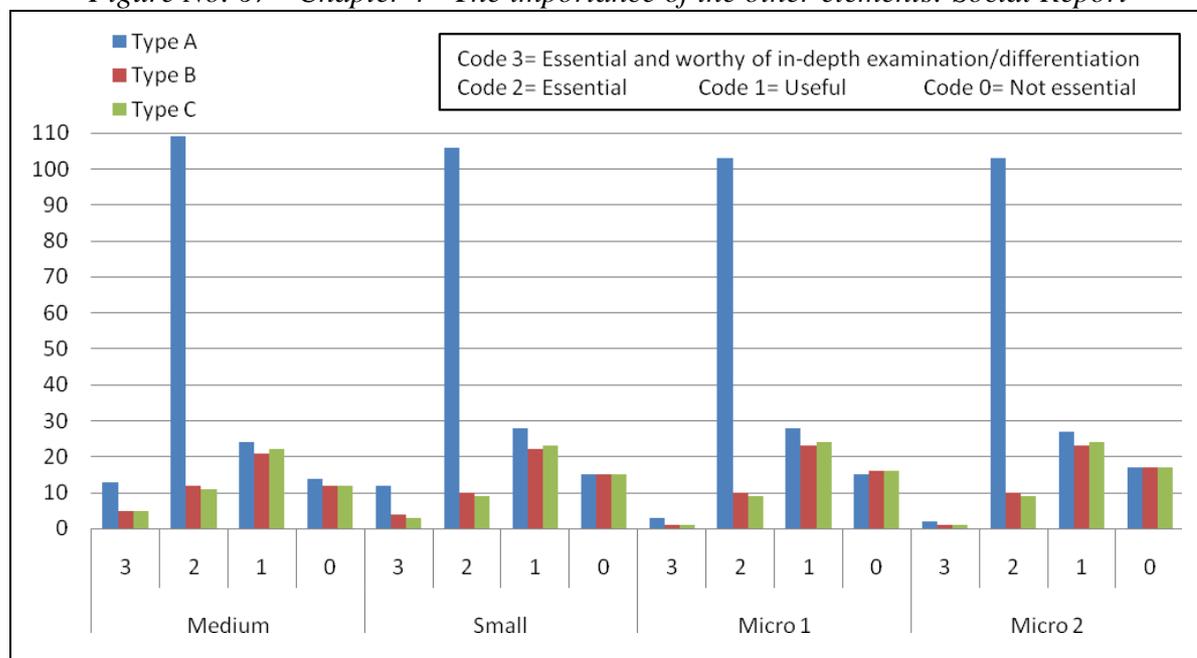
937 Respondents in total, 159 of which expressed at least one judgement, 778 did not respond i.e. 83,03%.

The table analysed shows that:

- For all Type A entities, Respondents who consider this information essential (Code 2) prevail;
- For all Type B and C entities, Respondents who consider this information useful (Code 1) prevail.

- The adoption of a Sustainability of Social Report

Figure No. 67 - Chapter 4 - The importance of the other elements: Social Report



Source: Annex 2E - Users - Table No. 66

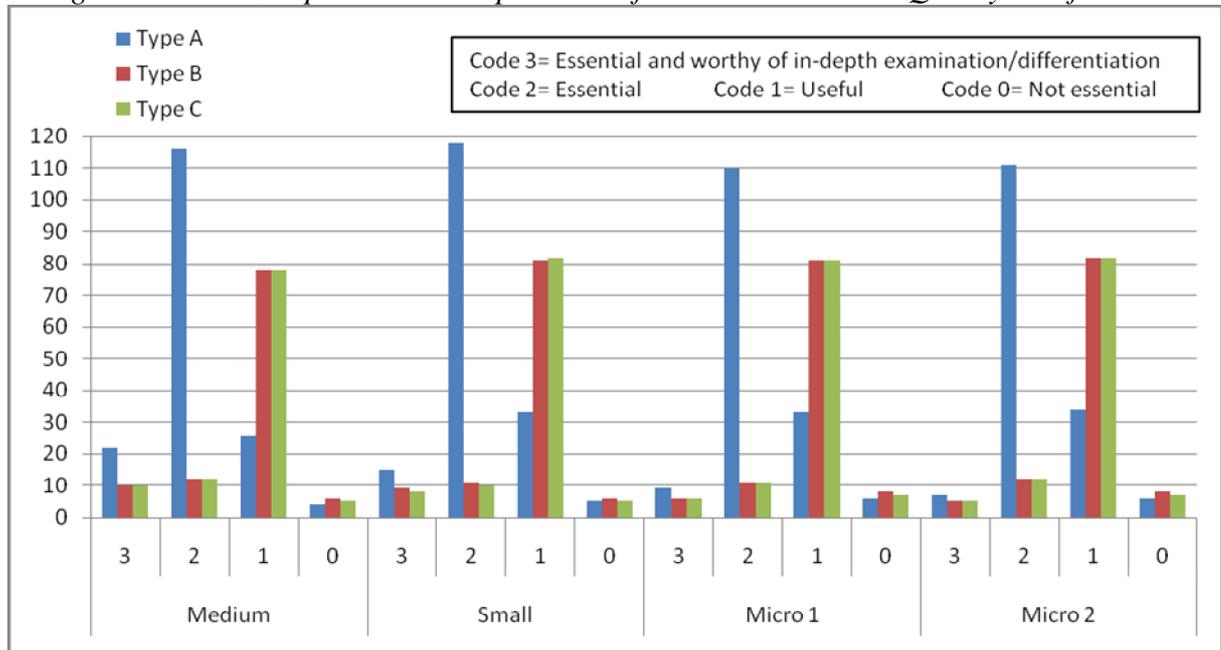
937 Respondents in total, 175 of which expressed at least one judgement, 762 did not respond i.e. 81,32%.

The table analysed shows that:

- For all Type A entities, Respondents who consider this information essential (Code 2) prevail;
- For all Type B and C entities, Respondents who consider this information useful (Code 1) prevail.

- Quality certification

Figure No. 68 - Chapter 4 - The importance of the other elements: Quality certification



Source: Annex 2E - Users - Table No. 67

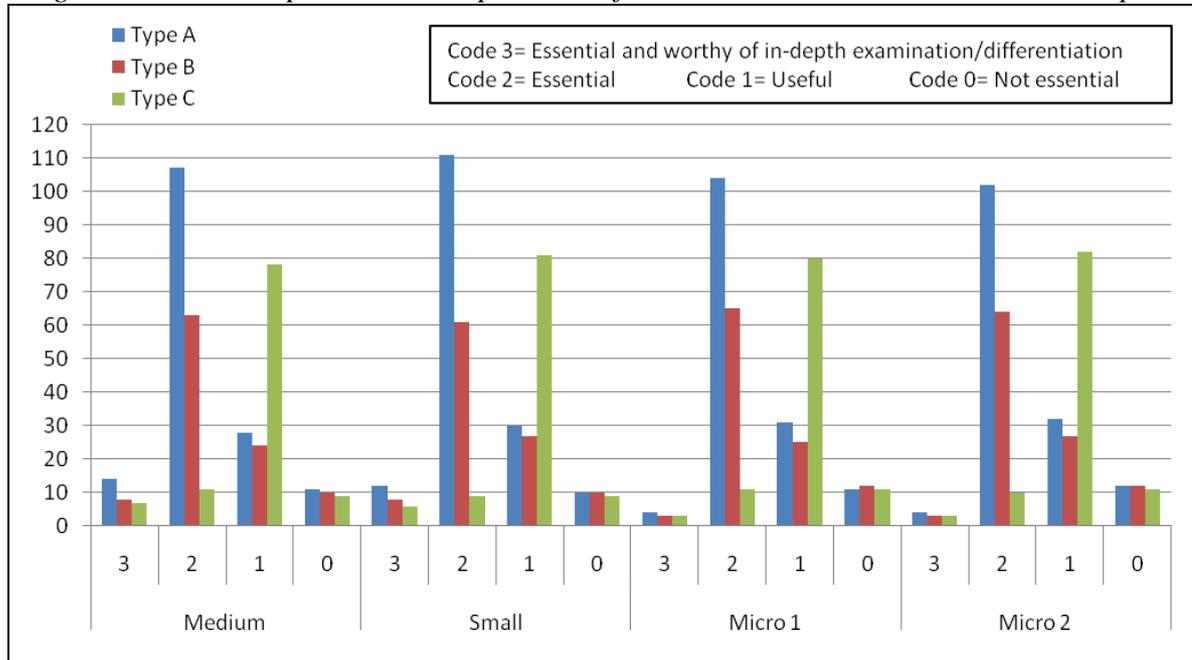
937 Respondents in total, 182 of which expressed at least one judgement, 755 did not respond i.e. 80,58%.

The table analysed shows that:

- For all Type A entities, Respondents who consider this information essential (Code 2) prevail;
- For all Type B and C entities, Respondents who consider this information useful (Code 1) prevail.

- *Environmental impact (energy production, employ of recycled materials, use of sustainable sources, etc.)*

Figure No. 69 - Chapter 4 - The importance of the other elements: Environmental impact



Source: Annex 2E - Users - Table No. 68

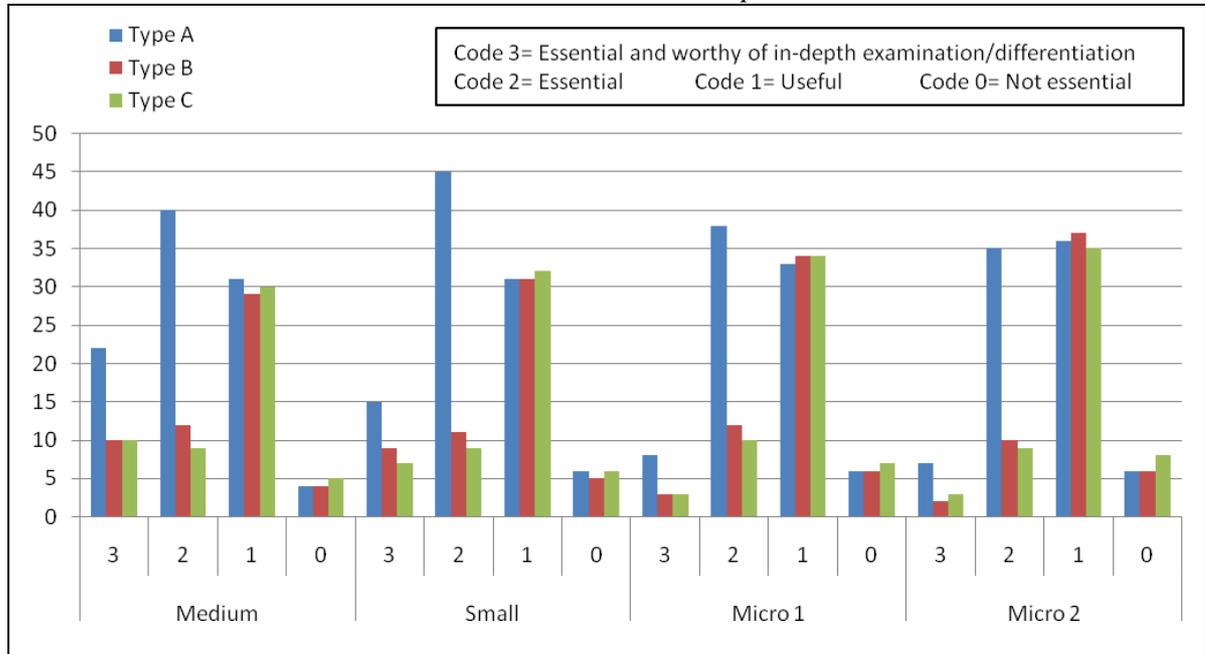
937 Respondents in total, 175 of which expressed at least one judgement, 762 did not respond i.e. 81,32%.

The table analysed shows that:

- For all Type A and B entities, regardless of their size, Respondents who consider this information essential (Code 2) prevail;
- For all Type C entities, Respondents who consider this information useful (Code 1) prevail.

- Forecasts of future investments/business developments

Figure No. 70 - Chapter 4 - The importance of the other elements: Forecasts of future investments/business developments



Source: Annex 2E - Users - Table No. 69

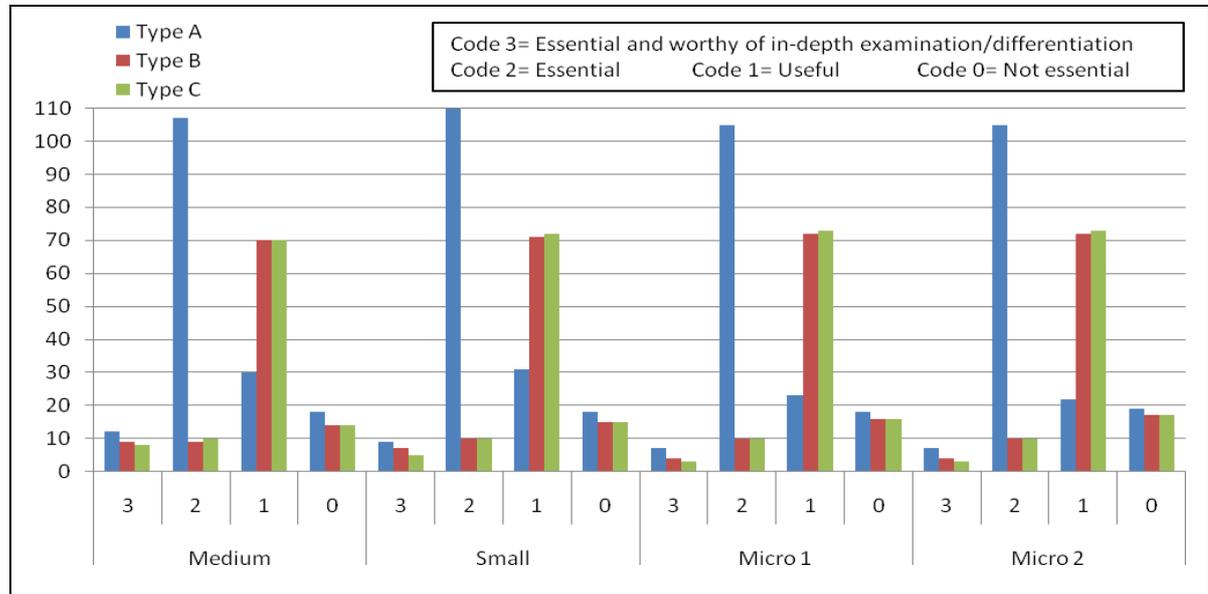
937 Respondents in total, 110 of which expressed at least one judgement, 827 did not respond i.e. 88,26%.

The table analysed shows that:

- For all Type A entities, regardless of their size, Respondents who consider this information essential (Code 2) prevail;
- For all Type B and C entities, regardless of their size, Respondents who consider this information useful (Code 1) prevail.

- Accounting regime followed

Figure No. 71 - Chapter 4 - The importance of the other elements: Accounting regime followed



Source: Annex 2E - Users - Table No. 70

937 Respondents in total, 181 of which expressed at least one judgement, 756 did not respond i.e. 80,68%.

The table analysed shows that:

- For all Type A entities, regardless of their size, Respondents who consider this information essential (Code 2) prevail;
- For all Type B and C entities, regardless of their size, Respondents who consider this information useful (Code 1) prevail.

- Other information

The answers received to this question are few and, what's more, they are not provided with the specifications required. As a consequence, it is not possible to make any comment on this matter.

In Chapter 4.4. there are summarized the total results of the replies with reference to Question No. 19- *The importance of the other information for the different SMEs.*

20) Do you rely on ratio analysis in analysing financial reports? If yes, what kind of ratios do you find useful? (E.g. Return On Equity, Return On Asset, Return On Investment, Return On Sales, etc.)

Table No. 25 - Chapter 4 - Ratio analysis

	Values	%	% out of the total
Yes	74	49,66%	
No	75	50,34%	
Total	149	100,00%	15,90%
Total N/A	788		84,10%
Overall total	937		100,00%

The percentage of Respondents who declared to use ratio analysis is approx, 49% of those who answered (74/149). If this data is referred to the total number of Respondents (74/937) the percentage of those who declare to use ratio analysis is approx. 8%.

The open-ended answers given by those who declared to use ratio analysis show that the most widely used are financial ratios (ROE, ROI and ROS).

SECTION 4 – Improvement suggestions

21 and 22) Do you think that financial statements should be more complete and/or be more simplified?

These questions collect the opinions of the Respondents with reference to the need for more completeness and simplification of the financial statements.

The possible Respondents are 937; nonetheless since many of them did not provide any reply and that the ones who did reply, replied with reference to different clusters (a “cluster” being a group deriving from matching legal form and size), there may be different numbers of replies. The Respondents indeed were asked to tick their replies in a box, representing 12 different combinations/clusters of entities (e.g. Medium-sized Type A entity, Medium-sized Type B entity, Medium-sized Type C and so on).

The tables hereby presented (Tables No. 26 and 27) summarize the opinions provided with reference to each cluster, regardless of the number, type and nationality of the Respondents.

Table No. 26 - Chapter 4 - Financial statements should be more complete (yes answers)

	Medium-sized	Small-sized	Micro 1	Micro 2
Type A	34	28	27	25
Type B	28	33	34	33
Type C	60	67	67	66

937 Respondents in total: 98 of which expressed at least one preferential option; 839 did not respond.

The answers given show that the need for enhanced completeness of accounting documents is mainly linked to the legal form of the entity rather than to its size.

The need for enhanced completeness is actually and mostly perceived by entities Type C.

Also in this case, the percentage of non-Respondents is very high (approx. 90%).

As for the other types of answers, for the same reasons, if we consider the “missing answers” in the analysis, we may say that the percentage of those who believe that enhanced completeness of accounting records is required is between 5% and 10%; the range is therefore very low.

As a consequence, this does not justify adding further information to the accounting documentation of the entities, as this would actually lead to additional charges, both in terms of administrative burdens and financial expenditure, which would have an impact mainly on smaller-sized entities.

Table No. 27 - Chapter 4 - Financial statements should be more simplified (yes answers)

	Medium-sized	Small-sized	Micro 1	Micro 2
Type A	516	571	580	578
Type B	512	596	606	603
Type C	502	557	567	561

937 Respondents in total: 687 of which expressed at least one preferential option; 250 did not respond.

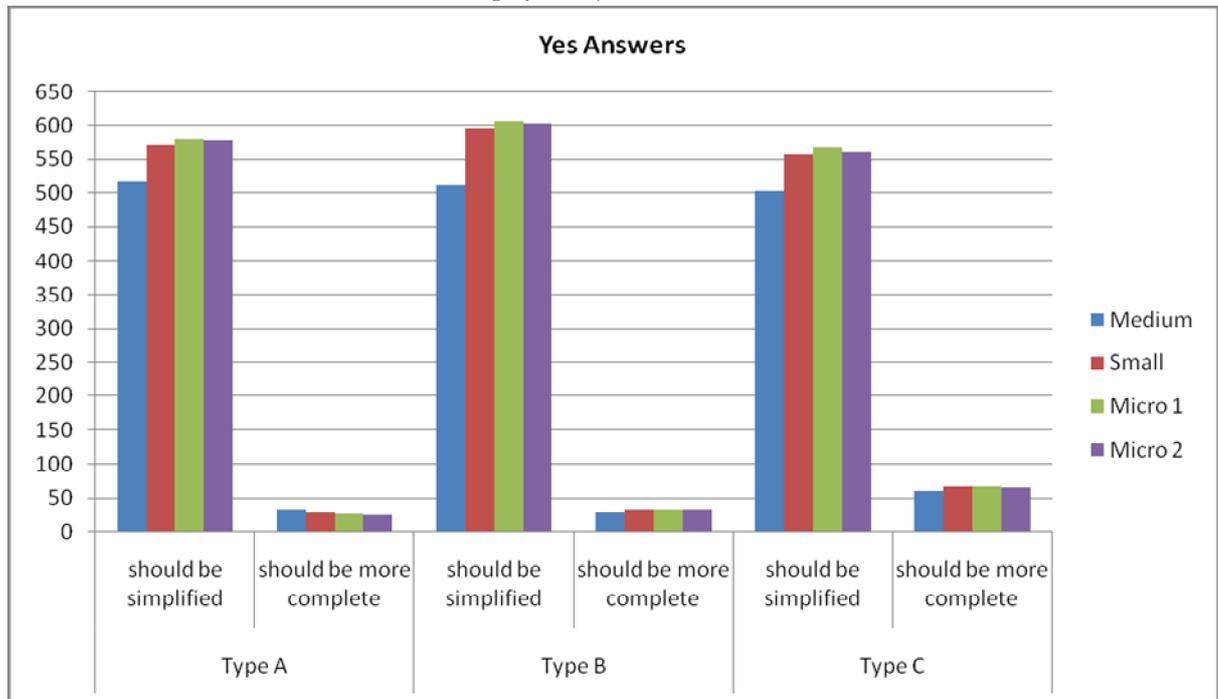
More than 73% of Respondents answered this question.

The distribution of the answers clearly highlights the needs for a more simplified framework. This evenly concerns all legal forms, and constantly increases as the entity size decreases.

Hereby are presented the results of the Survey for Questions No.21 and 22 together.

- Do you think that financial statements should be more complete or be more simplified?

Figure No. 72 - Chapter 4 - Financial statements should be more complete or be more simplified (yes answers)



Source: Annex 2 E - Users - Table No. 71

SECTION 5 - Valuation of specific elements in the "IFRS for SMEs"

23) In this section, you should express your views about rules on measurement and disclosure of certain elements in IFRS for SMEs (the terminology of this section is in accordance with the "IFRS for SMEs", i.e. the IASB accounting standards)

Are you familiar with the "IFRS for SMEs"?

Table No. 28 - Chapter 4 - Are you Familiar with the "IFRS for SMEs"?

Responses	Values	%	% out of the total
Yes	8	2,26%	
No	346	97,74%	
Total	354	100,00%	37,78%
N/A	583		62,22%
Total	937		100,00%

937 Respondents in total, 354 expressed their opinion and 583 did not respond i.e. 62,2%.

The answers distribution highlights that less than 1% of Respondents is familiar with the IFRS; 37% declared not to know the IFRS, the remaining 62% did not respond and implicitly declared not to know them.

Questions from No. 24 to 32 are the logical sequence to the positive answers given to question No. 23.

The results highlight that the said answers were not given due to the lack of prerequisites, therefore the data read are not significant and it is not possible to make comments.

Section 6 – Additional notes

The comments made by the Respondents in this section are were few and far between, and therefore not worth commenting.

4.3.2. Preparers: Analysis of the results

This Chapter presents the analysis of the results of the Preparers' questionnaire.

The results of the Survey, following the Sections of the questionnaire, are presented in tables along with relative comments.

SECTION 1 - General Information

Entity Information

The questionnaires were sent to 5.722 Preparers but the response rate (i.e. 10,54%) has been low, as it is shown below. The reasons for this low response rate, as they have been expressed by the Respondents interviewed can be summarized as follows;

- 1) They are not interested in the matter;
- 2) They don't have time to fill the questionnaire;
- 3) They don't reply to questionnaires in general as a company's policy;
- 4) They are not sure that the questionnaire comes from the European Commission and they would like to have more assurances from the EU;
- 5) They will reply later (and then they have never replied);
- 6) There is a general crisis period and they have other things to do and to take care of;
- 7) They are not sure if the company will survive to the crisis and/or they are going to go bankrupt in a short time and/or they are planning to close down the company or the business;

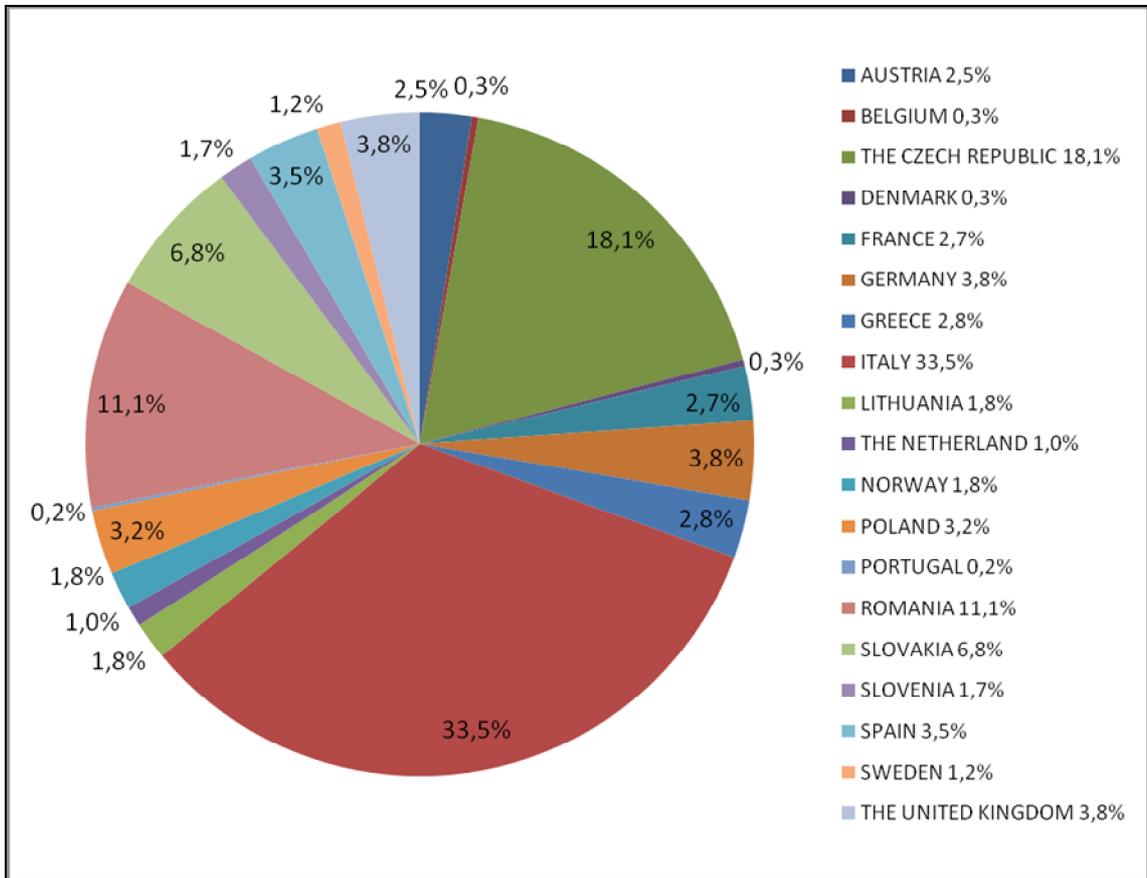
- 8) They are not familiar with the accounting matters since they the accounting documentation is prepared externally by a hired accountant;
- 9) The questionnaire is too long and it requires an high expertise in the accounting matters;
- 10) They are not use to provide the company's data to third parties.

There were 603 Preparers who answered the questionnaires from 19 different Countries (not Estonia), although their distribution in percentage terms highlights their strong concentration in Italy, Romania, the Czech Republic and Slovakia, as shown in the table below:

Table No. 29 - Chapter 4 - Respondents per Country

Country	Values	
	No. of Respondents	% of Respondents
AUSTRIA	15	2,49%
BELGIUM	2	0,33%
THE CEZCH REPUBLIC	109	18,08%
DENMARK	2	0,33%
FRANCE	16	2,65%
GERMANY	23	3,81%
GREECE	17	2,82%
ITALY	202	33,50%
LITHUANIA	11	1,82%
THE NETHERLANDS	6	1,00%
NORWAY	11	1,82%
POLAND	19	3,15%
PORTUGAL	1	0,17%
ROMANIA	67	11,11%
SLOVAKIA	41	6,80%
SLOVENIA	10	1,66%
SPAIN	21	3,48%
SWEDEN	7	1,16%
TEH UNITED KINGDOM	23	3,81%
Total	603	100,00%

Figure No. 73 - Chapter 4 - Respondents per Country



The subdivision of the Respondents by Country is not presented for each question of the questionnaire since the Country of origin of the Respondents is not a significant element of analysis (see Chapter 4.1. and Chapter 4.2.).

Indeed, in general, the replies do not differ significantly in respect of the Country of origin of the Respondent; whenever the Country of the Respondent becomes a significant element for the analysis this has been indicated and highlighted.

The subdivision of the Respondents by legal form and size is shown in the following Table No. 30 and relevant figure No. 74.

Figure No. 74 - Chapter 4 - Respondents per Legal form

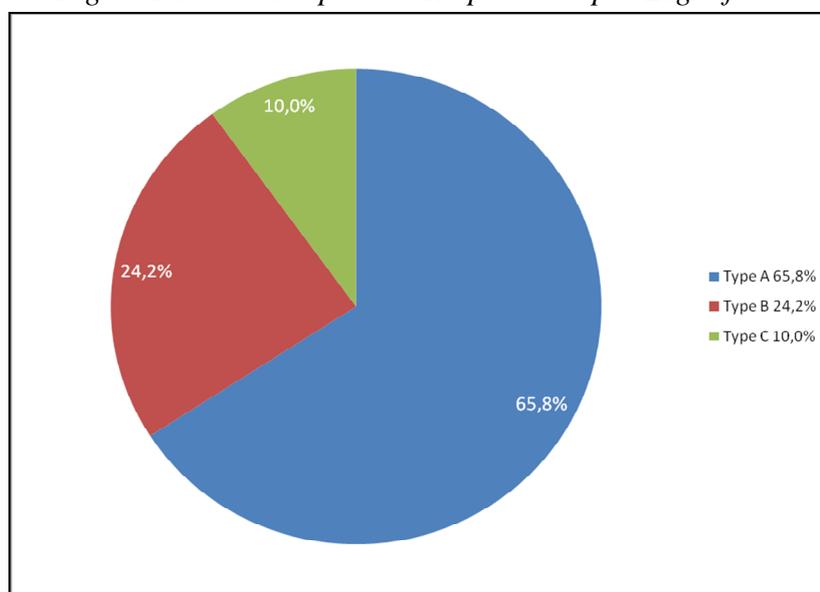


Table No. 30 - Chapter 4 - Respondents per legal form and size

Legal form / size class	VALUES	
	No. of Respondents	% of Respondents
Type A	397	65,84%
MEDIUM-SIZED	59	9,78%
SMALL-SIZED	113	18,74%
MICRO 1	178	29,52%
MICRO 2	47	7,79%
Type B	146	24,21%
MEDIUM-SIZED	7	1,16%
SMALL-SIZED	19	3,15%
MICRO 1	78	12,94%
MICRO 2	42	6,97%
Type C	60	9,95%
SMALL-SIZED	4	0,66%
MICRO 1	28	4,64%
MICRO 2	28	4,64%
Total	603	100,00%

The subdivision in percentage terms shows that around 66% of the Respondents belong to Type A, i.e. the class of entities to which the limited liability companies belong and thus potentially those of Small- and Medium-sized.

However, the analysis of the sample highlights that within Type A more than 56% (225 entities) of the Respondents belong to the categories Micro 1 and Micro 2 in terms of size class.

Entities in the Micro 1 size category (284) comprise more than 47% of the total, while those in Micro 2 (117) represent around 20% of the company total.

The analysis of the 397 Respondents belonging to Type A shows a homogeneous subdivision between the various Countries. Italy, Romania and the Czech Republic are the Countries with the greatest weight in percentage terms: respectively worth around 8%, 11 and 17% of the total.

The analysis of the Respondents belonging to Types B and C highlights a strong concentration on Italy.

The subdivision of the sample by geographical area/production area, as in the table No. 31 shown below, highlights that Respondents come from backgrounds in manufacturing, services and trade, with the highest concentration in the manufacturing sector.

Table No. 31 - Chapter 4 - Respondents per legal form, size and market sector

Sector / size class	VALUES	
	No. of Respondents	% of Respondents
MANUFACTURING	361	59,87%
MEDIUM-SIZED	50	8,29%
SMALL-SIZED	82	13,60%
MICRO 1	166	27,53%
MICRO 2	63	10,45%
SERVICES	162	26,87%
MEDIUM-SIZED	13	2,16%
SMALL-SIZED	22	3,65%
MICRO 1	86	14,26%
MICRO 2	41	6,80%
TRADE	80	13,27%
MEDIUM-SIZED	3	0,50%
SMALL-SIZED	32	5,31%
MICRO 1	32	5,31%
MICRO 2	13	2,16%
Total	603	100,00%

The subdivision of the sample by entities that are part of a group or not, show that around 10% of the Respondents interviewed belong to a group, as in table No. 32 shown below.

Table No. 32 - Chapter 4 - Membership of a Group

Member of Group / Size Class	VALUES	
	No. of Respondents	% of Respondents
Yes	60	9,95%
MEDIUM-SIZED	13	2,16%
SMALL-SIZED	19	3,15%
MICRO 1	24	3,98%
MICRO 2	4	0,66%
No	543	90,05%
MEDIUM-SIZED	53	8,79%
SMALL-SIZED	117	19,40%
MICRO 1	260	43,12%
MICRO 2	113	18,74%
Total	603	100,00%

1) Entity's main economic data

The Respondents, probably for reasons of privacy, did not supply complete answers to the questions; thus it is not possible to make any further considerations to this effect.

2) Accounting regime followed

Table No. 33 - Chapter 4 - Accounting regime followed

ACCOUNTING REGIME FOLLOWED (more than one option could be chosen)	VALUES	
	No. of responses	% of responses
N/A	457	75,79%
EU Full financial statements	26	17,81%
Abridged Financial statements	18	12,33%
EU Full financial statements, Auditor's report on the financial statement	15	10,27%
EU Full financial statements, Income tax returns	15	10,27%
EU Full financial statements, Auditor's report on the financial statement, Income tax returns	13	8,90%
Consolidated accounts (according to local accounting principles)	7	4,79%
No documentation	6	4,11%
Abridged Financial statement, Income tax returns	5	3,42%
EU Full financial statements, Auditor's report on the financial statement, Income tax returns, Consolidated accounts (according to local accounting principles)	4	2,74%
Abridged Financial statement, Accounting regime for VAT purpose only	4	2,74%
EU Full financial statements, Income tax returns, Consolidated accounts (according to local accounting principles)	3	2,05%
Income tax returns	3	2,05%
EU Full financial statements, Accounting regime for VAT purpose only, Income tax returns, Consolidated accounts (according to local accounting principles)	3	2,05%
EU Full financial statements, Cash flow statement	2	1,37%
Auditor's report on the financial statement	2	1,37%
Abridged Financial statement, Cash flow statement	2	1,37%
Abridged Financial statement, Accounting regime for VAT purpose only, Income tax returns	1	0,68%
EU Full financial statements, Abridged Financial statement, Auditor's report on the financial statement, Cash flow statement	1	0,68%
EU Full financial statements, Consolidated accounts (according to local accounting principles)	1	0,68%
EU Full financial statements, Abridged Financial statement	1	0,68%
Abridged Financial statement, Auditor's report on the financial statement, Cash flow statement	1	0,68%
EU Full financial statements, Cash flow statement, Income tax returns	1	0,68%
Auditor's report on the financial statement, Income tax returns	1	0,68%
EU Full financial statements, Abridged Financial statement, Auditor's report on the financial statement	1	0,68%
Abridged Financial statement, Auditor's report on the financial statement	1	0,68%
Income tax returns, Consolidated accounts (according to local accounting principles)	1	0,68%
EU Full financial statements, Auditor's report on the financial statement, Cash flow statement	1	0,68%
Accounting regime for VAT purpose only	1	0,68%
EU Full financial statements, Abridged Financial statement, Auditor's report on the financial statement, Cash flow statement, Accounting regime for VAT purpose only, Income tax returns	1	0,68%
EU Full financial statements, Abridged Financial statement, Cash flow statement	1	0,68%
EU Full financial statements, Abridged Financial statement, Auditor's report on the financial statement, Cash flow statement, Accounting regime for VAT purpose only, Income tax returns, Consolidated accounts (according to local accounting principles)	1	0,68%

Abridged Financial statement, Consolidated accounts (according to local accounting principles)	1	0,68%
EU Full financial statements, Abridged Financial statement, Income tax returns	1	0,68%
EU Full financial statements, Accounting regime for VAT purpose only, Income tax returns	1	0,68%
Total	603	100,00%

The high percentage of non-Respondents is probably due to the lack of desire to answer this question for reasons of privacy.

The answers in fact show that more than 75% of those interviewed did not supply any information; the Respondents who did supply information tended to focus on an accounting system characterised by the use of the Balance Sheet, the Profit and Loss Account and the Notes to the Accounts.

The use made of further documentation constitutes a tiny percentage.

2-1) If no documentation, why?

The Respondents did not supply complete answers to the question, thus it is not possible to make further considerations in this regard.

2-2) Are accounts in different formats provided to different Users?

Table No. 34 - Chapter 4 - Are accounts in different formats provided to different Users?

Legal form / size class	VALUES	
	No. of Respondents	% of Respondents
Yes	16	2,65%
Type A	7	1,16%
Type B	4	0,66%
Type C	5	0,83%
No	85	14,10
Type A	72	11,94%
Type B	8	1,33%
Type C	5	0,83%
N/A	502	83,25 %
Type A	318	52,74%
Type B	134	22,22%
Type C	50	8,29%
Total	603	100,00%

The answers show that only 16 (7+4+5) Respondents state that they prepare specific formats of the Balance Sheet for different Users; 85 (72+8+5) Respondents said no, while the remaining 502 (318+134+50) did not give any answer.

The high percentage of non-Respondents may be interpreted as a lack of desire to answer such questions, and thus as an indirect manifestation of a lack of interest in the question.

Be as it may, the preparation of various accounting formats appears to be a somewhat marginal practice.

2-3) What are the estimated annual costs for preparing the various financial statements/income tax returns?

The Respondents, probably for reasons of privacy, did not supply complete answers to the questions; thus it is not possible to make any further considerations to this effect.

3) Auditing tools adopted

Table No. 35 - Chapter 4 - Auditing tools adopted

Legal form	VALUES		% out of the total
	No. of Respondents	% of Respondents	
External auditing entity	52	42,98%	
Type A	44	36,36%	
Type B	6	4,96%	
Type C	2	1,65%	
Internal auditing	24	19,83%	
Type A	17	14,05%	
Type B	3	2,48%	
Type C	4	3,31%	
Audit committee	5	4,13%	
Type A	4	3,31%	
Type B	1	0,83%	
None	32	26,45%	
Type A	24	19,83%	
Type B	6	4,96%	
Type C	2	1,65%	
Others	8	6,61%	
Type A	5	4,13%	
Type B	2	1,65%	
Type C	1	0,83%	
Total	121	100,00%	20,07%
Total N/A	482		79,93%
Overall total	603		100,00%

The answers show that 81 (52+24+5) Respondents stated that they made use of a control system, 32 stated that they made no use of control systems, while the remaining 490 (482+8) did not reply or replied 'none of the above'.

With reference to the control system adopted, among the 81 entities that stated they made use of a control system, 65 (44+17+4) belong to Type A, 10 (6+3+1) to Type B, and 6 (2+4) to Type C.

The high percentage of non-responses may be interpreted as due to an unwillingness to answer such a question.

Be as it may, the use of an auditing system is closely linked to the legal form of the Respondent and the relative entity size.

SECTION 2 – Survey on general accounting information requirements for SMEs

4) With reference to registered SMEs in your Country for which you require information, please rate the following elements

This question collects the opinions of the Respondents with reference to three different aspects of the accounting documentation:

- Availability of accounting data/documents;
- Reliability and importance/usefulness of accounting data/documents;
- Comparability of accounting data/documents.

The Respondents were asked to express their opinions by rating the different aspects of the accounting information as follows:

- “+” if the availability/reliability/comparability of the accounting documentation obtained is **adequate** (e.g., exhaustive, complete and/or in line with the information requirements);
- “-“ if the availability/reliability/comparability of the accounting documentation obtained is **inadequate** (e.g., not exhaustive, incomplete and/or not in line with the information requirements);
- “=” if you are not able to respond.” i.e. “**don’t know**”.

• Availability of accounting data/documents

The Respondents that expressed at least one judgment to this multiple choice question are 494 i.e. 81,92% .

With reference to the multiple choice replies about the availability of the documents of Type A entities, the overall judgements (adequate, inadequate and don’t know), were expressed by Preparers of the following legal form:

- 91% Type A Respondents
- 5% Type B Respondents
- 4% Type C Respondents

With reference to the multiple choice replies about the availability of documents of Type B entities, the overall judgements (adequate, inadequate and don’t know), were expressed by Preparers of the following legal form:

- 31% Type A Respondents
- 63% Type B Respondents
- 6% Type C Respondents

With reference to the multiple choice replies about the availability of documents of Type C entities, the overall judgements (adequate, inadequate and don’t know), were expressed by Preparers of the following legal form:

- 46% Type A Respondents
- 13% Type B Respondents
- 41% Type C Respondents

The answers received, summed up in aggregate form, provide the following data:

Table No. 36 - Chapter 4 - Availability of accounting data/documents

Entity	Adequate		Inadequate		Don't know		TOTALS	
	No.	%	No.	%	No.	%	No.	%
Type A	312	89,66%	20	5,75%	16	4,60%	348	100%
Type B	13	7,39%	152	86,36%	11	6,25%	176	100%
Type C	11	9,17%	93	77,50%	16	13,33%	120	100%

The answers highlight that among those interviewed there is a close relationship between legal form and the availability of accounting information. The availability of accounting documents supplied by entities belonging to Type A is considered adequate by more than 89% of those interviewed, while the availability of documents supplied by Type B and C entities is considered inadequate by around 87% and 78% of those interviewed respectively.

•Reliability and importance/usefulness of accounting data/documents.

The Respondents that expressed at least one judgment to this multiple choice question are 487 i.e. 80,76% .

With reference to the multiple choice replies about the reliability and importance/usefulness of the documents of Type A entities, the overall judgements (adequate, inadequate and don't know), were expressed by Preparers of the following legal form:

- 90% Type A Respondents
- 6% Type B Respondents
- 4% Type C Respondents

With reference to the multiple choice replies about the reliability and importance/usefulness of the accounting documents of Type B entities, the overall judgements (adequate, inadequate and don't know), were expressed by Preparers of the following legal form:

- 29% Type A Respondents
- 65% Type B Respondents
- 6% Type C Respondents

With reference to the multiple choice replies about the reliability and importance/usefulness of the accounting documents of Type C entities, the overall judgements (adequate, inadequate and don't know), were expressed by Preparers of the following legal form:

- 42% Type A Respondents
- 15% Type B Respondents
- 43% Type C Respondents

The answers received, summed up in aggregate form, provide the following data:

Table No. 37 - Chapter 4 - Reliability and importance/usefulness of accounting data/documents

Entity	Adequate		Inadequate		Don't know		TOTALS	
	No.	%	No.	%	No.	%	No.	%
Type A	100	28,29%	14	4,05%	232	67,05%	346	100%
Type B	10	6,02%	1	0,60%	155	93,37%	166	100%
Type C	10	9,09%	1	0,91%	99	90,00%	110	100%

From the answers supplied, it emerges that more than 28% of the Respondents interviewed deem the level of reliability and importance of the data and the documents supplied by Type A entities as adequate.

We may note that among legal forms of Type B and C, there is a very high percentage of 'Don't know' answers (more than 90%), indirectly showing insufficient interest in the reliability and importance/usefulness of such accounting documentation.

• Comparability of accounting data/documents between two entities of the same cluster.

The Respondents that expressed at least one judgment to this multiple choice question are 477 i.e. 79,10% .

With reference to the multiple choice replies about the comparability of the documents regarding Type A entities the overall judgements (adequate, inadequate and don't know), were expressed by Preparers of the following legal form:

- 92% Type A Respondents
- 5% Type B Respondents
- 3% Type C Respondents

With reference to the multiple choice replies about the comparability of the documents regarding Type B entities, the overall judgements (adequate, inadequate and don't know), were expressed by Preparers of the following legal form:

- 28% Type A Respondents
- 66% Type B Respondents
- 4% Type C Respondents

With reference to the multiple choice replies about the comparability of the documents regarding Type C entities, the overall judgements (adequate, inadequate and don't know), were expressed by Preparers of the following legal form:

- 42% Type A Respondents
- 14% Type B Respondents
- 44% Type C Respondents

The answers received, summed up in aggregate form, provide the following data:

Table No. 38 - Chapter 4 - Comparability of accounting data/documents

Entity	Adequate		Inadequate		Don't know		TOTALS	
	No.	%	No.	%	No.	%	No.	%
Type A	258	78,18%	8	2,42%	64	19,39%	330	100%
Type B	12	6,98%	4	2,03%	156	90,70%	172	100%
Type C	10	9,09%	3	2,73%	97	88,18%	110	100%

The analysis of the data gathered highlights the adequacy of data comparability for Type A entities. For the other two legal forms, Types B and C, the “don't knows” prevail, indicating a substantial lack of interest on behalf of the Respondents in the comparability of accounting documents.

5) With reference to non-registered SMEs in your Country but within the EU for which you require information please rate the following elements

This question collects the opinions of the Respondents with reference to three different aspects of the accounting documentation:

- Availability of accounting data/documents;
- Reliability and importance/usefulness of accounting data/documents;
- Comparability of accounting data/documents.

The Respondents were asked to express their opinions by rating the different aspects of the accounting information as follows:

- “+” if the availability/reliability/comparability of the accounting documentation obtained is **adequate** (e.g., exhaustive, complete and/or in line with the information requirements);
- “-“ if the availability/reliability/comparability of the accounting documentation obtained is **inadequate** (e.g., not exhaustive, incomplete and/or not in line with the information requirements);
- “=” if you are not able to respond.” i.e. “**don't know**”.

• Availability of accounting data/documents

The Respondents that expressed at least one judgment to this multiple choice question are 478 i.e. 79,27% .

With reference to the multiple choice replies about the availability of the documents of Type A entities, the overall judgements (adequate, inadequate and don't know), were expressed by Preparers of the following legal form:

- 92% Type A Respondents
- 5% Type B Respondents
- 4% Type C Respondents

With reference to the multiple choice replies about the availability of documents of Type B entities, the overall judgements (adequate, inadequate and don't know), were expressed by Preparers of the following legal form:

- 31% Type A Respondents

- 63% Type B Respondents
- 6% Type C Respondents

With reference to the multiple choice replies about the availability of documents of Type C entities, the overall judgements (adequate, inadequate and don't know), were expressed by Preparers of the following legal form:

- 45% Type A Respondents
- 12% Type B Respondents
- 43% Type C Respondents

The answers received, summed up in aggregate form, provide the following data.

Table No. 39 - Chapter 4 - Availability of accounting data/documents

Entity	Adequate		Inadequate		Don't know		TOTALS	
	No.	%	No.	%	No.	%	No.	%
Type A	54	16,22%	181	54,35%	98	29,43%	333	100%
Type B	8	4,62%	84	48,55%	81	46,82%	173	100%
Type C	5	4,42%	40	35,40%	68	60,18%	113	100%

The answers highlight that:

- For Type A entities, the judgements of inadequacy prevail;
- for Type B and C entities, the incidence of the judgements of inadequacy is very high, as is the percentage of Respondents who replied "don't know".

It should be noted that for the Type C entities, the number of non-responses is around 60%.

• Reliability and importance/usefulness of accounting data/documents.

The Respondents that expressed at least one judgment to this multiple choice question are 461 i.e. 76,45%.

With reference to the multiple choice replies about the reliability, importance and usefulness of the documents of Type A entities, the overall judgements (adequate, inadequate and don't know), were expressed by Preparers of the following legal form:

- 92% Type A Respondents
- 5% Type B Respondents
- 3% Type C Respondents

With reference to the multiple choice replies about the reliability, importance and usefulness of the documents of Type B entities, the overall judgements (adequate, inadequate and don't know), were expressed by Preparers of the following legal form:

- 30% Type A Respondents
- 64% Type B Respondents
- 6% Type C Respondents

With reference to the multiple choice replies about the reliability, importance and usefulness of the documents of Type C entities, the overall judgements (adequate, inadequate and don't know), were expressed by Preparers of the following legal form:

- 42% Type A Respondents

- 12% Type B Respondents
- 46% Type C Respondents

The answers received, summed up in aggregate form, show the following data:

Table No. 40 - Chapter 4 - Reliability and importance/usefulness of accounting data/documents

Entity	Adequate		Inadequate		Don't know		TOTALS	
	No.	%	No.	%	No.	%	No.	%
Type A	36	11,39%	24	7,59%	256	81,01%	316	100%
Type B	6	3,53%	0	0,00%	164	96,47%	170	100%
Type C	4	3,70%	1	0,93%	103	95,37%	108	100%

The most relevant datum that emerges is that across the various legal forms, the percentage of “don't knows” is very high: from 81% to 96%.

The answers that expressed a judgement show that more than 11% of the Respondents believe the level of reliability and importance of the data and documents supplied by Type A entities to be adequate, while this percentage falls to 3,53% and 3,70% with reference to Type B and C entities respectively.

•Comparability of accounting data/documents between two entities of the same cluster.

The Respondents that expressed at least one judgment to this multiple choice question are 454 i.e. 75,29%.

With reference to the multiple choice replies about the comparability of the documents of the Type A entities, the overall judgements (adequate, inadequate and don't know), were expressed by Preparers of the following legal form:

- 92% Type A Respondents
- 5% Type B Respondents
- 3% Type C Respondents

With reference to the multiple choice replies about the comparability of the documents of Type B entities, the overall judgements (adequate, inadequate and don't know), were expressed by Preparers of the following legal form:

- 30% Type A Respondents
- 65% Type B Respondents
- 5% Type C Respondents

With reference to the multiple choice replies about the comparability of the documents of Type C entities, the overall judgements (adequate, inadequate and don't know), were expressed by Preparers of the following legal form:

- 44% Type A Respondents
- 13% Type B Respondents
- 43% Type C Respondents

The answers received, summed up in aggregate form, show the following data.

Table No. 41 - Chapter 4 - Comparability of accounting data/documents between two entities

Entity	Adequate		Inadequate		Don't know		TOTALS	
	No.	%	No.	%	No.	%	No.	%
Type A	43	13,83%	14	4,50%	254	81,67%	311	100%
Type B	7	4,24%	2	1,21%	156	94,55%	165	100%
Type C	4	3,85%	2	1,92%	98	94,23%	104	100%

The most relevant datum that emerges is that across the various legal forms, the percentage of “don’t knows” is very high: from 82% to 94%:

The answers that expressed a judgement show that more than 13% of the Respondents believes the level of reliability and importance of the data and documents supplied for Type A entities to be adequate, while this percentage falls to 4,24% and 3,85% with reference to Type B and C entities respectively.

6) Do you see a need for the cross-border use of SMEs’ financial reporting?

Overall, the 603 Preparers that replied to this question were divided by class size as follows:

- No. 66, Medium-sized size, equal to more than 10%
- No. 136, Small size, equal to more than 22%
- No. 284 Micro 1, equal to more than 47%
- No. 117 Micro 2, equal to around 19%

Overall, the 603 Preparers that replied to this question were divided by legal form as follows:

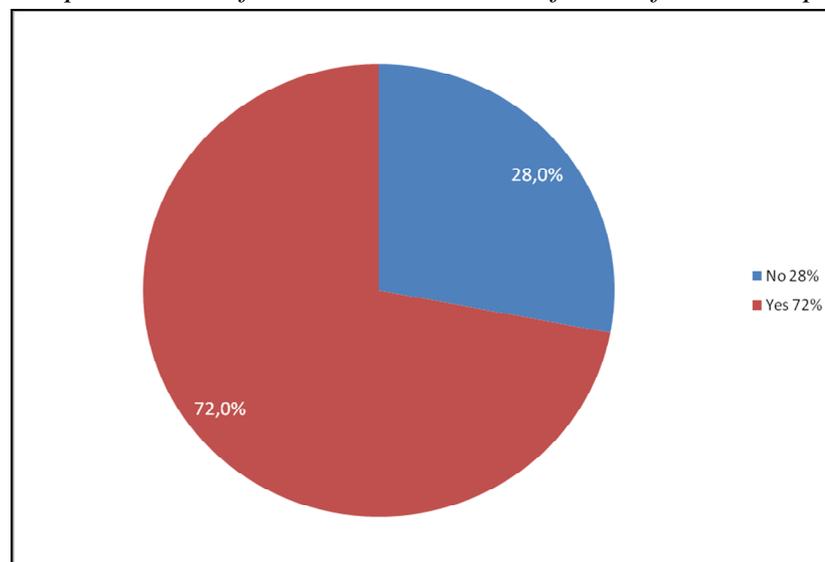
- No. 397, Type A, equal to more than 65%
- No. 148, Type B, equal to more than 24%
- No. 58 Type C, equal to around 10%

Aggregating the positive and negative answers (603), the following data and percentages emerge:

Table No. 42 - Chapter 4 - Is there a need for a cross-border use of SMEs’ financial reporting?

Need for a cross-border use of SMEs’ financial reporting		
Responses	Global Values	%
No	169	28,03%
Type A	108	17,91%
Type B	30	4,97%
Type C	31	5,14%
Yes	434	71,97%
Type A	289	47,92%
Type B	118	19,57%
Type C	27	4,48%
Total	603	100,00%

Figure No. 75 - Chapter 4 - Need for a cross-border use of SMEs financial reporting



From the answers supplied, it emerges that more than 71% of the Respondents believe that it is necessary to make a cross-border use of SMEs accounting documentation.

The positive replies, once their distribution in the 'legal form' and size class has been analysed, do not show noteworthy differences between the Respondents of Types A and B.

For the Respondents of Type C on the other hand, it may be noted that of the 58 Respondents who answered the question, 53% answered "no" and 47% answered "yes".

7) Is there a need for a more harmonised accounting framework at EU level?

Overall, the 603 Preparers that replied to this question were divided by class size as follows:

- No. 66, equal to more than 10% of the Medium-sized
- No. 136, equal to more than 22% Small size
- No. 284, equal to more than 47% Micro 1
- No. 117, equal to around 19% of Micro 2

Overall, the 603 Preparers that replied to this question were divided by legal form as follows:

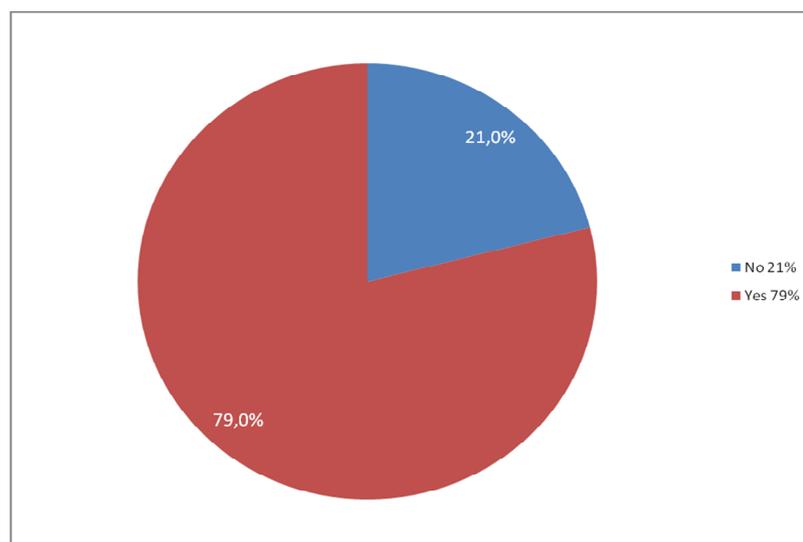
- No. 397, equal to more than 65% of Type A
- No. 148, equal to more than 24% of Type B
- No. 58, equal to around 10% of Type C

Aggregating the positive and negative answers (603), the following data and percentages emerge:

Table No. 43 - Chapter 4 - Is there a need for a more harmonised accounting framework at EU level?

Need for a more harmonised accounting framework at EU level		
Responses	Global Values	%
Yes	478	79,27%
No	125	20,73%
Total	603	100,00%

Figure No. 76 - Chapter 4 - Is there a need for a more harmonised accounting framework at EU level?



From the answers supplied, it emerges that more than 79% of the Respondents interviewed believe that a greater harmonisation of accounting data is necessary on an EU level, regardless of the legal form of the entities.

8) Do you consider it useful to have different disclosure formats for different business models?

The typology of the Preparers (No. 121= 103+18) is composed as follows: 65,83% Type A; 24,54% Type B and 9,62% Type C, distributed across 19 Countries.

Aggregating the positive and negative answers, the following data and percentages emerge:

Table No. 44-Chapter 4 - Is it useful to have different disclosure models for different business models?

Responses	Values	%
No	103	17,08%
Yes	18	2,99%
N/A	482	79,93%
Total	603	100,00%

We may note that most of those interviewed did not express any opinion in this regard.

From the answers given, it emerges that around 3% believes it to be useful to have different accounting models for different business models, 17% gave a negative opinion, and almost 80% of the Respondents did not answer the question.

SECTION 3 – Survey on specific accounting information requirements for SMEs

9) Which elements of your Balance Sheet do you think it would be useful to make available to third parties?

The questions on the Balance Sheet items were answered on average by more than 480 Respondents out of the 603 who completed the questionnaire. Only the last question, “other information” was answered by only 158 Respondents.

Here below, the answers relative to the single items of Assets and Liabilities, analysed globally, are presented:

ASSETS

Table No. 45 - Chapter 4 - Assets - Are intangible assets a useful element of the Balance Sheet?

Intangible assets			
Responses	Values	%	%out of the total
No	174	35,73%	
Yes	313	64,27%	
Total	487	100,00%	80,76%
Total N/A	116		19,24%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 64% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 173 respondents belonging to Types B and C, 149 (i.e. over 86%) expressed a negative judgement.

Table No. 46 - Chapter 4 - Assets - Are tangible assets a useful element of the Balance Sheet?

Tangible assets			
Responses	Values	%	%out of the total
No	161	32,92%	
Yes	328	67,08%	
Total	489	100,00%	81,09%
Total N/A	114		18,91%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 67% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 174 respondents belonging to Types B and C, 141 (i.e. over 81%) expressed a negative judgement.

Table No. 47 - Chapter 4 - Assets - Are financial assets a useful element of the Balance Sheet?

Financial assets			
Responses	Values	%	% out of the total
No	170	34,91%	
Yes	317	65,09%	
Total	487	100,00%	80,76%
Total N/A	116		19,24%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 65% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 174 respondents belonging to Types B and C, 144 (i.e. over 82%) expressed a negative judgement.

Table No. 48 - Chapter 4 - Assets - Are stocks a useful element of the Balance Sheet?

Stocks			
Responses	Values	%	% out of the total
No	181	37,09%	
Yes	307	62,91%	
Total	488	100,00%	80,93%
Total N/A	115		19,07%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 62% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 173 respondents belonging to Types B and C, 144 (i.e. over 83%) expressed a negative judgement.

Table No. 49 - Chapter 4 - Assets - Are debtors a useful element of the Balance Sheet?

Responses	Debtors		% out of the total
	Values	%	
No	165	33,74%	
Yes	324	66,26%	
Total	489	100,00%	81,09%
Total N/A	114		18,91%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 66% of the Respondents expressed a favourable response to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 174 respondents belonging to Types B and C, 144 (i.e. over 82%) expressed a negative judgement.

Table No. 50 - Chapter 4 - Assets - Are investments a useful element of the Balance Sheet?

Responses	Investment		% out of the total
	Values	%	
No	171	35,19%	
Yes	315	64,81%	
Total	486	100,00%	80,60%
Total N/A	117		19,40%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 64% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 172 respondents belonging to Types B and C, 145 (i.e. over 84%) expressed a negative judgement.

Table No. 51 - Chapter 4 - Assets - Are cash at bank and in hand a useful element of the Balance Sheet?

	Cash at bank and in hand		
Responses	Values	%	% out of the total
No	198	40,74%	
Yes	288	59,26%	
Total	486	100,00%	80,60%
Total N/A	117		19,40%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 59% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 174 respondents belonging to Types B and C, 151 (i.e. over 86%) expressed a negative judgement.

Table No. 52 - Chapter 4 - Assets - Are prepayments, accrued income a useful element of the Balance Sheet?

	Prepayments, accrued income		
Responses	Values	%	% out of the total
No	180	37,34%	
Yes	302	62,66%	
Total	482	100,00%	79,93%
Total N/A	121		20,07%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 62% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 174 respondents belonging to Types B and C, 147 (i.e. over 84%) expressed a negative judgement.

Table No. 53 - Chapter 4 - Assets - Are other data a useful element of the Balance Sheet?

	Other data		
Responses	Values	%	% out of the total
No	84	47,73%	
Yes	92	52,27%	
Total	176	100,00%	29,19%
Total N/A	427		70,81%
Overall Total	603		100,00%

We may note that in reference to this item, 71% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 52% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 72 respondents belonging to Types B and C, 70 (i.e. over 97%) expressed a negative judgement;
- In reference to this item, 71% of those interviewed gave no answer.

LIABILITIES

Table No. 54 - Chapter 4 - Liabilities - Are capital and reserves a useful element of the Balance Sheet?

Responses	Capital and reserves		
	Values	%	% out of the total
No	156	36,62%	
Yes	270	63,38%	
Total	426	100,00%	70,65%
Total N/A	177		29,35%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 63% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 149 respondents belonging to Types B and C, 136 (i.e. over 91%) expressed a negative judgement.

Table No. 55 - Chapter 4 - Liabilities - Are provisions a useful element of the Balance Sheet?

Responses	Provisions		
	Values	%	% out of the total
No	170	34,98%	
Yes	316	65,02%	
Total	486	100,00%	80,60%
Total N/A	117		19,40%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 65% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 172

respondents belonging to Types B and C, 144 (i.e. over 83%) expressed a negative judgement.

Table No. 56 - Chapter 4 - Liabilities - Are creditors a useful element of the Balance Sheet?

Responses	Creditors		% out of the total
	Values	%	
No	167	34,29%	
Yes	320	65,71%	
Total	487	100,00%	80,76%
Total N/A	116		19,24%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 65% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 173 respondents belonging to Types B and C, 147 (i.e. over 84%) expressed a negative judgement.

Table No. 57 - Chapter 4 - Liabilities - Are accruals and deferred income a useful element of the Balance Sheet?

Responses	Accruals and deferred income		% out of the total
	Values	%	
No	176	36,21%	
Yes	310	63,79%	
Total	486	100,00%	80,60%
Total N/A	117		19,40%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 63% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 173 respondents belonging to Types B and C, 144 (i.e. over 83%) expressed a negative judgement.

Table No. 58 - Chapter 4 - Liabilities - Are Profit/Loss for the financial year a useful element of the Balance Sheet?

	Profit/Loss for the financial year		
Responses	Values	%	% out of the total
No	163	33,40%	
Yes	325	66,60%	
Total	488	100,00%	80,93%
Total N/A	115		19,07%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 66% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 174 respondents belonging to Types B and C, 146 (i.e. over 83%) expressed a negative judgement.

Table No. 59 - Chapter 4 - Liabilities - Are other elements a useful element of the Balance Sheet?

	Other elements		
Responses	Values	%	% out of the total
No	84	38,36%	
Yes	135	61,64%	
Total	219	100,00%	36,32%
Total N/A	384		63,68%
Overall Total	603		100,00%

We may note that in reference to this item, 64% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 62% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 83 respondents belonging to Types B and C, 68 (i.e. over 81%) expressed a negative judgement.

In Chapter 4.4 there are summarized the total results of the replies with reference to Question No. 9- *Elements of the Balance Sheets (B/S) to make available to third parties.*

10) Which elements of your Profit and Loss Account do you think it would be useful to make available to third parties?

This question No. 10 was answered by over 410 Respondents, of whom around 65% belonging to the Type A legal form, around 26% to Type B, and around 9% to Type C.

The last question, “other information” was answered by only 183 Respondents.

Here below, the answers relative to the single items of Profit and Loss Account, analysed globally, are presented:

Table No. 60 - Chapter 4 - Profit and Loss Account: Is net turnover a useful element of the P/L?

Responses	Net Turnover		
	Values	%	% out of the total
No	100	23,92%	
Yes	318	76,08%	
Total	418	100,00%	69,32%
Total N/A	185		30,68%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 76% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents; the Respondents of Type B, gave a marginally positive opinion, while Type C Respondents gave a negative response.

Table No. 61 - Chapter 4 - Profit and Loss Account: Are variations in stocks a useful element of the P/L?

Responses	Variations in stocks of finished goods and work in progress		
	Values	%	% out of the total
No	139	33,49%	
Yes	276	66,51%	
Total	415	100,00%	68,82%
Total N/A	188		31,18%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 66% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 145 respondents belonging to Types B and C, 105 (i.e. over 72%) expressed a negative judgement.

Table No. 62. - Chapter 4 - Profit and Loss Account: Is work performed and capitalised a useful element of the P/L?

Responses	Work performed and capitalised		
	Values	%	% out of the total
No	178	37,71%	
Yes	294	62,29%	
Total	472	100,00%	78,28%
Total N/A	131		21,72%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 62% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 167 respondents belonging to Types B and C, 135 (i.e. over 80%) expressed a negative judgement.

Table No. 63 - Chapter 4 - Profit and Loss Account: Are other operating incomes a useful element of the P/L?

Other operating incomes			
Responses	Values	%	% out of the total
No	157	33,26%	
Yes	315	66,74%	
Total	472	100,00%	78,28%
Total N/A	131		21,72%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 66% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 168 respondents belonging to Types B and C, 119 (i.e. over 70%) expressed a negative judgement.

Table No. 64 - Chapter 4 - Profit and Loss Account: Are raw materials and consumables a useful element of the P/L?

Raw materials and consumables			
Responses	Values	%	% out of the total
No	156	32,70%	
Yes	321	67,30%	
Total	477	100,00%	79,10%
Total N/A	126		20,90%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 67% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 170 respondents belonging to Types B and C, 124 (i.e. over 72%) expressed a negative judgement.

Table No. 65 - Chapter 4 - Profit and Loss Account: Are other external charges a useful element of the P/L?

Other external charges			
Responses	Values	%	% out of the total
No	165	35,11%	
Yes	305	64,89%	
Total	470	100,00%	77,94%
Total N/A	133		22,06%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 64% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 168 respondents belonging to Types B and C, 114 (i.e. over 67%) expressed a negative judgement.

Table No. 66 - Chapter 4 - Profit and Loss Account: Are staff costs a useful element of the P/L?

Staff costs			
Responses	Values	%	% out of the total
No	157	32,91%	
Yes	320	67,09%	
Total	477	100,00%	79,10%
Total N/A	126		20,90%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 67% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 169 respondents belonging to Types B and C, 115 (i.e. over 68%) expressed a negative judgement.

Table No. 67 - Chapter 4 - Profit and Loss Account: Are value adjustment a useful element of the P/L?

Value adjustment			
Responses	Values	%	% out of the total
No	170	35,86%	
Yes	304	64,14%	
Total	474	100,00%	78,61%
Total N/A	129		21,39%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 64% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 168 respondents belonging to Types B and C, 129 (i.e. over 76%) expressed a negative judgement.

Table No. 68 - Chapter 4 - Profit and Loss Account: Are other operating charges a useful element of the P/L?

	Other operating charges		
Responses	Values	%	% out of the total
No	166	35,24%	
Yes	305	64,76%	
Total	471	100,00%	78,11%
Total N/A	132		21,89%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 64% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 168 respondents belonging to Types B and C, 116 (i.e. over 69%) expressed a negative judgement.

Table No. 69 - Chapter 4 - Profit and Loss Account: Are income from participating interests a useful element of the P/L?

	Income from participating interests		
Responses	Values	%	% out of the total
No	186	39,32%	
Yes	287	60,68%	
Total	473	100,00%	78,44%
Total N/A	130		21,56%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 60% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 168 respondents belonging to Types B and C, 142 (i.e. over 84%) expressed a negative judgement.

Table No. 70 - Chapter 4 - Profit and Loss Account: Are income from other investments and loans (fixed assets) a useful element of the P/L?

	Income from other investments and loans (fixed assets)		
Responses	Values	%	% out of the total
No	179	37,92%	
Yes	293	62,08%	
Total	472	100,00%	78,28%
Total N/A	131		21,72%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 62% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 167 respondents belonging to Types B and C, 141 (i.e. over 84%) expressed a negative judgement.

Table No. 71 - Chapter 4 - Profit and Loss Account: Are other interest receivable a useful element of the P/L?

	Other interest receivable		
Responses	Values	%	% out of the total
No	196	41,35%	
Yes	278	58,65%	
Total	474	100,00%	78,62%
Total N/A	129		21,39%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 58% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 168 respondents belonging to Types B and C, 145 (i.e. over 86%) expressed a negative judgement.

Table No. 72 - Chapter 4 - Profit and Loss Account: Are value adjustments in respect of financial assets a useful element of the P/L?

Value adjustments in respect of financial assets			
Responses	Values	%	% out of the total
No	172	36,36%	
Yes	301	63,64%	
Total	473	100,00%	78,44%
Total N/A	130		21,56%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 63% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 168 respondents belonging to Types B and C, 125 (i.e. over 74%) expressed a negative judgement.

Table No. 73 - Chapter 4 - Profit and Loss Account: Are interest payable a useful element of the P/L?

Interest payable			
Responses	Values	%	% out of the total
No	169	35,65%	
Yes	305	64,35%	
Total	474	100,00%	78,61%
Total N/A	129		21,39%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 64% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 168 respondents belonging to Types B and C, 117 (i.e. over 69%) expressed a negative judgement.

Table No. 74 - Chapter 4 - Profit and Loss Account: Are tax on profit/loss on ordinary activities a useful element of the P/L?

Tax on profit/loss on ordinary activities			
Responses	Values	%	% out of the total
No	361	75,84%	
Yes	115	24,16%	
Total	476	100,00%	78,94%
Total N/A	127		21,06%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 75% of the Respondents gave a negative judgement to this question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements (24%) were expressed by all kinds of Respondents, regardless of legal form.

Table No. 75 - Chapter 4 - Profit and Loss Account: Are Profit/Loss on ordinary activities after taxes a useful element of the P/L?

Profit/Loss on ordinary activities after taxes			
Responses	Values	%	% out of the total
No	162	34,03%	
Yes	314	65,97%	
Total	476	100,00%	78,94%
Total N/A	127		21,06%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 65% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 168 respondents belonging to Types B and C, 118 (i.e. over 70%) expressed a negative judgement.

Table No. 76 - Chapter 4 - Profit and Loss Account: Are extraordinary income a useful element of the P/L?

Extraordinary income			
Responses	Values	%	% out of the total
No	237	49,79%	
Yes	239	50,21%	
Total	476	100,00%	78,94%
Total N/A	127		21,06%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 50% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 168 respondents belonging to Types B and C, 149 (i.e. over 88%) expressed a negative judgement.

Table No. 77 - Chapter 4 - Profit and Loss Account: Are extraordinary charges a useful element of the P/L?

	Extraordinary charges		
Responses	Values	%	% out of the total
No	171	36,00%	
Yes	304	64,00%	
Total	475	100,00%	78,77%
Total N/A	128		21,23%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall 64% of the Respondents gave a positive response to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 167 respondents belonging to Types B and C, 117 (i.e. over 70%) expressed a negative judgement.

Table No. 78 - Chapter 4 - Profit and Loss Account: Is the Profit/Loss for the financial year a useful element of the P/L?

	Profit/Loss for the financial year		
Responses	Values	%	% out of the total
No	131	27,46%	
Yes	346	72,54%	
Total	477	100,00%	79,10%
Total N/A	126		20,90%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 72% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 170 respondents belonging to Types B and C, 114 (i.e. over 67%) expressed a negative judgement.

Table No. 79 - Chapter 4 - Profit and Loss Account: Are other P/L information a useful element of the P/L?

	Other P/L information		
Responses	Values	%	% out of the total
No	60	32,79%	
Yes	123	67,21%	
Total	183	100,00%	30,35%
Total N/A	420		69,65%
Overall Total	603		100,00%

We may note that in reference to this item, 70% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 67% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 64 respondents belonging to Types B and C, 47 (i.e. over 63%) expressed a negative judgement.

In Chapter 4.4 there are summarized the total results of the replies with reference to Question No. 10- *Elements of the P/L to make available to third parties.*

11) What other elements and information do you think it would be useful to make available to third parties?

This question was answered by around 230 Respondents, of whom around 86% belonging to the Type A legal form, around 7% to Type B, and about 7% to Type C.

It must be noted that the number of Respondents was much lower than that of the previous question (almost half) and in percentage terms, those who most abstained from expressing judgement were Type B and C Respondents.

Here below, the answers relative to the single items of the Balance Sheet, analysed globally, are presented:

Table No. 80 - Chapter 4 - Is the value of fixed assets useful information to third parties?

Value of fixed assets, subjected to lease agreement			
Responses	Values	%	% out of the total
No	50	24,15%	
Yes	157	75,85%	
Total	207	100,00%	34,33%
Total N/A	396		65,67%
Overall Total	603		100,00%

We may note that in reference to this item, 66% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 75% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents, whilst of the overall 22 respondents belonging to Types B and C, 15 (i.e. over 68%) expressed a negative judgement.

Table No. 81 - Chapter 4 - Are the details of contracts useful information to third parties?

Details of contracts (minimum payments, rent, interest, etc.)			
Responses	Values	%	% out of the total
No	156	82,98%	
Yes	32	17,02%	
Total	188	100,00%	31,18%
Total N/A	415		68,82%
Overall Total	603		100,00%

We may note that in reference to this item, 69% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 83% of the Respondents gave a negative response to the question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed regardless the Respondents' legal form.

Table No. 82 - Chapter 4 - Are the value of other assets useful information to third parties?

Value of other assets, subject to lease agreement			
Responses	Values	%	% out of the total
No	52	22,51%	
Yes	179	77,49%	
Total	231	100,00%	38,31%
Total N/A	372		61,69%
Overall Total	603		100,00%

We may note that in reference to this item, 62% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 77% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were mostly expressed by Type A respondents; even if the Respondents themselves, Types B and C, gave their general overall approval.

Table No. 83 - Chapter 4 - Is a detailed list of lease contracts useful information to third parties?

Detailed list of lease contracts			
Responses	Values	%	% out of the total
No	207	89,22%	
Yes	25	10,78%	
Total	232	100,00%	38,47%
Total N/A	371		61,53%
Overall Total	603		100,00%

We may note that in reference to this item, 62% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 89% of the Respondents gave a negative response to the question;
- If the answers are interpreted according to the type of respondents, the results show that in percentage terms, the negative judgements were expressed by all the Respondents regardless of their legal form.

Table No. 84 - Chapter 4 - Is the value of derivatives useful information to third parties?

Responses	Value of derivatives		
	Values	%	% out of the total
No	162	70,43%	
Yes	68	29,57%	
Total	230	100,00%	38,14%
Total N/A	373		61,86%
Overall Total	603		100,00%

We may note that in reference to this item, 62% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 70% of the Respondents gave a negative judgement to this question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by Type A Respondents.

Table No. 85 - Chapter 4 - Is post-employment benefits useful information to third parties?

Responses	Post-employment benefits		
	Values	%	% out of the total
No	210	90,13%	
Yes	23	9,87%	
Total	233	100,00%	38,64%
Total N/A	370		61,36%
Overall Total	603		100,00%

We may note that in reference to this item, 61% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 90% of the Respondents gave a negative judgement to this question;
- If the answers are interpreted according to the type of respondents, the results show that negative judgements were expressed by all the Respondents regardless of their legal form.

Table No. 86 - Chapter 4 - Is fixed assets impairment useful information to third parties?

Responses	Fixed assets impairment		
	Values	%	% out of the total
No	199	85,04%	
Yes	35	14,96%	
Total	234	100,00%	38,81%
Total N/A	369		61,19%
Overall Total	603		100,00%

We may note that in reference to this item, 61% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 85% of the Respondents gave a negative response to the question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents regardless their legal form.

Table No. 87 - Chapter 4 - The importance of the other elements: Fair value of tangible assets

Responses	Fair value of tangible assets		
	Values	%	% out of the total
No	169	71,91%	
Yes	66	28,09%	
Total	235	100,00%	38,97%
Total N/A	368		61,03%
Overall Total	603		100,00%

We may note that in reference to this item, 61% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 72% of the Respondents gave a negative judgement to this question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents regardless of their legal form.

Table No. 88 - Chapter 4 - Is the fair value of other assets useful information to third parties?

Responses	Fair value of other assets		
	Values	%	% out of the total
No	182	77,12%	
Yes	54	22,88%	
Total	236	100,00%	39,14%
Total N/A	367		60,86%
Overall Total	603		100,00%

We may note that in reference to this item, 62% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 77% of the Respondents gave a negative judgement to this question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents regardless their legal form.

Table No. 89 - Chapter 4 - Is an operating lease useful information to third parties?

Responses	Operating lease		
	Values	%	% out of the total
No	187	80,26%	
Yes	46	19,74%	
Total	233	100,00%	38,64%
Total N/A	370		61,36%
Overall Total	603		100,00%

We may note that in reference to this item, 61% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 80% of the Respondents gave a negative response to the question;

- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents regardless their legal form.

Table No. 90 - Chapter 4 - The importance of the other elements: Share-based payments

	Share-based payments		
Responses	Values	%	% out of the total
No	196	84,48%	
Yes	36	15,52%	
Total	232	100,00%	38,47%
Total N/A	371		61,53%
Overall Total	603		100,00%

We may note that in reference to this item, 62% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 84% of the Respondents gave a negative response to the question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents regardless of their legal form.

Table No. 91 - Chapter 4 - Are foreign-currency transactions useful information to third parties?

	Foreign-currency transactions		
Responses	Values	%	% out of the total
No	197	85,65%	
Yes	33	14,35%	
Total	230	100,00%	38,14%
Total N/A	373		61,86%
Overall Total	603		100,00%

We may note that in reference to this item, 62% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 85% of the Respondents gave a negative response to the question;
- If the answers are interpreted according to the type of respondents, the results show that negative judgements were expressed by all the Respondents regardless of their legal form.

Table No. 92 - Chapter 4 - Are long-term/construction contracts useful information to third parties?

	Long-term/construction contracts		
Responses	Values	%	% out of the total
No	182	78,11%	
Yes	51	21,89%	
Total	233	100,00%	38,64%
Total N/A	370		61,36%
Overall Total	603		100,00%

We may note that in reference to this item, 61% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 78% of the Respondents gave a negative judgement to this question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents regardless their legal form.

Table No. 93 - Chapter 4 - Are R&D projects useful information to third parties?

	R&D projects		
Responses	Values	%	% out of the total
No	183	78,88%	
Yes	49	21,12%	
Total	232	100,00%	38,47%
Total N/A	371		61,53%
Overall Total	603		100,00%

We may note that in reference to this item, 62% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 78% of the Respondents gave a negative judgement to this question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents regardless their legal form.

Table No. 94 - Chapter 4 - Are business combinations useful information to third parties?

	Business combinations		
Responses	Values	%	% out of the total
No	185	79,40%	
Yes	48	20,60%	
Total	233	100,00%	38,64%
Total N/A	370		61,36%
Overall Total	603		100,00%

We may note that in reference to this item, 61% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 79% of the Respondents gave a negative response to the question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents regardless their legal form.

Table No. 95 - Chapter 4 - Are deferred taxes useful information to third parties?

Responses	Deferred taxes		% out of the total
	Values	%	
No	199	85,41%	
Yes	34	14,59%	
Total	233	100,00%	38,64%
Total N/A	370		61,36%
Overall Total	603		100,00%

We may note that in reference to this item, 61% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 85% of the Respondents gave a negative response to the question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents regardless their legal form.

Table No. 96 - Chapter 4 - Are related party transactions useful information to third parties?

Responses	Related party transactions		% out of the total
	Values	%	
No	194	83,26%	
Yes	39	16,74%	
Total	233	100,00%	38,64%
Total N/A	370		61,36%
Overall Total	603		100,00%

We may note that in reference to this item, 61% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 83% of the Respondents gave a negative response to the question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents regardless their legal form.

Table No. 97 - Chapter 4 - Are debt position towards lease entity useful information to third parties?

Responses	Debt position towards lease entity		% out of the total
	Values	%	
No	157	67,67%	
Yes	75	32,33%	
Total	232	100,00%	38,47%
Total N/A	371		61,53%
Overall Total	603		100,00%

We may note that in reference to this item, 62% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 67% of the Respondents gave a negative judgement to this question;

- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents regardless their legal form.

Table No. 98 - Chapter 4 - Is the value of guarantees received useful information to third parties?

Responses	Value of guarantees received		
	Values	%	% out of the total
No	104	45,02%	
Yes	127	54,98%	
Total	231	100,00%	38,31%
Total N/A	372		61,69%
Overall Total	603		100,00%

We may note that in reference to this item, 61% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 54% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results shows that the positive judgements were mostly expressed by Respondents of Types A and B, while those of Type C gave a negative response.

Table No. 99 - Chapter 4 - Is the value of granted guarantees useful information to third parties?

Responses	Value of granted guarantees		
	Values	%	% out of the total
No	139	59,66%	
Yes	94	40,34%	
Total	233	100,00%	38,64%
Total N/A	370		61,36%
Overall Total	603		100,00%

We may note that in reference to this item, 57% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 59% of the Respondents gave a negative judgement to this question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents regardless their legal form.

Table No. 100 - Chapter 4 - Is the contingency/Events after Balance Sheet closure useful information to third parties?

Responses	Contingency/Events after Balance Sheet closure		
	Values	%	% out of the total
No	166	72,17%	
Yes	64	27,83%	
Total	230	100,00%	38,14%
Total N/A	373		61,86%

Overall Total	603		100,00%
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We may note that in reference to this item, 62% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 72% of the Respondents gave a negative judgement to this question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by Type A and C Respondents, while the Type B subject, albeit only slightly, gave a positive response.

In Chapter 4.4 there are summarized the total results of the replies with reference to Question No. 11- *Other elements to make available to third parties.*

12) Which other elements and information do you think it would be useful to make available to third parties?

This question was answered by average numbers of 170 Respondents, of whom around 93% belonging to the Type A legal form, about 5% to Type B, and about 2% to Type C.

The questions examined what other elements or kinds of information of a non-accounting nature the Preparers would deem useful to make available to third parties.

Here below, the answers relative to the single items, analysed globally, are presented:

Table No. 101 - Chapter 4 - Are the details of entity structure useful information to third parties?

Responses	Details of entity structure		
	Values	%	% out of the total
No	75	35,21%	
Yes	138	64,79%	
Total	213	100,00%	35,32%
Total N/A	390		64,68%
Overall Total	603		100,00%

We may note that in reference to this item, 65% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 64% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were expressed by Type A Respondents while Type B Respondents are split down the middle, and Type C's generally gave a negative response.

Table No. 102 - Chapter 4 - Is the controlling body of the entity useful information to third parties?

Responses	Controlling body of the entity		
	Values	%	% out of the total
No	32	30,19%	
Yes	74	69,81%	
Total	106	100,00%	17,58%
Total N/A	497		82,42%
Overall Total	603		100,00%

We may note that in reference to this item, 82% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 69% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that favourable judgements were expressed by Type A Respondents; even though the Respondents themselves, Types B and C, gave their general overall approval.

Table No. 103 - Chapter 4 - Is the market sector useful information to third parties?

Responses	Market sector		
	Values	%	% out of the total
No	21	11,86%	
Yes	156	88,14%	
Total	177	100,00%	29,35%
Total N/A	426		70,65%
Overall Total	603		100,00%

We may note that in reference to this item, 71% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 88% of the Respondents gave a positive response to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were expressed by Type A Respondents; Type B Respondents gave their general approval, while Type C's gave an overall negative response.

Table No. 104 - Chapter 4 - Is the number of employees useful information to third parties?

Responses	Number of employees by staff categories		
	Values	%	% out of the total
No	47	26,55%	
Yes	130	73,45%	
Total	177	100,00%	29,35%
Total N/A	426		70,65%
Overall Total	603		100,00%

We may note that in reference to this item, 71% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 73% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were expressed by Type A Respondents; Type B Respondents gave their general approval, while Type C's gave an overall negative response.

Table No. 105 - Chapter 4 - Is the number of customers useful information to third parties?

Number of customers			
Responses	Values	%	% out of the total
No	51	28,98%	
Yes	125	71,02%	
Total	176	100,00%	29,19%
Total N/A	427		70,81%
Overall Total	603		100,00%

We may note that in reference to this item, 71% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 75% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the favourable judgements were expressed by Type A Respondents; Type B Respondents gave their general approval, while Type C's gave an overall negative response.

Table No. 106 - Chapter 4 - Is the percentage of main customer out of total turnover useful information to third parties?

Percentage of main customer out of total turnover			
Responses	Values	%	% out of the total
No	113	68,48%	
Yes	52	31,52%	
Total	165	100,00%	27,36%
Total N/A	438		72,64%
Overall Total	603		100,00%

We may note that in reference to this item, 73% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 68% of the Respondents gave a negative response to this question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents regardless of their legal form.

Table No. 107 - Chapter 4 - Is the number of suppliers useful information to third parties?

Number of suppliers			
Responses	Values	%	% out of the total
No	59	33,91%	
Yes	115	66,09%	
Total	174	100,00%	28,86%
Total N/A	429		71,14%
Overall Total	603		100,00%

We may note that in reference to this item, 72% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 66% of the Respondents expressed a favourable judgement to the question;

- If the answers are interpreted according to the type of respondents, the results show that the favourable judgement was expressed by Type A Respondents; Type B Respondents gave their general approval, while the Type C's gave an overall negative response.

Table No. 108 - Chapter 4 - Is the percentage of the main supplier out of total purchases useful information to third parties?

Percentage of the main supplier out of total purchases			
Responses	Values	%	% out of the total
No	111	70,70%	
Yes	46	29,30%	
Total	157	100,00%	26,04%
Total N/A	446		73,96%
Overall Total	603		100,00%

We may note that in reference to this item, 74% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 70% of the Respondents gave a negative judgement to this question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents regardless of their legal form.

Table No. 109 - Chapter 4 - Is the national operating/business areas of entity useful information to third parties?

National operating/business areas of entity			
Responses	Values	%	% out of the total
No	87	48,88%	
Yes	91	51,12%	
Total	178	100,00%	25,52%
Total N/A	425		70,48%
Overall Total	603		100,00%

We may note that in reference to this item, 71% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 51% of the Respondents expressed a favourable judgement to the question;
- If the answers are interpreted according to the type of respondents, the results show that the positive judgements were expressed by all the Respondents, regardless of their legal form.

Table No. 110 - Chapter 4 - Is the percentage of main area out of total turnover useful information to third parties?

	Percentage of main area out of total turnover		
Responses	Values	%	% out of the total
No	91	52,91%	
Yes	81	47,09%	
Total	172	100,00%	28,52%
Total N/A	431		71,48%
Overall Total	603		100,00%

We may note that in reference to this item, 71% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 52% of the Respondents gave a negative judgement to this question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were mostly expressed by Type A Respondents, while Type B and C Respondents were generally balanced.

Table No. 111 - Chapter 4 - Are the European operating/business areas of the entity useful information to third parties?

European operating/business areas of the entity			
Responses	Values	%	% out of the total
No	98	56,00%	
Yes	77	44,00%	
Total	175	100,00%	29,02%
Total N/A	428		70,98%
Overall Total	603		100,00%

We may note that in reference to this item, 71% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 56% of the Respondents gave a negative judgement to this question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents regardless their legal form.

Table No. 112 - Chapter 4 - Is the percentage of main EU Country on total turnover useful information to third parties?

Percentage of main EU Country on total turnover			
Responses	Values	%	% out of the total
No	105	62,13%	
Yes	64	37,87%	
Total	169	100,00%	28,03%
Total N/A	434		71,97%
Overall Total	603		100,00%

We may note that in reference to this item, 72% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 62% of the Respondents gave a negative judgement to this question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the respondents regardless of their legal form.

Table No.113 - Chapter 4 - The importance of the other elements: operating/business areas of entity, extra EU

Operating/business areas of entity, extra EU			
Responses	Values	%	% out of the total
No	132	76,30%	
Yes	41	23,70%	
Total	173	100,00%	28,69%
Total N/A	430		71,31%
Overall Total	603		100,00%

We may note that in reference to this item, 71% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 76% of the Respondents gave a negative judgement to this question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents regardless of their legal form.

Table No. 114 - Chapter 4 - Is the percentage of the main extra-EU Country on total turnover useful information to third parties?

Percentage of the main extra-EU Country on total turnover			
Responses	Values	%	% out of the total
No	123	74,55%	
Yes	42	25,45%	
Total	165	100,00%	27,36%
Total N/A	438		72,64%
Overall Total	603		100,00%

We may note that in reference to this item, 73% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 74% of the Respondents gave a negative judgement to this question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents regardless their legal form.

Table No. 115 - Chapter 4 - Is the social responsibility report useful information to third parties?

Social Responsibility report			
Responses	Values	%	% out of the total
No	123	87,23%	
Yes	18	12,77%	
Total	141	100,00%	23,38%
Total N/A	462		76,62%
Overall Total	603		100,00%

We may note that in reference to this item, 77% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 87% of the Respondents gave a negative judgement to this question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents regardless of their legal form.

Table No. 116 - Chapter 4 - Is quality certification useful information to third parties?

Quality certification			
Responses	Values	%	% out of the total
No	103	57,87%	
Yes	75	42,13%	
Total	178	100,00%	29,52%
Total N/A	425		70,48%

Overall Total	603		100,00%
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We may note that in reference to this item, 71% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 58% of the Respondents gave a negative judgement to this question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents regardless their legal form.

Table No. 117 - Chapter 4 - Is the forecast for new investments useful information to third parties?

Responses	Forecast for new investments		
	Values	%	% out of the total
No	124	71,26%	
Yes	50	28,74%	
Total	174	100,00%	28,86%
Total N/A	429		71,14%
Overall Total	603		100,00%

We may note that in reference to this item, 71% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 71% of the Respondents gave a negative judgement to this question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents regardless of their legal form.

Table No. 118 - Chapter 4 - Is the forecast for development of new products/services useful information to third parties?

Responses	Forecast for development of new products/services		
	Values	%	% out of the total
No	104	59,43%	
Yes	71	40,57%	
Total	175	100,00%	29,02%
Total N/A	428		70,98%
Overall Total	603		100,00%

We may note that in reference to this item, 71% of those interviewed gave no answer; from the analysis of the Respondents, the table shows:

- That overall more than 59% of the Respondents gave a negative judgement to this question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were mostly expressed by Type A Respondents, while Type B and C Respondents expressed a positive response.

In Chapter 4.4 there are summarized the total results of the replies with reference to Question No. 12- *Other elements to make available to third parties.*

13) Do you think it is useful to indicate if the entity produces its own energy?

Table No. 119 - Chapter 4 - Is it useful to indicate if the entity produces its own energy?

Autonomous production of energy			
Responses	Values	%	% out of the total
No	143	80,34%	
Yes	35	19,66%	
Total	178	100,00%	29,52%
Total N/A	425		70,48%
Overall Total	603		100,00%

We may note that with reference to this question, 71% of those interviewed gave no response; from the analysis of the Respondents, the table shows:

- That overall more than 80% of the Respondents gave a negative response to the question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents regardless their legal form.

Table No. 120 - Chapter 4 - Is it useful to indicate the percentage of self-produced energy out of total requirement?

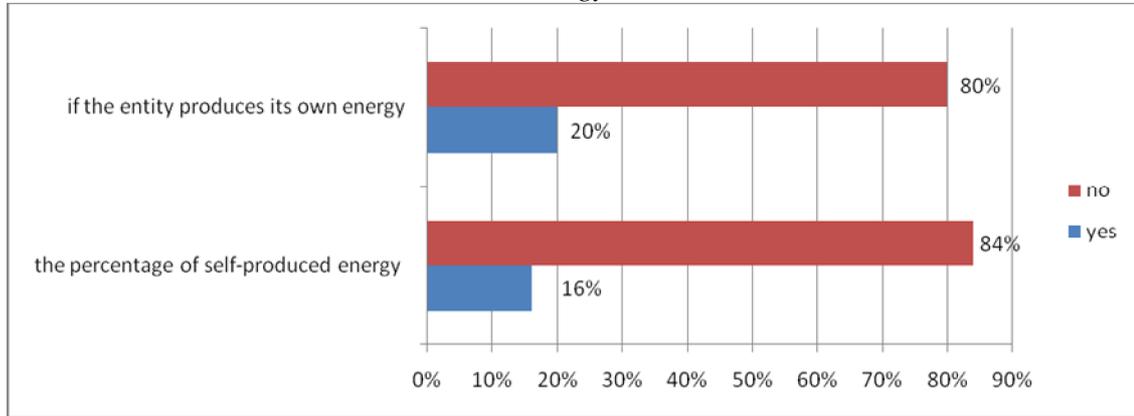
Percentage of self-produced energy out of total requirement			
Responses	Values	%	% out of the total
No	131	83,97%	
Yes	25	16,03%	
Total	156	100,00%	25,87%
Total N/A	447		74,13%
Overall Total	603		100,00%

We may note that with reference to this question, 74% of those interviewed gave no response; from the analysis of the Respondents, the table shows:

- That overall more than 83% of the Respondents gave a negative response to the question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents regardless their legal form.

This question brings together the opinions of the Respondents with regard to the importance of making information available to third parties with regard to the energy production sector present within the entity.

Figure No. 77 - Chapter 4 - Is it useful to indicate if the entity produces its own energy?



Source: Annex 2E - Preparers - Table No. 73

14) Do you think it is useful to indicate whether the entity makes use of recycled materials?

Table No. 121 - Chapter 4 - Is it useful to indicate whether the entity makes use of recycled materials?

Use of recycled materials			
Responses	Values	%	% out of the total
No	141	78,77%	
Yes	38	21,23%	
Total	179	100,00%	29,68%
Total N/A	424		70,32%
Overall Total	603		100,00%

We may note that with reference to this question, 70% of those interviewed gave no response; from the analysis of the Respondents, the table shows:

- That overall more than 78% of the Respondents gave a negative judgement to this question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents regardless their legal form.

Table No. 122 - Chapter 4 - Is it useful to indicate percentage of recycled materials out of total requirement?

Percentage of recycled materials out of total requirement			
Responses	Values	%	% out of the total
No	127	83,01%	
Yes	26	16,99%	
Total	153	100,00%	25,37%
Total N/A	450		74,63%
Overall Total	603		100,00%

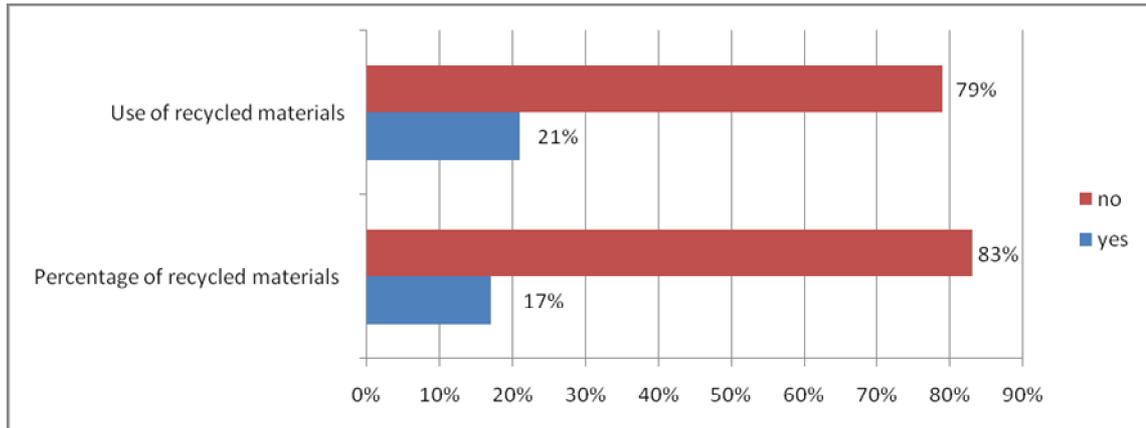
We may note that with reference to this question, 75% of those interviewed gave no response; from the analysis of the Respondents, the table shows:

- That overall more than 83% of the Respondents gave a negative response to the question;

- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents regardless their legal form.

This question gathers the opinions of the Respondents with regard to the importance of making available to third parties information on the use of recycled materials by the administered entity.

Figure No. 78 - Chapter 4 - Is it useful to indicate whether the entity makes use of recycled materials?



Source: Annex 2E - Preparers - Table No. 74

15) Do you rely on ratio analysis in analysing financial reports? If so, what kind of ratios do you find useful? (E.g. Return On Equity, Return On Assets, Return On Investments, Return On Sales, etc.)

This question No. 15 was answered by 178 Respondents, of which around 88% belonged to the Type A legal form, about 8% to Type B, and about 6% to Type C.

Table No. 123 - Chapter 4 - Do you rely on ratio analysis in analysing financial reports?

Reliance on ratio analysis in analysing financial reports			
Responses	Values	%	% out of the total
No	103	57,87%	
Yes	75	42,13%	
Total	178	100,00%	29,52%
Total N/A	425		70,48%
Overall Total	603		100,00%

We may note that with reference to this question, 71% of those interviewed gave no response; from the analysis of the Respondents, the table shows:

- That overall more than 57% of the Respondents gave a negative judgement to this question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were mostly expressed by Type A respondents, while the judgements of the Type B and C's are generally favourable.

SECTION 4 – Suggestions for improvement

16) Do you think that the financial statements of your entity should be more complete?

This question No. 16 was answered by 272 Respondents, of whom around 85% belonging to the Type A legal form, around 10% to Type B, and around 5% to Type C.

Table No. 124 - Chapter 4 - Should the financial statements be more complete?

The financial statements of my entity should be more complete			
Responses	Values	%	% out of the total
No	261	95,96%	
Yes	11	4,04%	
Total	272	100,00%	45,11%
Total N/A	331		54,89%
Overall Total	603		100,00%

We may note that with reference to this question, 55% of those interviewed gave no response; from the analysis of the Respondents, the table shows:

- That overall more than 95% of the Respondents gave a negative judgement to this question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents, regardless of their legal form.

The positive open answers were not considered for analysis purposes given their insignificant number.

The question gathers the opinions of the Respondents with regard to the need to make the accounting documentation of the administered entity more complete.

In this regard, we must note the very high percentage of negative opinions among the Respondents, who clearly express the non-necessity of making accounting documentation more complete. This result may be strengthened by counting the non-answers as negative opinions, bearing in mind the type of Respondents (Preparers).

17) Do you think that financial statements of your entity should be simplified?

This question No. 17 was answered by 446 Respondents, of whom around 65% belonging to the Type A legal form, as well as 23% to Type B, and more than 12% to Type C.

Table No. 125 - Chapter 4 - Should the financial statements be more simplified?

Financial statements of my entity should be simplified			
Responses	Values	%	% out of the total
No	123	27,58%	
Yes	323	72,42%	
Total	446	100,00%	73,96%
Total N/A	157		26,04%
Overall Total	603		100,00%

The analysis of the table highlights:

- That overall more than 72% of the Respondents expressed a favourable judgement to the question;

- If the answers are interpreted according to the type of respondents, the results show that the positive judgements were expressed by all the Respondents, regardless of their legal form.

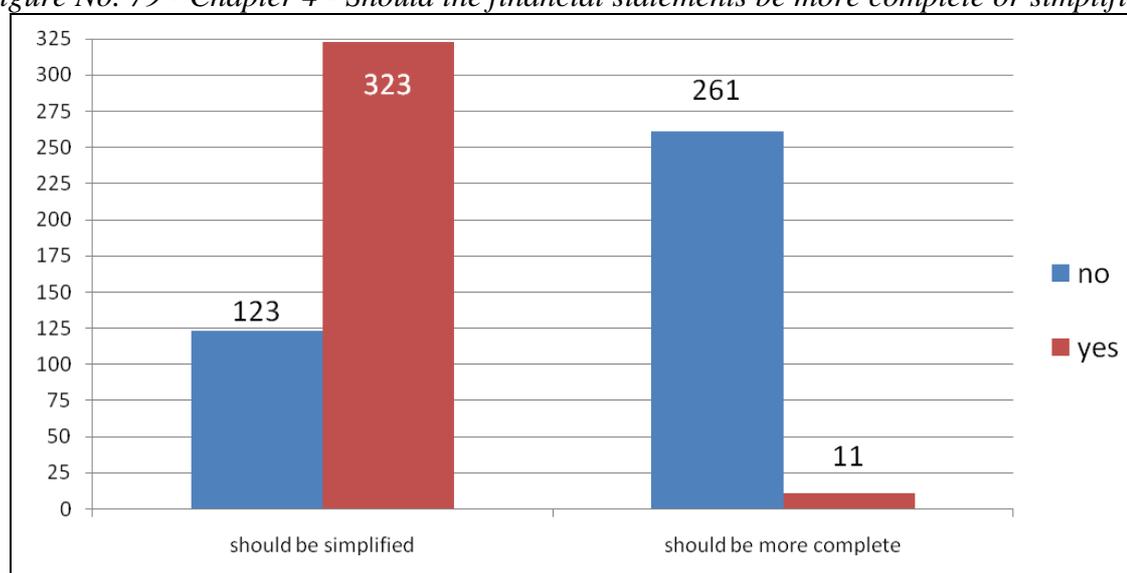
Open answers:

In the open answers, the interviewees gave their opinions with reference to which currently-used documents may be subjected to simplification:

- Additional notes;
- Tax records;
- The report on the financial statement; and
- Legislation.

Summary of the results of questions No. 16 (*Do you think that financial statements should be more complete?*) and No. 17 (*Do you think that financial statements should be more simplified?*)

Figure No. 79 - Chapter 4 - Should the financial statements be more complete or simplified?



Source: Annex 2E - Preparers - Table No. 75

SECTION 5 – Valuation of specific elements in the "IFRS for SMEs"

18) In this section, you should express your views about rules on measurement and disclosure of certain elements in IFRS for SMEs (the terminology of this section is in accordance with the "IFRS for SMEs", i.e. the IA SB accounting standards)

Are you familiar with the "IFRS for SMEs"?

This question No. 18 was answered by 461 Respondents, of whom more than 61% belonged to the Type A legal form, around 27% to Type B, and about 12% to Type C

Table No. 126 - Chapter 4 - Are you familiar with the "IFRS for SMEs"?

Familiarity with the "IFRS for SMEs"			
Responses	Values	%	
No	449	97,40%	
Yes	12	2,60%	
Total	461	100,00%	76,45%
Total N/A	142		23,55%

Overall Total	603		100,00%
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The analysis of the table highlights:

- That overall more than 97% of the Respondents gave a negative judgement to this question;
- If the answers are interpreted according to the type of respondents, the results show that the negative judgements were expressed by all the Respondents, regardless of their legal form.

The answers indicate a general unawareness of International Accounting Standards. This conclusion is also confirmed by the fact that, with reference to the open answers, virtually no considerations were formulated.

4.3.3. Accounting Professionals: Analysis of the results

Below is the analysis of the answers supplied in the questionnaires of the Accounting Professionals.

From section 2 onward, the Survey results are shown after the tables, with the related analysis.

SECTION 1- General Information

The questionnaires were sent to 269 Accounting Professionals but the response rate has been very low (14,13%) as it is shown below. The reasons for this low response rate, as they have been expressed by the Respondents interviewed can be summarized as follows:

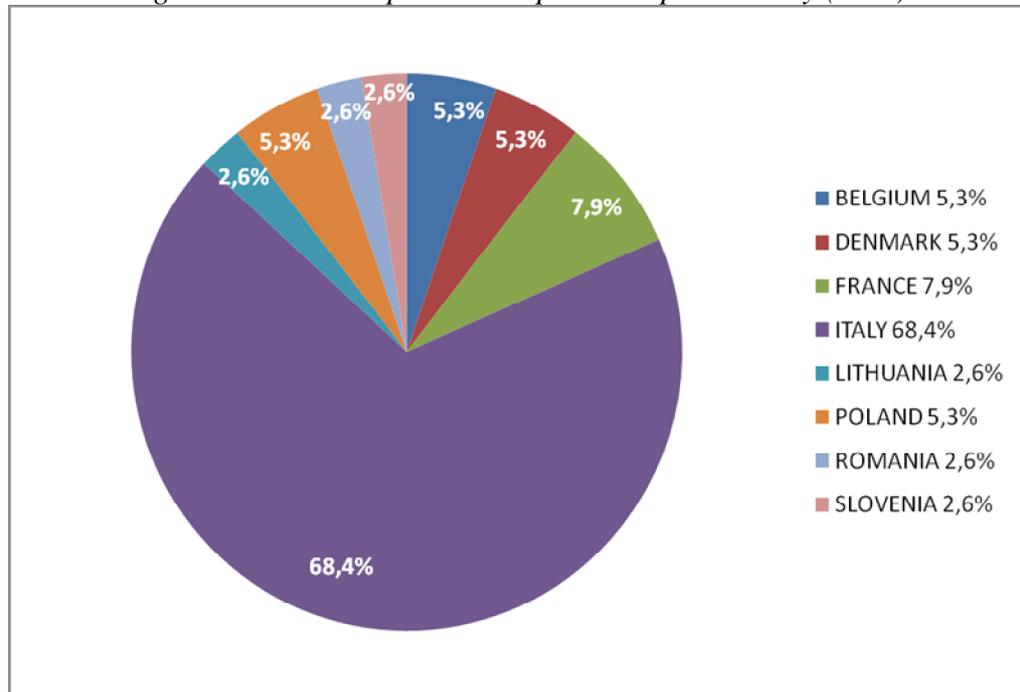
- 1) They don't have time to fill in the questionnaire;
- 2) They don't reply to questionnaires in general as their own policy;
- 3) They are not sure that the questionnaire comes from the European Commission and they would like to have more assurances from the EU;
- 4) They will reply later (and then they have never replied).

The detailed subdivision of the Respondents by nationality, distributed across eight Countries, is shown in the table below and the relevant Figure:

Table No. 127 - Chapter 4 - Respondents per Country

Country	Values	
	No. of Respondents	% of Respondents
BELGIUM	2	5,26%
DENMARK	2	5,26%
FRANCE	3	7,89%
ITALY	26	68,41%
LITHUANIA	1	2,64%
POLAND	2	5,26%
ROMANIA	1	2,64%
SLOVENIA	1	2,64%
Total	38	100,00%

Figure No. 80 - Chapter 4 - Respondents per Country (in %)

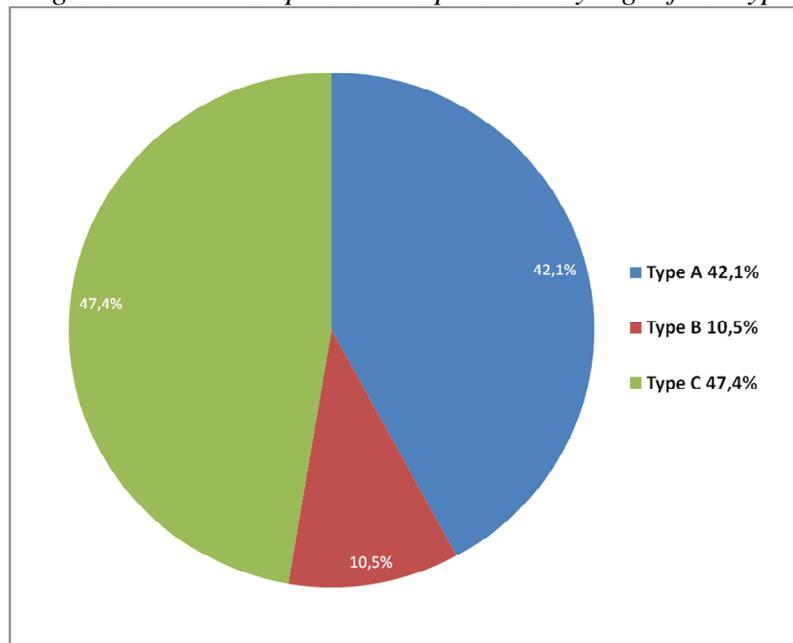


The subdivision of the Respondents by Country is not presented for each question of the questionnaire since the Country of origin of the Respondents is not a significant element of analysis (see Chapter 4.1.and Chapter 4.2.).

Indeed, in general, the replies do not differ significantly in respect of the Country of origin of the Respondent; whenever the Country of the Respondent becomes a significant element for the analysis this has been indicated and highlighted.

The subdivision of the Respondents by legal form is shown in the following table relative graph:

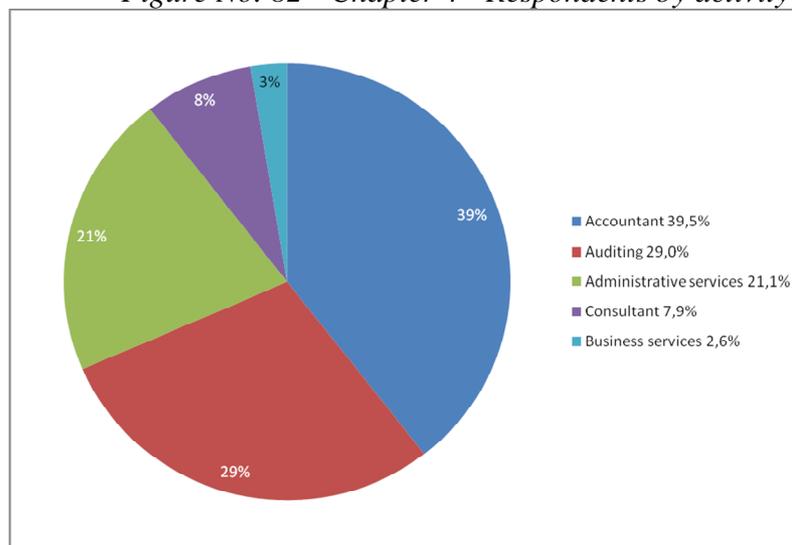
Figure No. 81 - Chapter 4 - Respondents by legal form type



Source: Annex 2E - Accounting Professionals - Table No. 76

Hereby it is presented the subdivision of the Respondents by type of activity, from which it emerges that more than 68% of the Respondents work in the field of auditing and as accountants, as shown in the following table and the relative graph:

Figure No. 82 - Chapter 4 - Respondents by activity

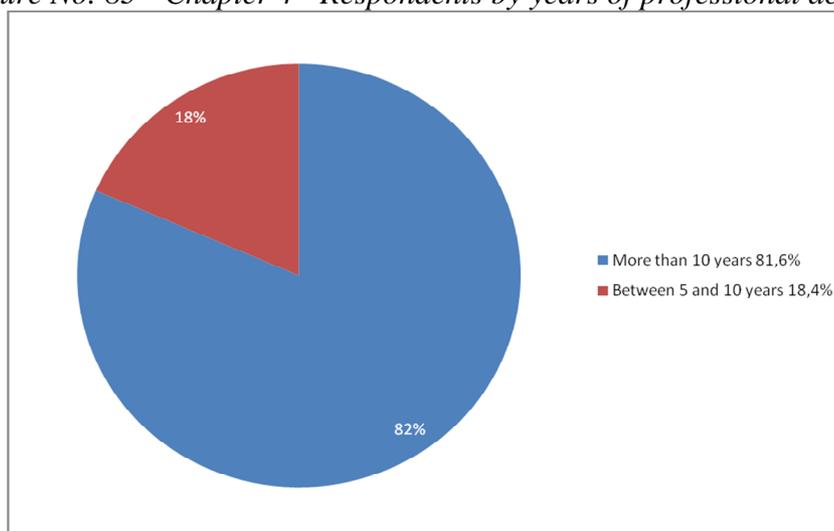


Source: Annex 2E - Accounting Professionals - Table No. 77

1) Experience of the Respondent in the accounting and auditing field

The subdivision of the Respondents on the basis of their years of professional experience shows that 82% state more than 10 years:

Figure No. 83 - Chapter 4 - Respondents by years of professional activity



Source: Annex 2E - Accounting Professionals - Table No. 78

2) Expertise area of the Respondent

The subdivision of the Respondents by expertise area is very heterogeneous, as may be noted in the following table and relative Figure:

Table No. 128 - Chapter 4 - Respondents expertise area

Areas of specialisation	Values	%
Accounting, financial and administrative, fiscal, legal and corporate areas; audit	7	18,42%
Audit	6	15,79%
Accounting, financial and administrative, fiscal, legal and corporate areas	5	13,16%
Accounting, financial and administrative, fiscal areas; audit	5	13,16%
Accounting, financial and administrative areas	4	10,53%
Accounting, financial and administrative, fiscal areas	3	7,89%
Other	3	7,89%
Fiscal area	2	5,26%
Legal and corporate areas	1	2,63%
Fiscal area; audit	1	2,63%
Accounting area	1	2,63%
Total	38	100,00%

SECTION 2 - Survey on general accounting information requirements for SME

3) With reference to registered SMEs in your Country for which you require information please rate the following element

This question collects the opinions of the Respondents with reference to three different aspects of the accounting documentation:

- Availability of accounting data/documents;
- Reliability and importance/usefulness of accounting data/documents;
- Comparability of accounting data/documents.

The Respondents were asked to express their opinions by rating the different aspects of the accounting information as follows:

- “+” if the availability/reliability/comparability of the accounting documentation obtained is **adequate** (e.g., exhaustive, complete and/or in line with the information requirements);
- “-“ if the availability/reliability/comparability of the accounting documentation obtained is **inadequate** (e.g., not exhaustive, incomplete and/or not in line with the information requirements);
- “=” if you are not able to respond.” i.e. “**don’t know**”.

The possible Respondents are 38; nonetheless since many of them did not provide any reply and that the ones who did reply, replied with reference to different clusters (a “cluster” being a group deriving from matching legal form and size of entities), there may be different numbers of replies. The Respondents indeed were asked to tick their replies in a box,

representing 12 different combinations/clusters of entities (e.g. Medium-sized Type A entity, Medium-sized Type B entity, Medium-sized Type C and so on).

The tables hereby presented (Tables No. 129, 130 and 131) summarize the opinions provided with reference to each cluster, regardless of the number, type and nationality of the Respondents.

- Availability of accounting data/documents

Table No. 129 - Chapter 4 - Availability of accounting data/documents

	Medium-sized	Small-sized	Micro 1	Micro 2
Type A	23 adequate 1 inadequate 7 don't know 7 N/A	29 adequate 2 inadequate 1 don't know 6 N/A	27 adequate 3 inadequate 3 don't know 5 N/A	25 adequate 5 inadequate 3 don't know 5 N/A
Type B	14 adequate 2 inadequate 12 don't know 11 N/A	19 adequate 6 inadequate 5 don't know 8 N/A	19 adequate 6 inadequate 7 don't know 6 N/A	15 adequate 10 inadequate 7 don't know 6 N/A
Type C	13 adequate 5 inadequate 10 don't know 10 N/A	16 adequate 9 inadequate 4 non so 9 N/A	17 adequate 10 inadequate 5 don't know 6 N/A	14 adequate 13 inadequate 5 don't know 6 N/A

The answers display a substantial adequacy in the availability of data/accounting documents, especially with regard to availability for Type A entities, regardless of their size. At the same time, the Respondents expressed a judgement of adequacy for all the other Medium-sized entities.

For Small-sized, Micros 1 and 2 entities Type C, the percentage of judgements of inadequacy increases.

- Reliability and importance/usefulness of accounting data/documents

Table No. 130 - Chapter 4 - Reliability and importance/usefulness of accounting data/documents

	Medium-sized	Small-sized	Micro 1	Micro 2
Type A	24 adequate 0 in adequate 7 don't know 7 N/A	29 adequate 2 inadequate 1 don't know 6 N/A	26 adequate 4 inadequate 2 don't know 6 N/A	24 adequate 6 inadequate 2 don't know 6 N/A
Type B	16 adequate 1 in adequate 11 don't know 10 N/A	22 adequate 4 inadequate 4 don't know 8 N/A	20 adequate 5 inadequate 6 don't know 7 N/A	16 adequate 9 inadequate 6 don't know 7 N/A
Type C	14 adequate 3 in adequate 11 don't know 10 N/A	17 adequate 9 inadequate 4 don't know 8 N/A	17 adequate 10 inadequate 4 don't know 7 N/A	14 adequate 12 inadequate 5 don't know 7 N/A

The answers highlight that accounting data are useful/important for the majority of Respondents. The large number of positive opinions tends to diminish with reference to Type C Small-sized and Micro entities.

- Comparability of accounting data/documents between two entities of the same cluster (e.g., Type A/Medium-sized, Type B/ Small-sized, etc.).

Table No. 131 - Chapter 4 - Comparability of accounting data/documents

	Medium-sized	Small-sized	Micro 1	Micro 2
Type A	22 adequate 2 inadequate 7 don't know 7 N/A	27 adequate 4 inadequate 1 don't know 6 N/A	23 adequate 6 inadequate 2 don't know 7 N/A	19 adequate 9 inadequate 3 don't know 7 N/A
Type B	17 adequate 1 inadequate 10 don't know 10 N/A	21 adequate 6 inadequate 3 don't know 8 N/A	16 adequate 9 inadequate 5 non so 8 N/A	11 adequate 13 inadequate 6 don't know 8 N/A
Type C	14 adequate 3 inadequate 10 don't know 11 N/A	15 adequate 11 inadequate 3 don't know 9 N/A	14 adequate 11 inadequate 4 don't know 9 N/A	10 adequate 14 inadequate 5 don't know 9 N/A

The prevalence of positive judgements results for all entities despite size and legal form, with the exception of Types B and C concerning Micro 2 entities.

In this regard, the most significant trend shows that the judgements of inadequacy increase as the size of the entities decreases; a similar trend may be noted from the Type A to Type C entities.

- Other (specify:)

Almost all of the Respondents did not answer the question and therefore no significant considerations can be made.

4) With reference to non-registered SMEs in your Country but within EU for which you require information please rate the following elements

This question collects the opinions of the Respondents with reference to three different aspects of the accounting documentation:

- Availability of accounting data/documents;
- Reliability and importance/usefulness of accounting data/documents;
- Comparability of accounting data/documents.

The Respondents were asked to express their opinions by rating the different aspects of the accounting information as follows:

- “+” if the availability/reliability/comparability of the accounting documentation obtained is adequate (e.g., exhaustive, complete and/or in line with the information requirements);
- “-“ if the availability/reliability/comparability of the accounting documentation obtained is inadequate (e.g., not exhaustive, incomplete and/or not in line with the information requirements);
- “=” if you are not able to respond.” i.e. “**don’t know**”.

The possible Respondents are 38; nonetheless since many of them did not provide any reply and that the ones who did reply, replied with reference to different clusters (a “cluster” being a group deriving from matching legal form and size of entities), there may be different numbers of replies. The Respondents indeed were asked to tick their replies in a box, representing 12 different combinations/clusters of entities (e.g. Medium-sized Type A entity, Medium-sized Type B entity, Medium-sized Type C and so on).

The tables hereby presented (Tables No. 132, 133 and 134) summarize the opinions provided with reference to each cluster, regardless of the number, type and nationality of the Respondents.

- Availability of accounting data/documents

Table No. 132 - Chapter 4 - Availability of accounting data/documents

	Medium-sized	Small-sized	Micro 1	Micro 2
Type A	7 adequate 0 inadequate 19 don't know 12 N/A	8 adequate 1 inadequate 17 don't know 12 N/A	6 adequate 2 inadequate 18 don't know 12 N/A	6 adequate 2 inadequate 18 don't know 12 N/A
Type B	6 adequate 0 inadequate 19 don't know 13 N/A	7 adequate 1 inadequate 17 don't know 13 N/A	6 adequate 1 inadequate 18 don't know 13 N/A	5 adequate 2 inadequate 18 don't know 13 N/A
Type C	7 adequate 1 inadequate 17 don't know 13 N/A	6 adequate 4 inadequate 15 don't know 13 N/A	6 adequate 3 inadequate 16 don't know 13 N/A	6 adequate 3 inadequate 16 don't know 13 N/A

The answers given with regard to the availability of the accounting data of entities not resident in the same countries show a substantial prevalence of "don't knows", regardless of their legal form and the size.

- Reliability and importance/usefulness of accounting data/documents

Table No. 133 - Chapter 4 - Reliability and importance/usefulness of accounting data/documents

	Medium-sized	Small-sized	Micro 1	Micro 2
Type A	12 adequate 0 inadequate 14 don't know 12 N/A	9 adequate 2 inadequate 15 don't know 12 N/A	7 adequate 4 inadequate 15 don't know 12 N/A	6 adequate 4 inadequate 16 don't know 12 N/A
Type B	10 adequate 0 inadequate 15 don't know 13 N/A	9 adequate 1 inadequate 16 don't know 12 N/A	8 adequate 0 inadequate 17 don't know 13 N/A	5 adequate 3 inadequate 17 don't know 13 N/A
Type C	11 adequate 1 inadequate 13 don't know 13 N/A	7 adequate 4 inadequate 14 don't know 13 N/A	7 adequate 2 inadequate 15 don't know 14 N/A	6 adequate 5 inadequate 14 don't know 13 N/A

The answers supplied with regard to the reliability of accounting data of entities not resident in the same country, highlight a substantial prevalence of "don't knows", regardless of the size and legal form.

- Comparability of accounting data/documents between two entities of the same cluster (e.g. Type A/Medium-sized, Type B/ Small-sized, etc.).

Table No. 134 - Chapter 4 - Comparability and importance/usefulness of accounting data/documents

	Medium-sized	Small-sized	Micro 1	Micro 2
Type A	8 adequate 0 inadequate 18 don't know 12 N/A	10 adequate 0 inadequate 16 don't know 12 N/A	7 adequate 2 inadequate 17 don't know 12 N/A	7 adequate 2 inadequate 17 don't know 12 N/A
Type B	3 adequate 4 inadequate 18 don't know 13 N/A	5 adequate 4 inadequate 16 don't know 13 N/A	4 adequate 4 inadequate 17 don't know 13 N/A	3 adequate 5 inadequate 17 don't know 13 N/A
Type C	5 adequate 3 inadequate 17 don't know 13 N/A	5 adequate 5 inadequate 14 don't know 14 N/A	3 adequate 5 inadequate 16 don't know 14 N/A	3 adequate 5 inadequate 17 don't know 13 N/A

The answers supplied with regard to the comparability of accounting data of entities not resident in the same country, highlight a substantial prevalence of “don't knows”, regardless of the size and legal form of the entity in question.

- Other (specify:)

Almost all of the Respondents did not answer the question and so no recommendations can be made.

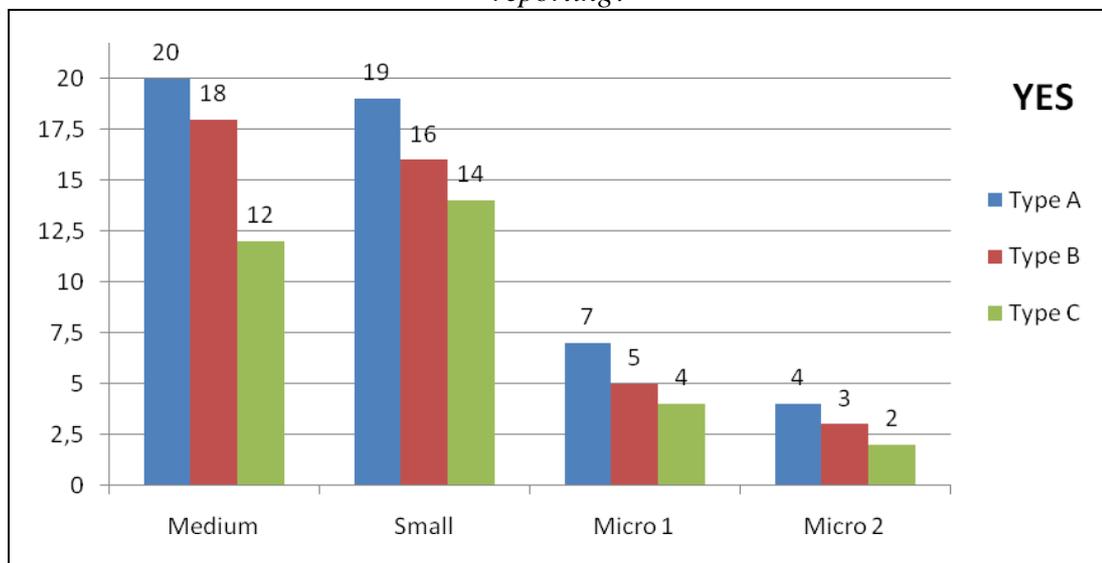
5) Do you see a need for cross-border use of SMEs financial reporting?

This question collects the opinions of the Respondents with reference to the need for cross-border use of SMEs financial reporting.

The possible Respondents are 38; nonetheless since many of them did not provide any reply and that the ones who did reply, replied with reference to different clusters (a “cluster” being a group deriving from matching legal form and size), there may be different numbers of replies.

The Figure hereby presented shows the positive replies (“yes”) of the Respondents per legal form and size of the entities.

Figure No. 84 - Chapter 4 - Do you see a need for cross-border use of SMEs financial reporting?



Source: Annex 2E - Accounting Professionals - Table No. 79

38 Respondents in total, 25 of which expressed at least one judgement, 13 did not respond i.e. 34,21%.

The data gathered show a low propensity to the cross-border use of accounting documentation for Small-sized entities; however, this proportion tends to increase for Medium-sized entities. Similarly, the need for cross-border use is greatest for Type A entities, and at least for Type C entities.

Those who gave a negative answer (“NO”) to question No. 5 provided some reasons, the major ones are:

- Fears of a further burden of accounting requirements on entities;
- Micro entities are unlikely to have cross-border relationships;
- The national norms are sufficient for SMEs.

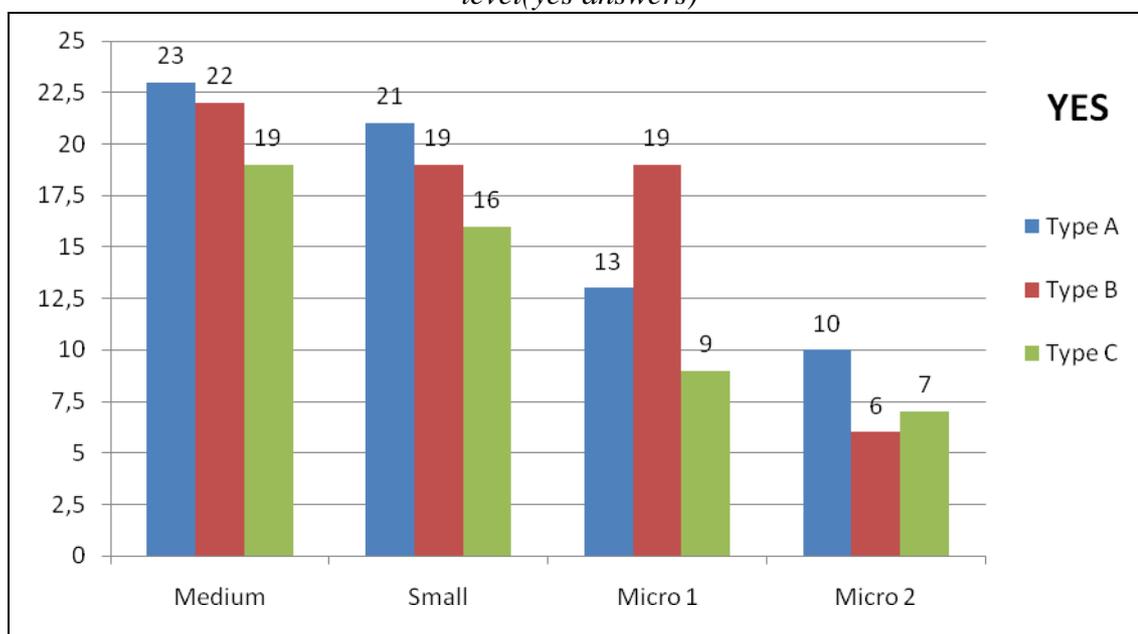
6) Is there a need for a more harmonised accounting framework at EU level?

This question collects the opinions of the Respondents with reference to the need for a more harmonized accounting framework at EU level.

The possible Respondents are 38; nonetheless since many of them did not provide any reply and that the ones who did reply, replied with reference to different clusters (a “cluster” being a group deriving from matching legal form and size), there may be different numbers of replies.

The Figure hereby presented shows the positive replies (“yes”) of the Respondents per legal form and size of the entities. Therefore only the positive answers are presented with reference to each cluster, regardless of the number, legal form and nationality of the Respondents.

Figure No. 85 - Chapter 4 - A need for more harmonised accounting framework at EU level(yes answers)



Source: Annex 2E - Accounting Professionals - Table No. 80

38 Respondents in total, 29 of which expressed at least one judgement, 9 did not respond i.e. 23,68%.

The distribution of the answers confirms the direct relationship between entity size and the need for harmonised accounting framework.

The expressed need for a more harmonized accounting framework at EU level decreases:

- For each legal form of the entity, as the size decreases;
- For each size of entity, from Type A to Type C entities.

Those who gave a negative answer (“NO”) to question No. 6 provided some reasons, the main ones were:

- The current norms are already sufficient;
- For Small-sized and Micro entities, the national norms are sufficient.

7) Do you consider it useful to have different disclosure formats for different business models?

Table No. 135 - Chapter 4 - Do you consider it useful to have different disclosure formats for different business models?

	Total
Yes	21
No	10
N/A	7
Total	38

Most of the Respondents gave a positive response to this question, considering the fact that different models would help the comparability of financial statements between entities.

Those who gave a positive response to question No. 7 provided some reasons, the major ones are:

- Differentiation would render accounting documentations more comparable;
- Differentiation would improve representation;
- The indicators vary on the basis of the varying of business area.

Those who gave a negative answer to question No. 7 provided some reasons. The main ones were:

- Differentiation would render financial statements less comparable;
- A single business model projects the objectivity of the data;
- Differentiation does not improve information;
- The usefulness that would be derived from it would be unlikely to justify further accounting burden.

SECTION 3 - Survey on specific accounting information requirements for SMEs

8) Which kind of documentation do you consider necessary for individual SMEs accounts?

This question collects the opinion of the Respondents with reference to different kind of accounting documentation:

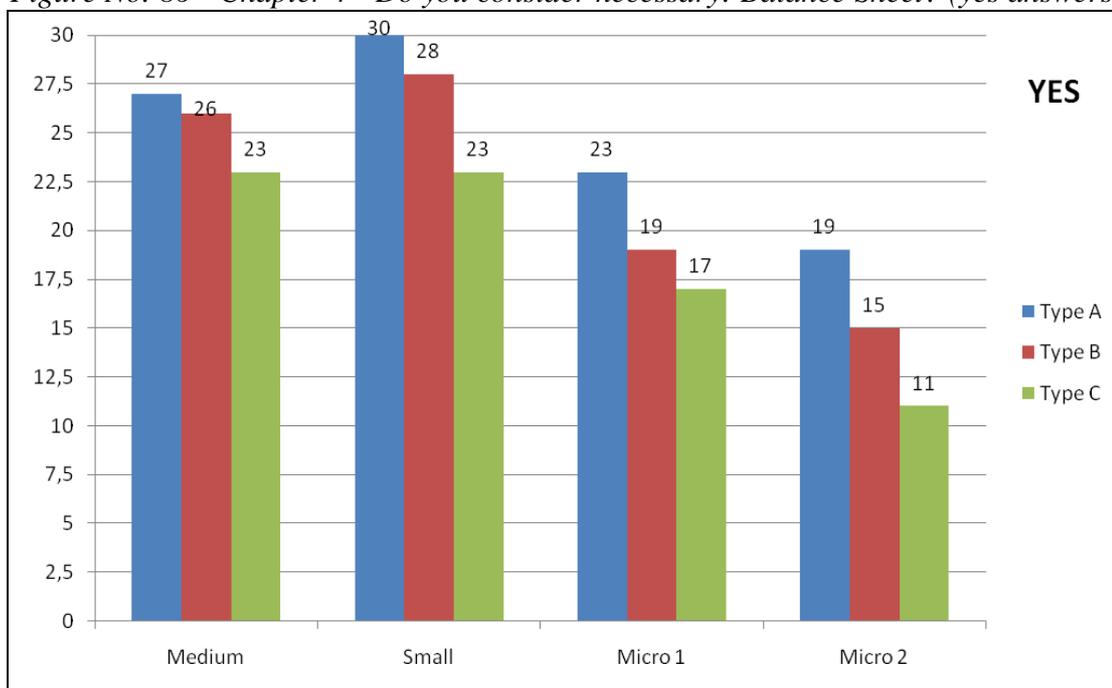
- Balance Sheet
- Profit and Loss Account
- Notes to the Accounts
- Annual report
- Cash flow statement

The possible Respondents are 38; nonetheless since many of them did not provide any reply and that the ones who did reply, replied with reference to different clusters (a “cluster” being a group deriving from matching legal form and size of the entities), there may be different numbers of replies.

The Figures from No. 86 to 90 hereby presented show the opinion expressed with reference to each cluster, regardless of the number of the Respondents, their legal form and nationality.

- Balance Sheet

Figure No. 86 - Chapter 4 - Do you consider necessary: Balance Sheet? (yes answers)



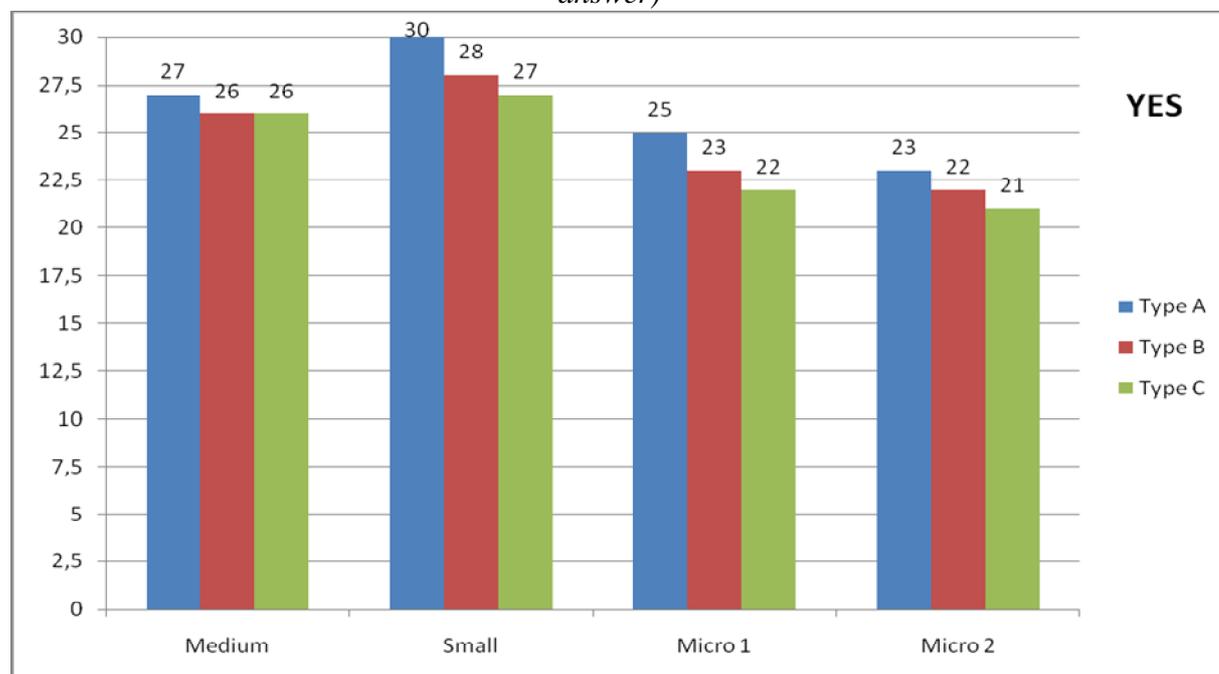
Source: Annex 2E - Accounting Professionals - Table No. 81

Considering the missing answers for the purpose of calculations, the answers provided show that 71% of Respondents, in relation to legal form Type A Medium- and Small-sized entities, consider the Balance Sheet documents necessary. This percentage decreases as the entity size decreases and is also affected by the entity legal form (actually, for Type C and Micro 2 entities, the level of need decreases to 29%).

The non-answers are counted in percentage terms as an implicit expression of non-interest, given the typology of the Respondents.

- Profit and Loss Account

Figure No. 87 - Chapter 4 - Do you consider necessary: Profit and Loss Account? (yes answer)



Source: Annex 2E - Accounting Professionals - Table No. 82

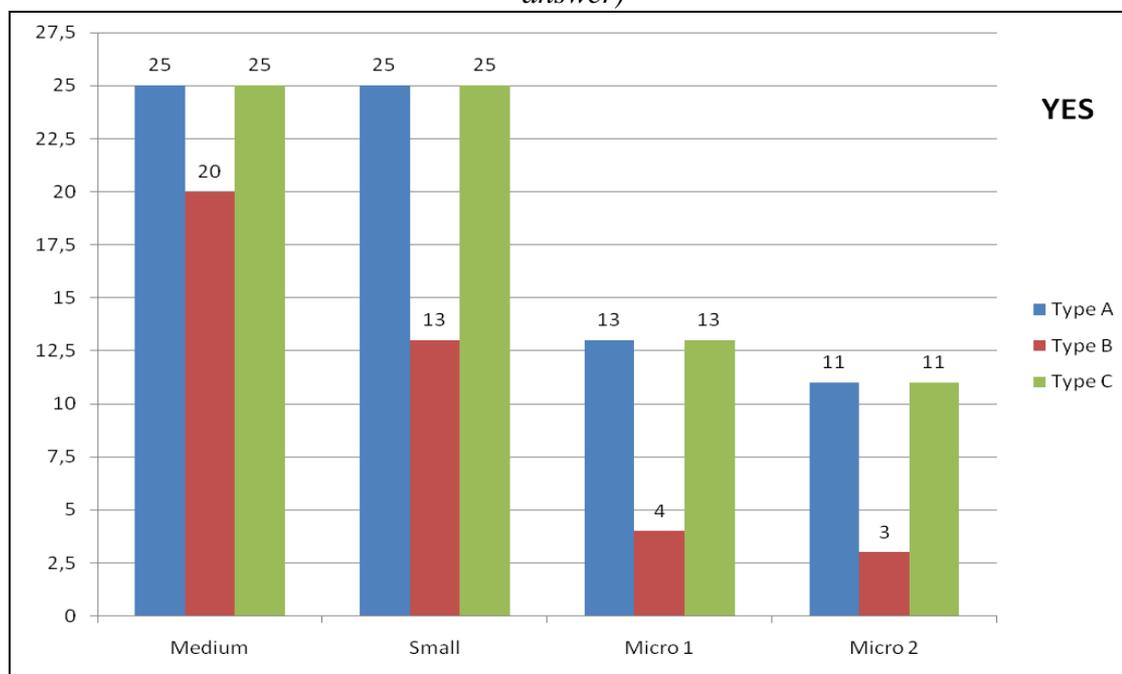
From the replies, it emerges that the Profit and Loss Account is considered necessary for all entities, despite their legal form and size.

However, the percentage diminishes slightly among the Small-sized and Micro entities yet without ever going below 55% (Type C - Micro 2).

The non-answers are counted in percentage terms as an implicit expression of non-interest, given the typology of the Respondent.

- Notes to the Accounts

Figure No. 88 - Chapter 4 - Do you consider necessary: Notes to the Accounts? (yes answer)



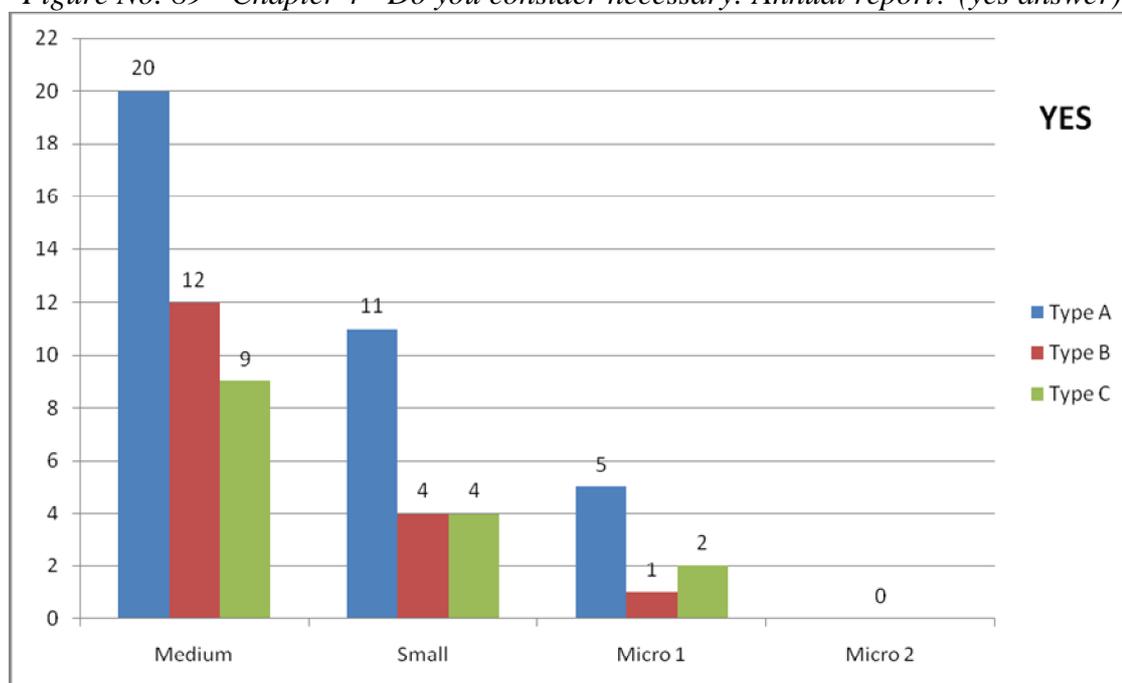
Source: Annex 2E - Accounting Professionals - Table No. 83

The answers given show that Notes to the Accounts are deemed necessary by more than 66% of the Respondents with reference to Type A Medium- and Small-sized entities. This percentage mainly decreases as the size of the entity decreases, and is also affected by its legal form (actually, for Type C Small-sized and Micro entities, the level of need shown is below 29%).

The non-answers are counted in percentage terms as an implicit expression of non-interest, given the typology of the Respondent.

- Annual report

Figure No. 89 - Chapter 4 - Do you consider necessary: Annual report? (yes answer)



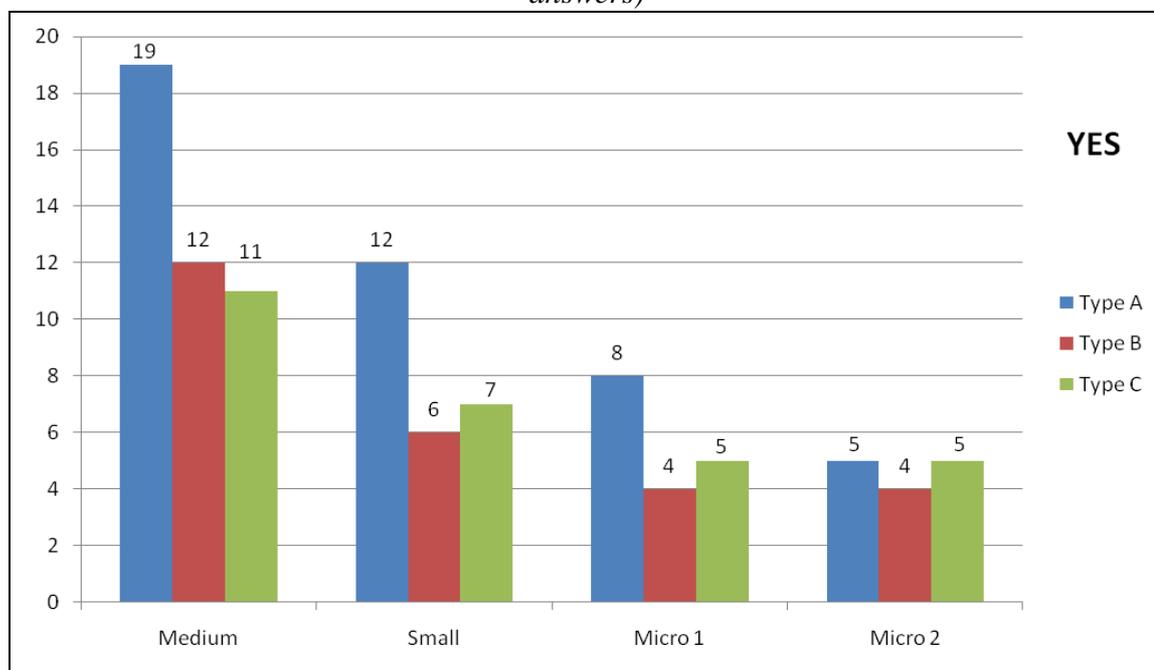
Source: Annex 2E - Accounting Professionals - Table No. 84

The answers given show that the Annual report is deemed necessary by 53% of the Respondents with reference to Type A Medium-sized entities. The percentage diminishes especially with the decrease in entity size as well as to the legal form. For Micro 2 entities, regardless of legal form, no interest was shown in the Annual report.

The non-answers are counted in percentage terms as an implicit expression of non-interest, given the typology of the Respondent.

- Cash flow statement

Figure No. 90 - Chapter 4 - Do you consider necessary: Cash flow statement?(yes answers)



Source: Annex 2E - Accounting Professionals - Table No. 85

The answers given show that the Cash flow statement is considered necessary by 50% of the Respondents with reference to the Type A Medium-sized entities. This percentage mainly decreases as the size of the entity decreases, and it is also affected by its legal form (actually, for Type C Small-sized and Micro entities, the level of need shown is below 13%).

The non-answers are counted in percentage terms as an implicit expression of non-interest, given the typology of the Respondent.

9) Which kind of documentation do you consider necessary for consolidated SMEs accounts?

This question collects the opinion of the Respondents with reference to different kind of accounting documentation for consolidated SMEs accounts:

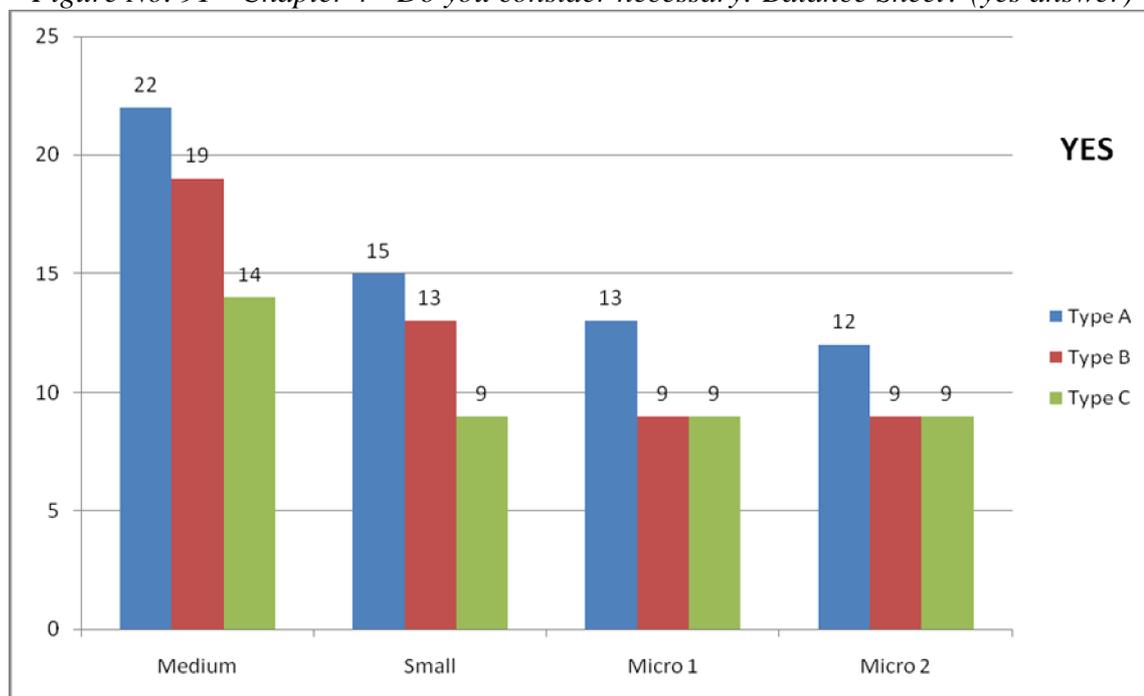
- Balance Sheet
- Profit and Loss Account
- Notes to the Accounts
- Annual report
- Cash flow statement

The possible Respondents are 38; nonetheless since many of them did not provide any reply and that the ones who did reply, replied with reference to different clusters (a “cluster” being a group deriving from matching legal form and size of the entities), there may be different numbers of replies.

The Figures from No. 91 to 95 hereby presented show the opinion expressed with reference to each cluster, regardless of the number of the Respondents, their legal form and nationality.

- Balance Sheet

Figure No. 91 - Chapter 4 - Do you consider necessary: Balance Sheet? (yes answer)



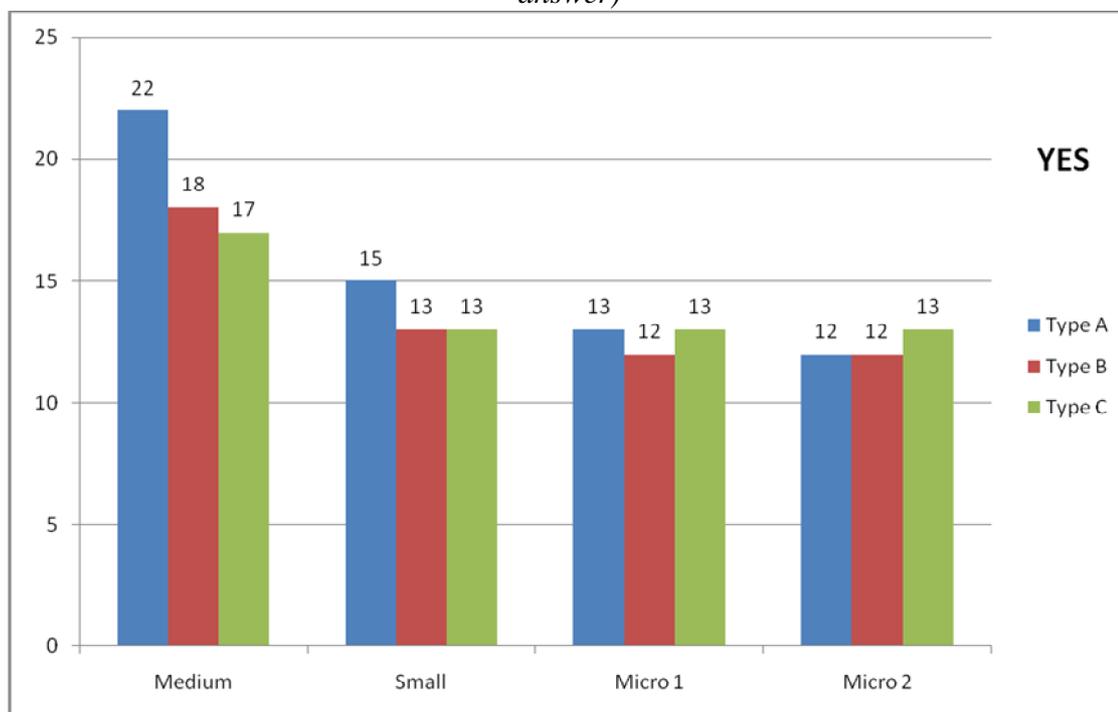
Source: Annex 2E - Accounting Professionals - Table No. 86

Considering the missing answers for the purpose of calculations, the answers provided show that 57% of Respondents, in relation to Type A Medium-sized entities, consider the Balance Sheet necessary. This percentage decreases as the entity size decreases and is also affected by its legal form (actually, for Type C Micro 2 entities, the level of need decreases to 23%).

The non-answers are counted in percentage terms as an implicit expression of non-interest, given the typology of the Respondent.

- Profit and Loss Account

Figure No. 92 - Chapter 4 - Do you consider necessary: Profit and Loss Account? (yes answer)



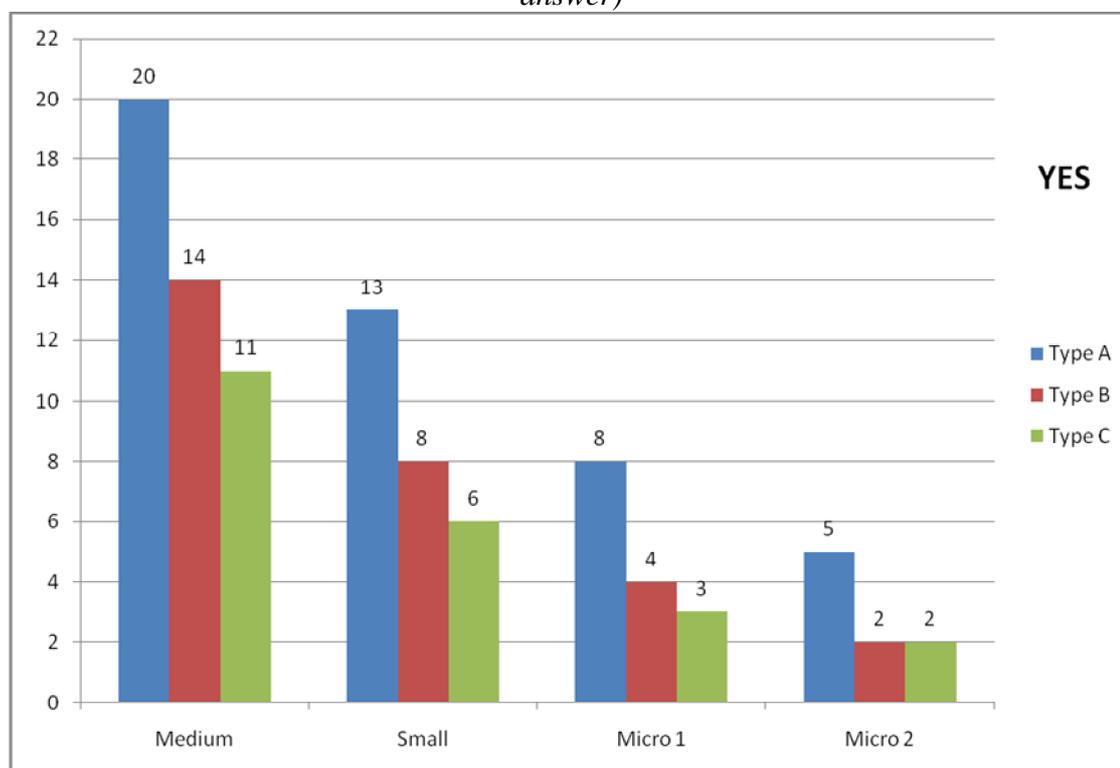
Source: Annex 2E - Accounting Professionals - Table No. 87

The answers given show that the Profit and Loss Account is deemed necessary by 58% of Respondents with reference to the Type A Medium-sized entities. The percentage diminishes sharply with the reducing of the entity size, touching 34% among Type C Micro 2 entities.

The non-answers are counted in percentage terms as an implicit expression of non-interest, given the typology of the Respondent.

- Notes to the Accounts

Figure No. 93 - Chapter 4 - Do you consider necessary: Notes to the Accounts? (yes answer)



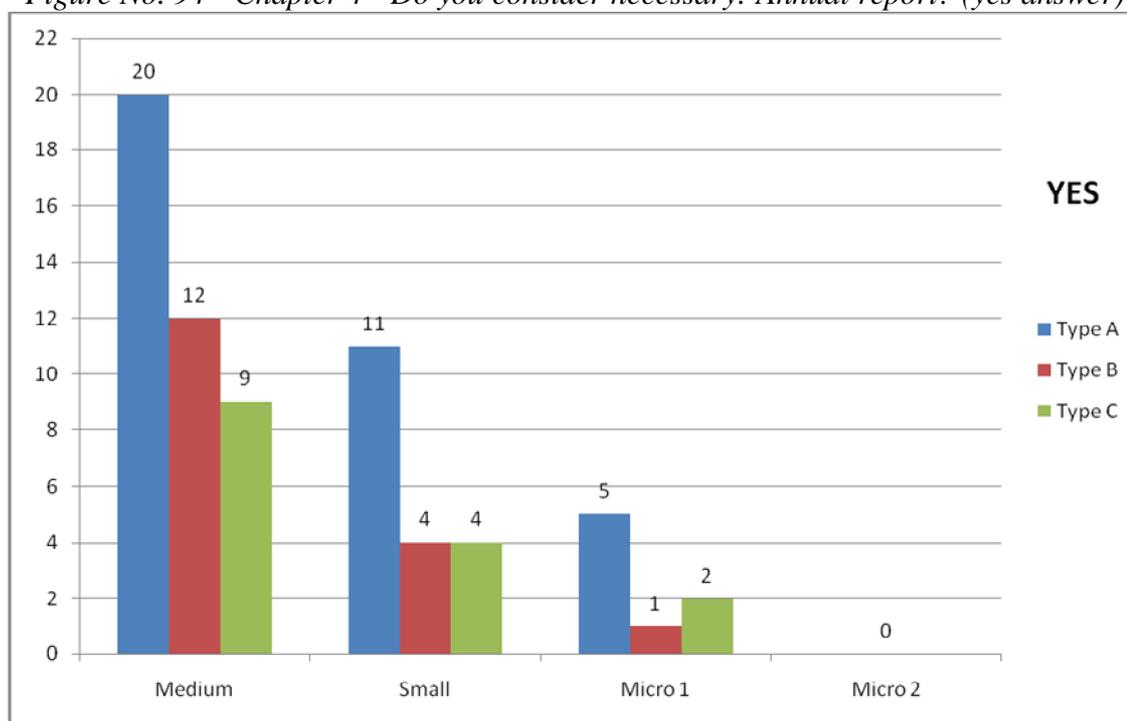
Source: Annex 2E - Accounting Professionals - Table No. 88

The answers given show that the Notes to the Accounts are considered necessary by more than 53% of Respondents with reference to the Type A Medium-sized entities. This percentage mainly decreases as the size of the entity decreases, and is also affected by its legal form (actually, for Type C Small-sized and Micro entities, the level of need shown is below 6%).

The non-answers are counted in percentage terms as an implicit expression of non-interest, given the typology of the Respondent.

- Annual report

Figure No. 94 - Chapter 4 - Do you consider necessary: Annual report? (yes answer)



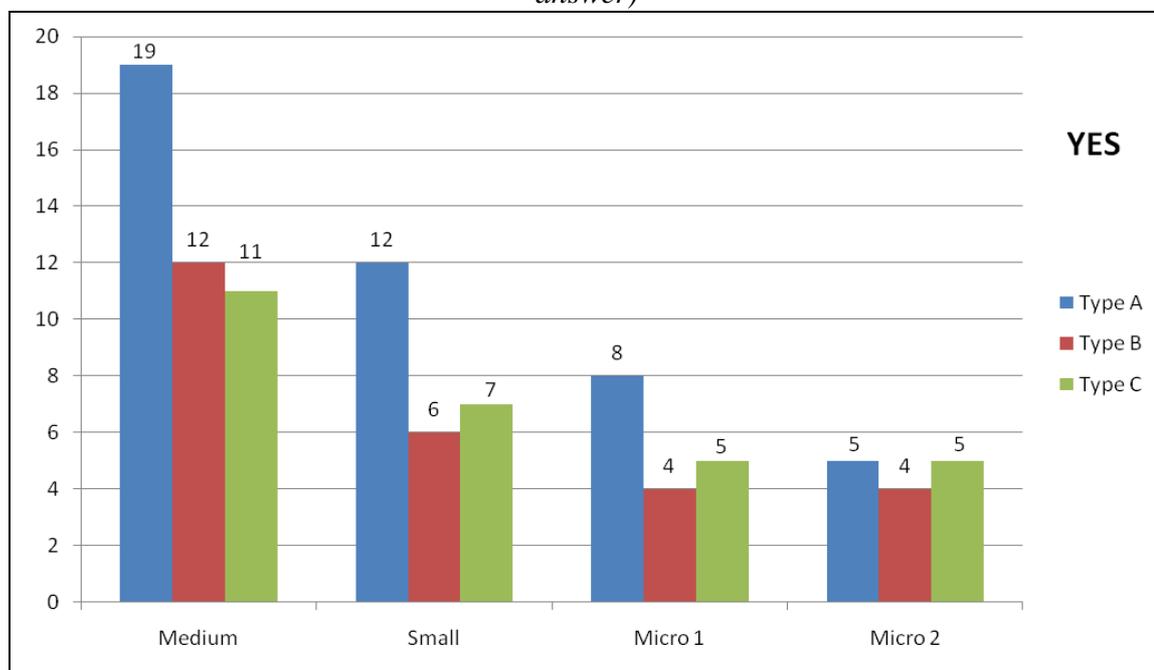
Source: Annex 2E - Accounting Professionals - Table No. 89

The answers given show that the Annual report is considered necessary by more than 53% of Respondents with reference to the Type A Medium-sized entities. The percentage diminishes especially with the decrease in entity size as well as to the legal form. For Micro 2 entities, regardless of legal form, no interest was shown in the Annual report.

The non-answers are counted in percentage terms as an implicit expression of non-interest, given the typology of the Respondent.

- Cash flow statement

Figure No. 95-Chapter 4 - Do you consider necessary: Cash flow statement? (yes answer)



Source: Annex 2E - Accounting Professionals - Table No. 90

The answers given show that the Cash flow statement is considered necessary by 50% of the Respondents with reference to the Type A Medium-sized entities. This percentage mainly decreases as the size of the entity decreases, and it is also affected by its legal form (actually, for Type C Small-sized and Micro entities, the level of need shown is below 13%).

The non-answers are counted in percentage terms as an implicit expression of non-interest, given the typology of the Respondent.

- Other information, what...

Almost all of the Respondents did not answer the question, and so it is not possible to make comments.

10) In this section you should indicate - using a numerical value - the importance of the Balance Sheet (B/S) items for the different SMEs

This question collects the opinion of the Respondents with reference to the importance of the following Balance Sheet items:

- Assets: Intangible assets
- Assets: Tangible assets
- Assets: Financial assets
- Assets: Stocks
- Assets: Debtors
- Assets: Investments
- Assets: Cash at bank and in hand
- Assets: Prepayments and accrued income
- Liabilities: Capital and reserves

- Liabilities: Provisions
- Liabilities: Creditors
- Liabilities: Accruals and deferred income
- Liabilities: Profit (loss) for the financial year

The possible Respondents are 38; nonetheless since many of them did not provide any reply and that the ones who did reply, replied with reference to different clusters (a “cluster” being a group deriving from matching legal form and size of the entities), there may be different numbers of replies.

The Figures from No. 96 to 108 hereby presented show the opinion expressed with reference to each cluster, regardless of the number of the Respondents, their legal form and nationality.

The numbers shown in the matrix refer to the numerical answers received, as follows: 3; 2; 1; 0

Where: Code 3= Essential and worthy of a in depth examination / differentiation

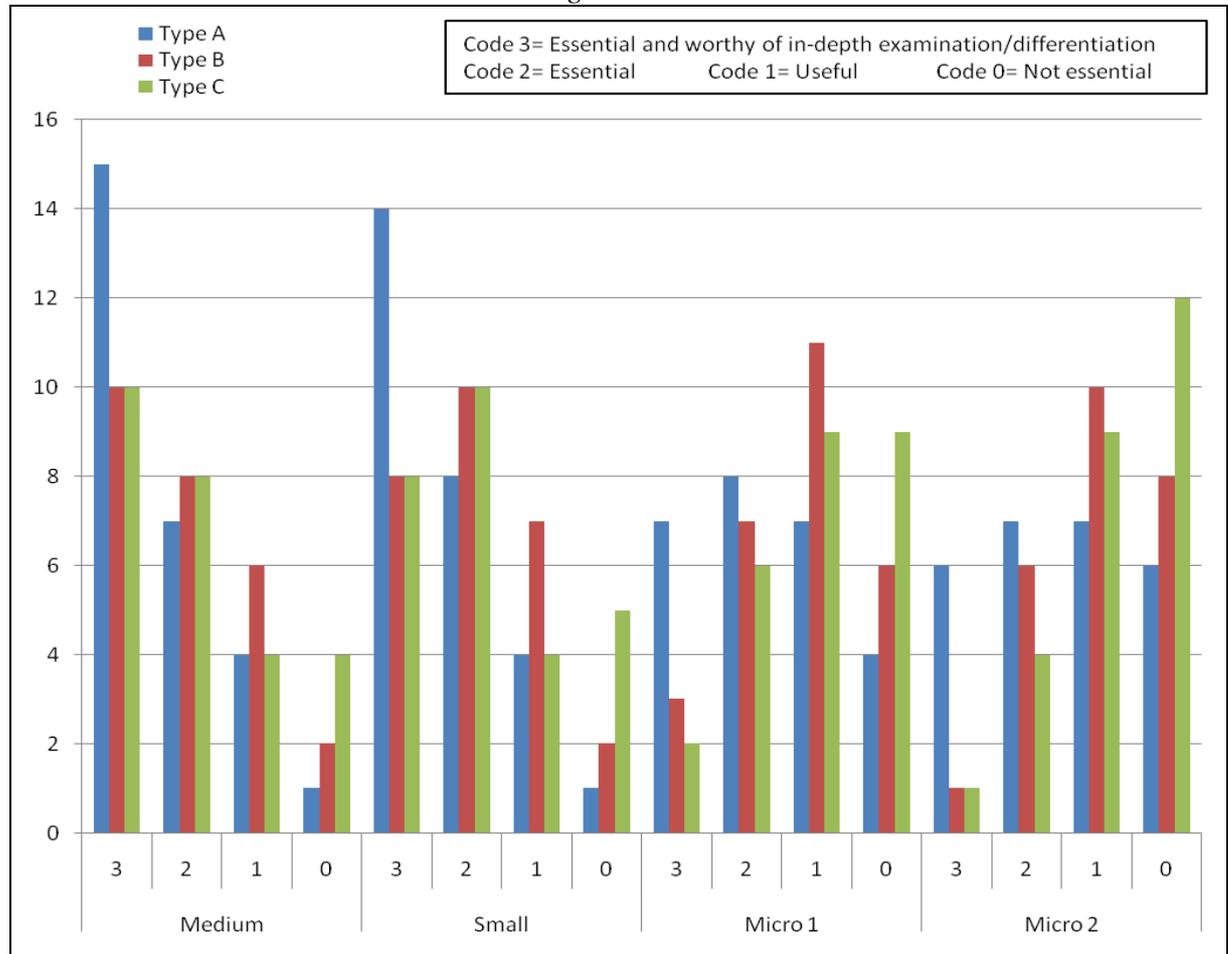
Code 2= Essential

Code 1= Useful

Code 0= Not essential

- Assets - Intangible assets

Figure No. 96 - Chapter 4 - The importance of the Balance Sheets (B/S) elements: Assets - Intangible assets



Source: Annex 2E - Accounting Professionals - Table No. 91

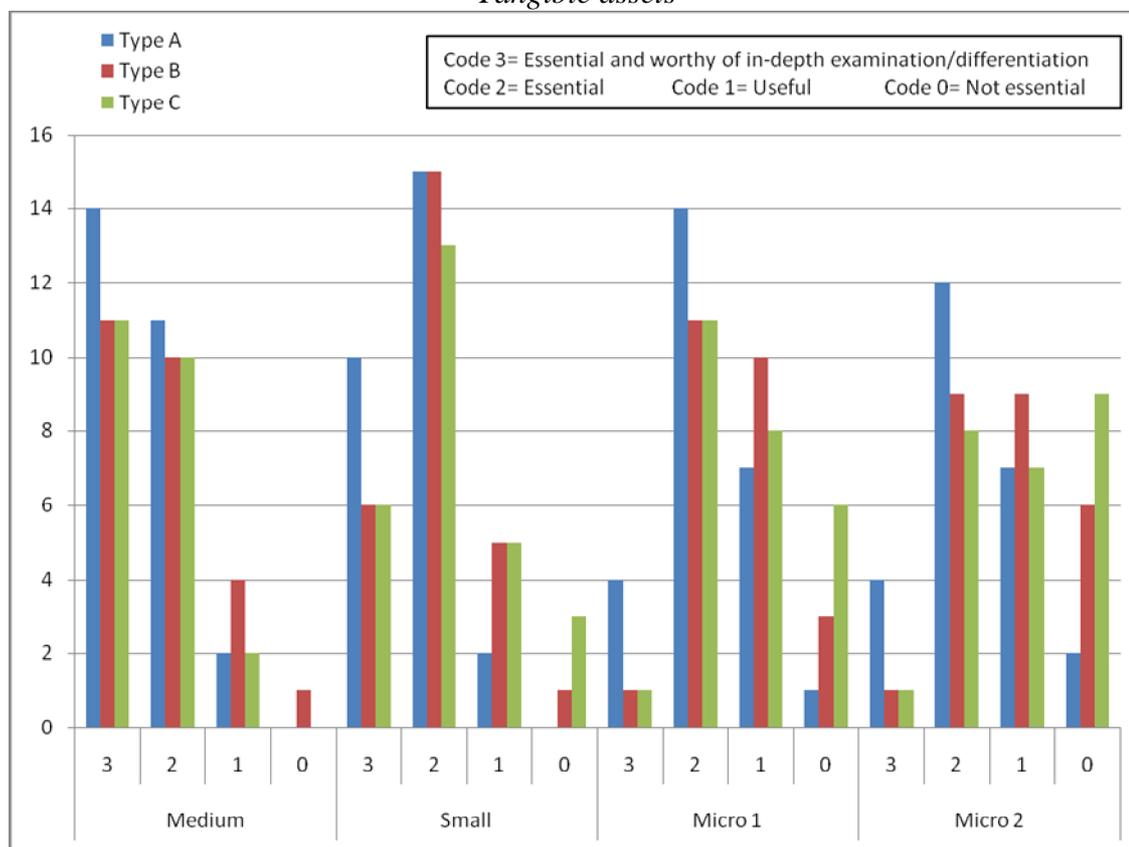
38 Respondents in total, 29 of which expressed at least one preferential option, 9 did not respond i.e. 23,68%.

The data analysis shows that for Type A entities an interest in further information emerges, but only with reference to the Medium-sized and Small sized; the distribution of the answers on the other Codes (2, 1, 0) does not indicate a prevalent position.

For Type B and C Medium-sized entities prevails the need for further investigation (Code. 3), for Small-sized prevails code 2 (essential), for Micro 1 most Respondents opt for information (Code 1). For Type C Micro 2 entities, the "non-essential" judgements prevail (Code 0).

- Assets - Tangible assets

Figure No. 97 - Chapter 4 - The importance of the Balance Sheets (B/S) elements: Assets - Tangible assets



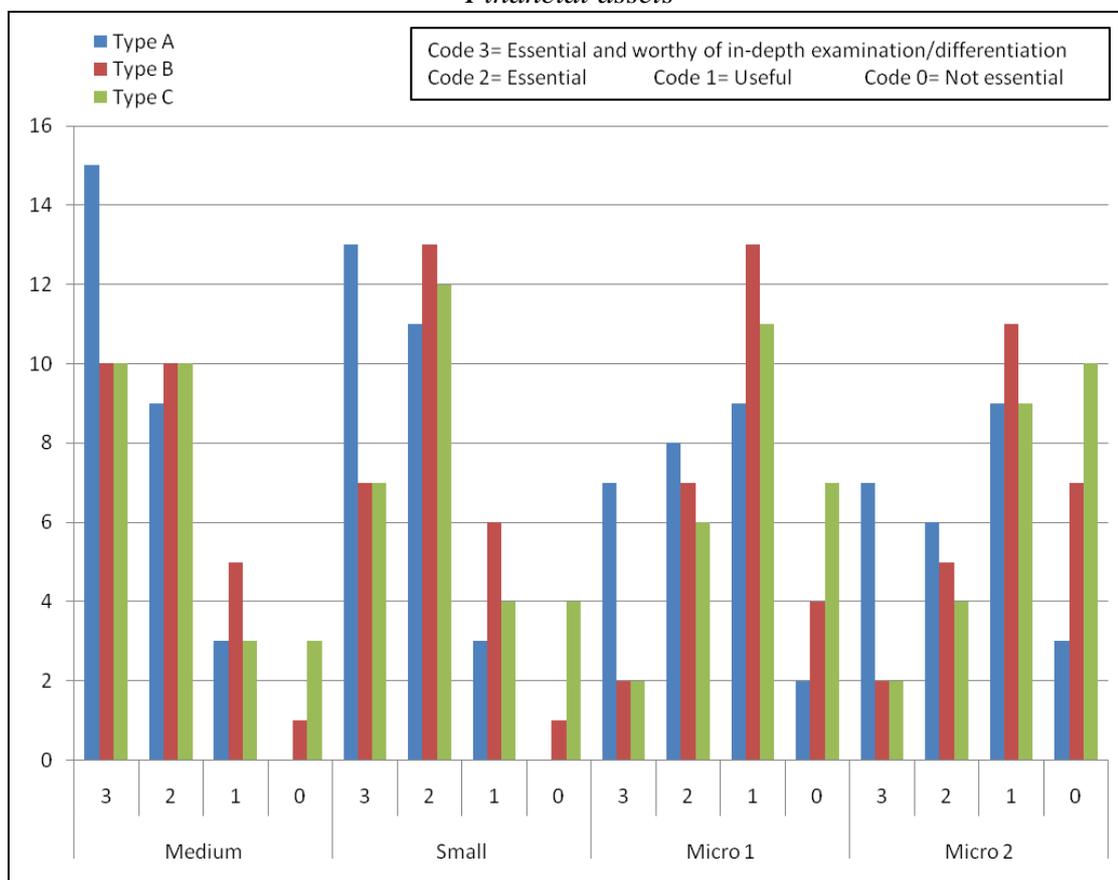
Source: Annex 2E - Accounting Professionals - Table No. 92

38 Respondents in total, 29 of which expressed at least one preferential option, 9 did not respond i.e. 23,68%.

The data analysis shows that for all the Medium-sized entities, the majority of Respondents consider "essential with further information required" (Code 3) the information concerning tangible assets. For all the Small-sized entities, the prevalence of Respondents considers essential (Code 2) information concerning tangible assets. For all Micro entities, the prevalence of Respondents considers essential (Code 2) the information relative to tangible assets; however, for such entities there is a large number of such Respondents who consider such information useful but not essential. For the Micro 2 Types A and B, the information is considered useful/essential (Codes 1 and 2); for Type C this information is considered non-essential (Code 0).

- *Assets - Financial assets*

Figure No. 98 - Chapter - The importance of the Balance Sheets (B/S) elements: Assets - Financial assets



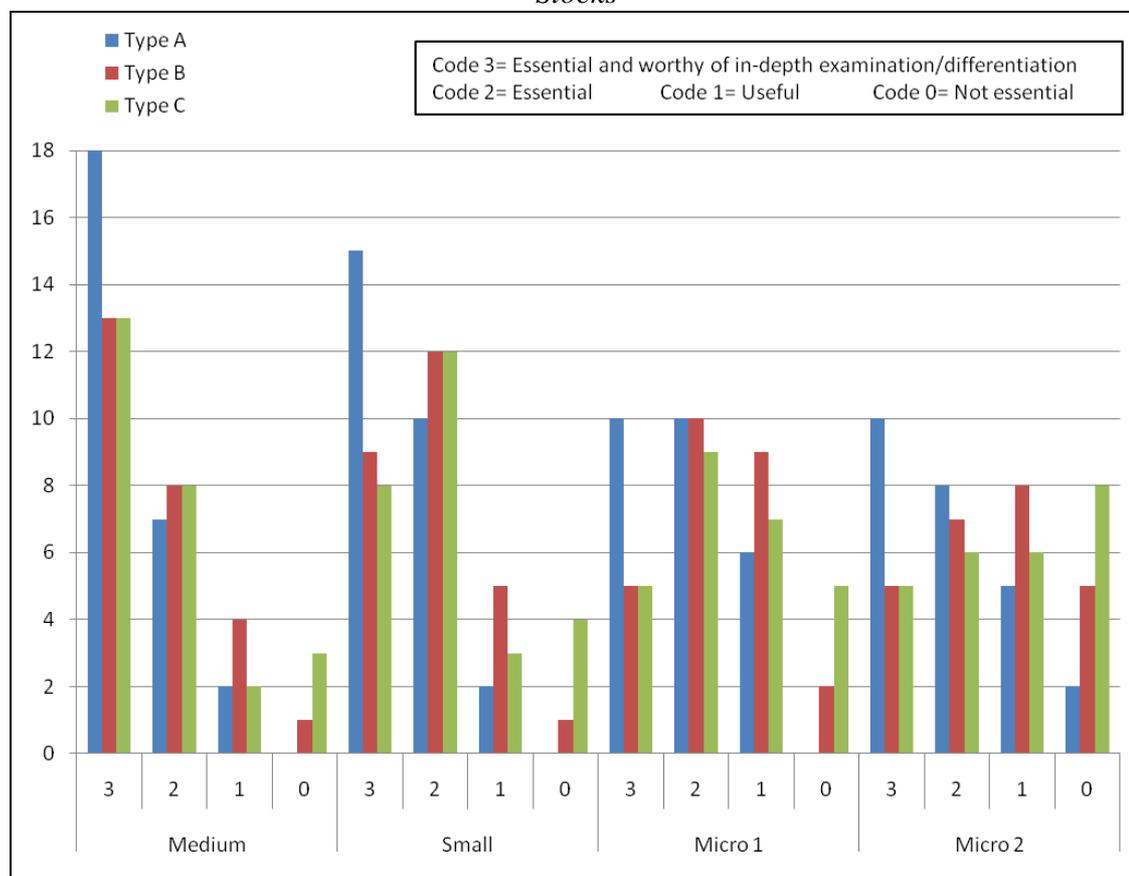
Source: Annex 2E - Accounting Professionals - Table No. 93

38 Respondents in total, 29 of which expressed at least one preferential option, 9 did not respond i.e. 23,68%.

The data analysis shows that for all the Medium-sized entities, the majority of Respondents consider "essential with further information required" (Code 3) information concerning Financial assets. For Small-sized entities, the prevalence of Respondents considers essential (Code 2) the information relative to financial assets, with the exception for the Type A entities, for which this information is considered as essential, requiring further information (Code 3). For Micro entities, the prevalence of Respondents considers useful (Code 1) the information relative to the financial assets; however, for Micro 2 Types B and C there is a relevant number of Respondents who consider information non-essential (Code 0).

- Assets – Stocks

Figure No. 99 - Chapter 4 - The importance of the Balance Sheets (B/S) elements: Assets - Stocks

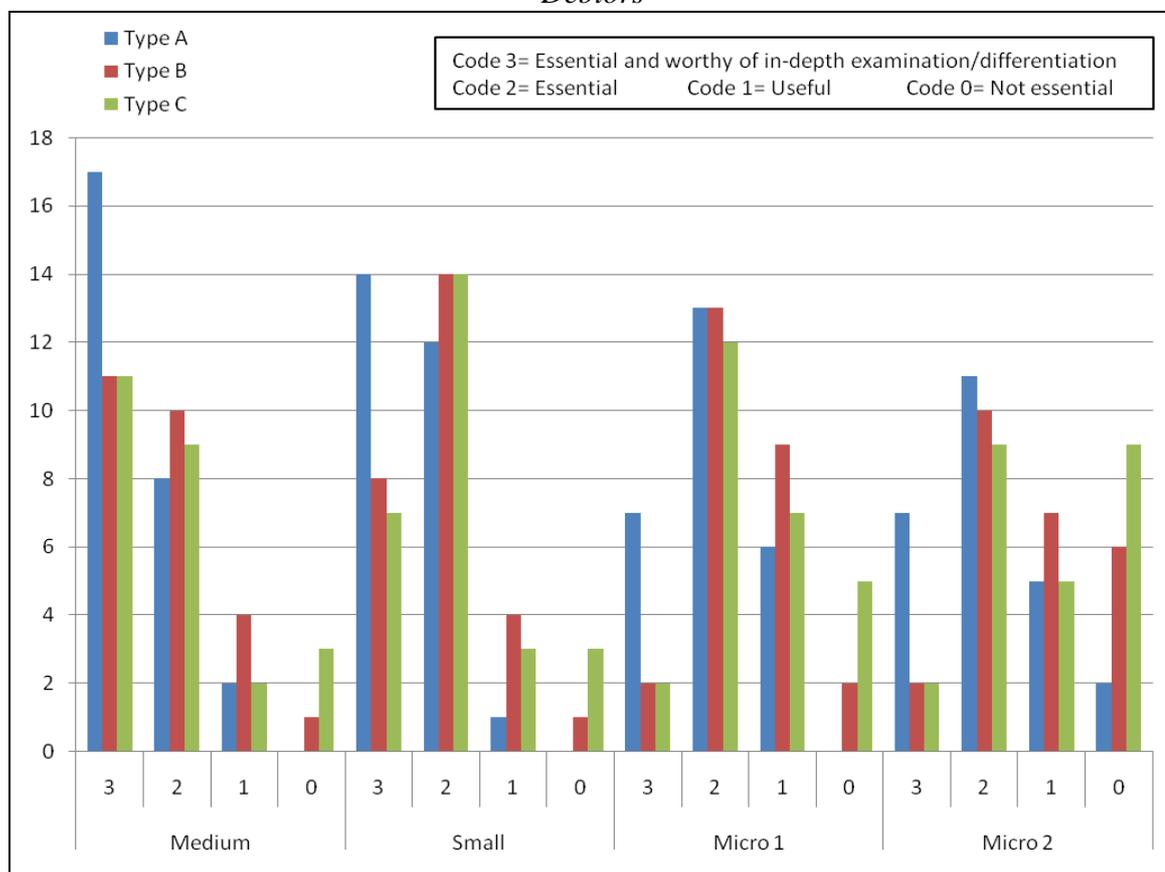


Source: Annex 2E - Accounting Professionals - Table No. 94

38 Respondents in total, 29 of which expressed at least one preferential option, 9 did not respond i.e. 23,68%.

The data analysis shows that for all Type A entities regardless of the size there is a substantial prevalence of Respondents who deem essential and worthy of further investigation (Code 3) the information relative to Stocks. For Type B Medium-sized entities only, the information is considered essential and worthy of further investigation (Code 3), while for the other sizes the interest tails off for Small-sized and Micro entities, despite their showing a certain interest in this Balance Sheet item.

Figure No. 100 - Chapter 4 - The importance of the Balance Sheets (B/S) elements: Assets - Debtors



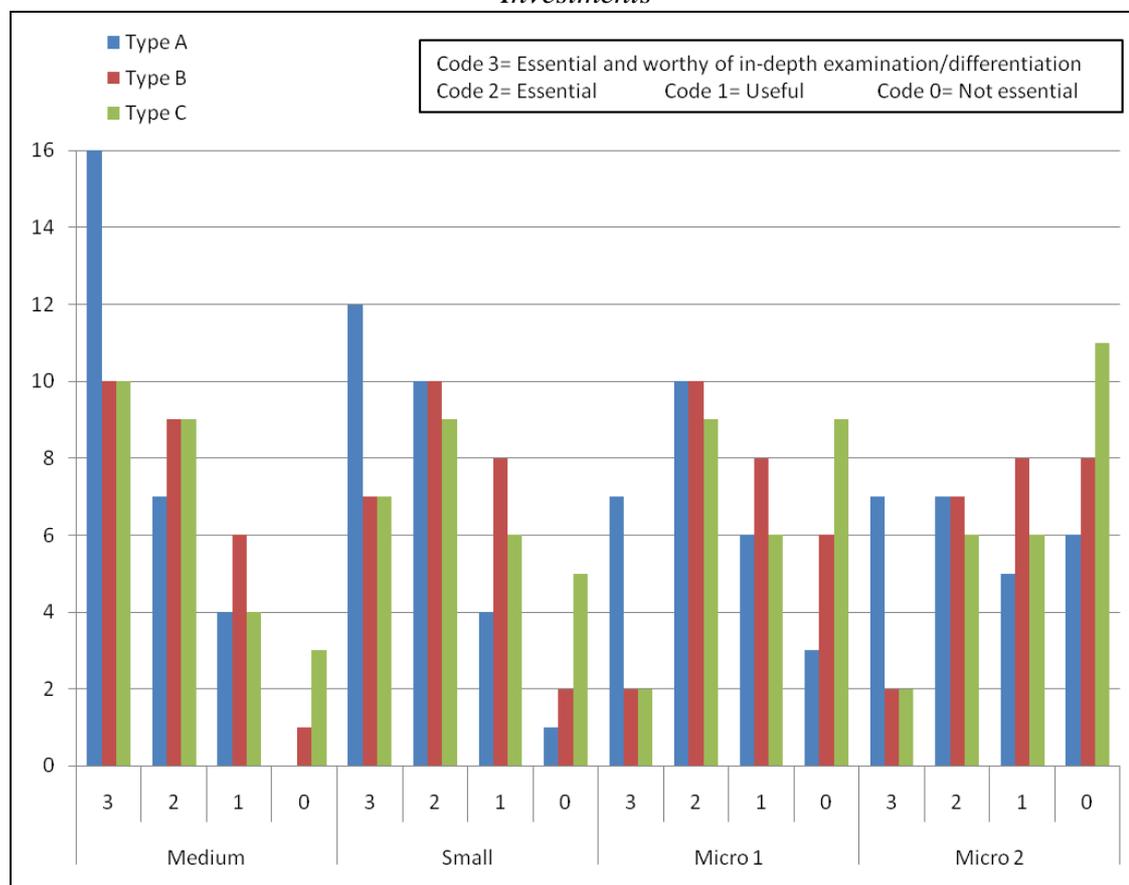
Source: Annex 2E - Accounting Professionals - Table No. 95

38 Respondents in total, 29 of which expressed at least one preferential option, 9 did not respond i.e. 23,68%.

The data analysis shows that for all the Medium-sized entities, the majority of Respondents considers "essential with further information required" (Code 3) information concerning Debtors. For Small-sized entities, most Respondents consider essential (Code 2) information concerning Debtors. For Micros 1 and 2 entities, the prevalence of Respondents considers useful (Code 1) the information relative to Debtors; however, for Micro 2 (Types B and C) the datum appears to be partially balanced by the Respondents who consider the information non-essential (Code 0).

- Assets – Investments

Figure No. 101 - Chapter 4 - The importance of the Balance Sheets (B/S) elements: Assets - Investments



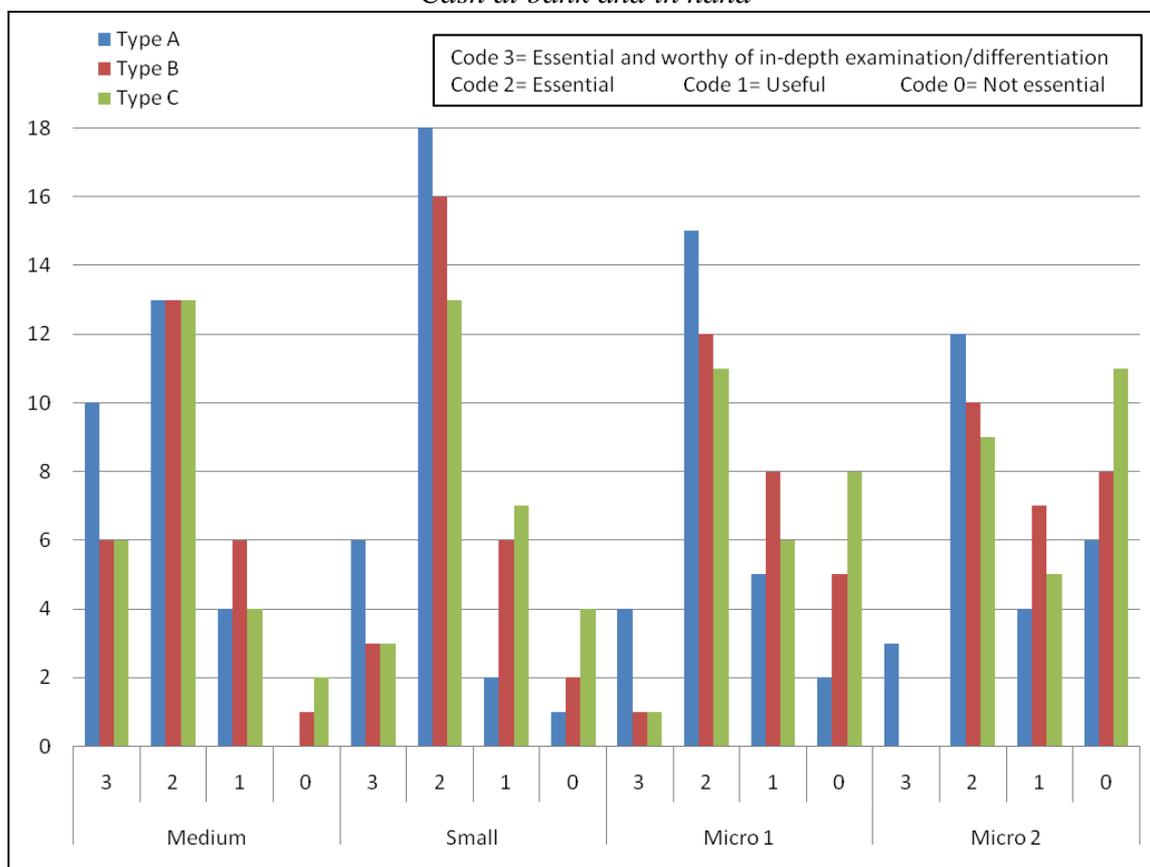
Source: Annex 2E - Accounting Professionals - Table No. 96

38 Respondents in total, 29 of which expressed at least one preferential option, 9 did not respond i.e. 23,68%.

The data analysis shows that for all the Medium-sized entities, the majority of Respondents considers "essential with further information required" (Code 3) information concerning Investments. For Small-sized and Micro 1 entities, the prevalence of Respondents considers essential (Code 2) information concerning investments. For Micro 2 entities, the answers are equally shared out between the various opinions although interest tails off, the smaller the entity, to the point of there being a prevalence of the non-essential information response (Code 0) for Types B and C.

- Assets - Cash at bank and in hand

Figure No. 102 - Chapter 4 - The importance of the Balance Sheets (B/S) elements: Assets - Cash at bank and in hand



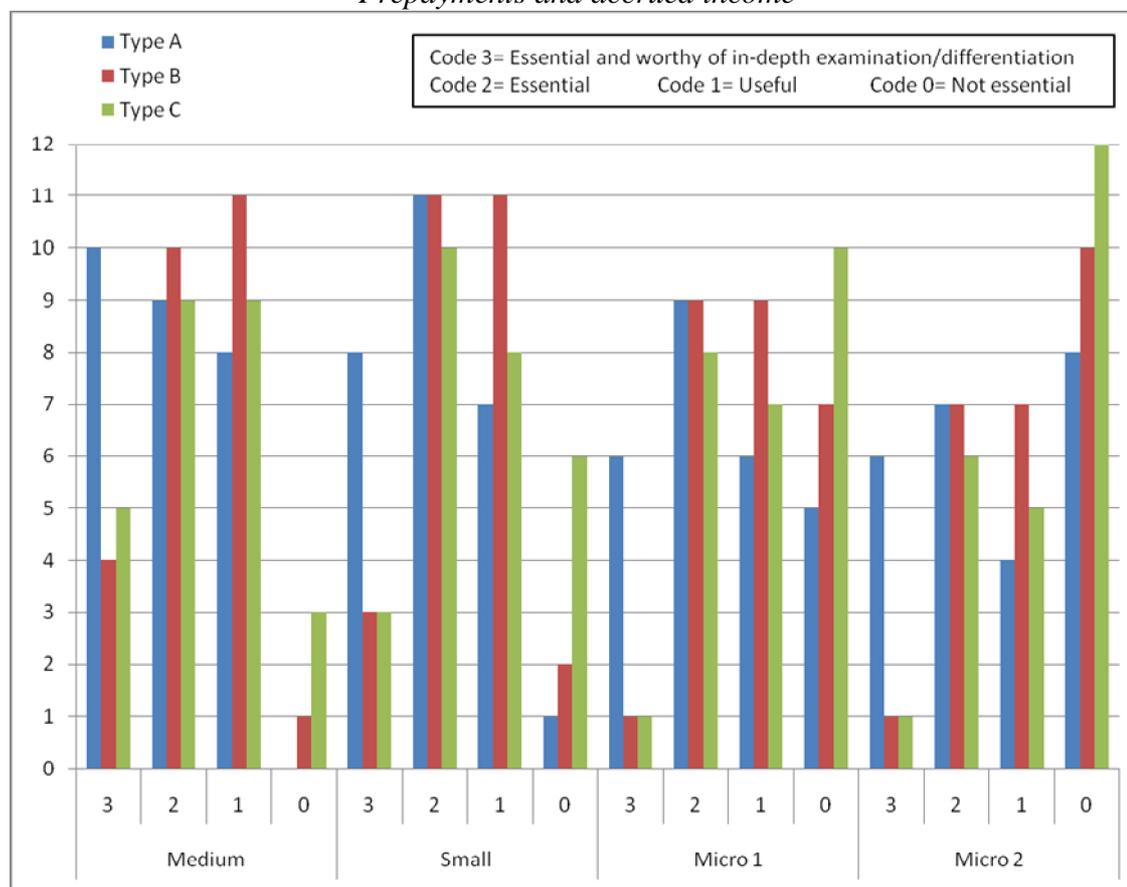
Source: Annex 2E - Accounting Professionals - Table No. 97

38 Respondents in total, 29 of which expressed at least one preferential option, 9 did not respond i.e. 23,68%.

The data analysis shows that for all entities, regardless of size and legal form, the opinion prevails that the information is considered essential (Code 2). With the decrease of the entity size, there is a progressive increase in the number of Respondents who deem the information non-essential (Code 0), up to Micro 2 Type C, in which the information is mostly viewed as non-essential.

- Assets - Prepayments and accrued income

Figure No. 103 - Chapter 4 - The importance of the Balance Sheets (B/S) elements: Assets - Prepayments and accrued income



Source: Annex 2E - Accounting Professionals - Table No. 98

38 Respondents in total, 29 of which expressed at least one preferential option, 9 did not respond i.e. 23,68%.

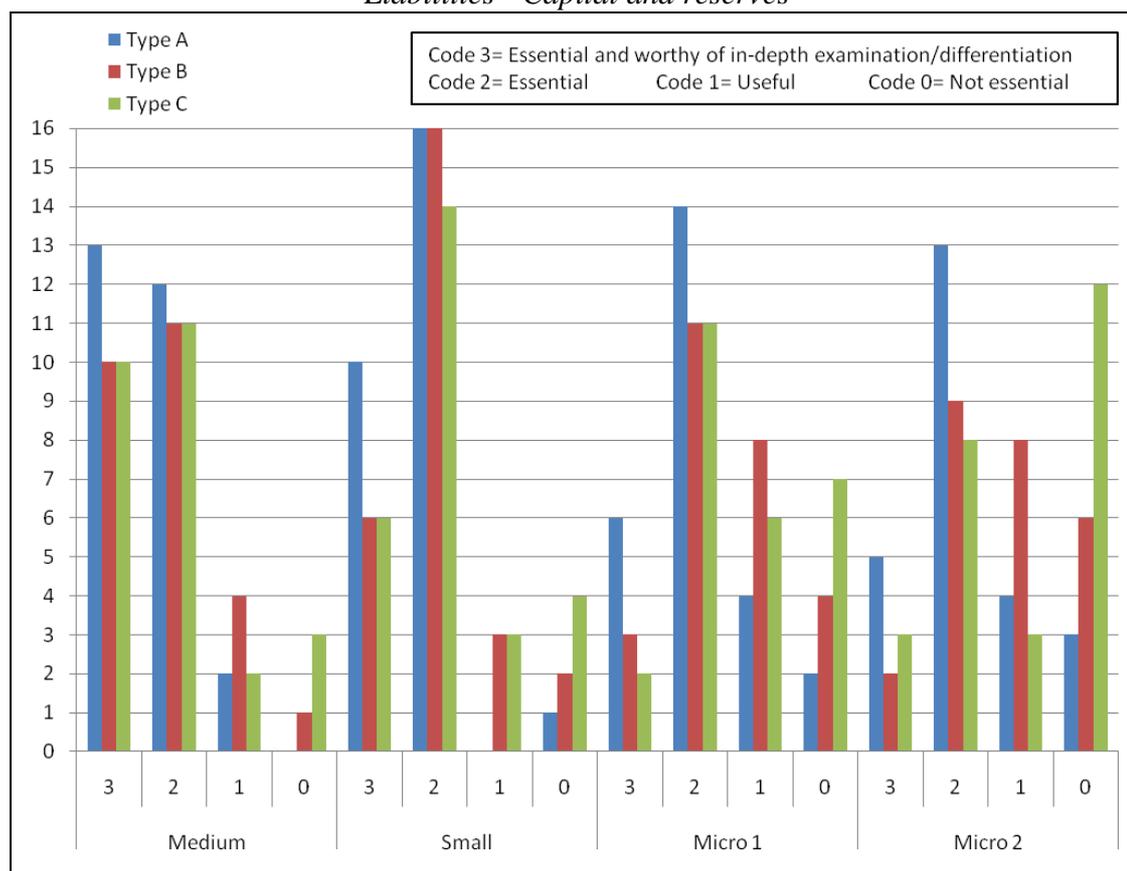
The data analysis shows that only for Type A Medium-sized entities the information is considered essential with need for further investigation (Code 3), while for the Small-sized and Micro 1 entities the information is deemed essential (Code 2). For Type B entities, there prevails notion of a generalised interest/utility of the information (Codes 2 and 1), with the exception of Micro 2, for whom this information is not deemed essential (Code 0). For Type C entities, the interest/utility in the information (Codes 1 and 2) may be seen only for Medium- and Small-sized entities, while for Micros 1 and 2 the information is not deemed essential (Code 0).

- Assets - Other information

Almost all of the Respondents did not answer the question, and so it is not possible to make comments.

- Liabilities - Capital and reserves

*Figure No. 104 - Chapter 4 - The importance of the Balance Sheets (B/S) elements:
Liabilities - Capital and reserves*



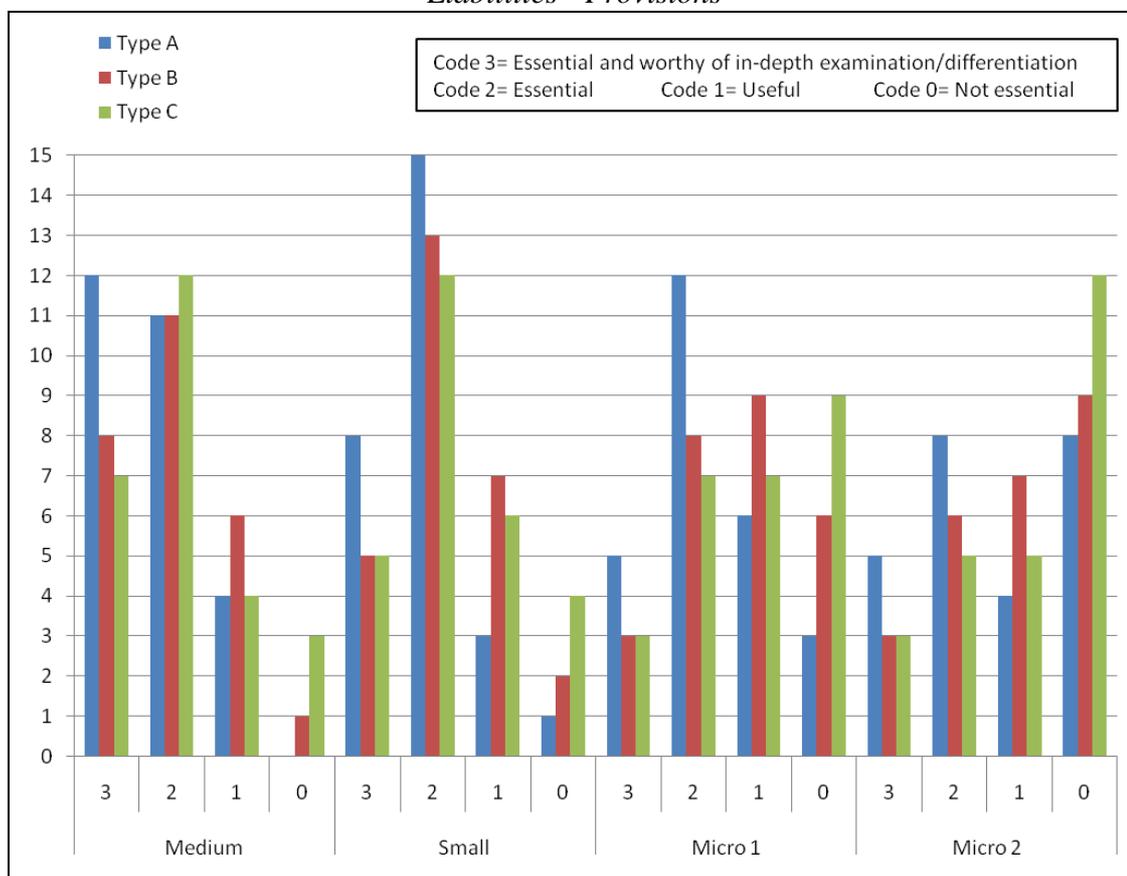
Source: Annex 2E - Accounting Professionals - Table No. 99

38 Respondents in total, 28 of which expressed at least one preferential option, 10 did not respond i.e. 26,32%.

The data analysis shows that for all the Medium- and Small-sized and Micro 1 entities, regardless of legal form, the answers prevail that consider essential (Code 2) the information relative to Capital and Reserves, even though the smaller the entity size, the less interest they arouse. For Type C Micro 2 entities, there is a prevalence of answers that consider such information non-essential (Code 0).

- Liabilities – Provisions

*Figure No. 105 - Chapter 4 - The importance of the Balance Sheets (B/S) elements:
Liabilities - Provisions*



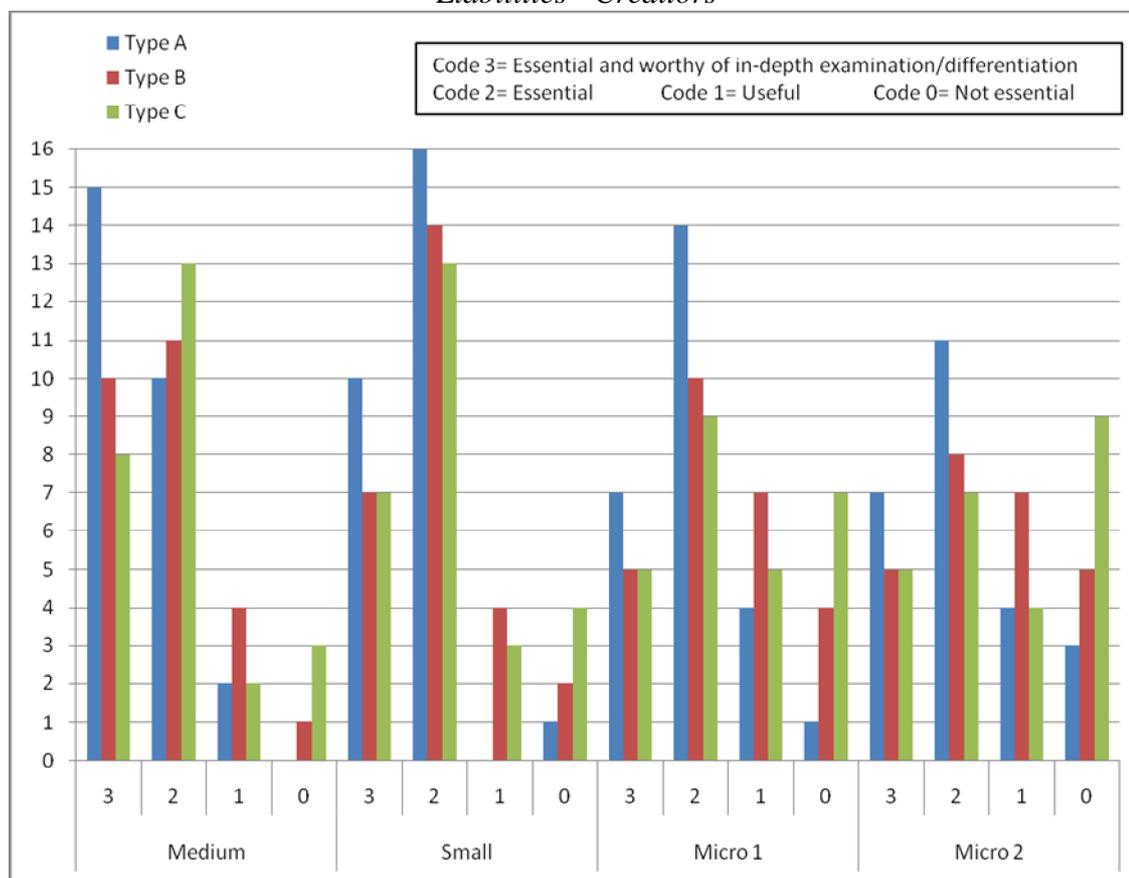
Source: Annex 2E - Accounting Professionals - Table No. 100

38 Respondents in total, 28 of which expressed at least one preferential option, 10 did not respond i.e. 26,32%.

The data analysis shows that for Medium- and Small-sized entities, regardless of their legal form, the opinions of this information as essential prevail. For Micro 1 and 2 entities, the interest in such information tails off according to the legal form: Type A (essential), Type B (useful or non-essential) and Type C (non-essential).

- Liabilities – Creditors

*Figure No. 106 - Chapter 4 - The importance of the Balance Sheets (B/S) elements:
Liabilities - Creditors*



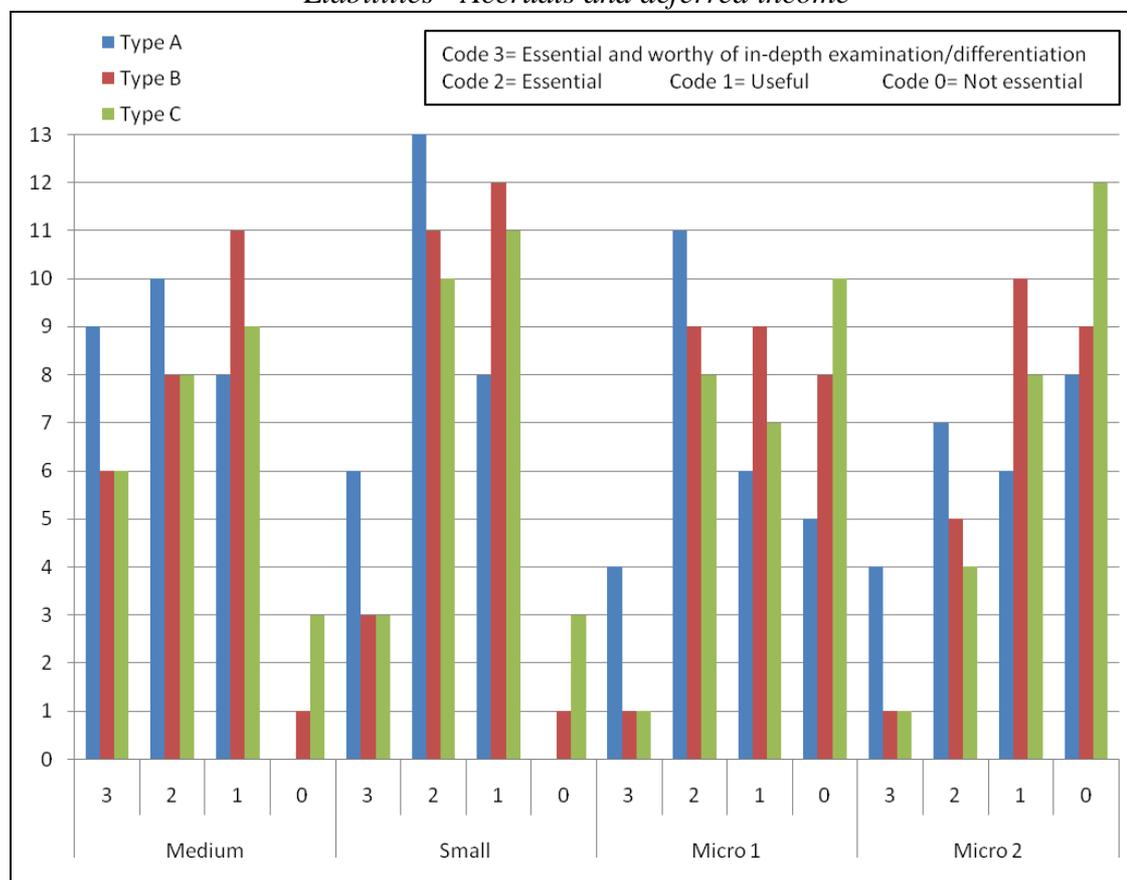
Source: Annex 2E - Accounting Professionals - Table No. 101

38 Respondents in total, 28 of which expressed at least one preferential option, 10 did not respond i.e. 26,32%.

The data analysis shows that for all Medium-, Small-sized and Micro entities, the information is deemed essential (Code 2) apart for the Type A, for which there is need for further information (code 3). The smaller the entity, the greater the number of opinions of the non-essential nature of the information (Code 0) up to Type C Micro 2, where the opinions of its non-essential nature are prevalent.

- Liabilities - Accruals and deferred income

*Figure No. 107 - Chapter 4 - The importance of the Balance Sheets (B/S) elements:
Liabilities - Accruals and deferred income*



Source: Annex 2E - Accounting Professionals - Table No. 102

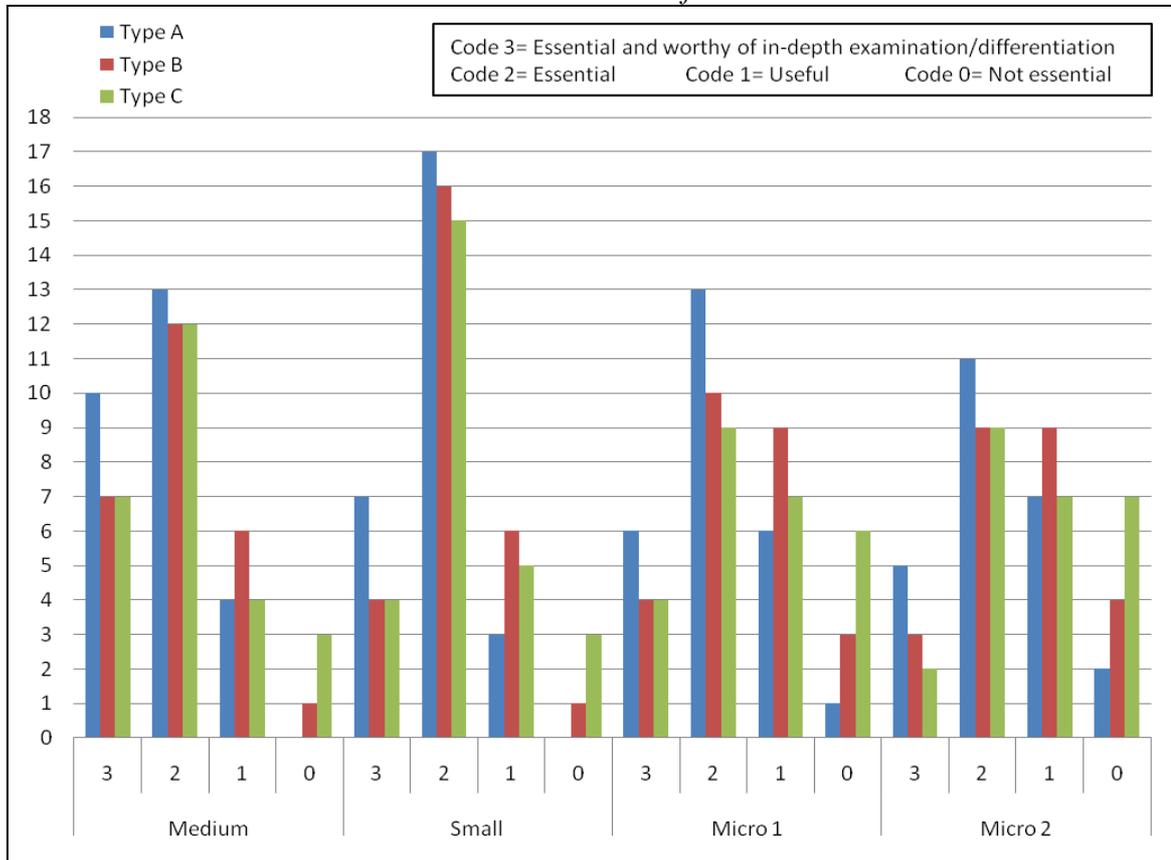
38 Respondents in total, 28 of which expressed at least one preferential option, 10 did not respond i.e. 26,32%.

The data analysis shows that for all Type A entities, the judgements showing the "essentiality" (Code 2) of the information prevail, and only for Micro 2 entities the opinions of "non-essentiality" (Code 0) prevail. For all Type B entities, the judgements showing the usefulness of the information (Code 1) prevail, even if it should be noted that for Micro 1 and 2 entities opinions of "non-essentiality" (Code 0) are almost equivalent.

For Medium- and Small-sized Type C, the judgements which reflect the usefulness of the information (Code 1) prevail, while for Micro 1 and 2 the opinions of non-essentiality (Code 0) prevail.

- Liabilities - Profit (Loss) for the financial year

*Figure No. 108 - Chapter 4 - The importance of the Balance Sheets (B/S) elements:
Liabilities - Accruals and deferred income*



Source: Annex 2E - Accounting Professionals - Table No. 103

38 Respondents in total, 28 of which expressed at least one preferential option, 10 did not respond i.e. 26,32%.

The data analysis shows that for all entities Types A, B and C, the judgements which consider this information essential (Code 2) prevail, regardless of the entity size.

- Liabilities - Other information:

Almost all of the Respondents did not answer the question, and so it is not possible to make comments.

In Chapter 4.4. there are summarized the results of the Survey with reference to Question No. 10 – *The importance of the Balance Sheets (B/S) elements for the different SMEs.*

11) In this section you should indicate with a numerical value the importance of the Profit and Loss (P/L) Account's elements for the different SMEs.

Which is the importance of the following P/L Account elements?

The question No. 11 collects the opinion of the Respondents with reference to the importance of the following Profit and Loss Account elements:

- Net turnover
- Variation in stock of finished goods and work in progress
- Work performed by the undertaking. for its own purposes and capitalized.
- Other operating income

- Raw materials and consumables
- Other external charges
- Staff costs
- Other operating charges
- Income from participating interests
- Income from other investments and loans forming part of the fixed assets.
- Other interests receivable and similar income
- Value adjustments of financial assets and of investments held as current assets
- Interest payable and similar charges
- Tax on profit or loss on ordinary activities
- Profit or loss on ordinary activities after taxation
- Extraordinary income
- Extraordinary charges
- Profit or loss of the financial year

The possible Respondents are 38; nonetheless since many of them did not provide any reply and that the ones who did reply, replied with reference to different clusters (a “cluster” being a group deriving from matching legal form and size of the entities), there may be different numbers of replies.

The Figures from No. 109 to 126 hereby presented show the opinion expressed with reference to each cluster, regardless of the number of the Respondents, their legal form and nationality.

The numbers shown in the matrix refer to the numerical answers received, as follows: 3; 2; 1; 0

Where: Code 3= Essential and worthy of in-depth examination/differentiation

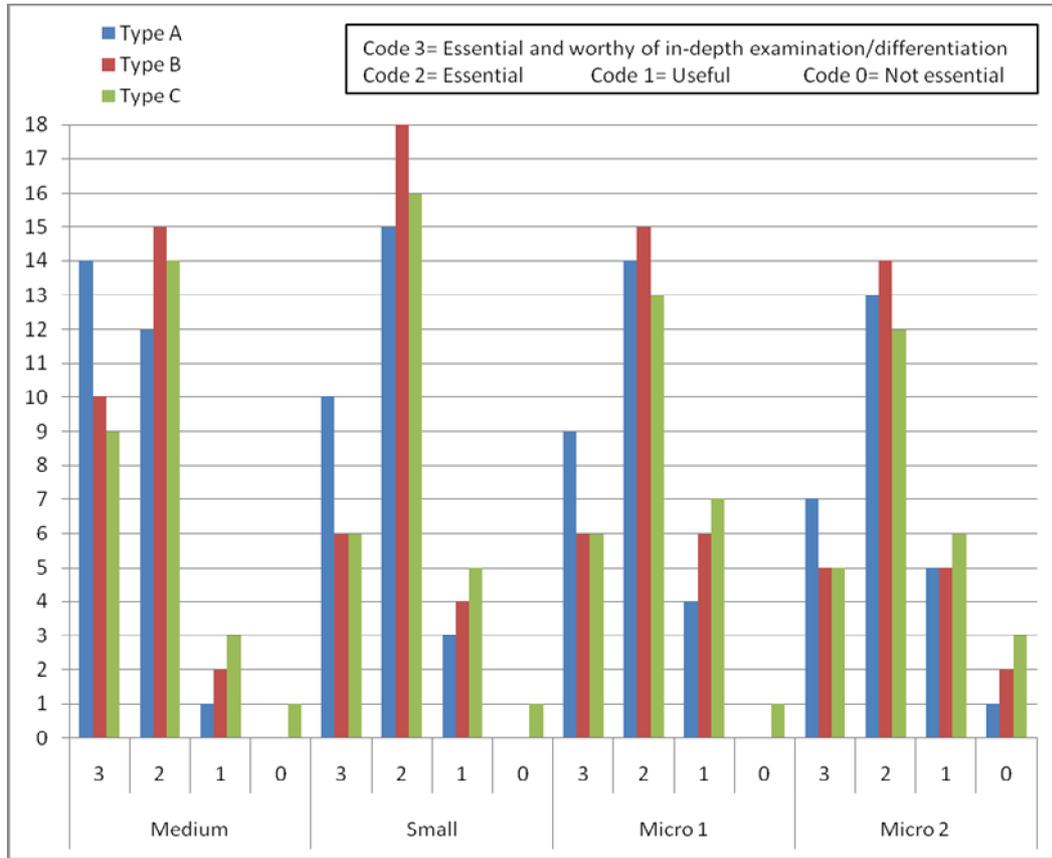
Code 2= Essential

Code 1= Useful

Code 0= Not essential

- Net turnover

Figure No. 109 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements: Net turnover



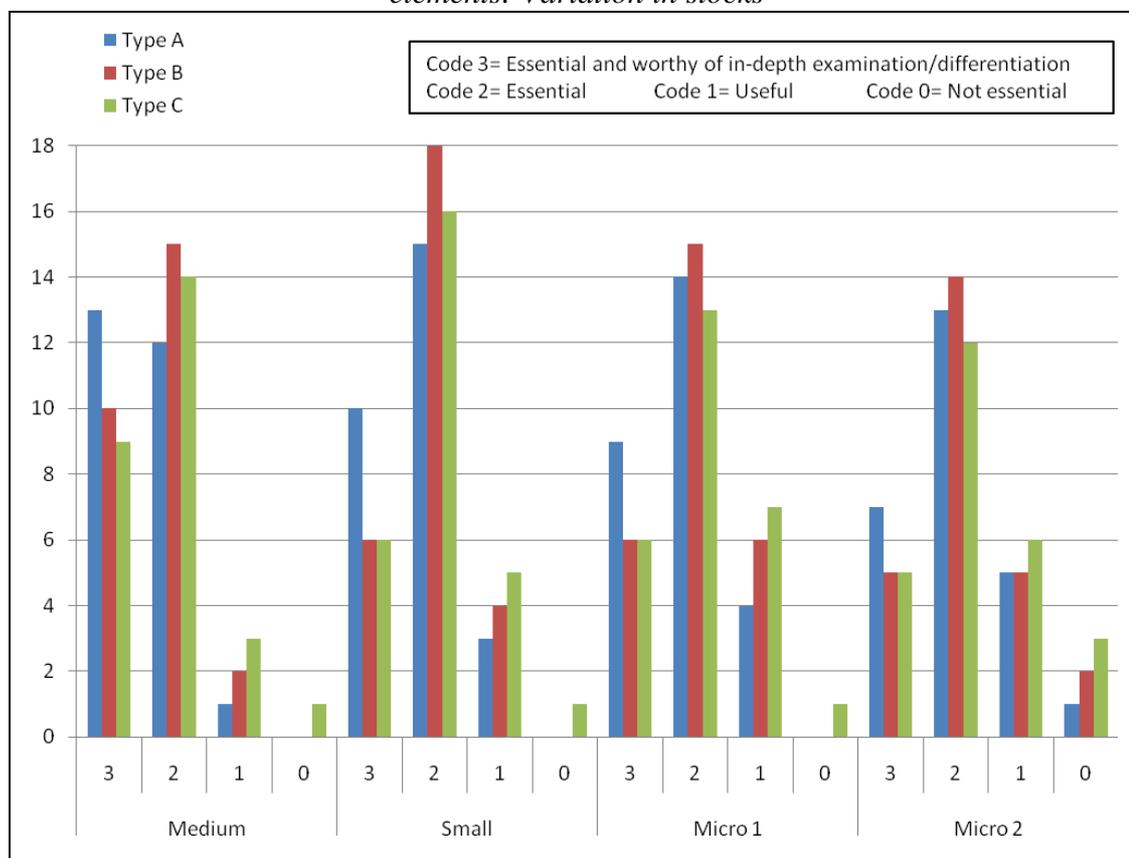
Source: Annex 2E - Accounting Professionals - Table No. 104

38 Respondents in total, 28 of which expressed at least one preferential option, 10 did not respond i.e. 26,32%.

The data analysis shows that for all entities (Types B and C) Respondents who consider the information on turnover essential (Code 2) prevail, while only for Type A entities further information is required (Code 3) in relation to turnover. Also for Micros 1 and 2 entities there is an interest in this type of information.

- Variation in stocks of finished goods and work in progress

Figure No. 110 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements: Variation in stocks



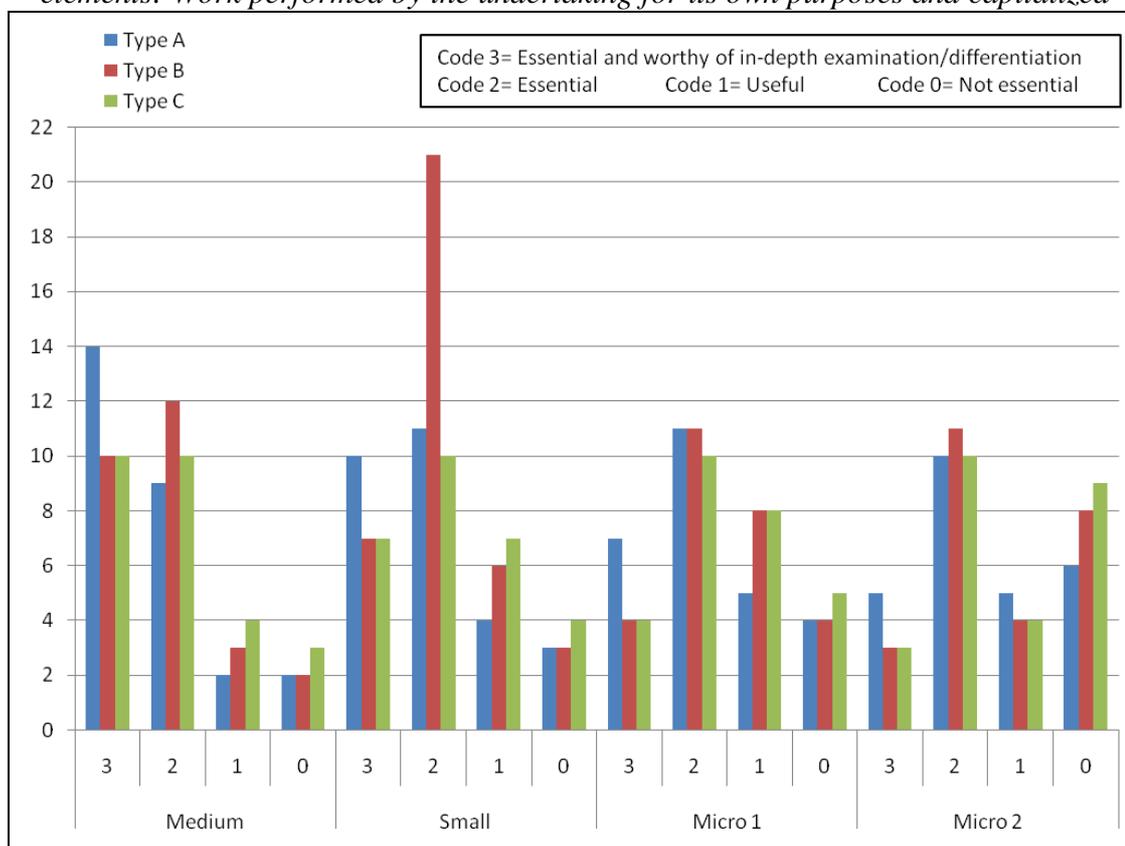
Source: Annex 2E - Accounting Professionals - Table No. 105

38 Respondents in total, 28 of which expressed at least one preferential option, 10 did not respond i.e. 26,32%.

The data analysis shows that for all entities (Types B and C) Respondents who consider the information on the Variation in stocks of finished goods and work in progress essential (Code 2) prevail, while only for Type A entities further information is required (Code 3) as to this item. Also for Micros 1 and 2 there is an interest in this type of information.

- Work performed by the undertaking for its own purposes and capitalized

Figure No. 111 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements: Work performed by the undertaking for its own purposes and capitalized



Source: Annex 2E - Accounting Professionals - Table No. 106

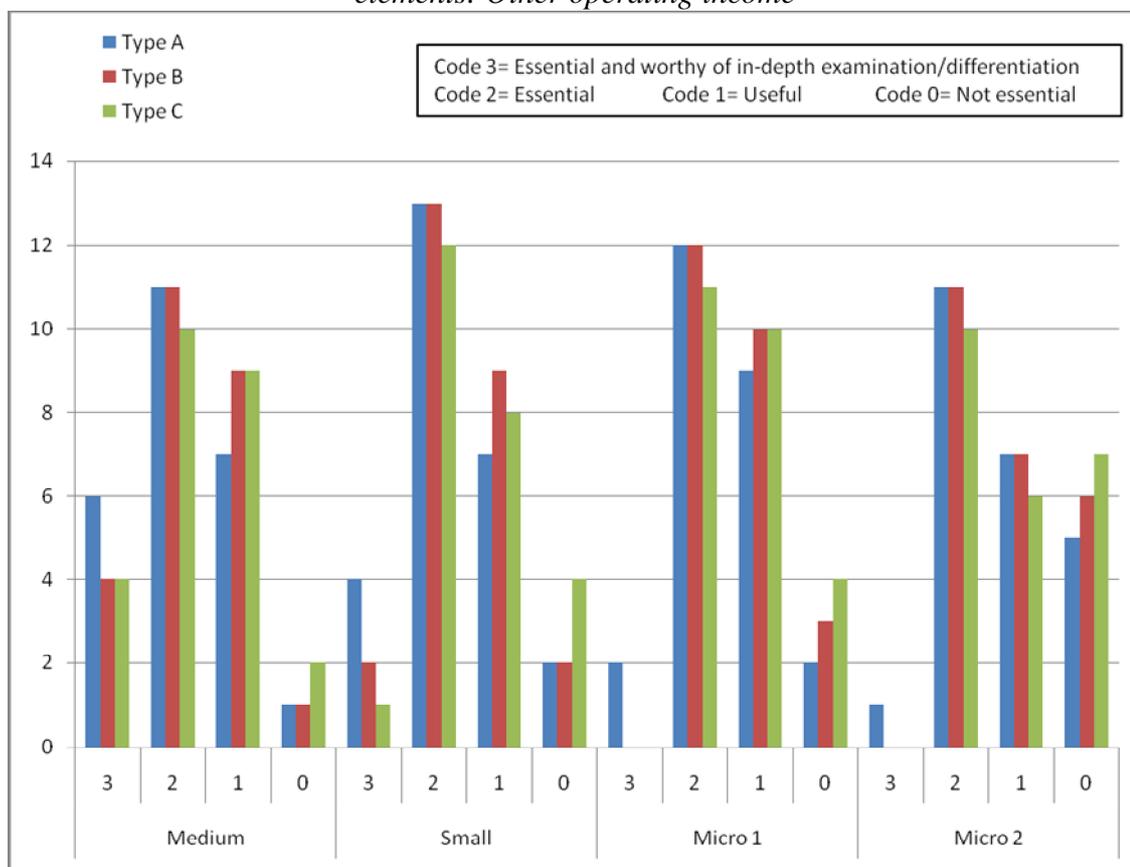
38 Respondents in total, 28 of which expressed at least one preferential option, 10 did not respond i.e. 26,32%.

The data analysis shows that for all entities, regardless of their size and legal form, most Respondents consider the information relating to work performed by the undertaking for its own purposes and capitalized essential (Code 2). An exception is represented by companies Type A, for which the opinions that consider in further information required (Code 3) prevail.

For entities Types B and C, the answers given highlight a good level of interest for this Balance sheet item as regards Medium- and Small-sized; the interest level decreases for Micros 1 and 2 entities. For the latter, the opinions which consider this information non-essential (Code 0) equal the number of those who consider it essential (Code 2).

- Other operating income

Figure No. 112 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements: Other operating income



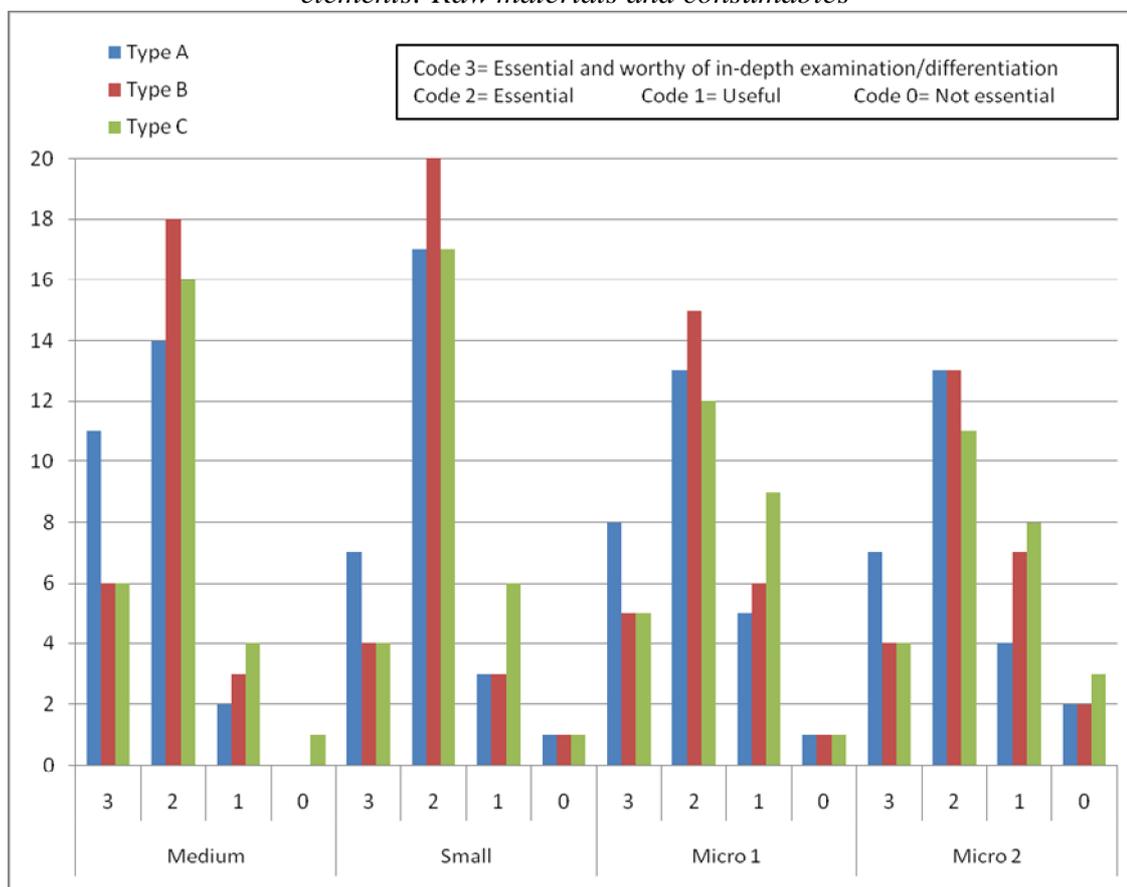
Source: Annex 2E - Accounting Professionals - Table No. 107

38 Respondents in total, 27 of which expressed at least one preferential option, 11 did not respond i.e. 28,95%.

The data analysis shows that for all Type A entities regardless of the size, most Respondents consider the information relating to other operating income essential (Code 2). For Type B and C entities, the answers given highlight a good level of interest for this P/L Account item as regards Medium-, Small-sized and Micro-size; the interest is lower for Micro 2 entities. A large share of the latter Respondents consider this information non-essential (Code 0).

- Raw materials and consumables

Figure No. 113 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements: Raw materials and consumables



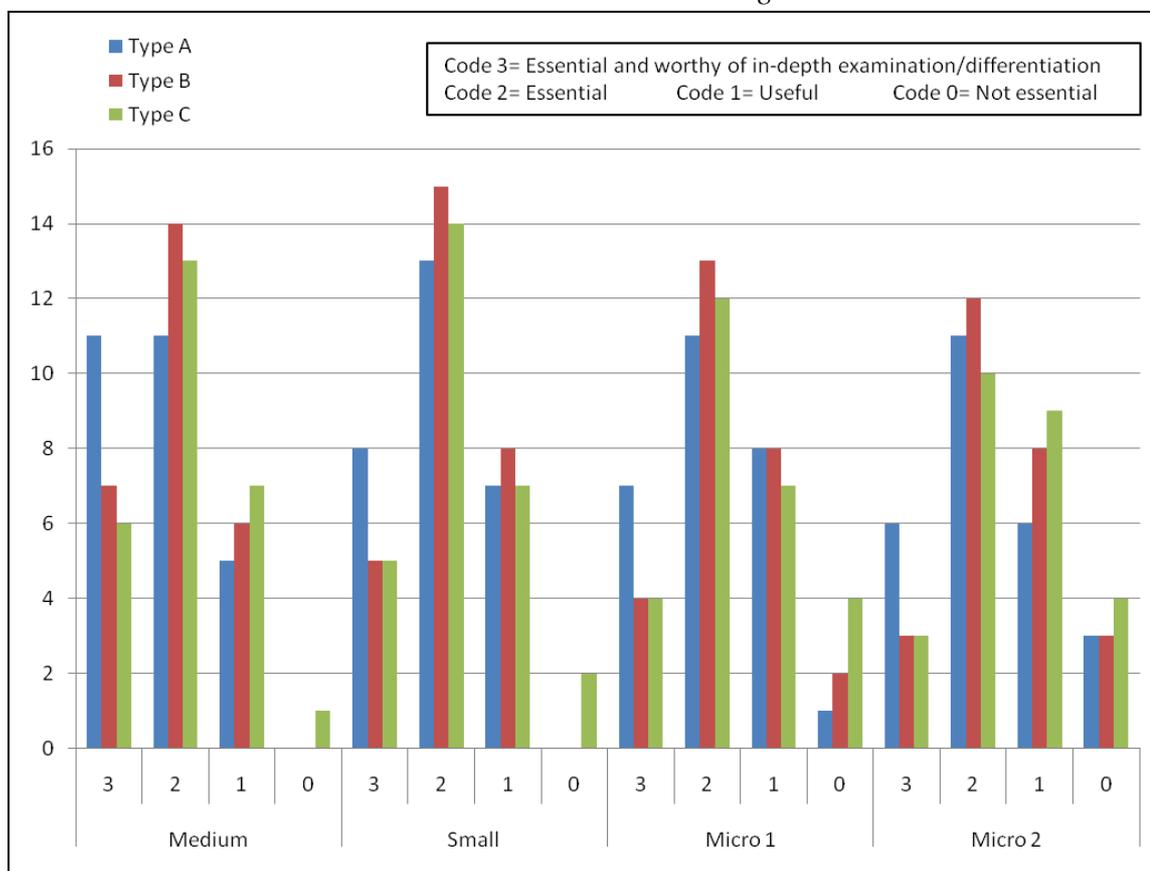
Source: Annex 2E - Accounting Professionals - Table No. 108

38 Respondents in total, 29 of which expressed at least one preferential option, 9 did not respond i.e. 23,68%.

The data analysis shows that for all entities (Types A, B and C), regardless of their size, the Respondents who consider the information relating to Raw materials and consumables essential (Code 2) prevail; this trend is confirmed for Small-sized and Micro entities as well.

- Other external charges

Figure No. 114 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements: Other external charges



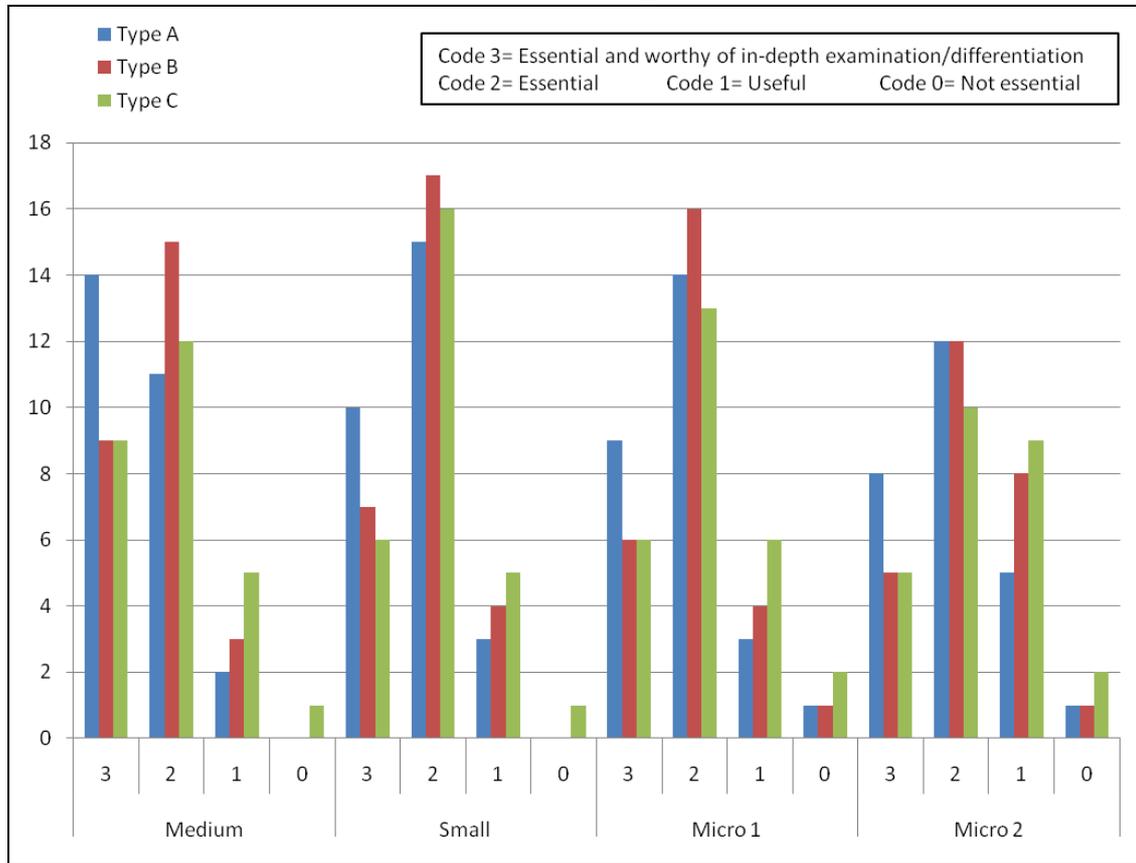
Source: Annex 2E - Accounting Professionals - Table No. 109

38 Respondents in total, 29 of which expressed at least one preferential option, 9 did not respond i.e. 23,68%.

The data analysis shows that for all entities (Types A, B and C), regardless of their size, most Respondents consider the information relating to “Other external charges” essential (Code 2); this trend is confirmed for Small-sized and Micro entities as well.

- Staff costs

Figure No. 115 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements: Staff costs



Source: Annex 2E - Accounting Professionals - Table No. 110

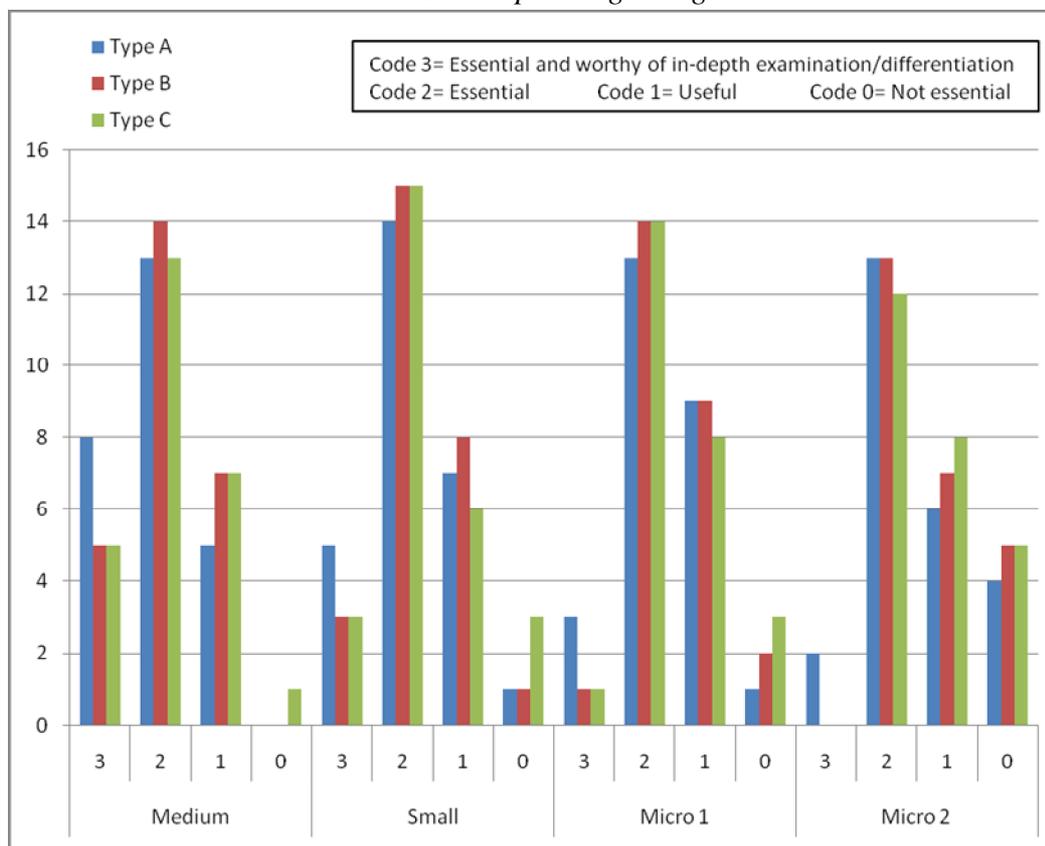
38 Respondents in total, 29 of which expressed at least one preferential option, 9 did not respond i.e. 23,68%.

The data analysis shows that for all entities (Types B and C) the Respondents who consider essential (Code 2) the information concerning Staff Costs prevail, and only for Type A entities additional information is required (Code 3) in relation thereto.

Also for Micros 1 and 2 there is an interest in this type of information.

- Other operating charges

Figure No. 116 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements: Other operating charges



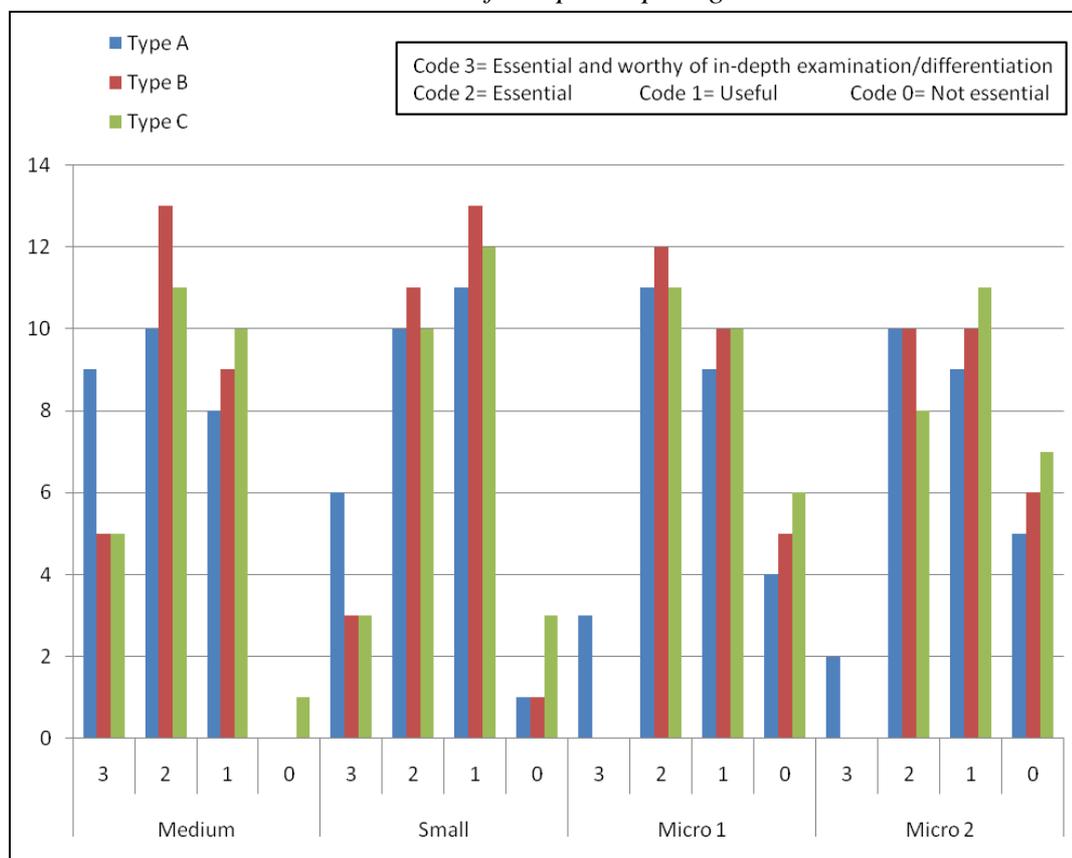
Source: Annex 2E - Accounting Professionals - Table No. 111

38 Respondents in total, 27 of which expressed at least one preferential option, 11 did not respond i.e. 28,95%.

The data analysis shows that for all entities (Types A, B and C), regardless of their size, most Respondents consider the information relating to Other operating charges essential (Code 2).

- Income from participating interests

Figure No. 117 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements: Income from participating interests



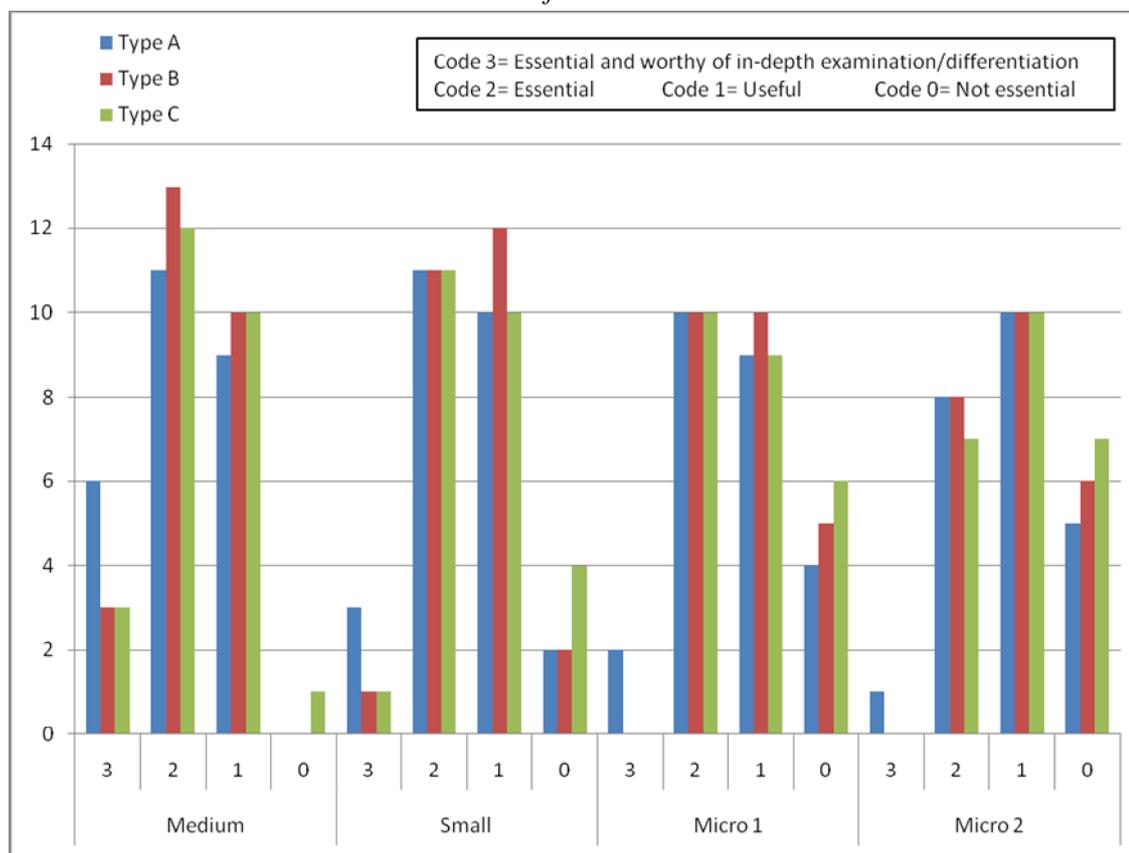
Source: Annex 2E - Accounting Professionals - Table No. 112

38 Respondents in total, 28 of which expressed at least one preferential option, 10 did not respond i.e. 26,32%.

The data analysis shows that for all entities Types A, B and C, regardless of their size, most Respondents consider essential and or useful (Codes 1 and 2) the information concerning income from participating interests.

- Income from other investments and loans forming part of the fixed asset

Figure No. 118 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements: Income from other investments



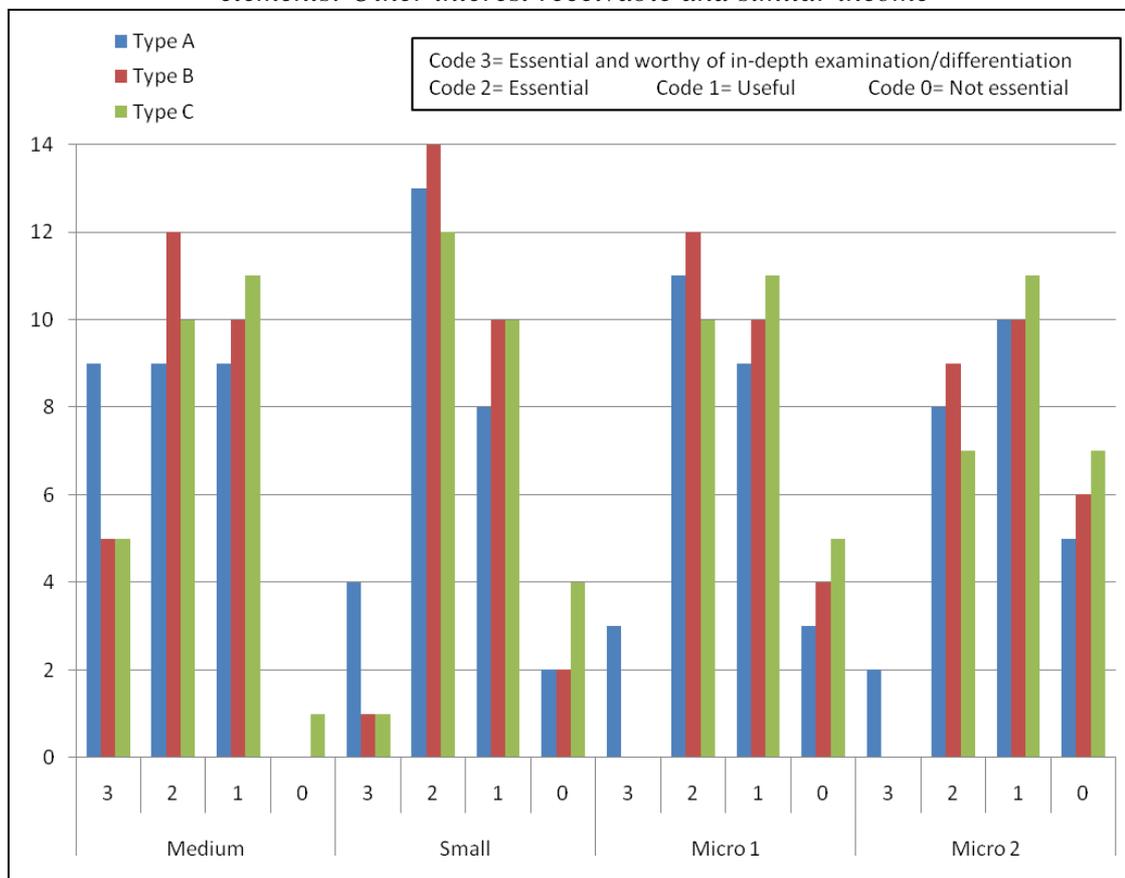
Source: Annex 2E - Accounting Professionals - Table No. 113

38 Respondents in total, 28 of which expressed at least one preferential option, 10 did not respond i.e. 26,32%.

The data analysis shows that for all entities (Types A, B and C) Respondents who consider essential and/or useful (Codes 1 and 2) the information concerning Income from other investments and loans forming part of the fixed assets, this trend is confirmed also for Small-sized and Micro 1 entities, even if for Micro 2 entities the opinions considering this information useful (Code 1) prevail.

- Other interest receivable and similar income

Figure No. 119 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements: Other interest receivable and similar income



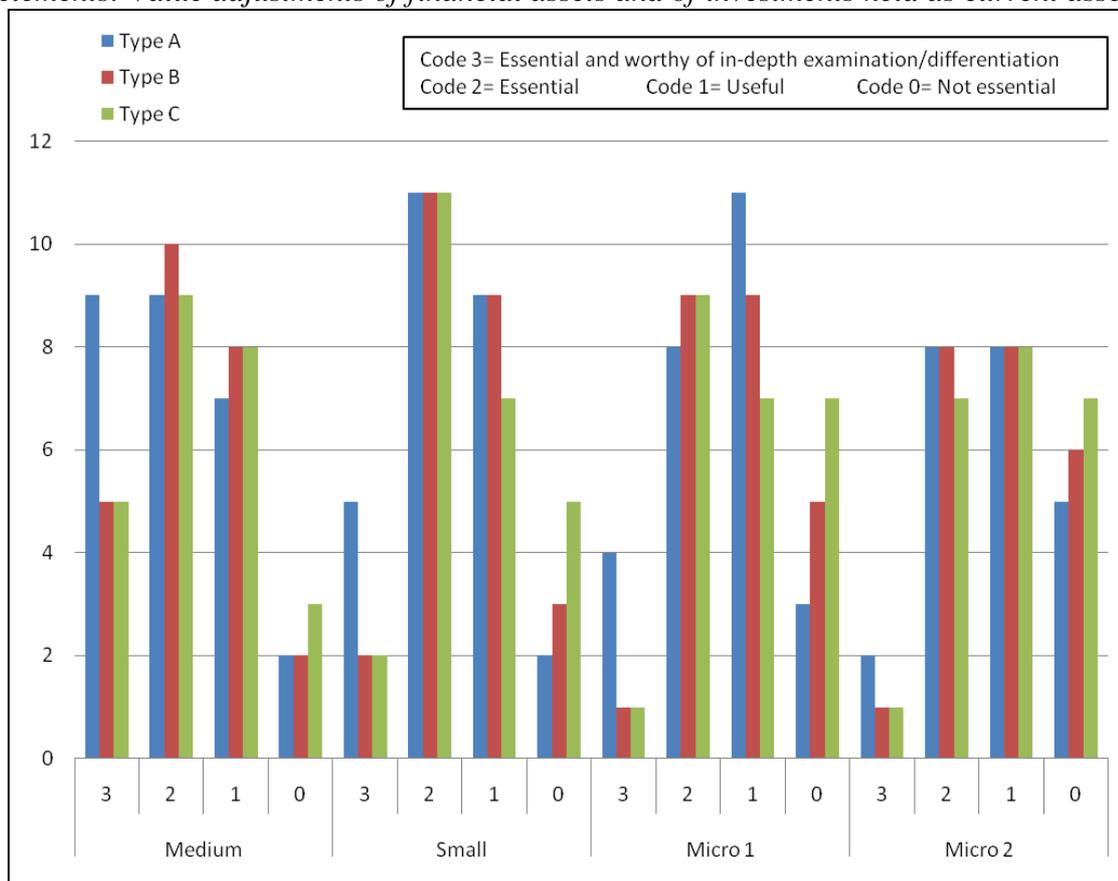
Source: Annex 2E - Accounting Professionals - Table No. 114

38 Respondents in total, 29 of which expressed at least one preferential option, 9 did not respond i.e. 23,68%.

The data analysis shows that for all entities (Types A, B and C) Respondents consider essential and/or useful (Codes 1 and 2) the information concerning other interest receivable and similar income. Specifically, for Medium-, Small-sized and Micro 1 entities this datum is prevalingly considered essential (Code 2), while for Micro 2 entities this datum is prevalingly considered useful (Code 1).

- Value adjustments of financial assets and of investments held as current assets

Figure No. 120 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements: Value adjustments of financial assets and of investments held as current assets



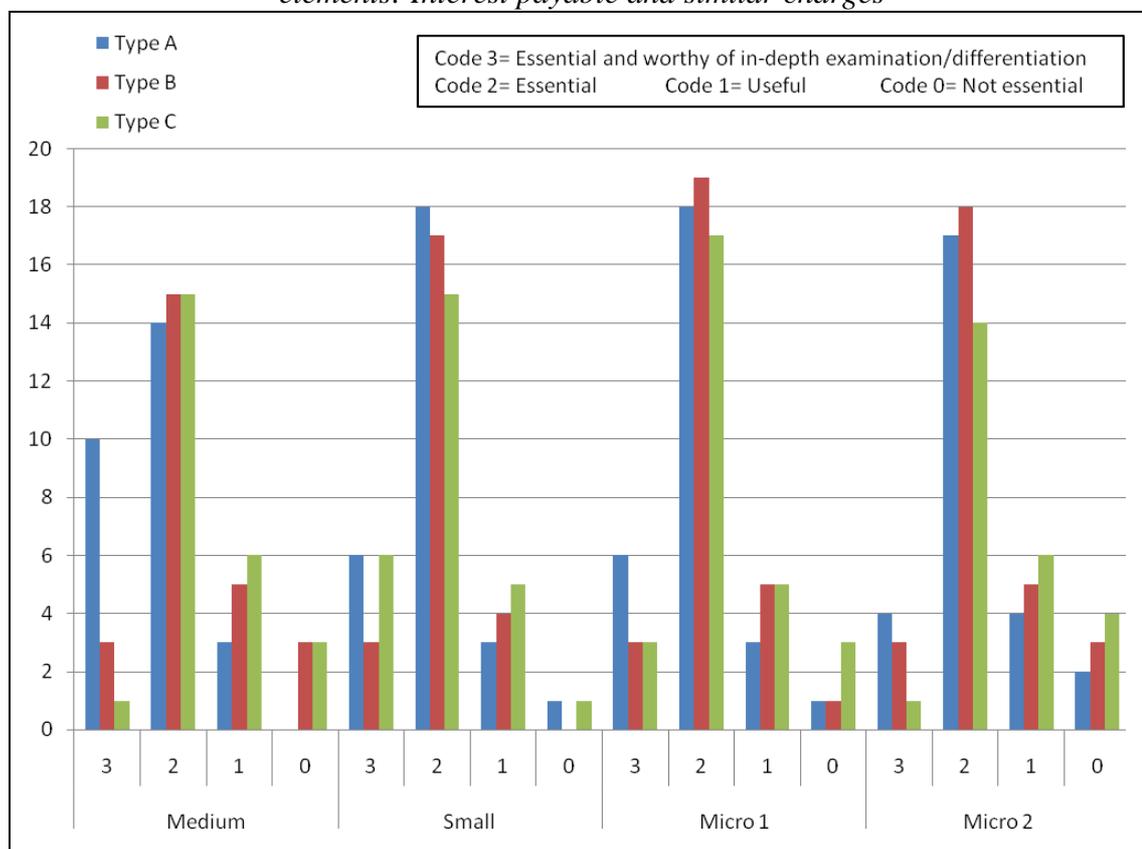
Source: Annex 2E - Accounting Professionals - Table No. 115

38 Respondents in total, 29 of which expressed at least one preferential option, 9 did not respond i.e. 23,68%.

The data analysis shows that for all entities (Types A, B and C) Respondents consider essential and/or useful (Codes 1 and 2) information concerning value adjustments of financial assets and of investments held as current assets. Specifically, for Medium- and Small-sized entities this datum is prevalingly considered essential (Code 2), while for Micros 1 and 2 entities this datum is prevalingly considered useful (Code 1).

- Interest payable and similar charges

Figure No. 121 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements: Interest payable and similar charges



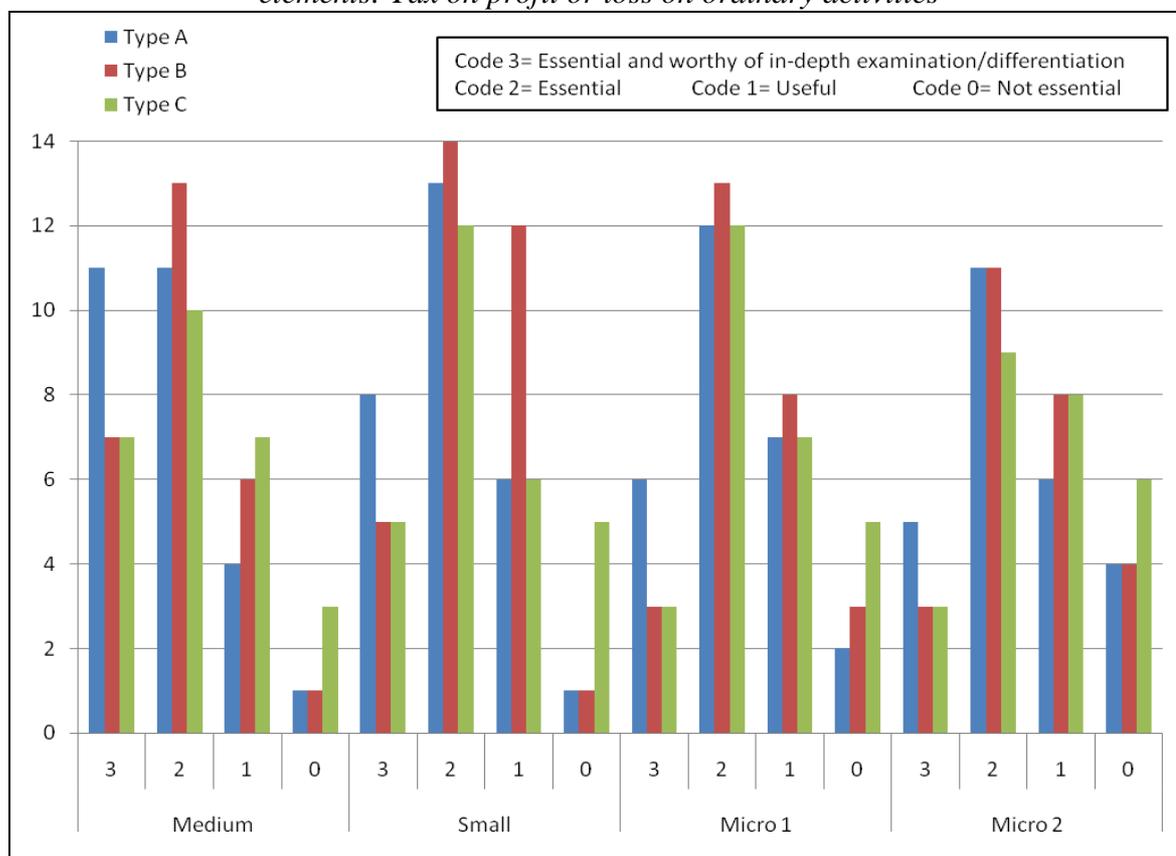
Source: Annex 2E - Accounting Professionals - Table No. 116

38 Respondents in total, 29 of which expressed at least one preferential option, 9 did not respond i.e. 23,68%.

The data analysis shows that for all entities Types A, B and C, Respondents consider the information concerning Interest payable and similar charges essential (Code 2) prevail; this datum is confirmed for all sizes.

- Tax on profit or loss on ordinary activities

Figure No. 122 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements: Tax on profit or loss on ordinary activities



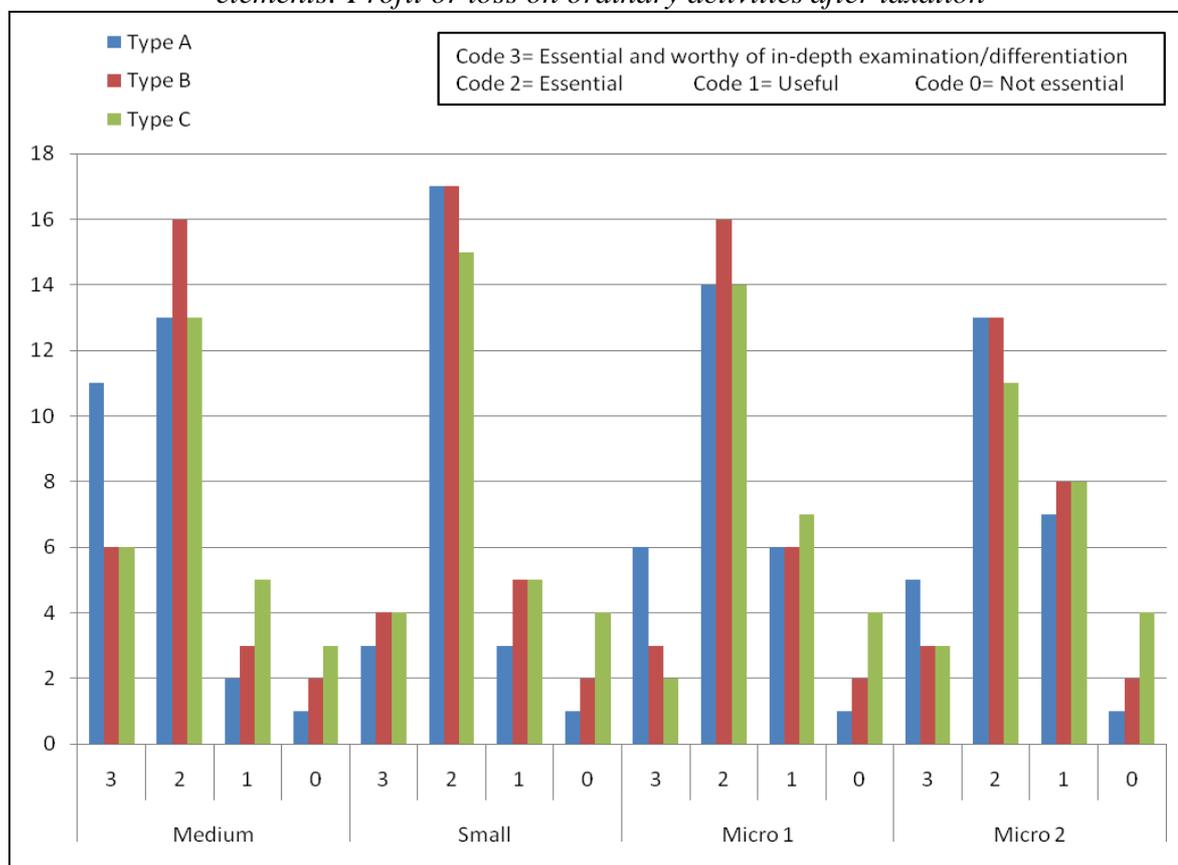
Source: Annex 2E - Accounting Professionals - Table No. 117

38 Respondents in total, 29 of which expressed at least one preferential option, 9 did not respond i.e. 23,68%.

The data analysis shows that for all entities Types A, B and C, most Respondents consider the information relating to Tax on profit or loss on ordinary activities essential (Code 2); this datum is confirmed for all sizes.

- Profit or loss on ordinary activities after taxation

Figure No. 123 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements: Profit or loss on ordinary activities after taxation



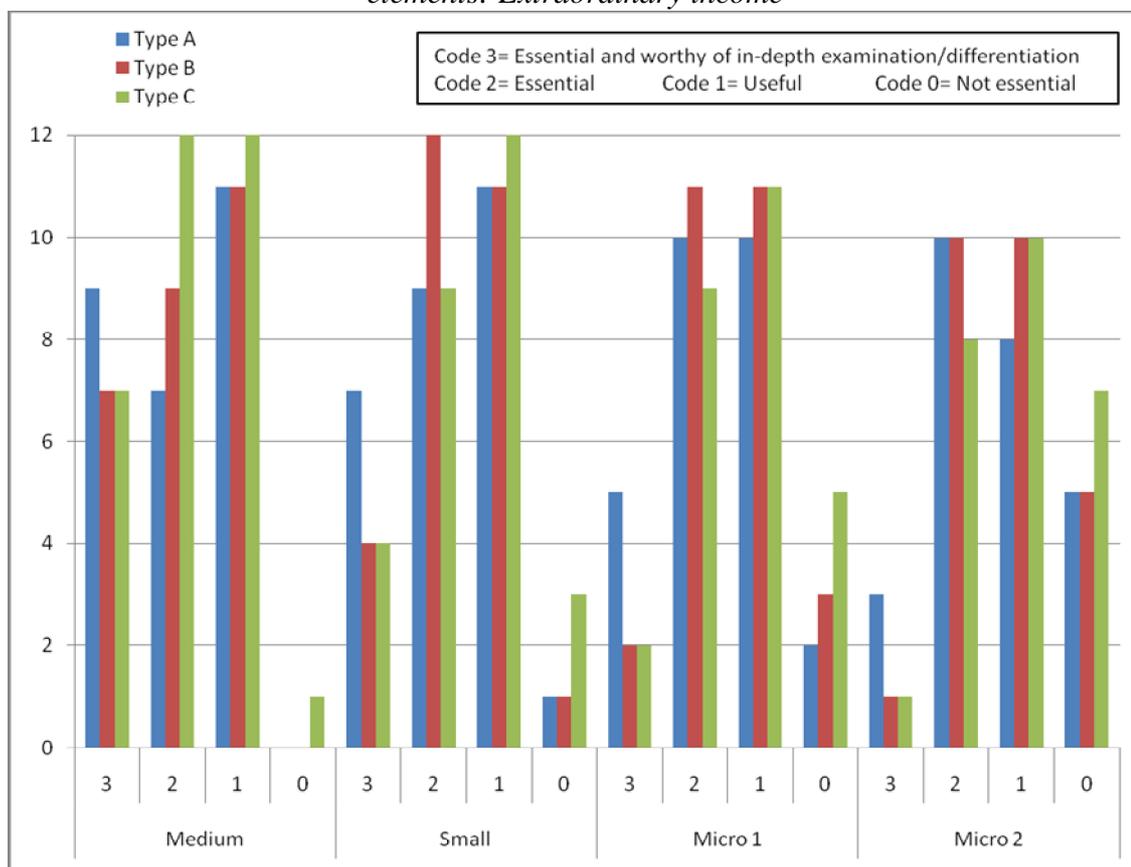
Source: Annex 2E - Accounting Professionals - Table No. 118

38 Respondents in total, 29 of which expressed at least one preferential option, 9 did not respond i.e. 23,68%.

The data analysis shows that for all entities (Types A, B and C) Respondents who consider the information on Profit or loss of the financial year Essential (Code 2) prevail. This datum is confirmed for all sizes.

- *Extraordinary income*

Figure No. 124 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements: Extraordinary income



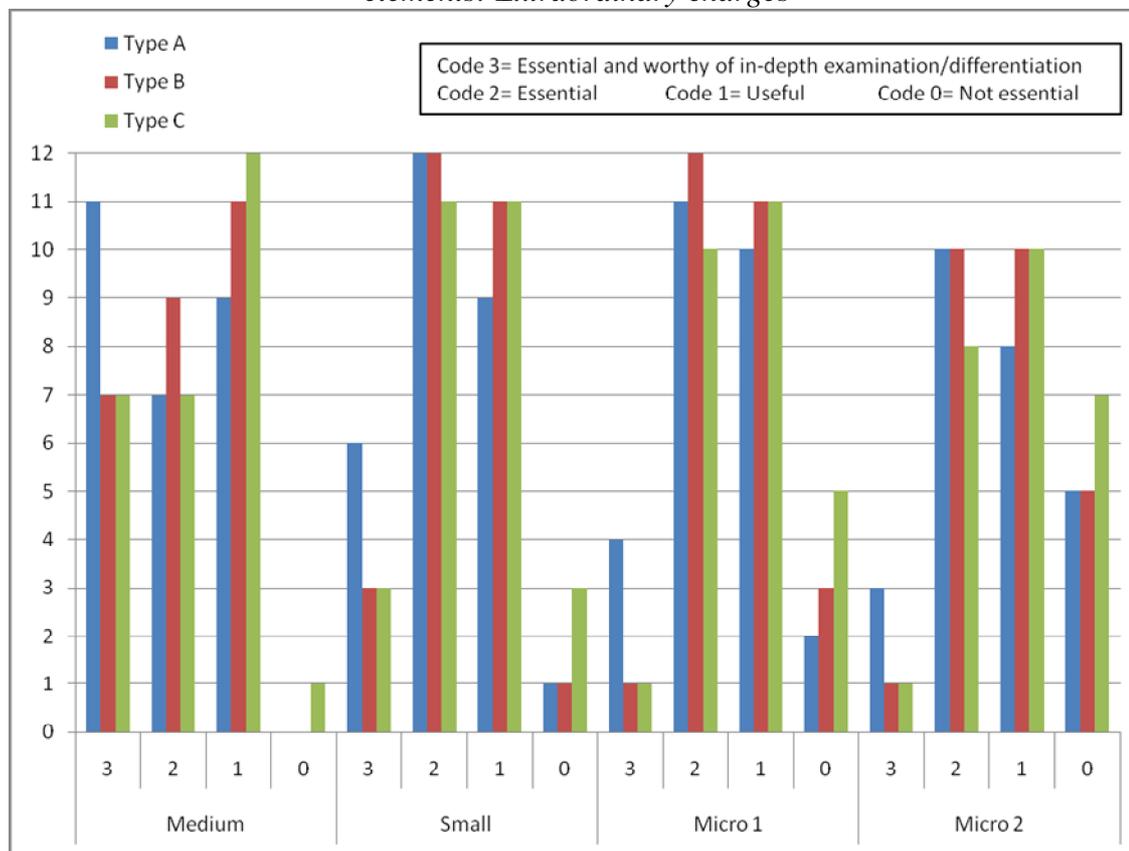
Source: Annex 2E - Accounting Professionals - Table No. 119

38 Respondents in total, 29 of which expressed at least one preferential option, 9 did not respond i.e. 23,68%.

The data analysis shows that for all entities (Types A, B and C) Respondents who consider the information concerning extraordinary income useful (Code 1) prevail; this datum is confirmed for Small-sized entities as well.

- Extraordinary charges

Figure No. 125 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements: Extraordinary charges



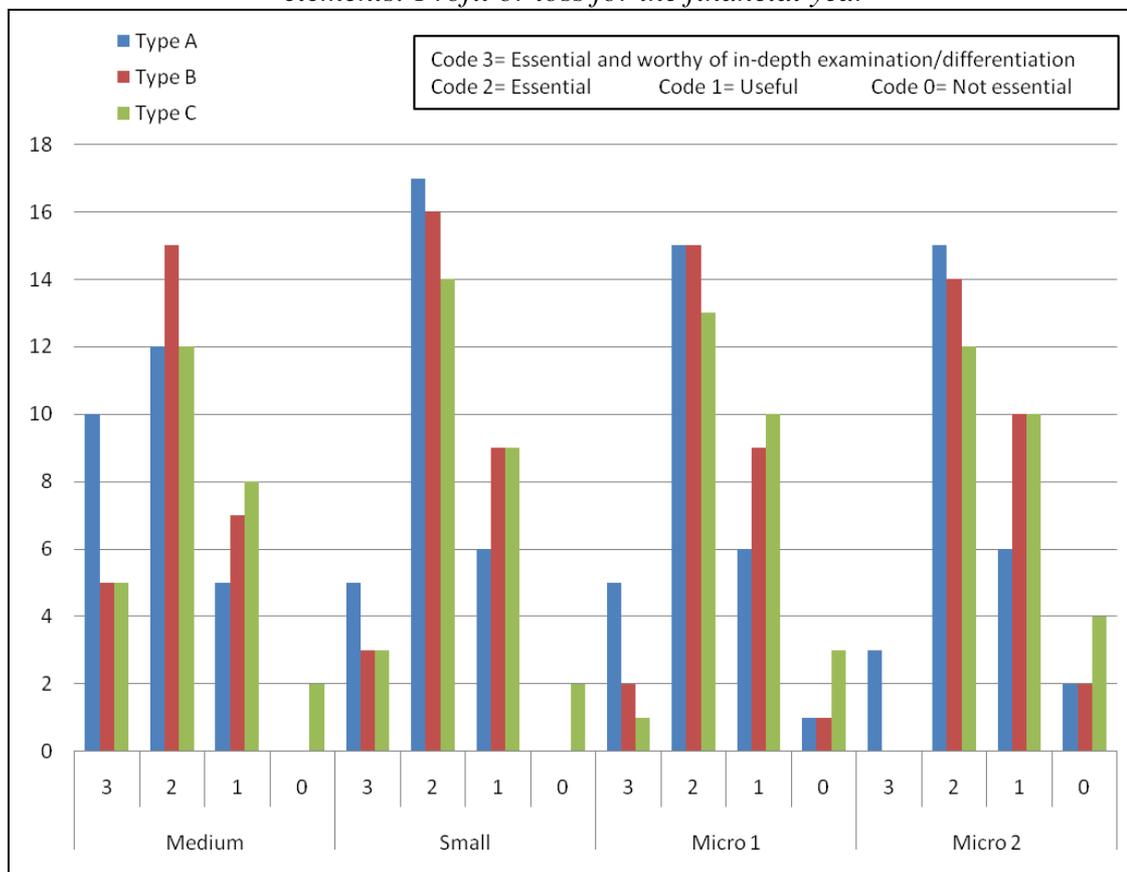
Source: Annex 2E - Accounting Professionals - Table No. 120

38 Respondents in total, 29 of which expressed at least one preferential option, 9 did not respond i.e. 23,68%.

The data analysis shows that for Type A Medium-sized entities, the judgements which consider this information essential with further information required (Code 3) prevail. For all the remaining entities (Types A and B) most Respondents consider the information relating extraordinary charges essential (Code 2). As to entities Type C, the judgements which consider this information useful (Code 1) prevail, regardless of their size.

- Profit or loss for the financial year

Figure No. 126 - Chapter 4 - The importance of the Profit and Loss (P/L) Account's elements: Profit or loss for the financial year



Source: Annex 2E - Accounting Professionals - Table No. 121

38 Respondents in total, 29 of which expressed at least one preferential option, 9 did not respond i.e. 23,68%.

For all entities (Types A, B and C) the prevalence is represented by Respondents who consider essential (Code 2) the information concerning Profit or loss for the financial year; this datum is confirmed for Micros 1 and 2 entities as well.

- Other information

The answers received to this question are few and, what's more, they are not provided with the specifications required. As a consequence, it is not possible to make any comment on this matter.

In Chapter 4.4 there are summarized the results of the Survey with reference to Question No.11 – *The importance of the Profit and Loss (P/L) Account's elements for the different SMEs.*

12) In this section you should indicate with a numerical value the importance that you attribute to other information contained in the financial statements.

Which is the importance of the following elements?

This question collects the opinions of the Respondents with reference to the importance attributed to the following other information contained in the financial statements:

- Number of customers
- Number of suppliers
- Costs' nature
- Impairment of fixed assets
- Fair value of property, plant and equipment
- Deferred taxes
- Value of real estate with an ongoing leasing/finance lease agree
- Value of capital debt of leasing agreement
- Value of guarantees received/given
- Amount of derivatives
- Pensions
- Post-employment benefits
- Share based payments
- Long-term contracts/construction contracts
- Related party transactions
- Research and development projects
- Entity structure
- Controlling body of the entity
- If the entity works on its own or for third party
- Number of employees
- Operating areas/business areas of the Entity
- The adoption of a Sustainability of Social Report
- Quality certification
- Environmental impact (energy production,, etc.)
- Forecasts of future investments/business developments
- Accounting regime followed

The possible Respondents are 38; nonetheless since many of them did not provide any reply and that the ones who did reply, replied with reference to different clusters (a "cluster" being a group deriving from matching legal form and size of the entities), there may be different numbers of replies.

The Figures from No.127 to 152 hereby presented show the opinion expressed with reference to each cluster, regardless of the number of the Respondents, their legal form and nationality.

The numbers shown in the matrix refer to the numerical answers received, as follows: 3; 2; 1; 0

Where: Code 3= Essential and worthy of in-depth examination/differentiation

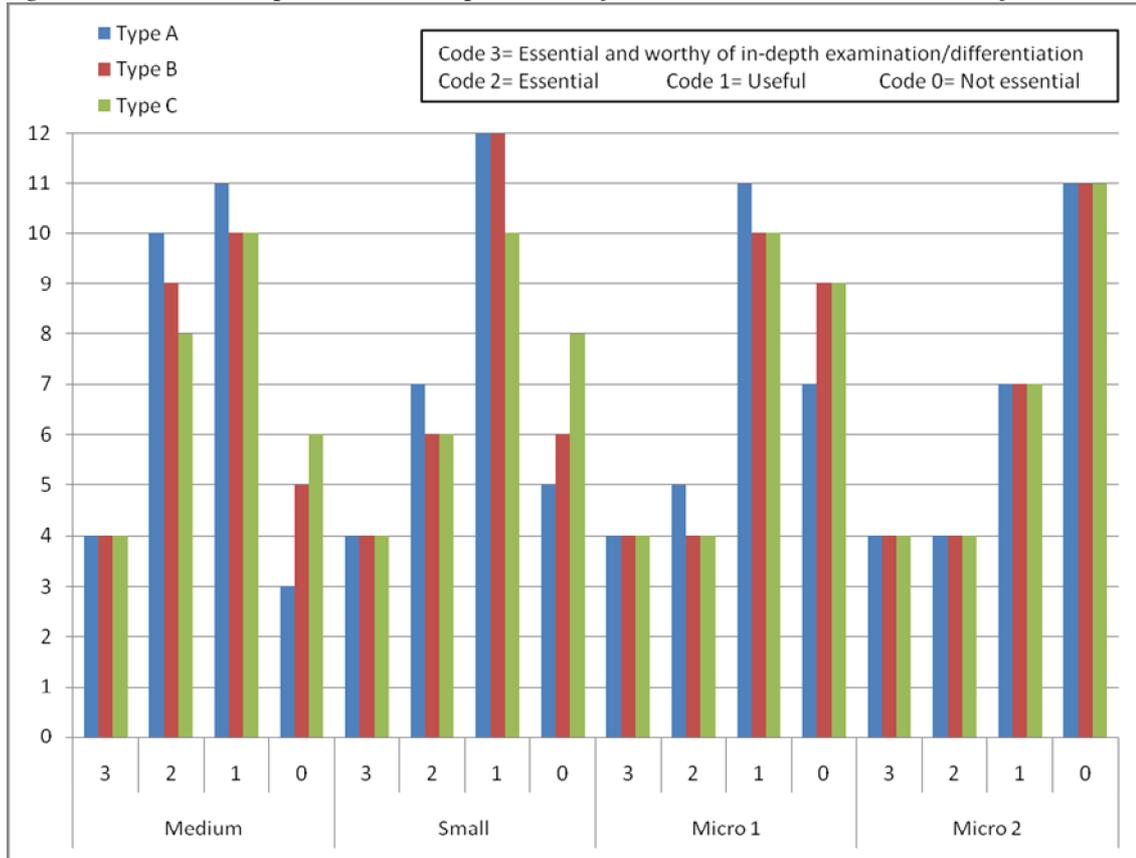
Code 2= Essential

Code 1= Useful

Code 0= Not essential

- Number of customers

Figure No. 127 - Chapter 4 - The importance of the other elements: Number of customers



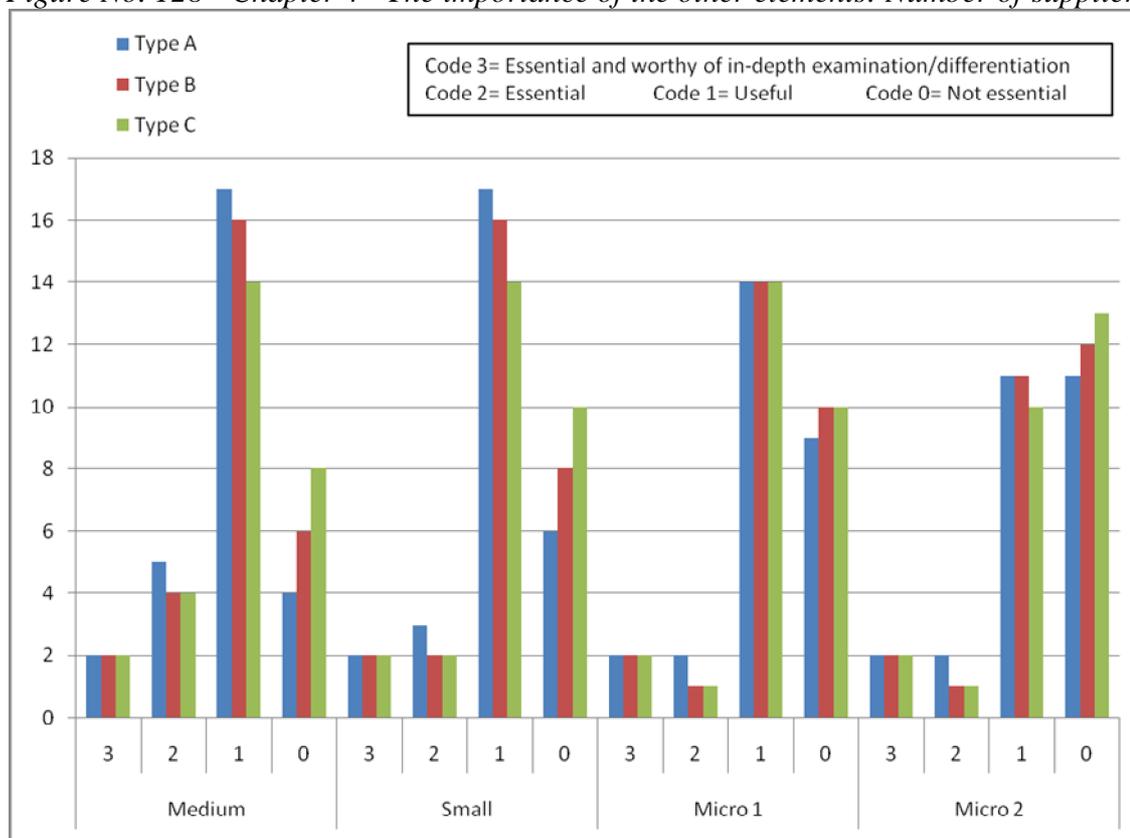
Source: Annex 2E - Accounting Professionals - Table No. 122

38 Respondents in total, 28 of which expressed at least one preferential option, 10 did not respond i.e. 26,32%.

The data analysis shows that for all Medium-, Small-sized and Micro entities, regardless of their legal form (Types A, B and C), the judgements of Respondents who consider the “Number of customers” a useful piece of information (Code 1) prevail, even if, as the entity size decreases, the number of Respondents who consider this information non-essential (Code 0) increases. The judgements of non-essentiality (Code 0) prevail in relation to Micro 2 entities, regardless of their legal form.

- Number of suppliers

Figure No. 128 - Chapter 4 - The importance of the other elements: Number of suppliers



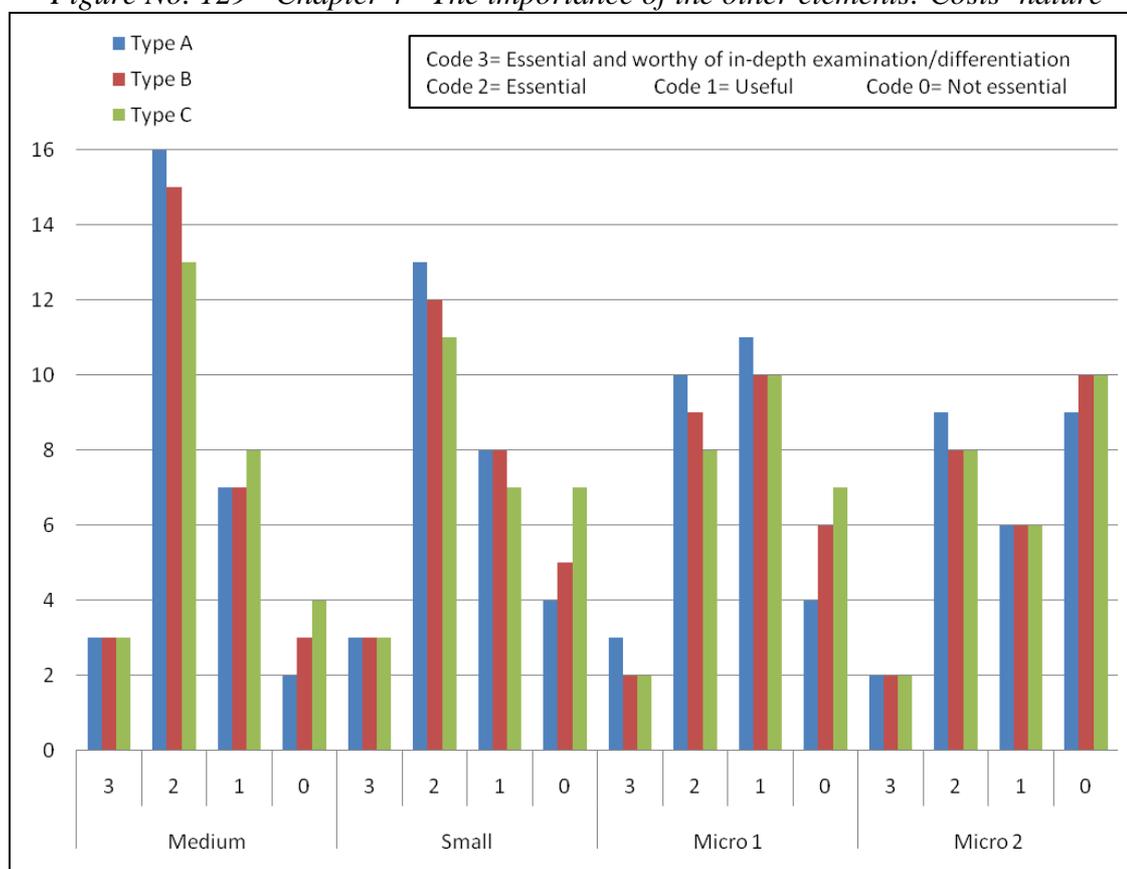
Source: Annex 2E - Accounting Professionals - Table No. 123

38 Respondents in total, 28 of which expressed at least one preferential option, 10 did not respond i.e. 26,32%.

The data analysis shows that for all Medium-, Small-sized and Micro entities, regardless of their legal form (Types A, B and C), the judgements of Respondents who consider the “Number of suppliers” a useful piece of information (Code 1) prevail, even if, as the entity size decreases, the number of Respondents who consider this information non-essential (Code 0) increases. The judgements of non-essentiality (Code 0) prevail in relation to Micro 2 entities, regardless of their legal form.

- *Costs' nature*

Figure No. 129 - Chapter 4 - The importance of the other elements: *Costs' nature*



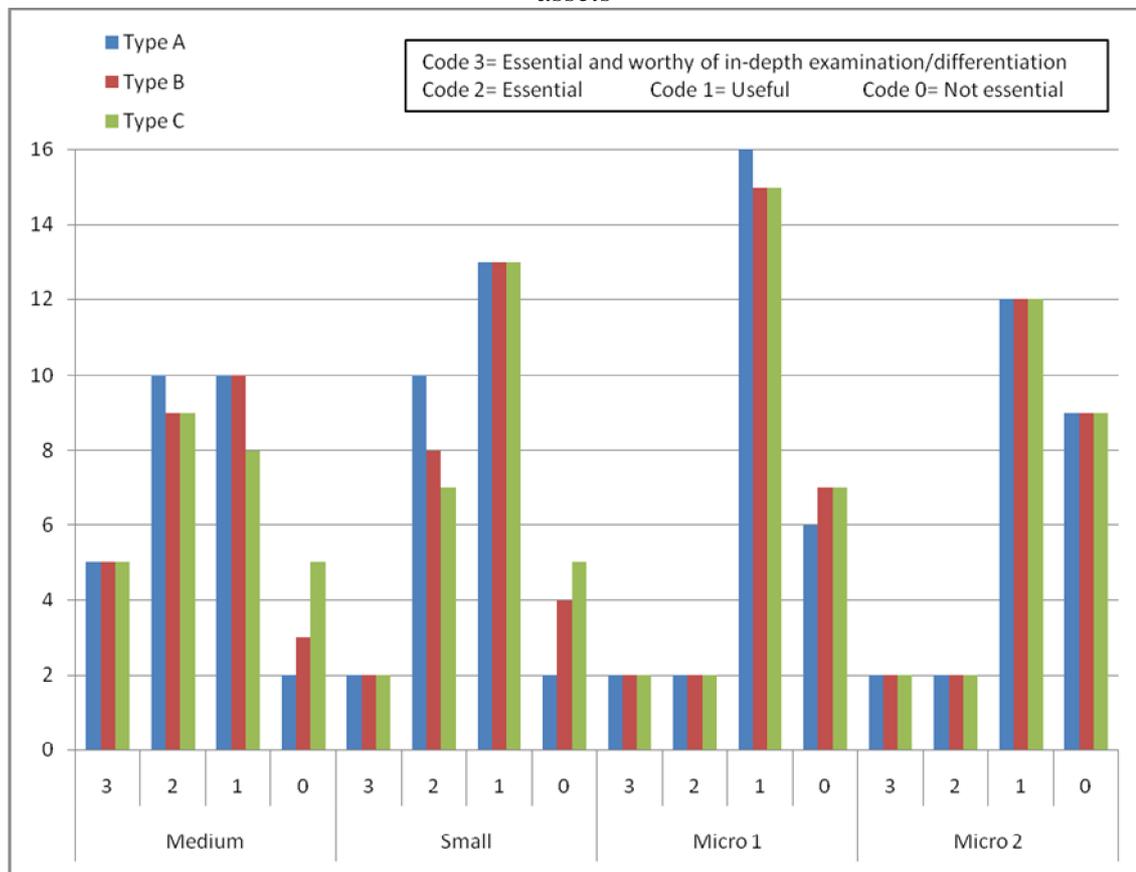
Source: Annex 2E - Accounting Professionals - Table No. 124

38 Respondents in total, 28 of which expressed at least one preferential option, 10 did not respond i.e. 26,32%.

The data analysis shows that for all Medium-sized entities, regardless of their legal form (Types A, B and C), the judgements of Respondents who consider the “Costs’ nature” an essential information (Code 2) prevail. For all Small-sized and Micro 1 entities, regardless of their legal form (Types A, B and C), the judgements of Respondents who consider the “Costs’ nature” a useful piece of information (Code 1) prevail. The judgements of non-essentiality (Code 0) prevail in relation to Micro 2 entities, regardless of their legal form.

- Impairment of fixed assets

Figure No. 130 - Chapter 4 - The importance of the other elements: Impairment of fixed assets



Source: Annex 2E - Accounting Professionals - Table No. 125

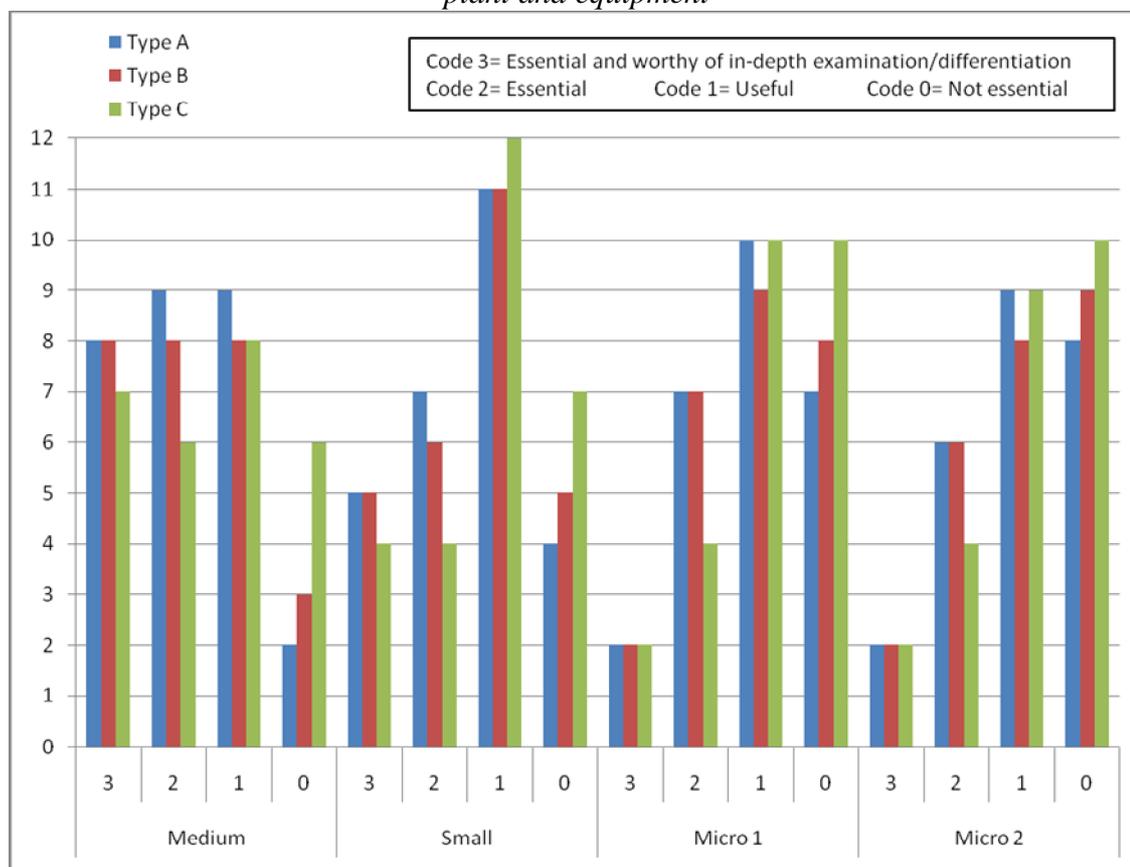
38 Respondents in total, 27 of which expressed at least one preferential option, 11 did not respond i.e. 28,95%.

The data analysis shows that for all entities Types A, B and C, regardless of their size, the prevailing judgements of Respondents consider the Impairment of fixed assets useful (Code 1).

As the entity's size decreases, the judgements reflecting a non-essential nature (Code 0), in relation to all legal forms, become more and more important, even if they never become majority answers.

- Fair value of property, plant and equipment

Figure No. 131 - Chapter 4 - The importance of the other elements: Fair value of property, plant and equipment



Source: Annex 2E - Accounting Professionals - Table No. 126

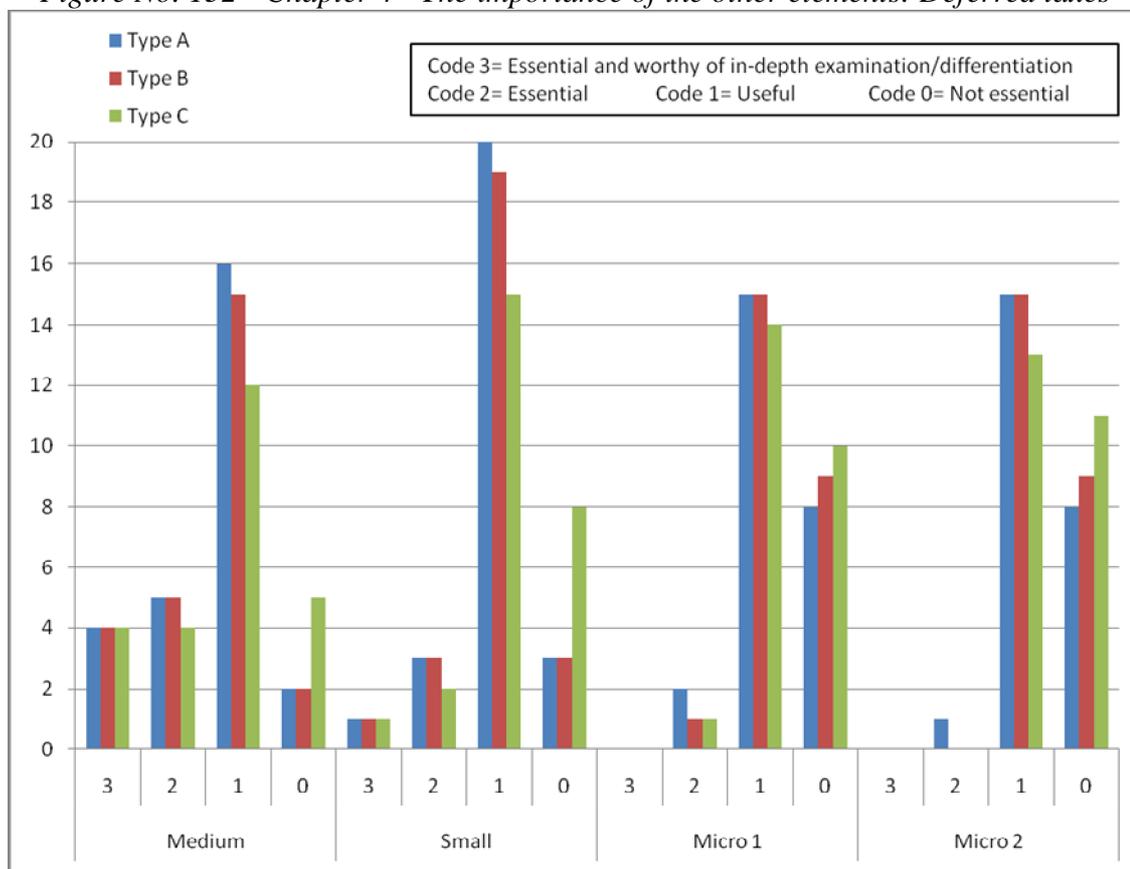
38 Respondents in total, 28 of which expressed at least one preferential option, 10 did not respond i.e. 26,32%.

The data analysis shows that for all entities Types A, B and C, regardless of their size, the prevailing judgements of Respondents consider the “Fair value of property, plant and equipment” useful (Code 1).

As the entity's size decreases, the judgements reflecting a non-essential nature (Code 0), for all legal forms, become more and more important, until getting to represent the majority answers for Type B and C Micro 2 entities.

- *Deferred taxes*

Figure No. 132 - Chapter 4 - The importance of the other elements: Deferred taxes



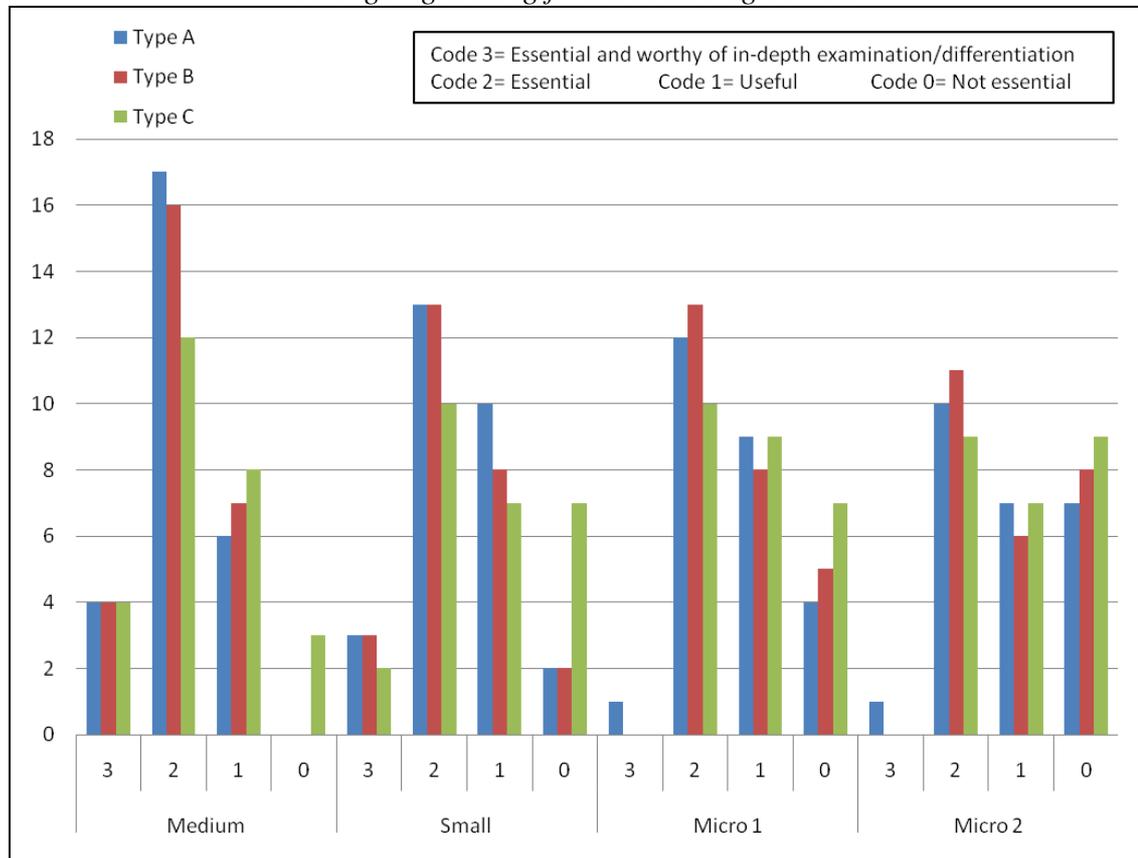
Source: Annex 2E - Accounting Professionals - Table No.127

38 Respondents in total, 27 of which expressed at least one preferential option, 11 did not respond i.e. 28,95%.

The data analysis shows that for all entities Types A, B and C, regardless of their size, the judgements of Respondents who consider “Deferred taxes” useful (Code 1) prevail. As the entity’ size decreases (Micros 1 and 2), the judgements of non-essentiality (Code 0), become more and more important, even if they never become majority answers. Particularly important is the opinion of non-essentiality (Code 0) for Type C entities, which leads to a reduction in the judgements which consider the information concerning “Deferred taxes” useful (Code 1).

- Value of real estate with an ongoing leasing/finance lease agreement

Figure No. 133 - Chapter 4 - The importance of the other elements: Value of real estate with an ongoing leasing/finance lease agreement



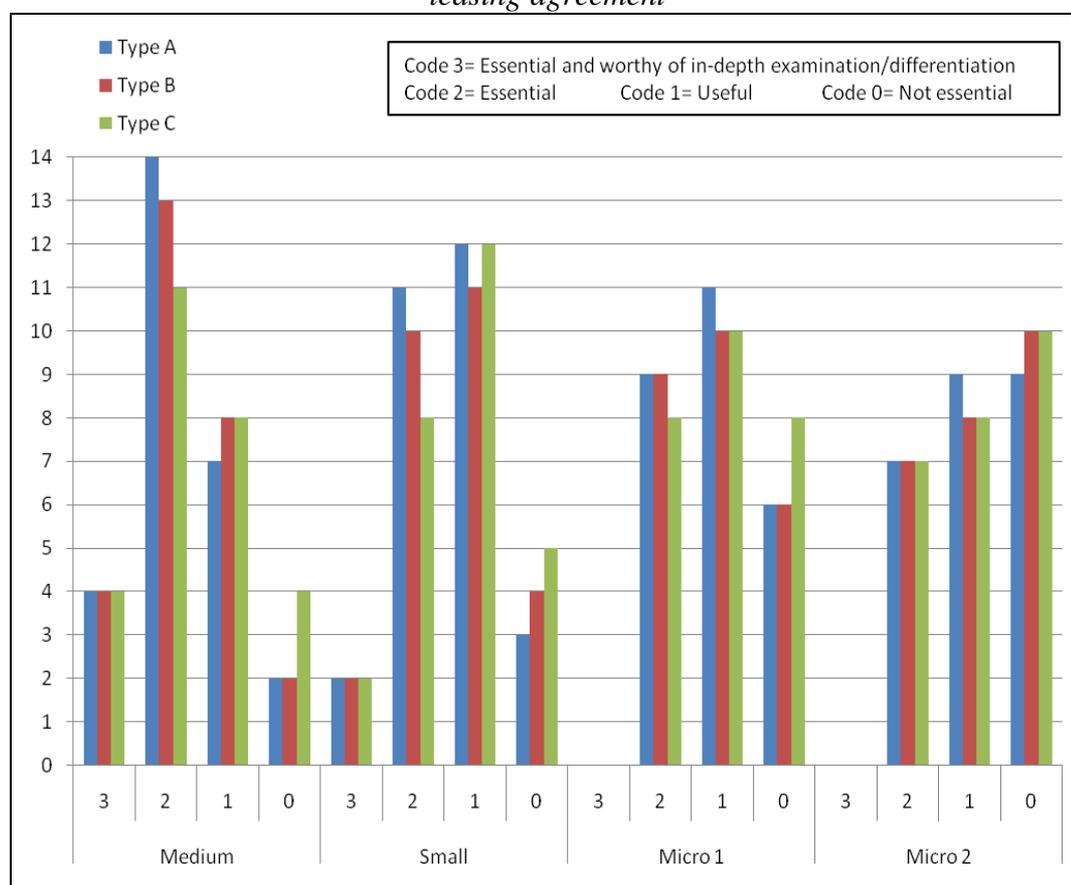
Source: Annex 2E - Accounting Professionals - Table No. 128

38 Respondents in total, 28 of which expressed at least one preferential option, 10 did not respond i.e. 26,32%.

The data analysis shows that for all entities Types A, B and C, regardless of their size, most Respondents consider the “Value of real estate with an on-going leasing/finance lease agreement” essential (Code 2). Progressively, as the entities size decreases, the judgements of non-essentiality (Code 0) become more and more important, even if they never become majority answers. Only for entities Type C, Micro 2, the judgements which consider this information non-essential (Code 0) equal those for which the same information is essential (Code 2)

- Value of capital debt of leasing agreement

Figure No. 134 - Chapter 4 - The importance of the other elements: Value of capital debt of leasing agreement



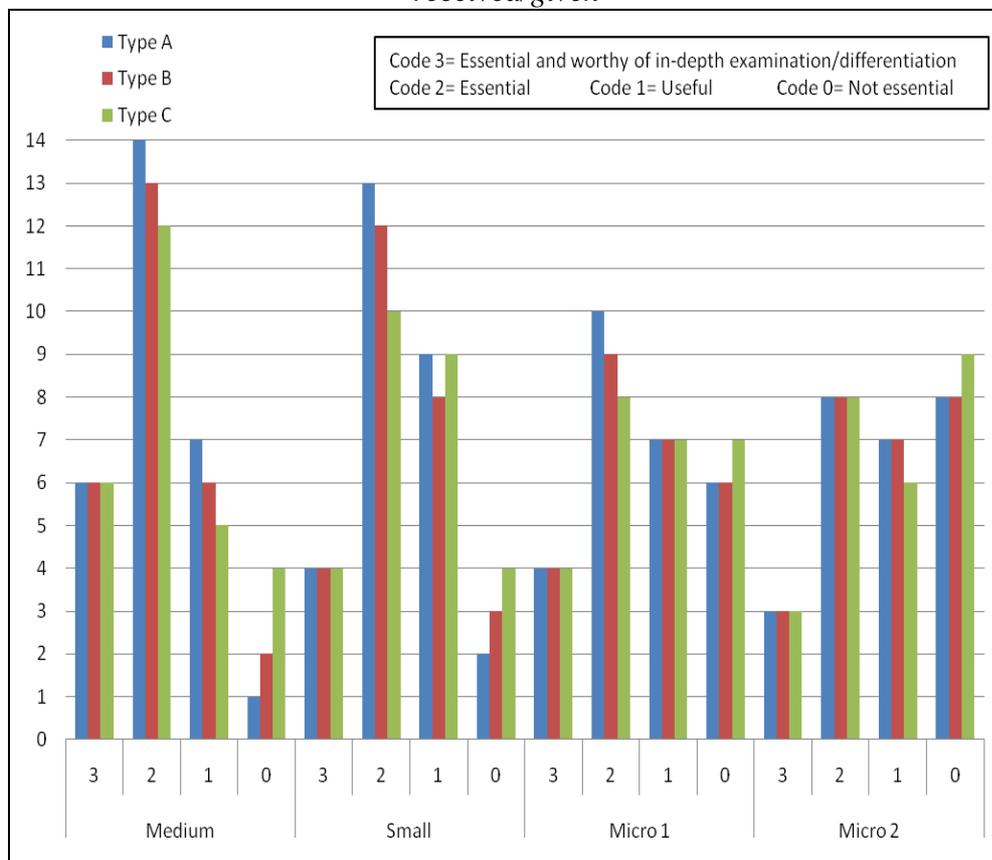
Source: Annex 2E - Accounting Professionals - Table No. 129

38 Respondents in total, 28 of which expressed at least one preferential option, 10 did not respond i.e. 26,32%.

The data analysis shows that for all Medium-sized entities, regardless of their legal form (Types A, B and C), the judgements of Respondents who consider the “Value of capital debt of leasing agreement” essential (Code 2) prevail. For all Medium-, Small-sized and Micro 1 entities, regardless of their legal form (Types A, B and C), the judgements of Respondents who consider the “Value of capital debt of leasing agreement” a useful piece of information (Code 1) prevail. The level of interest in the information concerned progressively decreases as the entity’ size decreases, as well as in relation to the entity legal form (from Type A to C). This trend increases up to turning into judgements of non-essentiality (Code 0) which represent the prevailing ones for Micro 2 entities, regardless of the legal form.

- Value of guarantees received/given

Figure No. 135 - Chapter 4 - The importance of the other elements: Value of guarantees received/given



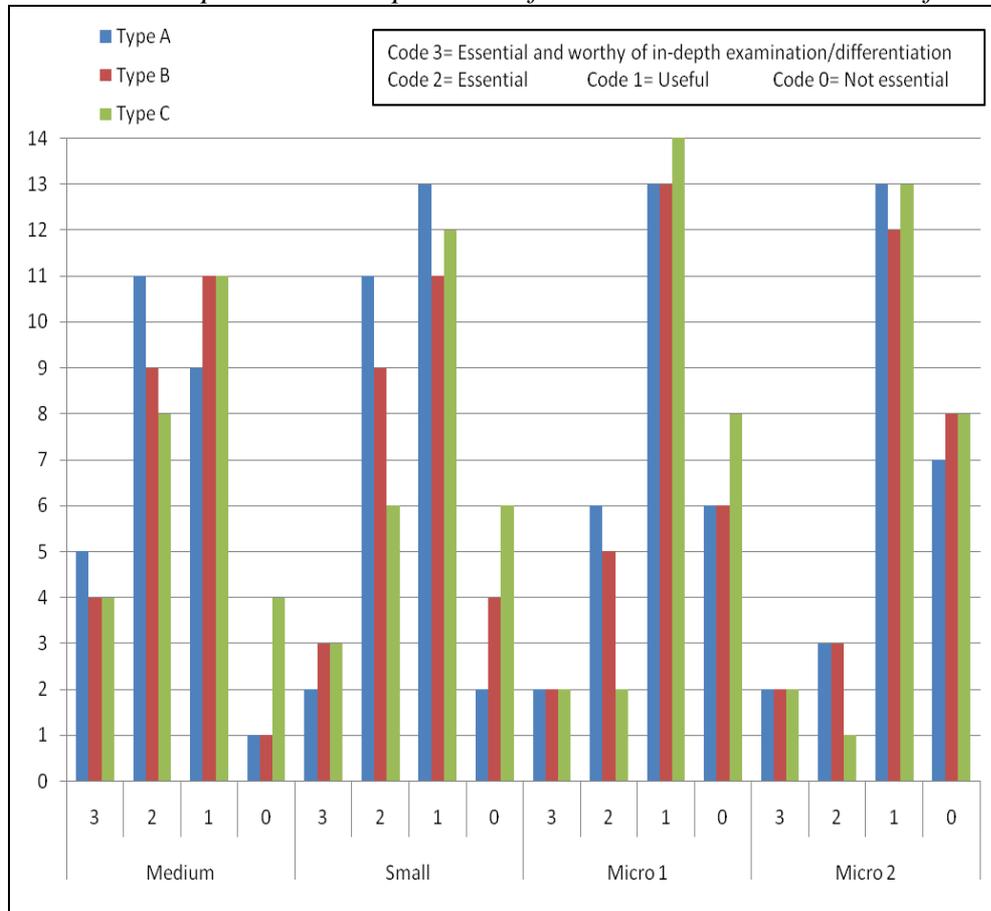
Source: Annex 2E - Accounting Professionals - Table No. 130

38 Respondents in total, 28 of which expressed at least one preferential option, 10 did not respond i.e. 26,32%.

The data analysis shows that for all Micro, Small- and Medium-sized entities, regardless of their legal form, most Respondents consider this information essential (Code 2). As the entity' size decreases, the judgements reflecting a non-essential nature (Code 0) become more and more important, and equal -for entities Micro 2- the judgements reflecting essentiality (Code 2).

- Amount of derivatives

Figure No. 136 - Chapter 4 - The importance of the other elements: Amount of derivatives



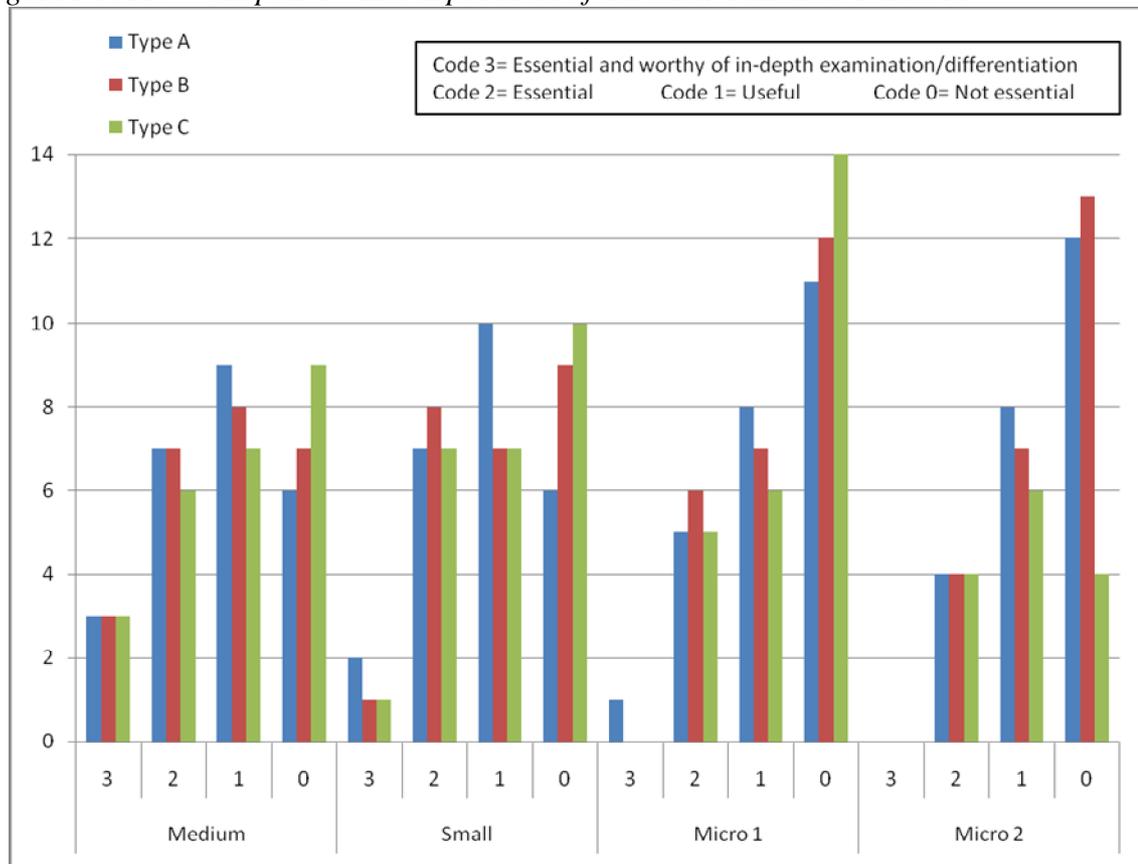
Source: Annex 2E - Accounting Professionals - Table No. 131

38 Respondents in total, 28 of which expressed at least one preferential option, 10 did not respond i.e. 26,32%.

The data analysis shows that for all entities Types A, B and C, regardless of their legal form and size, the prevailing judgement of Respondents considers this information useful (Code 1). Only for Type A Medium-sized entities, the judgements of essentiality (Code 2) prevail. As the entity' size decreases however, the judgements of non-essentiality (Code 0) become more and more important, even if they do not represent the majority of answers.

- Pensions

Figure No. 137 - Chapter 4 - The importance of the other elements: Pensions



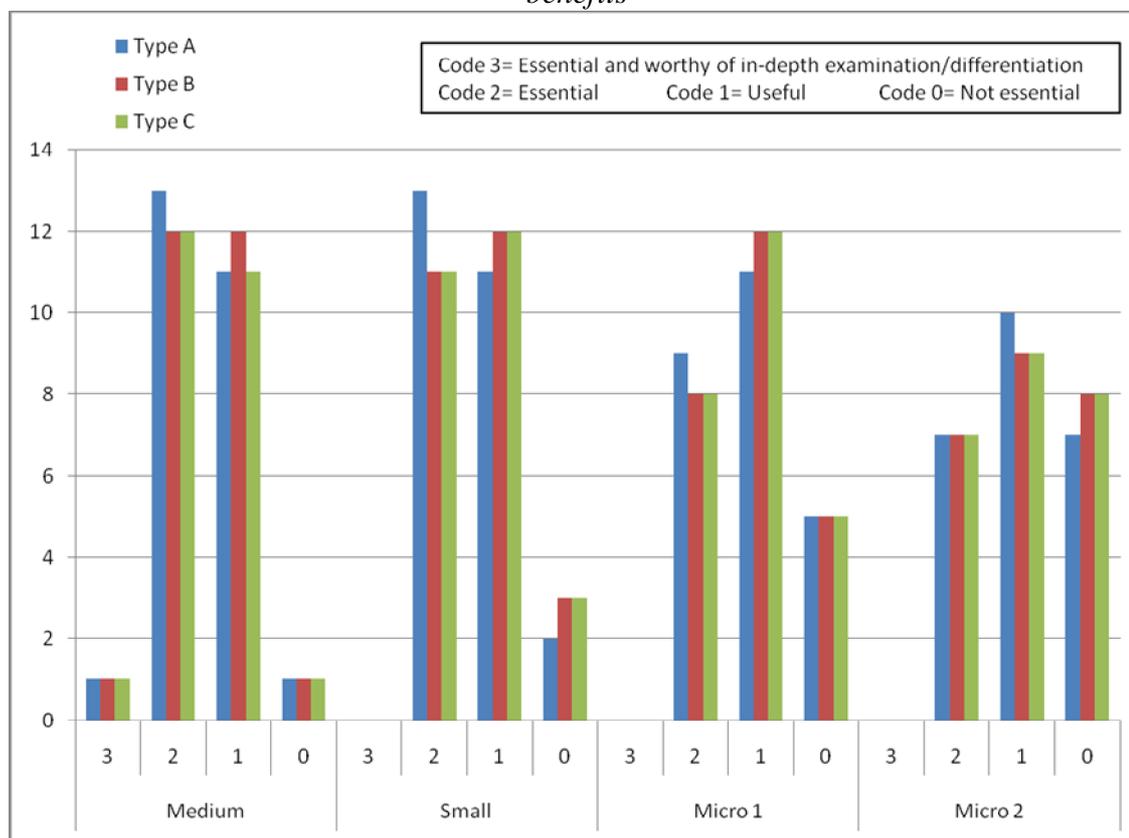
Source: Annex 2E - Accounting Professionals - Table No. 132

38 Respondents in total, 25 of which expressed at least one preferential option, 13 did not respond i.e. 34,21%.

The data analysis shows that only for Type A Medium- and Small-sized, and Type B Medium-sized the judgements of Respondents who consider the information concerning “Pensions” useful (Code 1) prevail. For all other entities, regardless of their size and legal form, the opinions of non-essentiality (Code 0) prevail.

- Post employment benefits

Figure No. 138 - Chapter 4 - The importance of the other elements: Post employment benefits



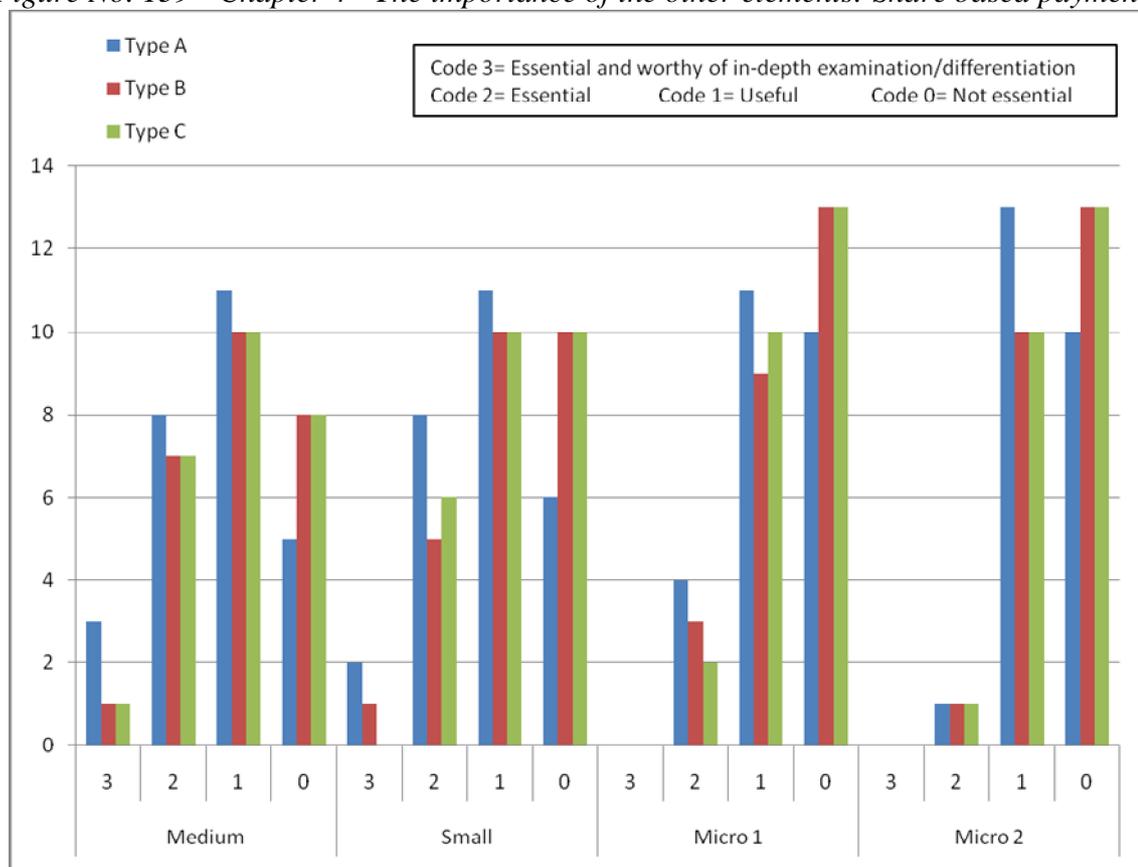
Source: Annex 2E - Accounting Professionals - Table No. 133

38 Respondents in total, 26 of which expressed at least one preferential option, 12 did not respond i.e. 31,58%.

The data analysis shows that for all Medium- and Small-sized entities, the judgements of Respondents who consider “Post-employment benefits” an essential piece of information (Code 2) prevail. For all the other entities, most Respondents consider this information useful (Code 1). However, as the entity' size decreases, the judgements of non-essentiality (Code 0) become more and more important.

- Share based payments

Figure No. 139 - Chapter 4 - The importance of the other elements: Share based payments



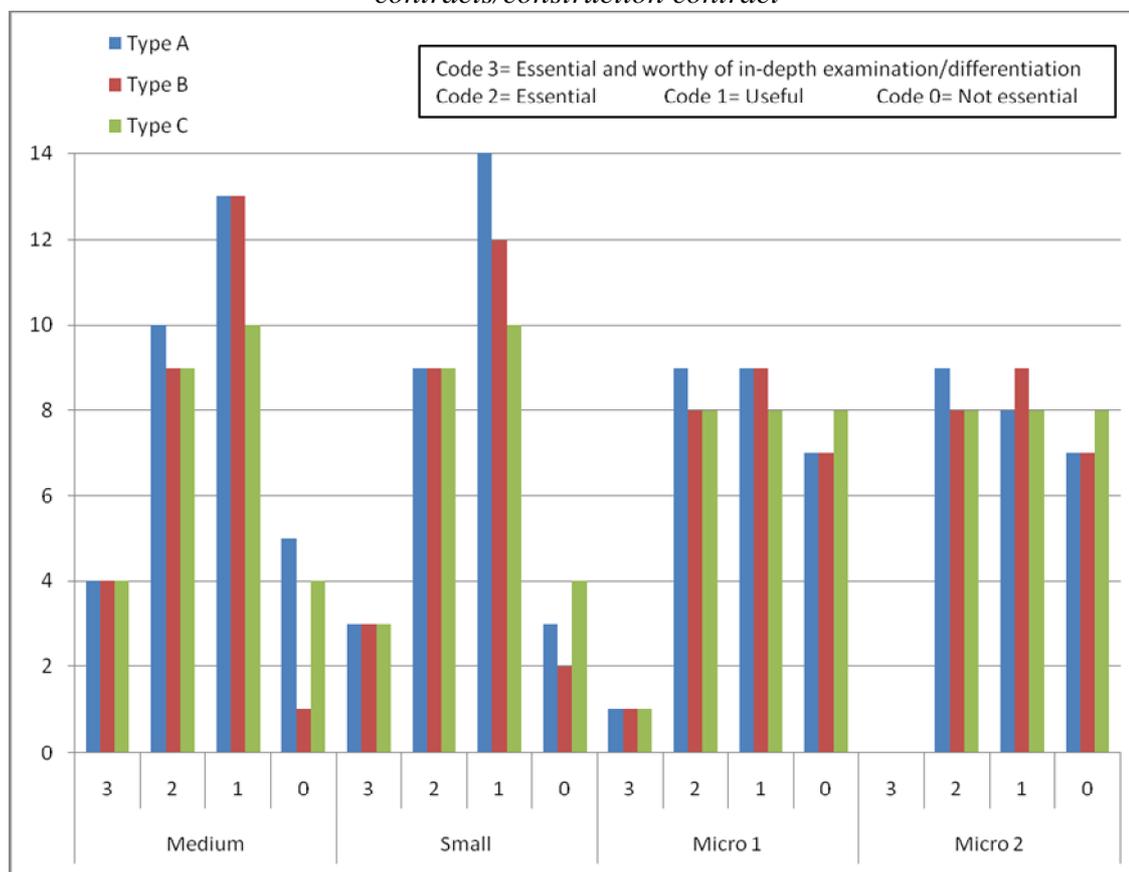
Source: Annex 2E - Accounting Professionals - Table No. 134

38 Respondents in total, 27 of which expressed at least one preferential option, 11 did not respond i.e. 28,95%.

The data analysis shows that for all entities Type A, the judgements of Respondents who consider the information concerning “Share based payments” useful (Code 1) prevail, even if as the entity’ size decreases the judgements of non-essentiality (Code 0) progressively increase. For the remaining Medium-sized entities, the judgements of Respondents who consider the information relating to “Share based payments” essential (Code 1) prevail. For Type B and C Small-sized entities the opinions of those who consider this information concerning “Share based payments” useful (Code 1) or non-essential (Code 0) are equivalent. For Micro 1 and Micro2 entities, the judgements of Respondents who consider the information concerning “Share based payments” non-essential (Code 0) prevail.

- Long-term contracts/construction contracts

Figure No. 140 - Chapter 4 - The importance of the other elements: Long-term contracts/construction contract



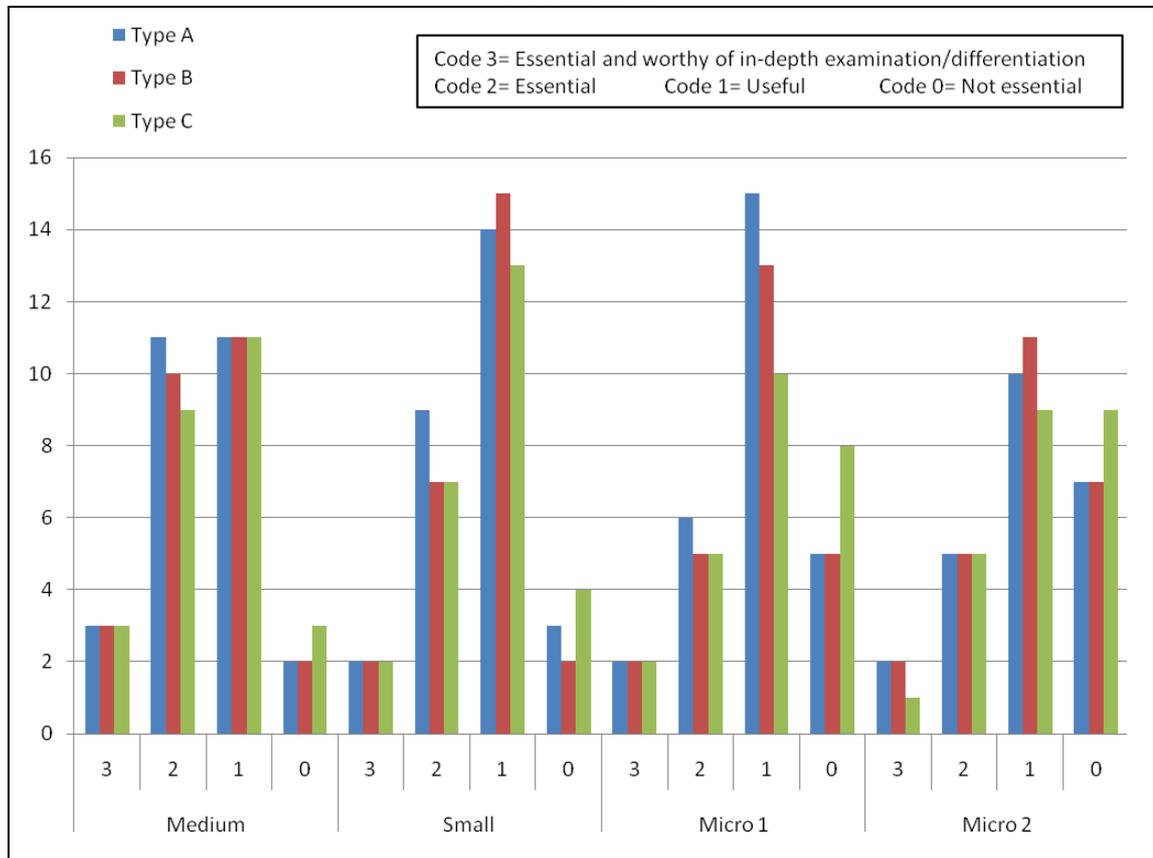
Source: Annex 2E - Accounting Professionals - Table No. 135

38 Respondents in total, 28 of which expressed at least one preferential option, 10 did not respond i.e. 26,32%.

The data analysis shows that for all entities, regardless of their size and legal form, the opinions which consider this information useful (Code 1) prevail. However, as the entity's size decreases, the judgements of non-essentiality (Code 0) become more and more important and in some cases are equivalent.

- Related party transactions

Figure No. 141 - Chapter 4 - The importance of the other elements: Related party transactions



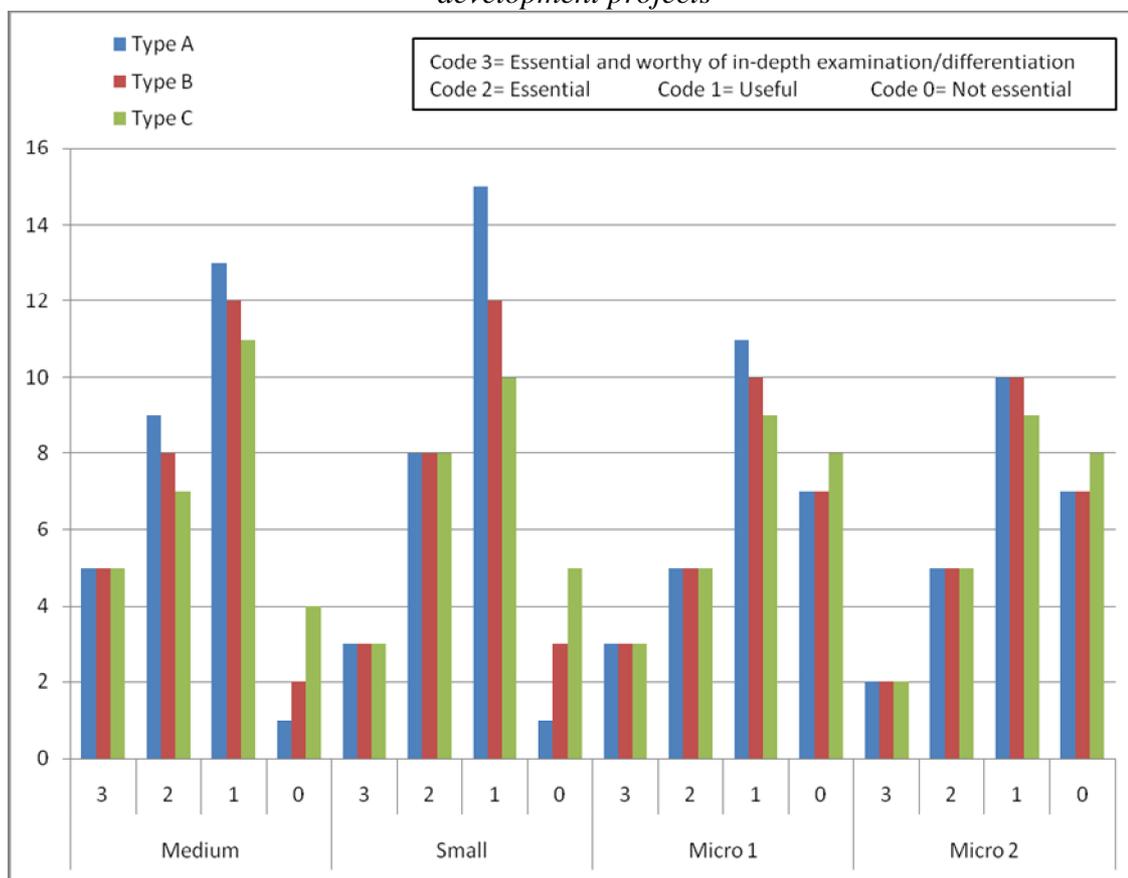
Source: Annex 2E - Accounting Professionals - Table No. 136

38 Respondents in total, 27 of which expressed at least one preferential option, 11 did not respond i.e. 28,95%.

The data analysis shows that for all entities, regardless of their size and legal form, the opinions which consider this information useful (Code 1) prevail. However, as the entity's size decreases, the judgements of non-essentiality (Code 0) become more and more important and in some cases are equivalent.

- Research and development projects

Figure No. 142 - Chapter 4 - The importance of the other elements: Research and development projects



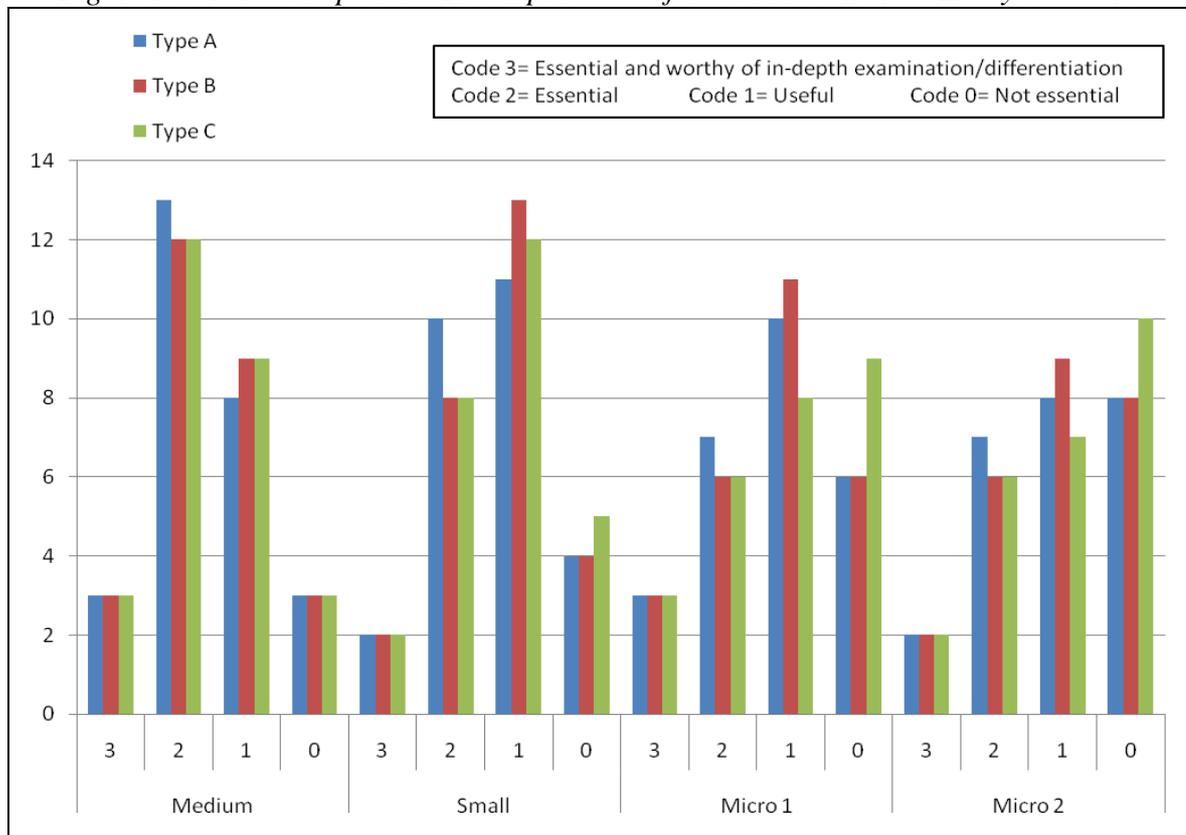
Source: Annex 2E - Accounting Professionals - Table No. 137

38 Respondents in total, 28 of which expressed at least one preferential option, 10 did not respond i.e. 26,32%.

The data analysis shows that for all Types A, B and C Medium-sized entities, the judgements of Respondents who consider the information concerning “Research and development projects” useful (code 1) prevail. As the entity’ size decreases, the judgements of non-essentiality (Code 0) increase, while those who consider this data essential (Code 2) decrease; the judgements of "essentiality" (Code 1) however still prevails.

- **Entity structure**

Figure No. 143 - Chapter 4 - The importance of the other elements: Entity structure



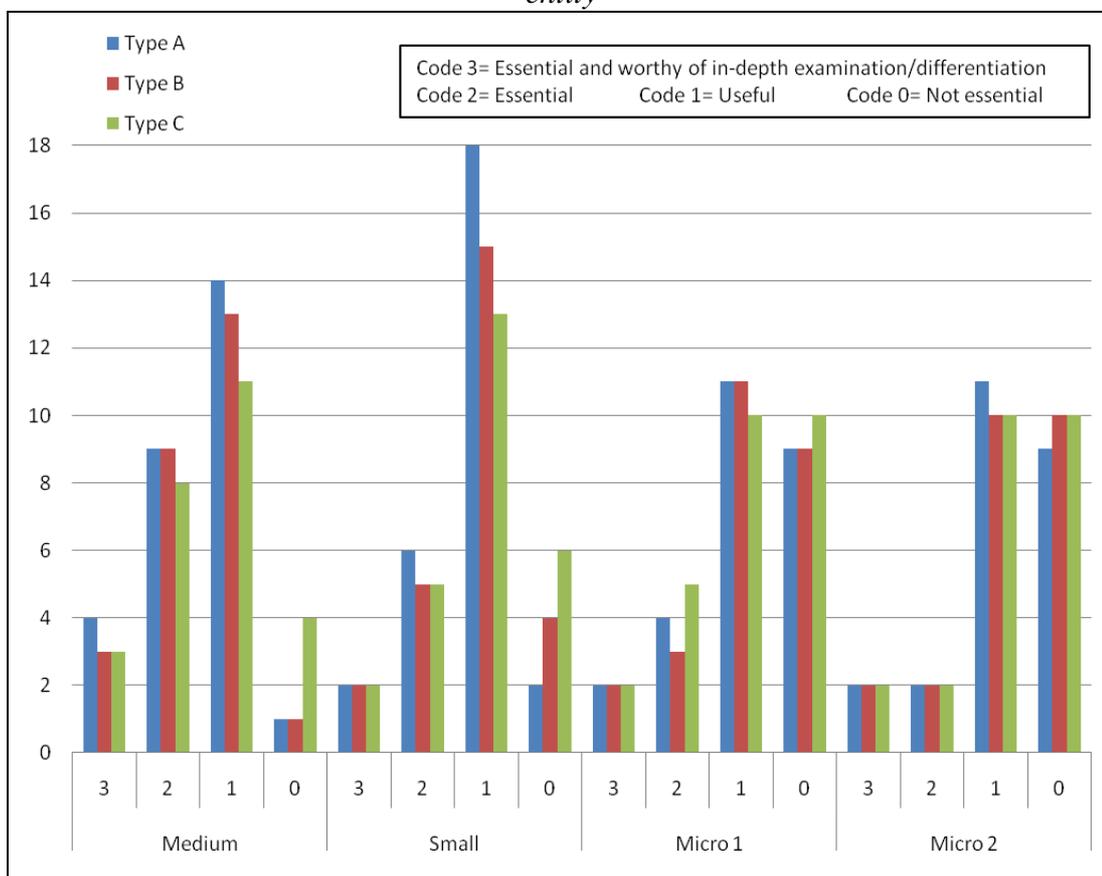
Source: Annex 2E - Accounting Professionals - Table No. 138

38 Respondents in total, 27 of which expressed at least one preferential option, 11 did not respond i.e. 28,95%.

The data analysis shows that for all Medium-sized entities, most judgements consider this information essential (Code 2). For all Small-sized entities, as well as for Micro entities Types A and B, the judgements of Respondents who consider this datum useful (Code 1) prevail; as the entity' size decreases, the Respondents who consider the information concerning the "Entity structure" not essential (Code 0) increase in relation to all legal forms, down to entities Micros 1 and 2 Type C, for which the judgements of non-essentiality (Code 0) prevail.

- Controlling body of the entity

Figure No. 144 - Chapter 4 - The importance of the other elements: Controlling body of the entity



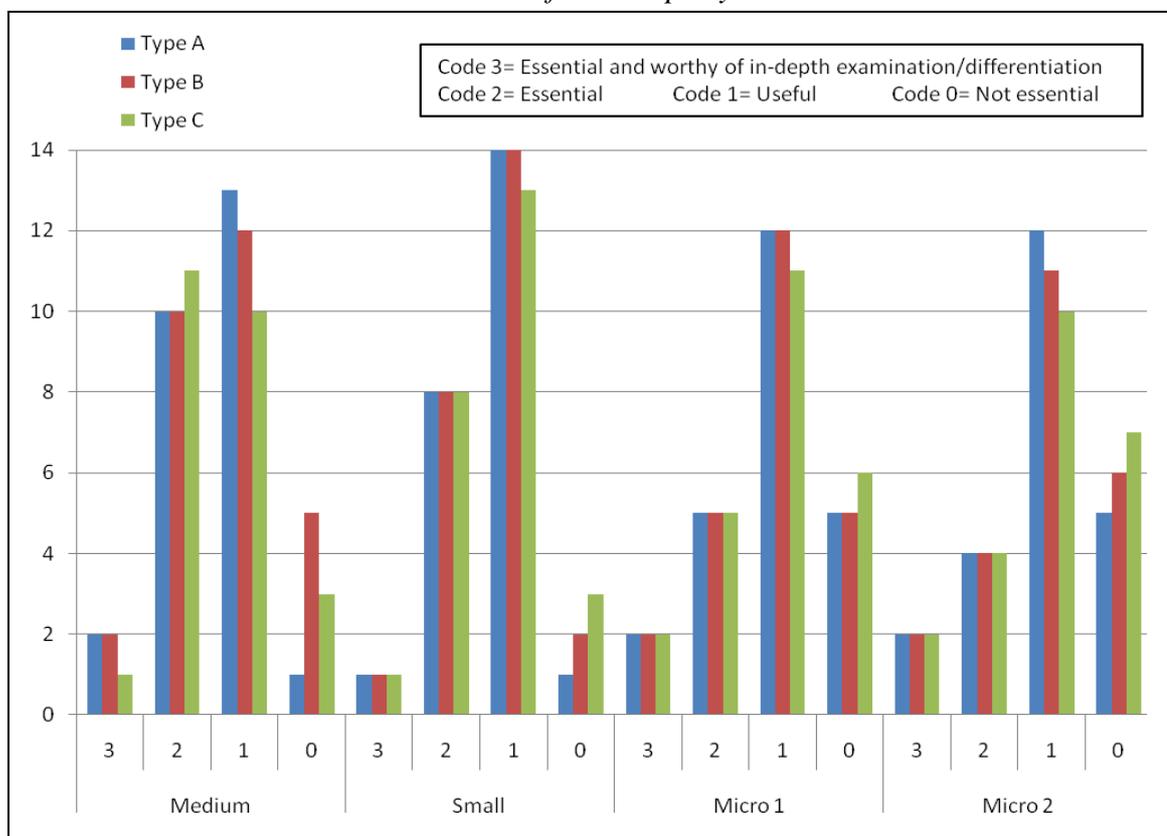
Source: Annex 2E - Accounting Professionals - Table No. 139

38 Respondents in total, 28 of which expressed at least one preferential option, 10 did not respond i.e. 26,32%.

The data analysis shows that for all entities Type A, the prevailing judgement of Respondents considers this information useful (Code 1). However, as the entity' size decreases, the judgements of non-essentiality (Code 0) become more and more important, and almost become equivalent for Micro 2 entities. For Type B and C Medium- and Small-sized entities, the opinion of Respondents who consider this information useful prevails (Code 1). However, as the entity' size decreases, the judgements of non-essentiality (Code 0) become more and more important; as to entities Types B and C Micros 1 and 2, the opinions of Respondents who consider the information relating to the "Controlling body of the entity" useful (Code 1) and those who consider it non-essential (Code 0) are equivalent.

- If the entity works on its own or for third party

Figure No. 145 - Chapter 4 - The importance of the other elements: If the entity works on its own or for third party

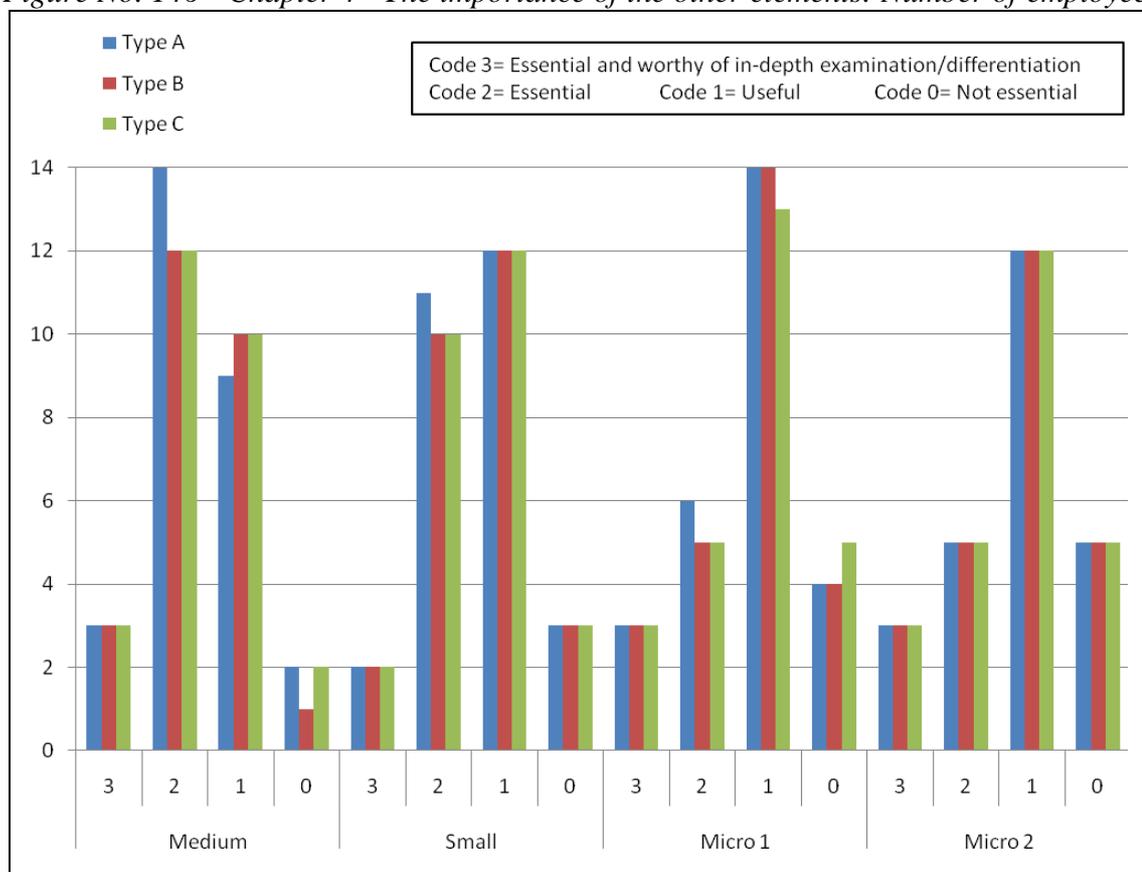


Source: Annex 2E - Accounting Professionals - Table No. 140

38 Respondents in total, 26 of which expressed at least one preferential option, 12 did not respond i.e. 31,58%.

- Number of employees

Figure No. 146 - Chapter 4 - The importance of the other elements: Number of employees



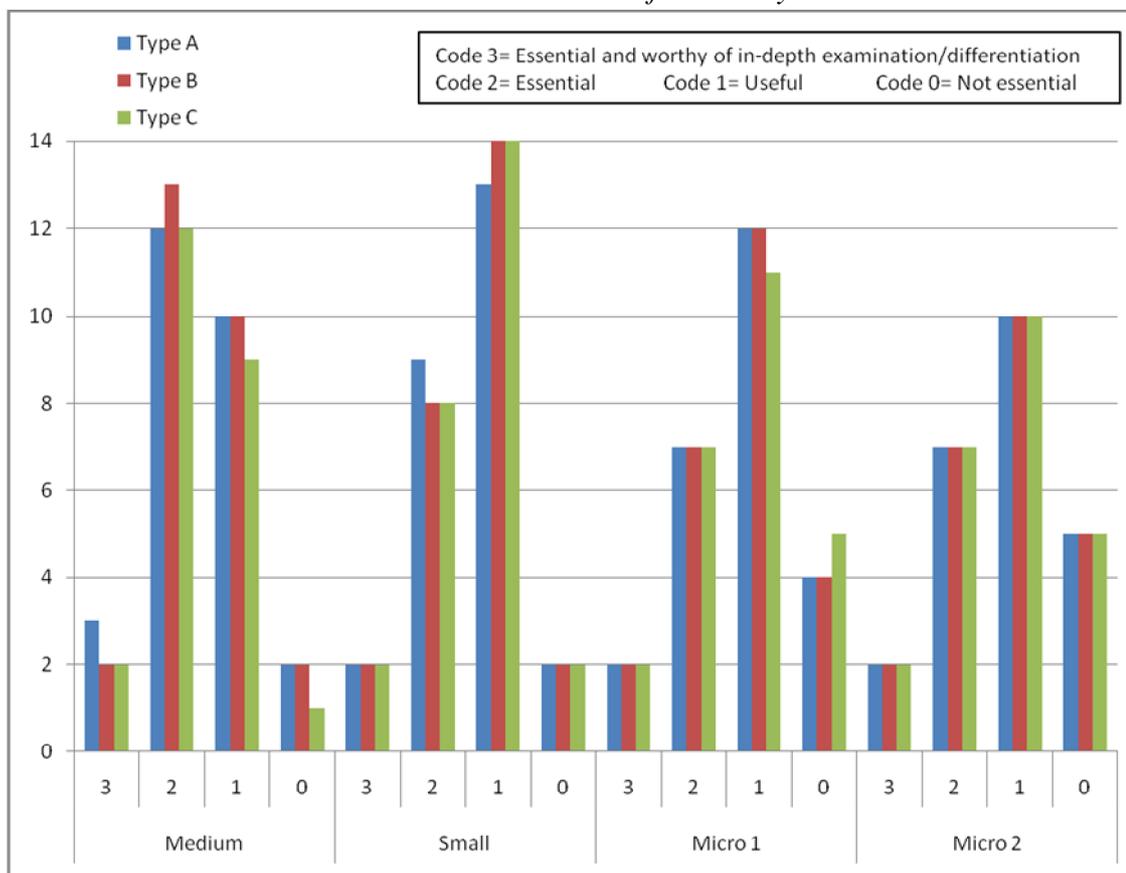
Source: Annex 2E - Accounting Professionals - Table No. 141

38 Respondents in total, 26 of which expressed at least one preferential option, 12 did not respond i.e. 31,58%.

The data analysis shows that for all Medium-sized entities, most Respondents consider this information essential (Code 2); for all the other entities, regardless of their size and legal form, most Respondents consider this information useful (Code 1).

- Operating areas/business areas of the Entity

Figure No. 147 - Chapter 4 - The importance of the other elements: Operating areas/business areas of the Entity



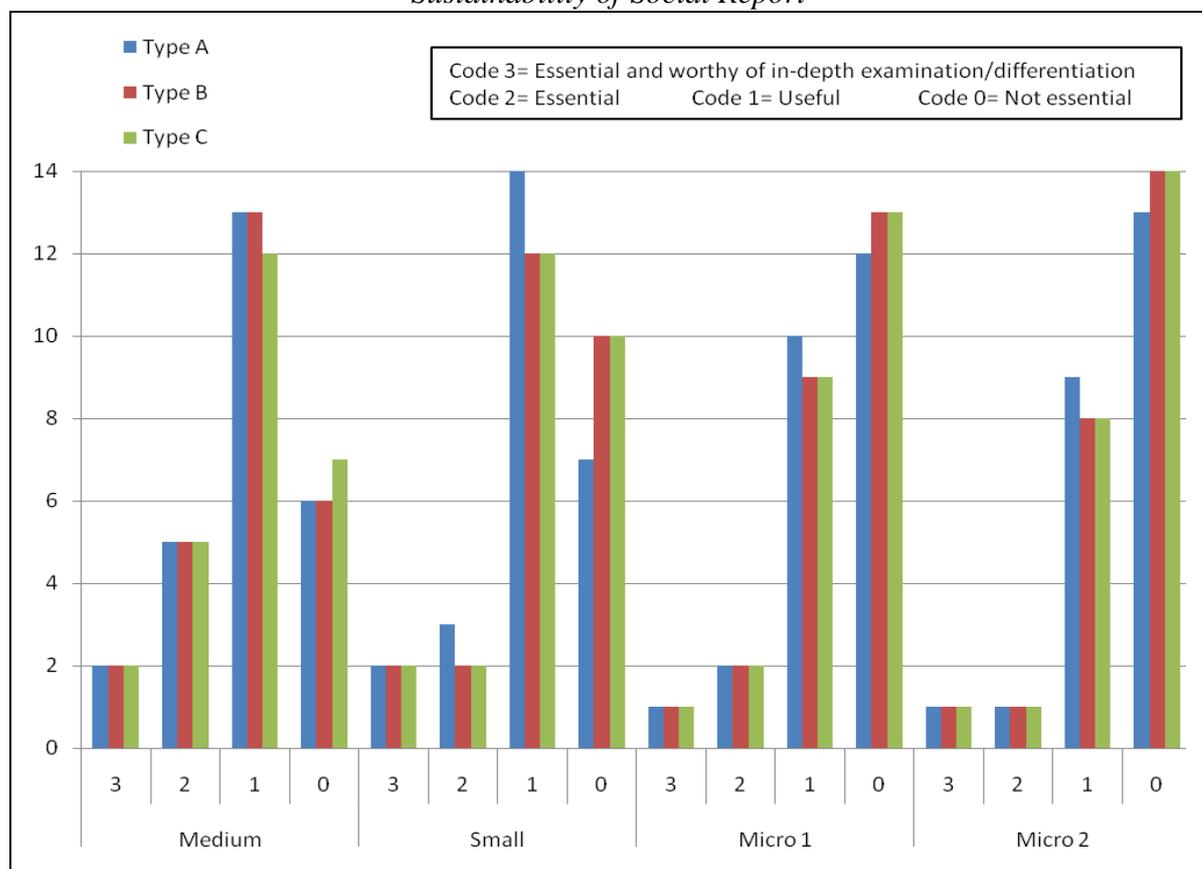
Source: Annex 2E - Accounting Professionals - Table No. 142

38 Respondents in total, 28 of which expressed at least one preferential option, 10 did not respond i.e. 26,32%.

The data analysis shows that for all Medium-sized entities, most Respondents consider this information essential (Code 2); for all the other entities, regardless of their size and legal form, most Respondents consider this information useful (Code 1).

- The adoption of a Sustainability of Social Report

Figure No. 148 - Chapter 4 - The importance of the other elements: The adoption of a Sustainability of Social Report



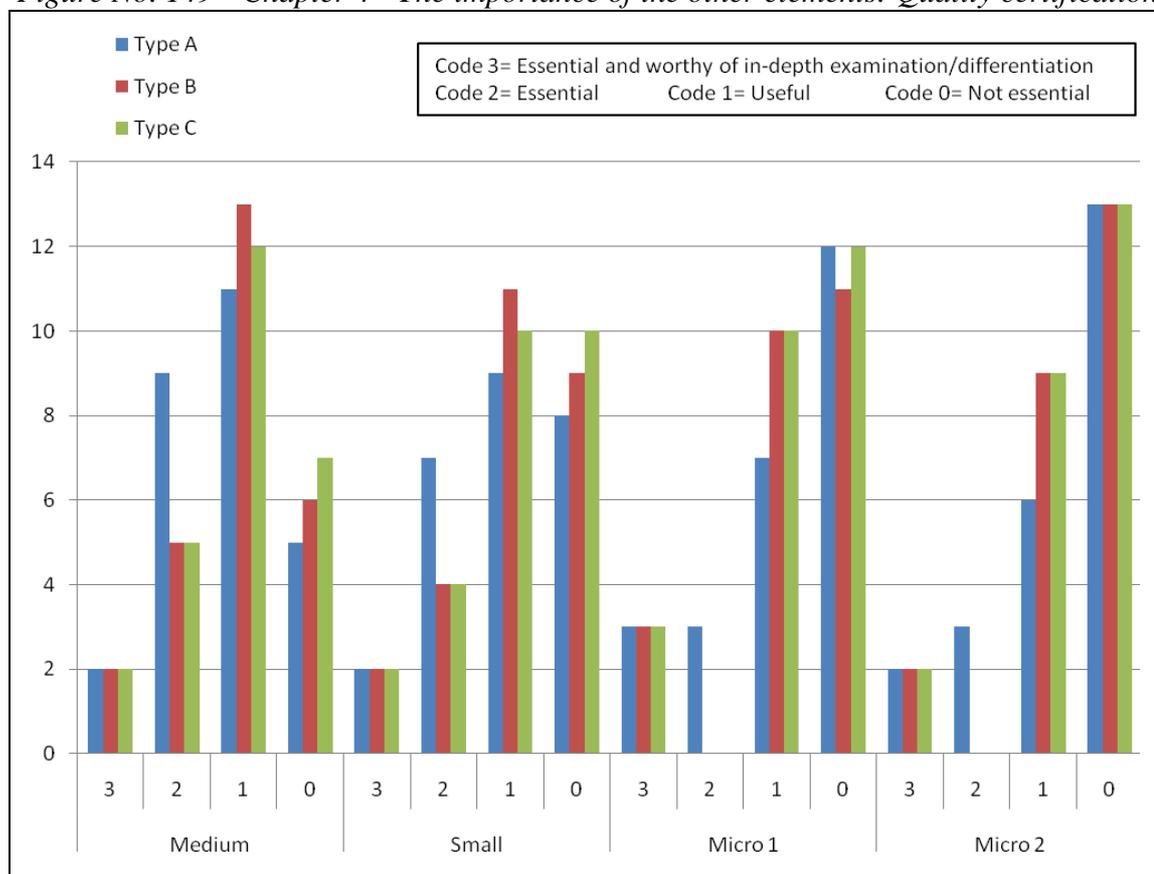
Source: Annex 2E - Accounting Professionals - Table No. 143

38 Respondents in total, 27 of which expressed at least one preferential option, 11 did not respond i.e. 28,95%.

The data analysis shows that for all Medium- and Small-sized entities, the judgement of Respondents who consider this information useful (Code 1) prevails; for all the Micro 1 and 2 entities, regardless of their legal form, most Respondents consider this information non-essential (Code 0).

- **Quality certification**

Figure No. 149 - Chapter 4 - The importance of the other elements: Quality certification



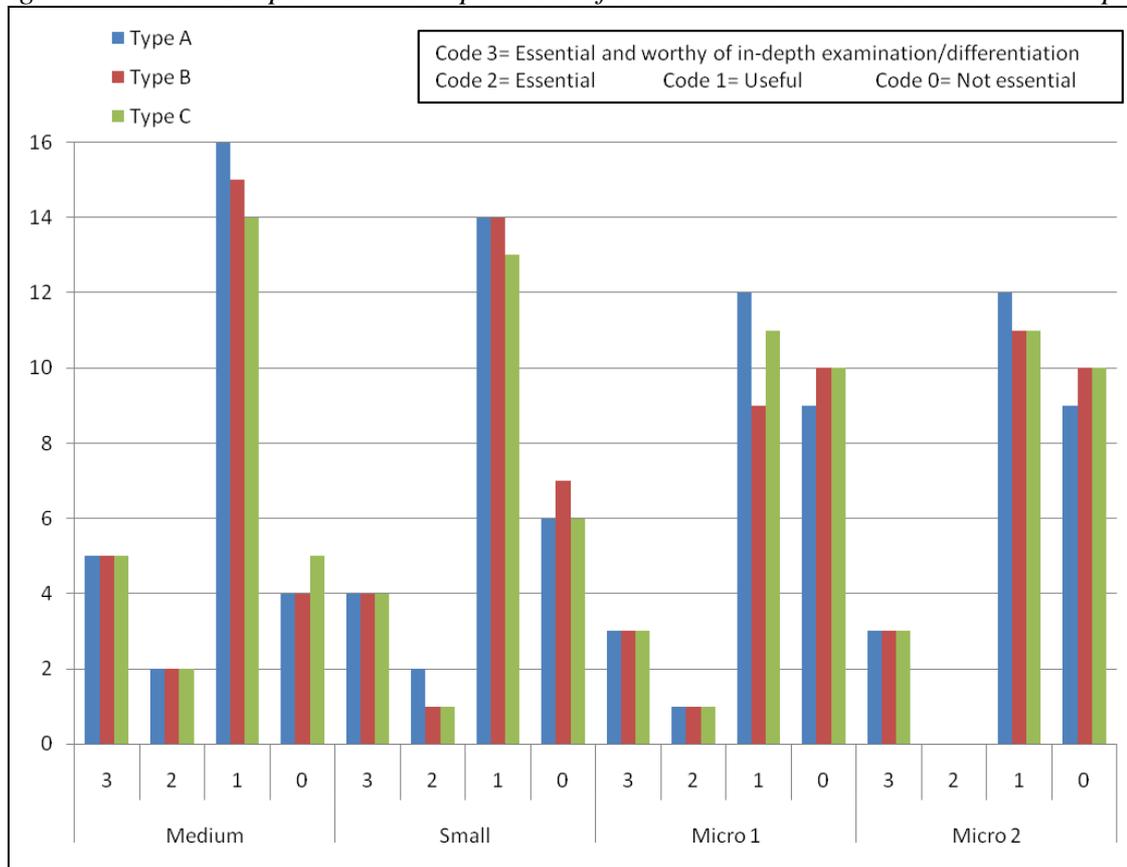
Source: Annex 2E - Accounting Professionals - Table No. 144

38 Respondents in total, 27 of which expressed at least one preferential option, 11 did not respond i.e. 28,95%.

The data analysis shows that for all Medium- and Small-sized entities, the judgement of Respondents who consider this information useful (Code 1) prevails; for all the other Micro 1 and 2 entities, regardless of their legal form, most Respondents consider this information non-essential (Code 0).

- *Environmental impact (energy production, employ of recycled materials, use of sustainable sources, etc)*

Figure No. 150 - Chapter 4 - The importance of the other elements: Environmental impact



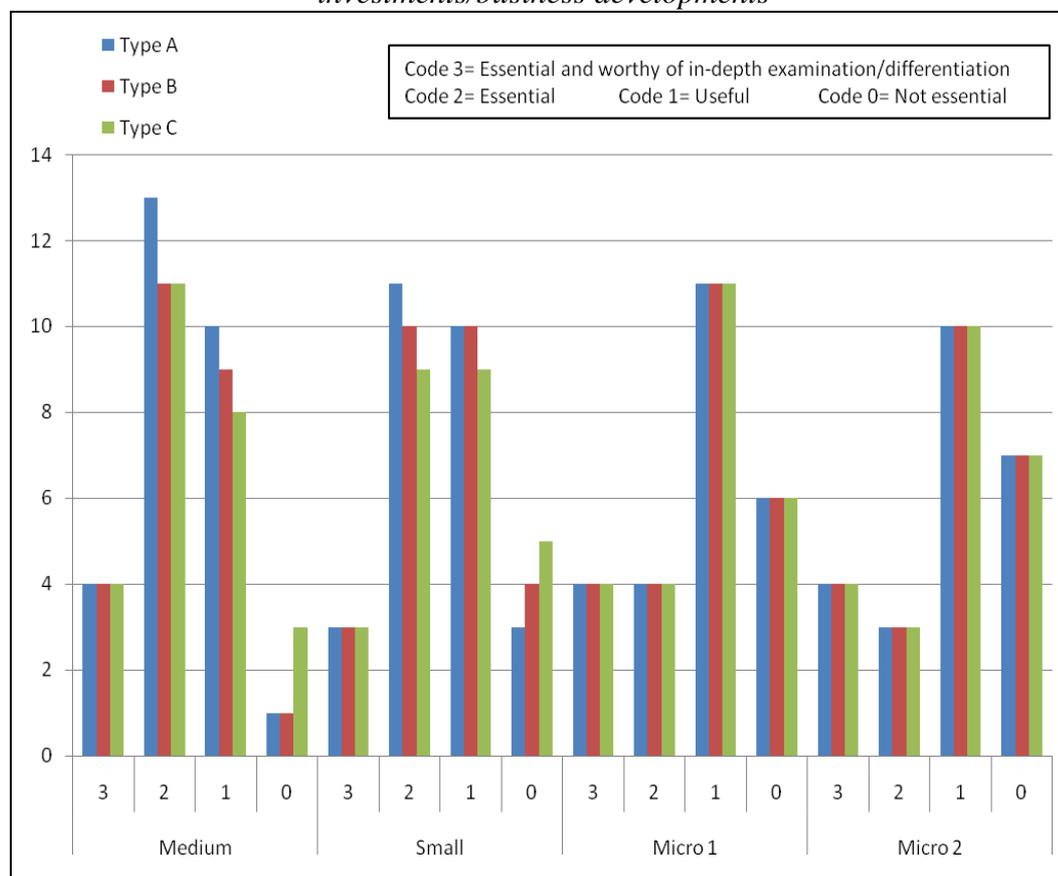
Source: Annex 2E - Accounting Professionals - Table No. 145

38 Respondents in total, 28 of which expressed at least one preferential option, 10 did not respond i.e. 26,32%.

The data analysis shows that for all entities, regardless of their legal form and size, the prevailing judgement of Respondents considers this information useful (Code 1). However, as the entity' size decreases, the judgements of non-essentiality (Code 0) become more and more important (above all for Micro 1 and 2 entities).

- *Forecasts of future investments/business developments*

Figure No. 151 - Chapter 4 - *The importance of the other elements: Forecasts of future investments/business developments*



Source: Annex 2E - Accounting Professionals - Table No. 146

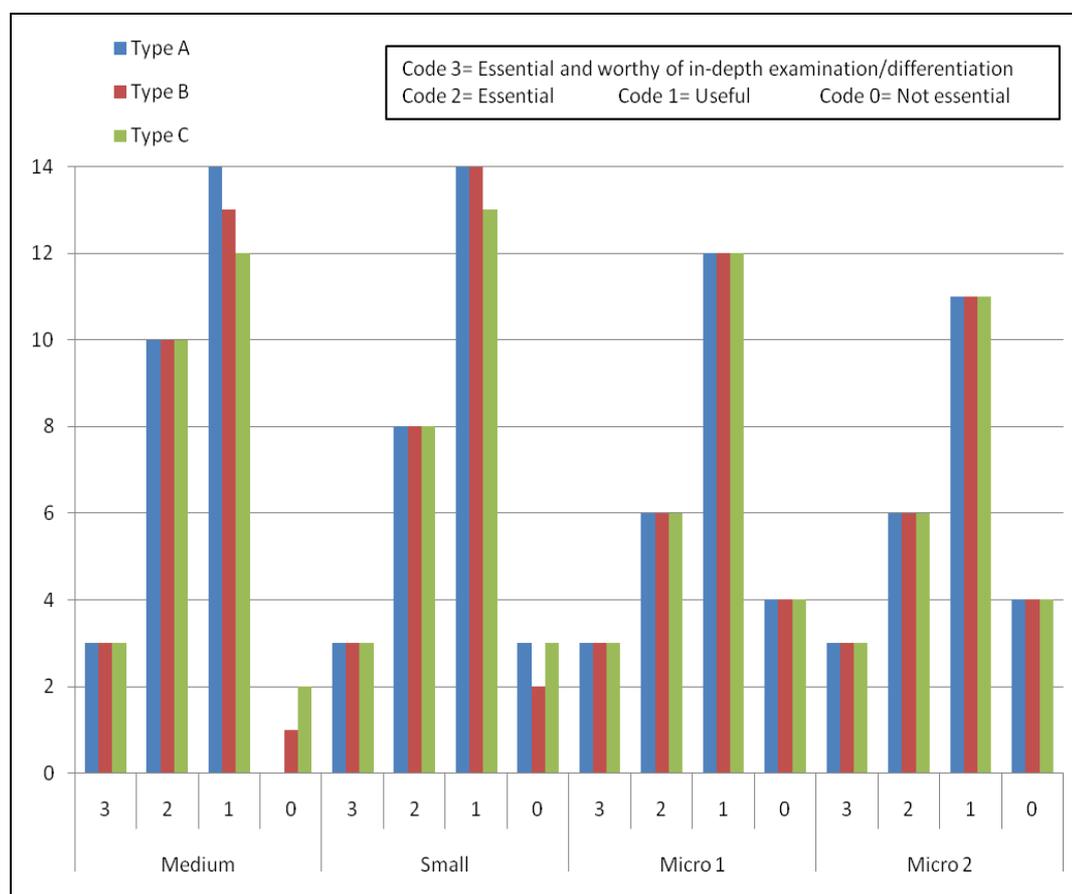
38 Respondents in total, 29 of which expressed at least one preferential option, 9 did not respond i.e. 23,68%.

The data analysis shows that for all Medium-sized entities, most Respondents consider this information essential (Code 2); for all Small-sized entities, for each legal form, the judgements of Respondents who consider this information essential (Code 2) or useful (Code 1) are equivalent.

For all Micro 1 and 2 entities the judgements of Respondents who consider this information useful (Code 1) prevail as a general rule, as the size of the entity decreases, the judgements of non-essentiality (Code 0) become more and more important, even if they never prevail.

- Accounting regime followed

Figure No. 152 - Chapter 4 - The importance of the other elements: Accounting regime followed



Source: Annex 2E - Accounting Professionals - Table No. 147

38 Respondents in total, 28 of which expressed at least one preferential option, 10 did not respond i.e. 26,32%.

The data analysis shows that for all entities, regardless of their legal form and size, the prevailing judgement of Respondents considers this information useful (Code 1). However, as the entity' size decreases, the judgements of non-essentiality (Code 0) become more and more important, while judgements reflecting an "essential" nature (Code 2) decrease).

- Other information

The answers received to this question are few and, what's more, they are not provided with the specifications required. As a consequence, it is not possible to make any comment on this matter.

In Chapter 4.4 there are summarized the results of the Survey with reference to Question No.12 - *The importance of the other information for the different SMEs.*

13) Do you rely on ratio analysis in analyzing financial reports? If yes, what kind of ratios do you find useful?

(E.g. Return On Equity, Return On Asset, Return On Investment, Return On Sales, etc.)

Table No. 136 - Chapter 4 - Do you rely on Ratio analysis?

	Value
Yes	22
No	6
N/A	10
Total	38

The percentage of Respondents who declared to use financial ratios is approx. 79% of those who responded (22/28). If we consider this data with respect to the total Respondents (22/38), the percentage of those who declared to use ratios is approx 58%.

Open-ended questions given by those who declared to use ratio analysis show that the most widely used ratios are the financial ones (ROE, ROI and ROS) as well as some liquidity ratios.

SECTION 4 – Improvement suggestions

14 and 15) Do you think that financial statements should be more complete and/or be more simplified?

The possible Respondents are 38; nonetheless since many of them did not provide any reply and that the ones who did reply, replied with reference to different clusters (a “cluster” being a group deriving from matching legal form and size of entities), there may be different numbers of replies. The tables hereby presented (Tables No. 137 and 138) summarize the opinions provided with reference to each cluster, regardless of the number, type and nationality of the Respondents.

Table No. 137 - Chapter 4 - Should the financial statements be more complete (yes answers)?

	Medium-sized	Small-sized	Micro 1	Micro 2
Type A	20	19	7	5
Type B	18	16	5	3
Type C	16	14	4	2

Over the total Respondents, in relation to Medium- and Small-sized entities, the opinion that the financial statements should be more simplified prevails (between 61% and 87%).

On the other hand, the number of Accounting Professionals who deem it necessary to have more complete financial statements for Micro entities is low (between 9% and 30%).

If we consider the data progressive trend in detail, this goes from the maximum level of need for enhanced completeness in relation to Type A Medium-sized entities (87%), down to the minimum level of need for Type C Micro 2 entities (only 9%).

Table No. 138 - Chapter 4 - Should the financial statements be more simplified (yes answers)?

	Medium-sized	Small-sized	Micro 1	Micro 2
Type A	1	3	6	6
Type B	2	4	8	8
Type C	6	6	11	11

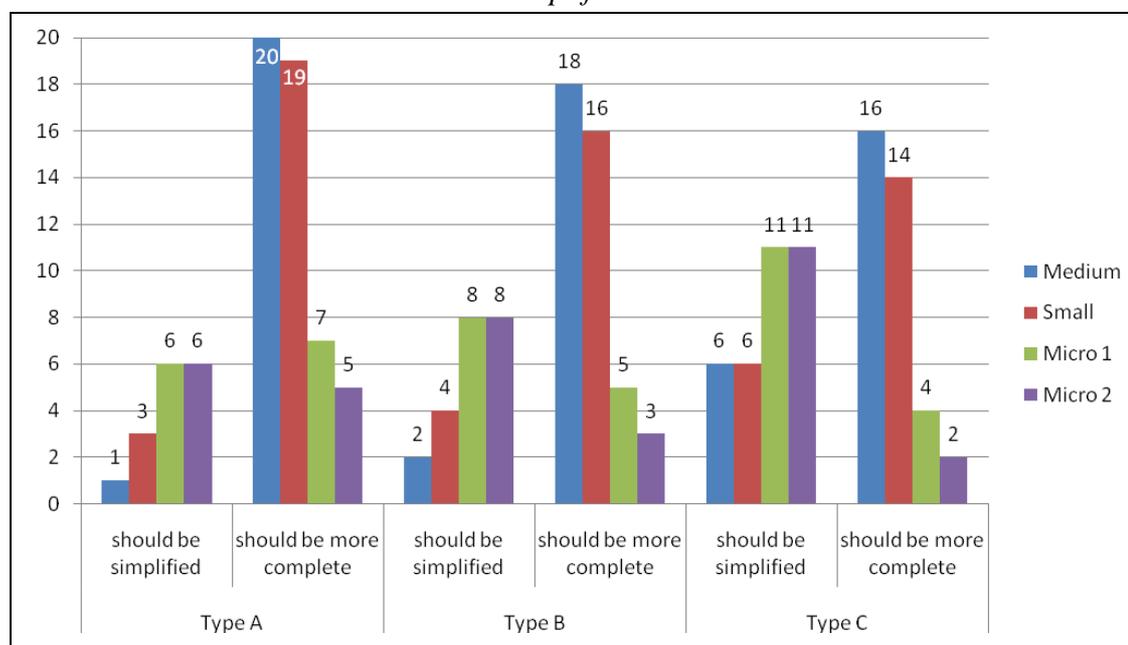
Over the total Respondents, in relation to Medium- and Small-sized entities, the number of Accounting Professionals who believe that the financial statements should be more simplified is very low (between 8% and 31%).

On the other hand, the number of Accounting Professionals who consider that financial statements for Micro entities should be simplified is much higher (between 46% and 85%).

If we consider the data progressive trend in detail, this goes from the minimum level of need for more simplified financial statements in relation to Type A Medium-sized entities (46%), up to the maximum level of need for Type B and C Micro 2 entities (only 9%).

Summary of the results of questions No. 14 and 15 – *Do you think that financial statements should be more complete or be more simplified?*

Figure No. 153 - Chapter 4 - Should the financial statements be more complete or be more simplified?



Source: Annex 2E - Accounting Professionals - Table No. 148

From a combined analysis of the data, it can be considered that the results are highly affected by the specific typology of the Respondents as the Accounting Professionals have a specific expertise in the accounting matters.

Indeed, the Respondents show a need for more completeness for all the Medium- and Small-sized entities.

For Micros 1 and 2 entities it is expressed a need for more simplification which increases from Type A to Type C entities.

SECTION 5 Valuation of specific elements in the "IFRS for SMEs"

16) In this section, you should express your views about rules on measurement and disclosure of certain elements in IFRS for SMEs (the terminology of this section is in accordance with the "IFRS for SMEs", i.e. the IASB accounting standards)

Are you familiar with the "IFRS for SMEs"?

Table No. 139 - Chapter 4 - Are you familiar with the "IFRS for SMEs"?

	Value	%	% out of the total
Yes	3	11,54%	
No	23	88,46%	
Total	26	100,00%	68,42%
N/A	12		31,58%
Total	38		100,00%

The answers highlight that international financial reporting standards for SMEs are generally not known.

Open-ended answers to the following question were not filled in.

Reasoning by analogy, if we consider the subjects who did not respond among those who declared not to be familiar with international financial reporting standards, we find that they represent more than 90% as a whole. Considering that nobody gave open-ended answers, it is difficult to provide a comment.

All in all, the results highlight that international accounting standards are not applicable by Accounting Professionals and at any rate: there is a lack of interest in their possible and standardised introduction into the accounting systems.

4.4. Conclusions of the Survey

A detailed analysis of the results of the questionnaires reveals the different expectations of those interviewed regarding the financial accounts of SMEs according to their specific work profile.

This Chapter summarises the conclusions that can be drawn from an analysis of the individual questions in the Survey. Notwithstanding the low number of replies with reference to some questions, the results can be considered reliable to draw conclusions/recommendations, if non replies are considered as expressing lack of interest, i.e. negative response.

Their review as a whole allows for the formulation of useful conclusions for drawing up recommendations and future policy initiatives.

Generally speaking, despite the massive dispatch of questionnaires aimed at collecting a significant quantity of information, it must be recognized that, with regard to SMEs, the interest shown by those receiving the Survey was lower than expected. However, this does not detract from the value of the studies inasmuch as the lack of answers, whereby Respondents completing the questionnaire responded 'I don't know' to many of the questions, might be deemed to represent a general disinterest in the matter of accounting documentation, often viewed by SMEs as a series of formal requirements which are of no use to the enterprise.

Conclusions drawn from Section 1 of the three questionnaires (Users, Preparers and Accounting Professionals)

Table No. 140 - Chapter 4 - Section 1

	<u>Section 1 of the questionnaire</u> Conclusions ¹⁵²
Users Reference to Tables from No. 6 to 17 – Chapter 4	<p>Section 1 of the questionnaire is designed to;</p> <ul style="list-style-type: none"> - collect general information from the Respondents in order to get a more precise picture of the interviewees; - assess whether or not the Respondent uses accounting documentation of other SMEs and if so, how this documentation is collected and used. <p>The first part of Section 1 then provides general data of the Respondents, which can be used for statistical purposes only (see Paragraph 4.3.1).</p> <p>More than 68% of the Respondents declared not to use the accounting documentation of other SMEs. Among the Respondents that declared to make use of the accounting documentation, the major sources used for collecting such information are the Chambers of Commerce or the entity directly.</p> <p>From the analysis of Section 1, it can be concluded that the smaller the User is, the more seldom the use of accounting documentation of other SMEs.</p>
Preparers Reference to Tables from No. 29 to 35 - Chapter 4	<p>Section 1 of the Preparers' questionnaire is designed to collect general information from the Respondents in order to get a more precise picture of the interviewees.</p> <p>This Section then provides general data from the Respondents, which can be used for statistical purposes only (see Paragraph 4.3.2).</p>
Accounting Professionals Reference to Tables from No. 127 to 128 - Chapter 4	<p>Section 1 of the Accounting Professionals' questionnaire is designed to collect general information from the Respondents in order to get a more precise picture of the interviewees.</p> <p>This Section then provides general data from the Respondents, which can be used for statistical purposes only (see Paragraph 4.3.3).</p>

Conclusions for Users, Preparers and Accounting Professionals together

The analysis of the Section 1 of the three questionnaires does not allow for significant conclusions to be drawn (part from a statistical point of view) unless for the information collected by way of the question No. 3 of the Users' questionnaires only "Do you as a User review/examine accounting information/documentation of SMEs?".

The high percentage of the Respondents stating they did not review/examine accounting documentation of other SMEs may lead us to conclude that the accounting documentation is not the instrument used by the Users to evaluate other SMEs. The more seldom this use is, the smaller the User, as clearly shown in Figure No. 2 – Chapter 4.

¹⁵² Reference is made to questions No. from 1 to 9 per Users, No. from 1 to 3 per Preparers and No. from 1 to 2 for Accounting Professionals.

Conclusions drawn from Section 2 of the three questionnaires (Users, Preparers and Accounting Professionals).

General accounting information requirement with reference to registered SMEs in the respondent's Country

Table No. 141 - Chapter 4 - Availability

	<u>Availability of accounting data/documents</u> Conclusions ¹⁵³
Users Reference to Table No. 18- Chapter 4	<p>The way the answers are distributed shows that Respondents consider availability of accounting data adequate only as far as entities belonging to legal type A are concerned. In general, we may say that the negative judgement (inadequacy) given in relation to entities belonging to Types B and C, regardless of their size, originates from the unlimited responsibility attributed to these Types, as they are characterized by a very close link with the personal worth of the entrepreneur and of the shareholders..</p> <p>The high percentage of those who did not respond or of those who replied "I don't know" to this specific question number 10, should be read in connection to the limited need to collect third parties' accounting documents, as confirmed by Figure No. 2 – Chapter 4.</p>
Preparers Reference to Table No. 36 - Chapter 4	<p>The answers highlight the need for a greater availability of accounting documentation for those entities belonging to Types B and C of smaller sizes (Micros 1 and 2). However, we do need to ponder such results with reference to the number of Respondents who did not answer, indirectly showing scarce interest in the availability of accounting documentation and therefore in its use.</p>
Accounting Professionals Reference to Table No. 129 – Chapter 4	<p>The distribution of the answers highlights that, overall, the current availability of accounting data is considered adequate.</p> <p>Indeed the positive judgment (adequacy) prevails for all type of entities, regardless of their size. The percentage negative judgments (inadequacy) tend to increase (even if it is not prevailing at all) for Types B and C Micro 2 entities.</p>

Table No. 142 - Chapter 4- Reliability

	<u>Reliability and importance/usefulness of accounting data/documents</u> Conclusions ¹⁵⁴
Users Reference to Table No. 19 - Chapter 4	<p>From the analysis of the data, it can be concluded that the positive judgment of adequacy prevails.</p> <p>The judgment of adequacy is higher for the Type A entities; it can be concluded that the requirements provided for by the laws for this legal form guarantees better reliability.</p> <p>Despite the high percentage of missing answers or of "Don't know" replies for this specific question number 10, this is justified by the low need of the Users to evaluate the reliability and importance of the accounting documents (see Figure No. 2 Chapter 4).</p>
Preparers Reference to Table No. 37- Chapter 4	<p>The high number of subjects responding 'Don't know' represents the main datum for all the Respondents, especially for those of Types B and C. On the other hand, it is also due to the nature of the Respondents (Preparers) who must prepare accounting documentation and who therefore tend to avoid time-consuming compliance tasks even though these tasks are designed to make their accounting documentation more transparent.</p>
Accounting Professionals Reference to Table No. 130- Chapter 4	<p>The greatest incidence of inadequate judgements may be found among small-sized Type C entities, despite the adequate judgement still prevailing.</p> <p>In this regard, the most significant trend shows that the judgement of inadequacy increases between Type A to Type C and with the decrease in entity size, indicating the need for greater public availability (and thus of a "certain" and official source) of accounting data for enterprises.</p>

¹⁵³ Reference is made to questions No. 10 for Users, No. 4 for Preparers and No. 3 for Accounting Professionals.

¹⁵⁴ Reference is made to question No. 10 for Users, No. 4 for Preparers and No. 3 for Accounting Professionals.

Table No. 143 - Chapter 4 - Comparability

	<u>Comparability of accounting data/documents between two entities of the same cluster</u> Conclusions ¹⁵⁵
Users Reference to Table No. 20 – Chapter 4	<p>The analysed data highlight that a positive judgement (adequacy) prevails among those who provided an answer.</p> <p>The judgment of comparability is higher for the Type A entities; it can be concluded that the requirements provided for by the laws for this legal form guarantee better comparability.</p> <p>Despite the high percentage of missing answers or of “Don’t know” replies for this specific question number 10, this is justified by the low need of the Users to evaluate the comparability of the accounting documents. (See Figure No. 2 Chapter 4).</p>
Preparers Reference to Table No. 38 – Chapter 4	<p>The high number of “don’t knows”, which in percentage terms represent around 89%, show that the need for the comparability of accounting documents is not widely felt. This conclusion is also due to the nature of the Respondents (Preparers) who tend to avoid time-consuming compliance tasks even though these very tasks are designed to make their accounting documentation more comparable.</p>
Accounting Professionals Reference to table No.131- Chapter 4	<p>The answers highlight that for most of the Respondents the accounting data are comparable and therefore do not need improvements in terms of comparability. For Types B and C Micro 2 entities, the judgement of inadequacy slightly prevails.</p>

Conclusions for Users, Preparers and Accounting Professionals together

For all Respondents (Users, Preparers and Accounting Professionals) the current availability, reliability/usefulness and comparability of accounting documentation is considered to be adequate for Type A entities and much less so for Types B and C entities. This difference is justified by the obligation of publication of the financial statements provided for by law for Type A entities.

More specifically, the level of inadequacy increases from Type A to Type C entities and as the size of the entity decreases.

¹⁵⁵ Reference is made to No. 10 for Users, No. 4 for Preparers and No. 3 for Accounting Professionals.

From the analysis of the data the following conclusions can be drawn:

- The very high level of non-replies among Preparers and Users which, together with the “don’t knows” demonstrates the low level of interest in obtaining accounting documentation of third parties for the purposes of their enterprise. On the other hand, many Respondents affirmed that they use other channels of information for evaluating SMEs with which they have dealings, as emerges from the specific reply concerning the use of accounting documentation on the part of Users (ref: question No.3 of the Users questionnaire, see also Figure No. 2, Chapter 4);
- The accounting documentation of Type B and C entities is closely linked to the personal assets of the shareholders and of the sole proprietors who have unlimited liability for their business activities, which goes beyond the assets and liabilities shown in the entity’s Balance Sheet. This therefore also justifies the lower need for availability for Types B and C, since the accounting documentation does provide only a partial view of the entity’s actual assets.

General accounting information requirement with reference to non-registered SMEs in the Respondent’s Country

Table No. 144 - Chapter 4 - Availability

	<u>Availability of accounting data/documents</u> Conclusions ¹⁵⁶
Users Reference to Table No. 21 - Chapter 4	According to the analysis of the results of the Survey, it can be concluded that there is a need for availability of accounting documentation for all types of entities. However, this need is to be referred to the entities which operate in the EU, outside the Respondent’s Country of residence.
Preparers Reference Table No. 39 - Chapter 4	According to the analysis of the results of the Survey, it can be concluded that there is a need for more availability of accounting documentation for all Types of entities, A, B and C. This conclusion can be drawn however only with reference to those entities operating within the EU but outside the Respondent’s Country of origin. Given that the percentage of the missing answers and “Don’t know” replies is higher for this question number 5 than for the same made with reference to the SMEs residents in the Country’s Respondent, it can be concluded that the need for more availability concerns only a minor part of the Respondents.
Accounting Professionals Reference Table No. 132- Chapter 4	Given that the same questions, with reference to the entities operating in the Country’s Respondent, were asked with a completely different response (see Table No. 129 – Chapter 4), the main conclusion is that the Respondents have no significant experience in examining the accounting documentation of enterprises not resident in the same country but within the EU. Therefore, the Accounting Professionals interviewed show a low need to examine the accounting data of cross-border entities.

¹⁵⁶ Reference is made to No. 11 for Users, No. 5 for Preparers and No. 4 for Accounting Professionals.

Table No. 145 - Chapter 4 - Reliability and importance

	<u>Reliability and importance</u> Conclusions ¹⁵⁷
Users Reference Table No. 22 - Chapter 4	<p>According to the results of the Survey, a need for greater reliability of the accounting documents for all Types of entities emerges. It should be considered that this need is to be referred to the entities which operate in the EU, but outside the Respondent's Country of residence.</p> <p>Despite the high percentage of missing answers or of "Don't know" replies, for this specific question number 11, this is justified by the low need of the Users to evaluate the reliability of the accounting documents (see Figure No. 2 – Chapter 4).</p>
Preparers Reference Table No. 40 - Chapter 4	<p>The high number of Respondents answering "Don't know" shows a low need for the availability of accounting documentation and thus its use with reference to entities operating outside the Country's Respondent.</p>
Accounting Professionals Reference Table No. 133 - Chapter 4	<p>Given that the same questions, with reference to the entities operating into the Country's Respondent, were asked with a completely different response (see Table No. 139 – Chapter 4), the main conclusion is that the Respondents have no significant experience in examining the accounting documentation of enterprises not resident in the same country but within the EU.</p> <p>Therefore the Accounting Professionals interviewed show a low need to examine the accounting data of cross-border entities.</p>

Table No. 146 - Chapter 4 - Comparability

	<u>Comparability</u> Conclusions ¹⁵⁸
Users Reference Table No. 23-Chapter 4	<p>The analysis of the results of the Survey shows that the need for comparability is mainly expressed in relation to Type A entities, which indicates that the accounting requirements applicable to this type of entities ensure comparability. The high percentage of missing answers or of "Don't know" replies for this specific question number 11 is justified by the low need of the Users to evaluate the comparability of the accounting documents (see Figure No. 2 – Chapter 4).</p>
Preparers Reference Table No.. 41-Chapter 4	<p>The high number of Respondents answering "Don't know" shows a low need for the comparability of accounting documentation and thus in its use with reference to entities operating outside the Country's Respondent.</p>
Accounting Professionals Reference Table No. 134-Chapter 4	<p>Given that the same questions, with reference to the entities operating into the Country's Respondent, were asked with a completely different response (see Table No. 140 – Chapter 4), the main conclusion is that the Respondents have no significant experience in examining the accounting documentation of enterprises not resident in the same country but within the EU. Therefore the Accounting Professionals interviewed show a low need to examine the accounting data of cross-border entities.</p>

¹⁵⁷ Reference is made to question No. 11 for Users, No. 5 for Preparers and No. 4 for Accounting Professionals.

¹⁵⁸ Reference is made to question No.11 for Users, No. 5 for Preparers and No. 4 for Accounting Professionals.

Conclusions for Users, Preparers and Accounting Professionals together

For all Respondents (Users, Preparers and Accounting Professionals), the current availability, reliability/usefulness and comparability of accounting documentation with reference to entities non-resident in the Respondent's Country, is considered to be adequate for Type A entities and less so for those of Types B and C. This difference is justified by the publication's requirement of the financial statements applicable to Type A entities.

From the analysis of the results of the Survey, it can be concluded as follows:

- The very high level of non-replies among Preparers and Users which, together with the "Don't knows" demonstrates the low level of interest in obtaining accounting documentation of third parties for the purposes of their enterprise. On the other hand, many Respondents affirmed that they use other channels of information for evaluating SMEs with which they have dealings, as emerges from the specific reply concerning the use of accounting documentation on the part of Users (ref: question No. 3 of the Users questionnaire, see also Figure No. 2, Chapter 4);
- The accounting documentation of Types B and C entities is closely linked to the personal assets of the shareholders and of the sole proprietors who have unlimited liability for their business activities, which goes beyond the assets and liabilities shown in the entity's Balance Sheet. This, therefore also justifies the lower need for availability for Types B and C, since the accounting documentation does provide only a partial view of the actual entity's assets.

Need for cross-border use of accounting documents of SMEs

Table No. 147 - Chapter 4 - Need for cross-border use of the accounting documentation of SMEs

	<u>Need for cross-border use of SMEs' accounting documentation</u> Conclusions ¹⁵⁹
Users Reference Figure No. 3-Chapter 4	The data analysed show that according to the Users' point of view, Type A entities are those most oriented towards an international approach to accounting data. In addition, the answers given to question No. 12, in line with the ones given to question No. 11, show that Small-sized, Micro 1 and Micro 2 of Types B and C entities have very little need for cross-border use of accounting documentation.
Preparers Reference Table No. 42-Chapter 4	The analysis of the data highlights that the Type A and B entities are those most oriented towards the cross border use of accounting information. The Type C entities show a low need for cross border use of accounting documentation, as can be concluded from the high percentage of negative replies and "Don't know" answers.
Accounting Professionals Reference Figure No. 84-Chapter 4	From the analysis of the replies, it can be concluded that there is a very little need for cross-border use of accounting documents for Micro 1 and Micro 2 entities, regardless of their legal form. This need generally decreases for Type C entities also of larger size, if compared to Type A and B entities.

Conclusions for Users, Preparers and Accounting Professionals together

The judgments of need for cross-border use of SMEs' accounting documentation, for all kind of Respondents (Users, Preparers and Accounting Professionals) are closely linked to the size of the entities more than to the legal form: the larger they are (Medium- and Small-

¹⁵⁹ Reference is made to No. 12 for Users, No. 6 for Preparers and No. 5 for Accounting Professionals.

sized), the greater the perceived need for cross border use of the accounting documentation. On the contrary, this need is not perceived for the smallest entities (Micros 1 and 2).

Need for a more harmonised accounting legislative framework at EU level

Table No. 148 - Chapter 4 - Need for a more harmonised accounting framework at EU level

	<u>Need for a more harmonised accounting framework at EU level</u> Conclusions ¹⁶⁰
Users Reference Figure No. 4-Chapter 4	It should be noted that most interviewees did not show any interest in this matter, as they did not take the question into consideration (66% of the Respondents). In this context, we conclude that economic operators, i.e. the potential Users of accounting documents, do not deem it necessary to implement actions aimed at harmonising accounting data within the EU, as they use them only seldom. Between the Respondents that consider necessary a more harmonised accounting framework, (30% out of the total) there are no significant differences in terms of legal form and size.
Preparers Reference Table No. 43-Chapter 4	The analysis of the replies, clearly highlight a strong need for the harmonisation of accounting data. Between the Respondents there are no significant differences worth noting with reference to this conclusion (see Table No. 77 – Annex 2 B).
Accounting Professionals Reference Figure No. 85-Chapter 4	According to the Accounting Professionals' point of view only the Medium- and Small-sized entities, regardless of their legal form, should be interested in legislative initiatives aimed at favour a more harmonized accounting framework. This need is not perceived for the Type B Micro 2 and Type C Micro 1 and Micro 2 entities.

Conclusions for Users, Preparers and Accounting Professionals together

The replies given to this question¹⁶¹ by the various Respondents lead to the following conclusions:

- According to the Users, there is a need for a more harmonised accounting framework at EU level. However, in consideration of the high number of non replies, it can be concluded that this need is perceived only with reference to the Respondents that usually operate with SMEs residing abroad;
- According to the Preparers, instead, a general need for a more harmonised accounting framework at EU level emerges, regardless of the legal form and size;
- According to the Accounting Professionals, in line with their expertise, they express the need for a greater harmonisation of the accounting framework only with reference to larger size entities, regardless of the legal form.

In conclusion, the Users do not perceive a need for a more harmonised accounting framework at EU level, while the Preparers and in some part also the Accounting Professionals showed a greater need for harmonization.

¹⁶⁰ Reference is made to No. 13 for Users, No. 7 for Preparers and No.6 for Accounting Professionals.

¹⁶¹ Reference is made to No. 13 for Users, No. 7 for Preparers and No. 6 for Accounting Professionals.

Usefulness of different representation formats for different business models?

Table No. 149 - Chapter 4 - Usefulness in having different disclosure formats

	<u>Usefulness in having different disclosure formats for different business models</u> Conclusions ¹⁶²
Users Reference Table No. 24 - Chapter 4	From the analysis of the results it can be concluded that there is a general lack of interest in differentiated accounting models. This is confirmed also by the low number of Respondents that replied to this question number 14. Indeed the differentiation of accounting models by business area leads to less comparability and clarity for the reader, as well as an increase in the fulfilments required.
Preparers Reference Table No. 44 - Chapter 4	Considering the high percentage of Respondents who answered negatively, and the prevalence of Respondents who did not answer at all, it can be concluded that there is a clear lack of interest in using different disclosure formats for different business models.
Accounting Professionals Reference Table No. 135 - Chapter 4	Even if the positive judgments prevail, there is also a significant number of negative judgments and need to be considered. The positive judgments reflect the expectations to have a better representation of the accounting data by means of different disclosure format for different business models. The negative judgments instead, reflect the Respondents' concern that different disclosure formats lead to less comparability for different business models.

Conclusions for Users, Preparers and Accounting Professionals together

Among Users, and especially among Preparers, there is a high percentage of Respondents that have not replied to this question, thereby showing an implicit lack of interest in the issue. In any case, also among those who replied, the majority feel that it is not necessary to have different disclosure formats for different business models.

This need prevails only among Accounting Professionals who, precisely by virtue of the nature of the Respondents, have understood the benefits of such different accounting presentations depending on the area of business (leading to better comparability for similar entities). At the same time, the Accounting Professionals expressed their concerns for possible risks deriving from further unnecessary burdens.

¹⁶² Reference is made to question No. 14 for Users, No. 8 for Preparers and No. 7 for Accounting Professionals.

Specific accounting information requirements for SMEs (question only for Users and Accounting Professionals)

Table No. 150 - Chapter 4 - Type of documentation considered necessary for individual SMEs accounts

Type of documentation considered necessary for individual SMEs accounts	Users Conclusions question No. 15
Balance Sheet Reference to Figure No. 5 - Chapter 4	<p>From the analysis of the replies it can be concluded that:</p> <ul style="list-style-type: none"> - The Balance Sheet and Profit and Loss Account are considered essential for all Type A entities, and only for Type B and C Medium- and Small-sized entities. - Notes to the Accounts, Annual report and Cash flow statement are of little use for Types B and C, Micros 1 and 2 entities. <p>It should be noted that most interviewees did not take the question number 15 into consideration, showing an overall lack of interest in the accounting documents currently required by applicable legislation, as confirmed by Figure 2 Chapter 4.</p>
Profit and Loss Account Reference to Figure No. 6 - Chapter 4	
Notes to the Accounts Reference to Figure No. 7 - Chapter 4	
Annual report Reference to Figure No. 8 - Chapter 4	
Cash Flow Statement Reference to Figure No. 9 - Chapter 4	

Table No. 151 - Chapter 4 - Kind of documentation considered necessary for individual SMEs accounts

Kind of documentation considered necessary for individual SMEs accounts	Accounting Professionals Conclusions question No. 8
Balance Sheet Reference to Figure No. 86 – Chapter 4	<p>From the analysis of the replies it can be concluded that:</p> <ul style="list-style-type: none"> - The Profit and Loss Account is the document considered essential for any kind of entity, regardless of legal form and size. - The Balance Sheet is considered essential for Medium- and Small-sized entities, regardless of legal form. <p>Notes to the Accounts, Annual report and Cash flow statement are considered of little use for Micro 1 and 2 entities, regardless of their legal form.</p>
Profit and Loss Account Reference to Figure No. 87 - Chapter 4	
Notes to the Accounts Reference to Figure No. 88 - Chapter 4	
Annual report Reference to Figure No. 89 - Chapter 4	
Cash Flow Statement Reference to Figure No. 90 - Chapter 4	

Conclusions for Users and Accounting Professionals together

Taking into account the types of Respondents (Users and Accounting Professionals) and replies given for each of the types of documentation proposed, the following conclusions can be drawn:

1. The Profit and Loss Account is essential for all types of enterprise, especially for Type A (all) and for Types B and C Medium- and Small-sized;
2. The Balance Sheet is essential only for Type A (all) and for Types B and C Medium- and Small-sized;
3. The Notes to the Accounts and the Annual report are useful for Medium-sized entities (regardless of the legal form) and for Type A Small-sized entities. For the Type A Micro 1 and Micro 2 this documentation is not considered

necessary. Also for Type B and C, Small-sized Micro 1 and Micro 2 this documentation is not considered necessary;

4. The Cash Flow Statement is only useful for Type A Medium-sized entities.

Table No. 152 - Chapter 4 - Kind of documentation considered necessary for consolidated SMEs accounts

Kind of documentation considered necessary for consolidated SMEs accounts	Users Conclusions question No. 16
Balance Sheet Reference to Figure No. 10-Chapter 4	<p>From the analysis of the replies it can be concluded that:</p> <ul style="list-style-type: none"> - The Balance Sheet and Profit and Loss Account are considered essential for all Type A entities and for Type B and Type C Medium- and Small-sized entities; - Notes to the Accounts, Annual report and Cash flow statement are considered poorly useful for Types B and C Micros 1 and 2 entities. <p>It should be noted that most Respondents did not take the question number 16 into consideration, showing an overall lack of interest in the accounting documents currently required by applicable legislation for consolidated accounts.</p>
Profit and Loss Account Reference to Figure No. 11-Chapter 4	
Notes to the Accounts Reference to Figure No. 12-Chapter 4	
Annual report Reference to Figure No. 13-Chapter 4	
Financial report Reference to Figure No. 14-Chapter 4	

Table No. 153 - Chapter 4 - Kind of documentation considered necessary for consolidated SMEs accounts

Kind of documentation considered necessary for consolidated SMEs accounts	Accounting Professionals Conclusions question No. 9
Balance Sheet Reference to Figure No. 91 - Chapter 4	<p>From the analysis of the replies it can be concluded that:</p> <ul style="list-style-type: none"> - The Profit and Loss Account is considered essential for all types of entities regardless of their legal form and size. - The Balance Sheet is considered essential for Medium- and Small-sized entities, regardless of their legal form. - Notes to the Accounts, Annual report and Cash flow statement are considered scarcely useful for Micro 1 and Micro 2 entities regardless of their legal form. <p>It should be noted that most Respondents did not take the question No. 9 into consideration, showing an overall lack of interest in the accounting documents currently required by applicable legislation for consolidated accounts.</p> <p>It should be noted that those who did not answer question No. 9, are approximately double in number compared to those of question No. 8 with a clear manifestation of little interest.</p>
Profit and Loss Account Reference to Figure No. 92 - Chapter 4	
Notes to the Accounts Reference to Figure No. 93 - Chapter 4	
Annual report Reference to Figure No. 94 - Chapter 4	
Financial report Reference to Figure No. 95 - Chapter 4	

Conclusions for Users and Accounting Professionals together

The conclusions emerging from an analysis of the replies given by the different Respondents (Users and Accounting Professionals) are in line with those made with reference to the individual SMEs accounts.

It should be pointed out, however, that a low number of replies were received. Besides the low use of accounting documentation for the Users' own needs, this low response rate is

also justified by the fact that only larger entities are obliged to draw up consolidated accounts.

Table No. 154 - Chapter 4 - The importance of the Balance Sheet (B/S) items for the different SMEs

Users
Conclusions question No. 17
Reference to figures No. from 15 to 27 - Chapter 4

This question number 17 collects the opinions of the Respondents on the importance of the Balance Sheet items, with reference to the legal form and size of the entities.

The data collected highlight a general trend to consider the legal form as a fundamental criterion to determine the judgments provided.

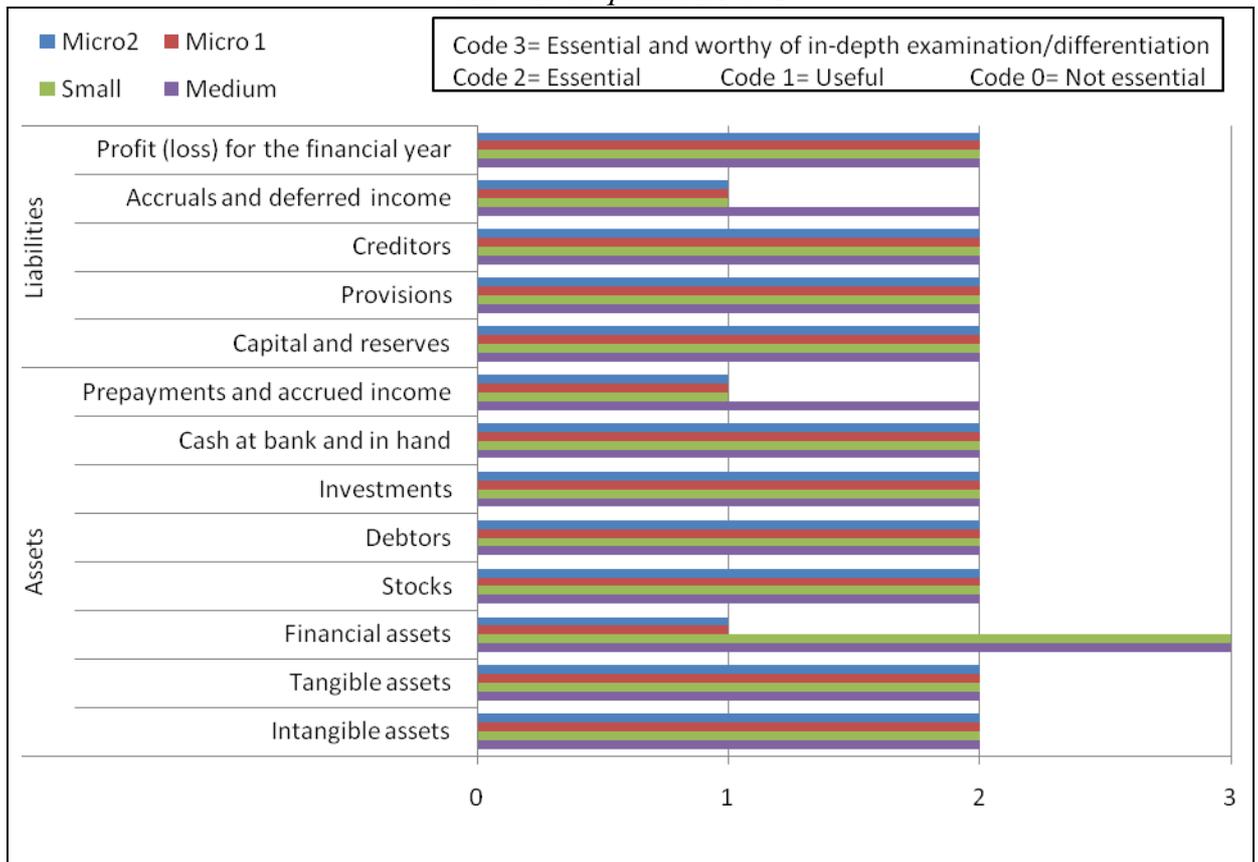
The following figures show the prevalent judgments collected. On the basis of these figure it can be concluded as follows:

For Type A entities, regardless of their size, the items of the Balance Sheet are in general considered as essential. Only for some items, such as “Prepayments and accrued income, Financial assets and Accruals and deferred income” the importance decreases as the size decreases. (Small-sized, Micro 1 and Micro 2). On the contrary for Type A Medium-sized entities “Financial assets” is considered as essential and worthy of in-depth analysis.

Below is a summary of the replies collected on single items of the Balance Sheet, according to size and with reference to Type A entities.

These figures show the level of importance of the single items, from the Users’ point of view:

Figure No. 154 - Chapter 4 - Type A - The importance of the Balance Sheets (B/S) elements: total answers to question No. 17



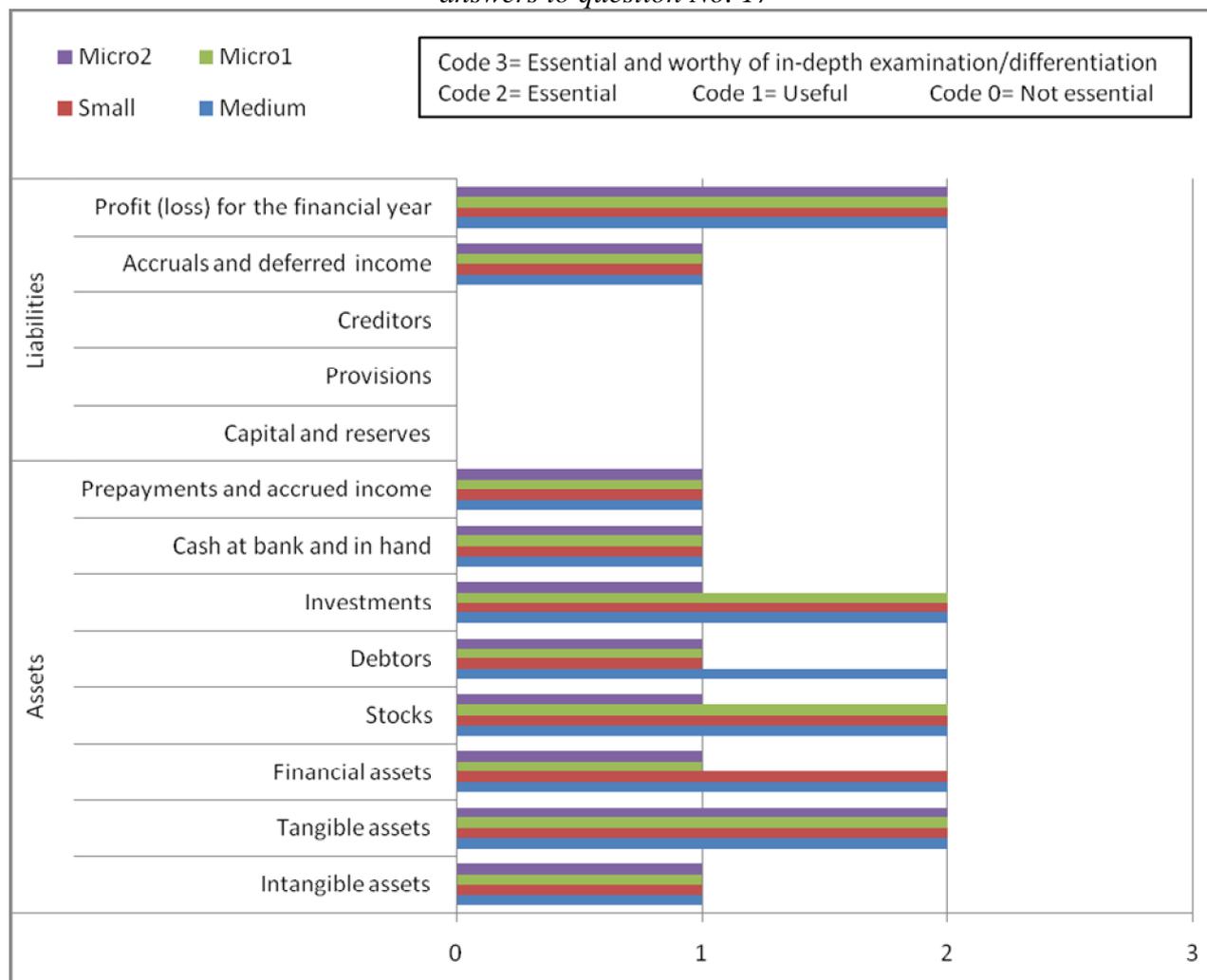
Source: Annex 2E - Summary sheets - Table No. 149

For Type B entities the importance of the various B/S items in general decreases to the lowest value (Code 0 = not essential) for many items of the “liabilities”. The level of importance for Type B entities tends to decrease as the size decreases. In particular it should be noted that the items “*Creditors, Provisions, Capital and reserves*” are considered non-essential for all size of entities.

Below is a summary of the replies collected on single items of the Balance Sheet, according to size and with reference to Type B entities.

These figures show the level of importance of the single items, from the Users’ point of view:

Figure No. 155 - Chapter 4 - Type B - The importance of the Balance Sheets (B/S) elements: total answers to question No. 17



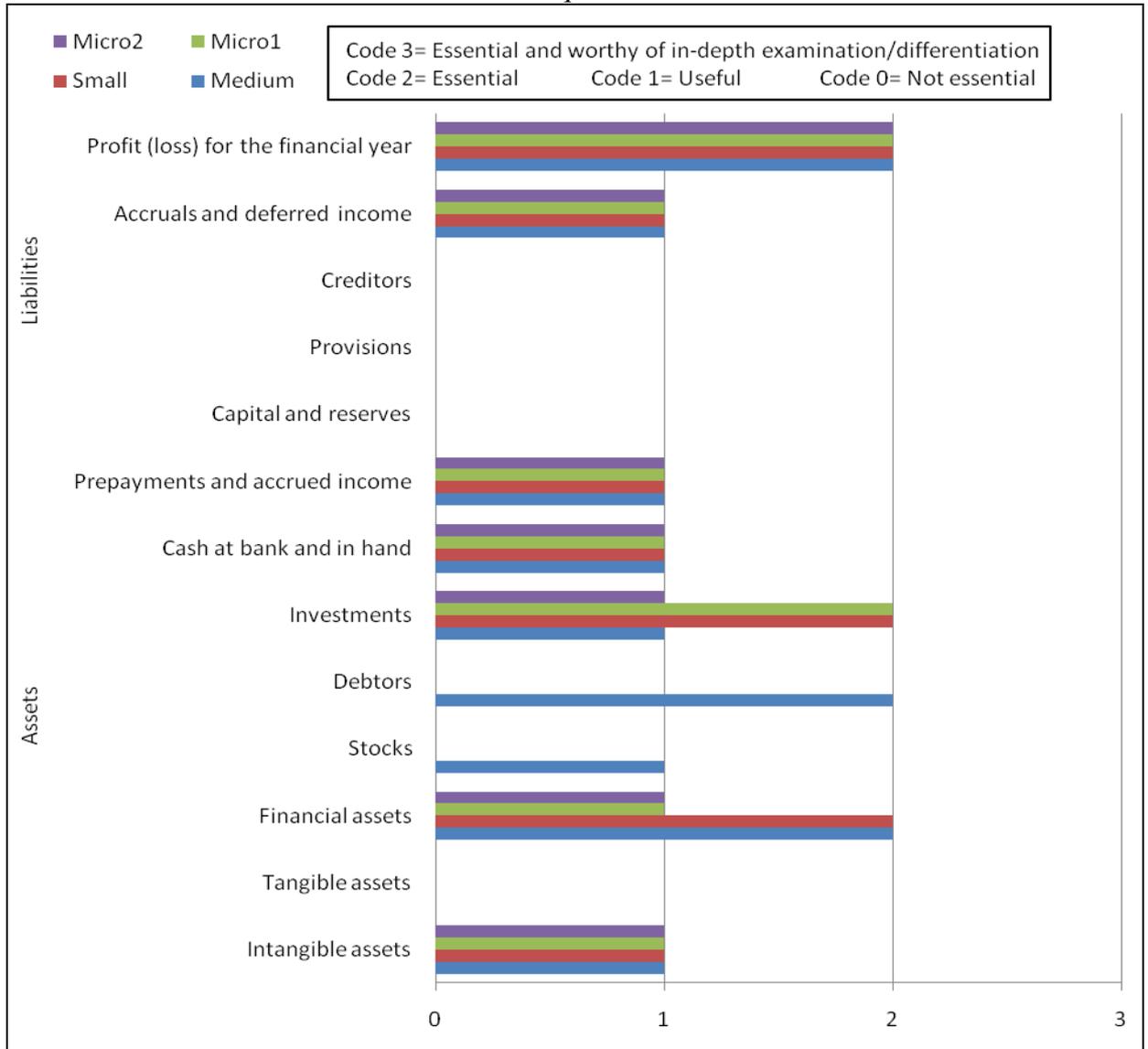
Source: Annex 2E - Summary sheets - Table No. 150

For Type C entities the importance of the various B/S items in general decreases to the lowest value (Code 0 = not essential) for many items of the “liabilities”. The level of importance for Type C entities tends to decrease as the size decreases. In particular it should be noted that the items “*Creditors, Provisions, Capital and reserves, Tangible assets*” are considered not essential for all size of entities. For Type C Small-sized, Micro 1 and Micro 2 the items “*Debtors*” and “*Stocks*” are considered not essential.

Hereby are summarized the replies collected on single items of the Balance Sheet, per size and with reference to Type C entities.

These figures show the level of importance of the single items, from the Users’ point of view:

Figure No. 156 - Chapter4 - Type C - The importance of the Balance Sheets (B/S) elements: total answers to question No. 17



Source: Annex 2E - Summary sheets - Table No. 151

Table No. 155 - Chapter 4- Which elements of your Balance Sheet do you think it would be useful to make available to third parties?

Preparers
Conclusions question No. 9

The aggregate data collected highlights a prevalence of Respondents in favour of making the principle data (assets and liabilities) on Balance Sheets available to third parties.

Nevertheless, a more in-depth analysis of the answers, which takes into account the Respondent's legal form (Table No. 140 Annex-2E), reveals that this response is mainly made by Type A entities, whereas those of Types B and C show a clear lack of interest in supplying this data.

This difference in attitude is due to the fact that Type A entities draw up their Balance Sheets in compliance with the legal provisions in force, whereas the other entity types, and in particular those which are smaller, do not normally carry out this operation and therefore naturally do not regard it as useful to make this available to third parties.

Table No. 156 - Chapter 4 - Type A - Are the Balance Sheets (B/S) elements important ?

		yes	no
Assets	Intangible assets Reference Table No. 45-Chapter 4	64%	36%
	Tangible assets Reference Table No. 46-Chapter 4	67%	33%
	Financial assets Reference Table No. 47-Chapter 4	65%	35%
	Stocks Reference Table No. 48-Chapter 4	63%	37%
	Debtors Reference Table No. 49-Chapter 4	66%	34%
	Investments Reference Table No. 50-Chapter 4	65%	35%
	Cash at bank and in hand Reference Table No. 51-Chapter 4	59%	41%
	Prepayments and accrued income Reference Table No. 52-Chapter 4	63%	37%
Liabilities	Capital and reserves Reference Table No. 54-Chapter 4	63%	37%
	Provisions Reference Table No. 55-Chapter 4	65%	35%
	Creditors Reference Table No. 56-Chapter 4	66%	34%
	Accruals and deferred income Reference Table No. 57-Chapter 4	64%	36%
	Profit (loss) for the financial year Reference Table No. 58-Chapter 4	67%	33%

Table No. 157 - Chapter 4 - The importance of the Balance Sheet (B/S) items for the different SMEs

Accounting Professionals
Conclusions question No. 10
Reference to figures No. from 96 to 108 - Chapter 4

This question number 10 collects the opinions of the Respondents on the importance of the most important Balance Sheet items, with reference to the legal form and size of the entities.

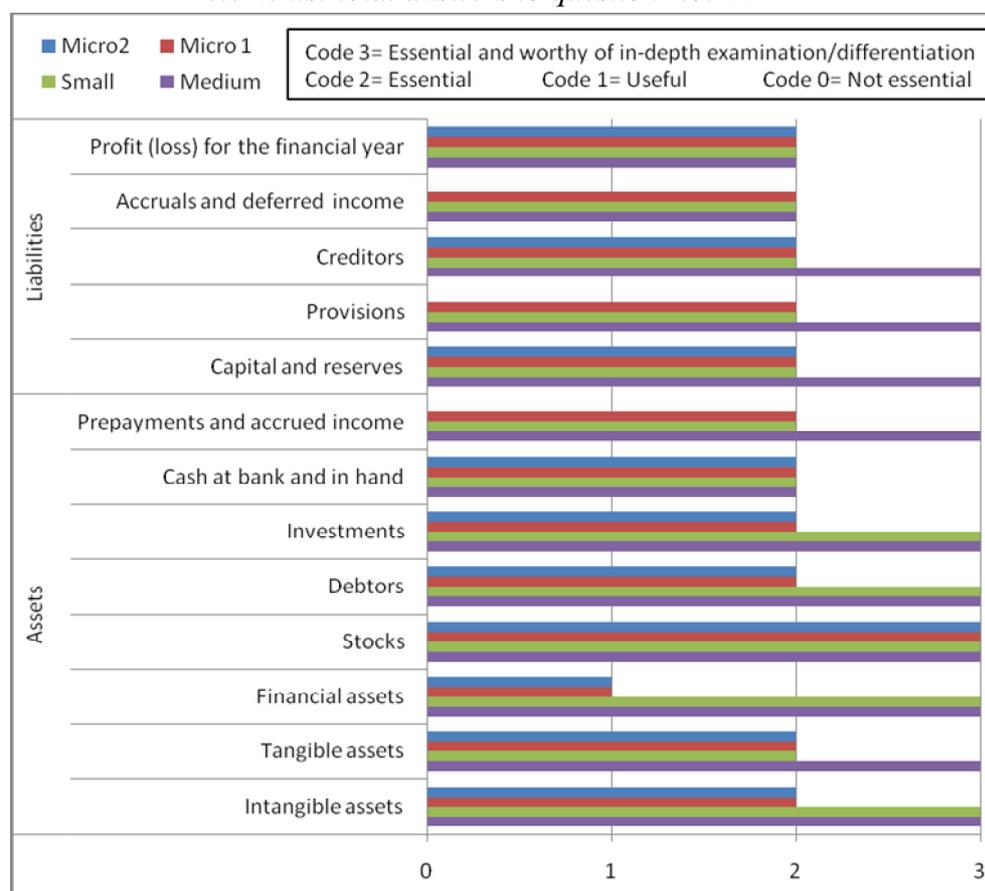
The data collected highlight a general trend to consider the size a more important criterion of judgment than the legal form of the entity.

Furthermore, whilst the Respondents with reference to Medium- and Small-sized entities, regardless of legal form, believe that the data concerning the Balance Sheets is either essential (Code 2) or essential with a need for closer examination, an analysis of their responses made on the basis of legal form reveals that this interest weakens the smaller the entity becomes (Code 1 and Code 0).

Below is a summary of the replies collected on single items of the Balance Sheet, per size and with reference to Type A entities.

These figures show the level of importance of the single items, from the Accounting Professionals' point of view:

Figure No. 157 - Chapter 4 - Type A - The importance of the Balance Sheets (B/S) elements: total answers to question No. 10

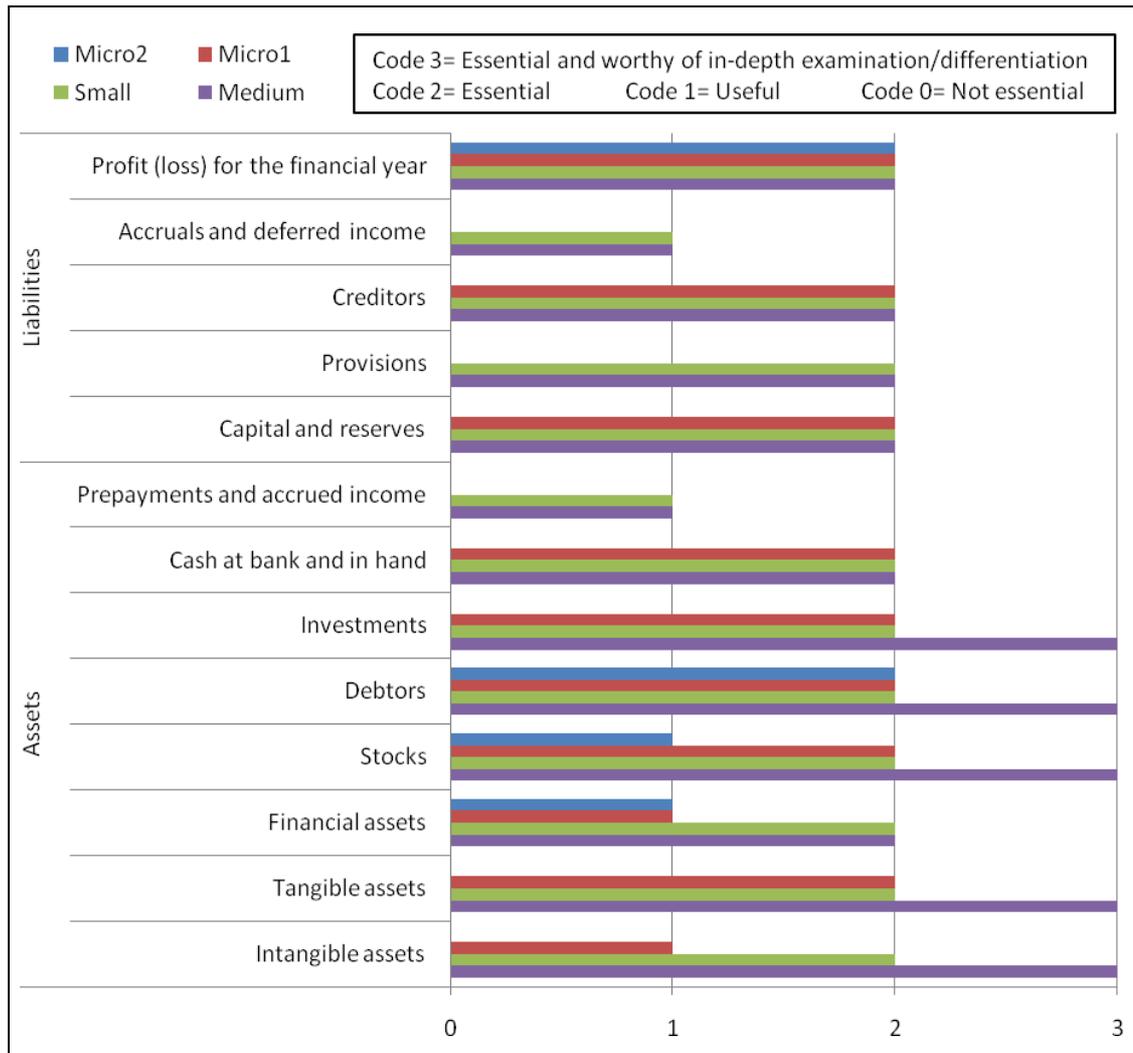


Source: Annex 2E - Summary sheets - Table No. 152

For Types B and C Micro 2 entities, responses mainly indicated that information relating to

the Balance Sheet was “non-essential”. Respondents, i.e. the Accounting Professionals, with reference to Types B and C Micro 2 entities therefore consider the Balance Sheets as unnecessary. Only the prevalent responses from Types B and C entities are reported, for the various items proposed in the Balance Sheet, the majority of responses from the point of view of size. From this emerge their level of importance according to the Accounting Professionals:

Figure No. 158 - Chapter 4 - Types B and C - The importance of the Balance Sheets (B/S) elements: total answers to question No. 10



Source: Annex 2E - Summary sheets - Table No. 153

Conclusions for Users, Preparers and Accounting Professionals together

With reference to the question¹⁶³ asked with regards to specific Balance Sheet items, it can be concluded that:

- It is necessary to take into account the fact that the size of the entity is more important than the legal form in relation to the different detailed items of the Balance Sheet;
- The level of interest shown in the single Balance Sheet elements decreases as the size of the entity decreases;
- The number of Preparers' Respondents is very low. This is justified by the nature of the question which asks such Respondents what information they consider is useful to provide to third parties. Indeed, such Respondents are predominantly only concerned about documentation useful for internal purposes of their entity;
- For Accounting Professionals, the level of importance attributed to single detailed Balance Sheet items depends on the legal form and size of the entity. In general terms, more interest is attributed to Type A Medium- and Small-sized entities and this interest decrease as far as scarce interest, if not complete lack of interest, for Type C Micro 1 and Micro 2 entities.

Taking into account these considerations, and with specific reference exclusively to entities that are obliged to prepare such documentation, with regard to single detailed Balance Sheet items, the conclusions are as follows:

- All the Assets items are considered as essential/useful for all Type A entities;
- The Assets items that are not considered essential/useful are: Financial Assets, Investments, Cash at Bank and in hand and Prepayments and Accrued income for all Types B and C entities;
- All the Liabilities items are considered as essential/useful for all Type A entities;
- The Liabilities items that are not considered as essential/useful are Share Capital and Reserves, Provisions and Accrued expenses and liabilities for all Types B and C entities.

¹⁶³ Reference is made to question No. 17 for Users, No. 9 for Preparers and No.10 for Accounting Professionals.

An overview of the conclusions is given as follows:

Table No. 158 - Chapter 4 - The importance of the Balance Sheet (B/S) items for the different SMEs

	Useful/Essential for Type A	Useful/Essential for Type B	Useful/Essential for Type C
ASSETS			
Intangible assets	YES	YES	YES
Tangible assets	YES	YES	YES
Financial assets	YES	NO	NO
Stocks	YES	YES	YES
Debtors	YES	YES	YES
Investments	YES	NO	NO
Cash at bank and in hand	YES	NO	NO
Prepayments and Accrued income	YES	NO	NO
LIABILITIES			
Share Capital and Reserves	YES	NO	NO
Provisions	YES	NO	NO
Creditors	YES	YES	YES
Accruals and deferred income	YES	NO	NO
Profit (or Loss) for the financial year	YES	YES	YES

Table No. 159 - Chapter 4 - The importance of the Profit and Loss (P/L) Account items for the different SMEs

Users
Conclusions question No.18
Reference to Figures No. from 28 to 45 - Chapter 4

This question number 18 collects the opinions of the Respondents on the importance of the Profit and Loss items, with reference to the legal form and size of the entities.

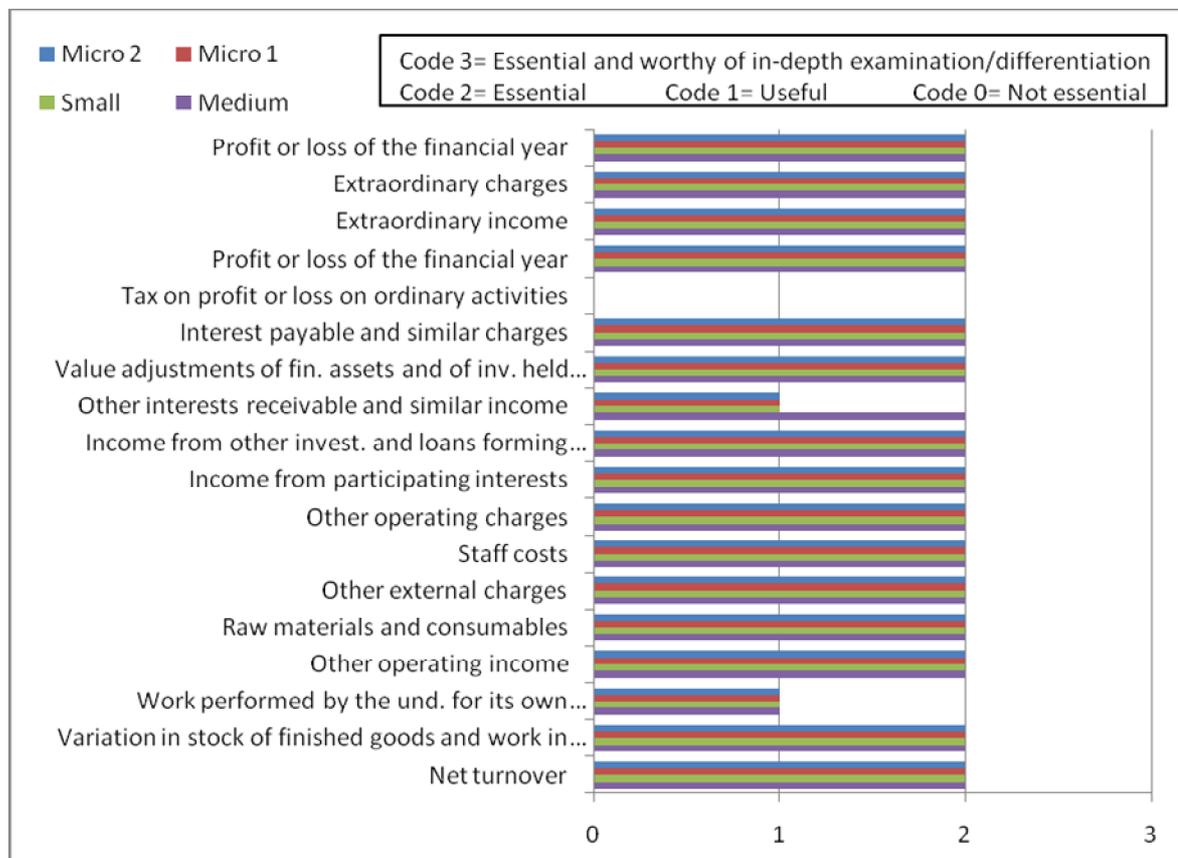
Most of the single items in the Profit and Loss Account are considered essential by Type A Respondents in particular; on the other hand, it must be noted that none of the various sizes of enterprises considers essential the item “Tax on profit or loss on ordinary activities”.

Those items considered less important (useful but non-essential) are: “Work performed by the undertaking for its own purposes and capitalized” and “Other interests receivable and similar income”.

Below is a summary of the replies collected on single items of the Profit and Loss Account per size and with reference to Type A entities.

These figures show the level of importance of the single items, from the Users’ point of view:

Figure No. 159 - Chapter 4 - Type A - The importance of the Profit and Loss Account’s elements: total answers to question No. 18



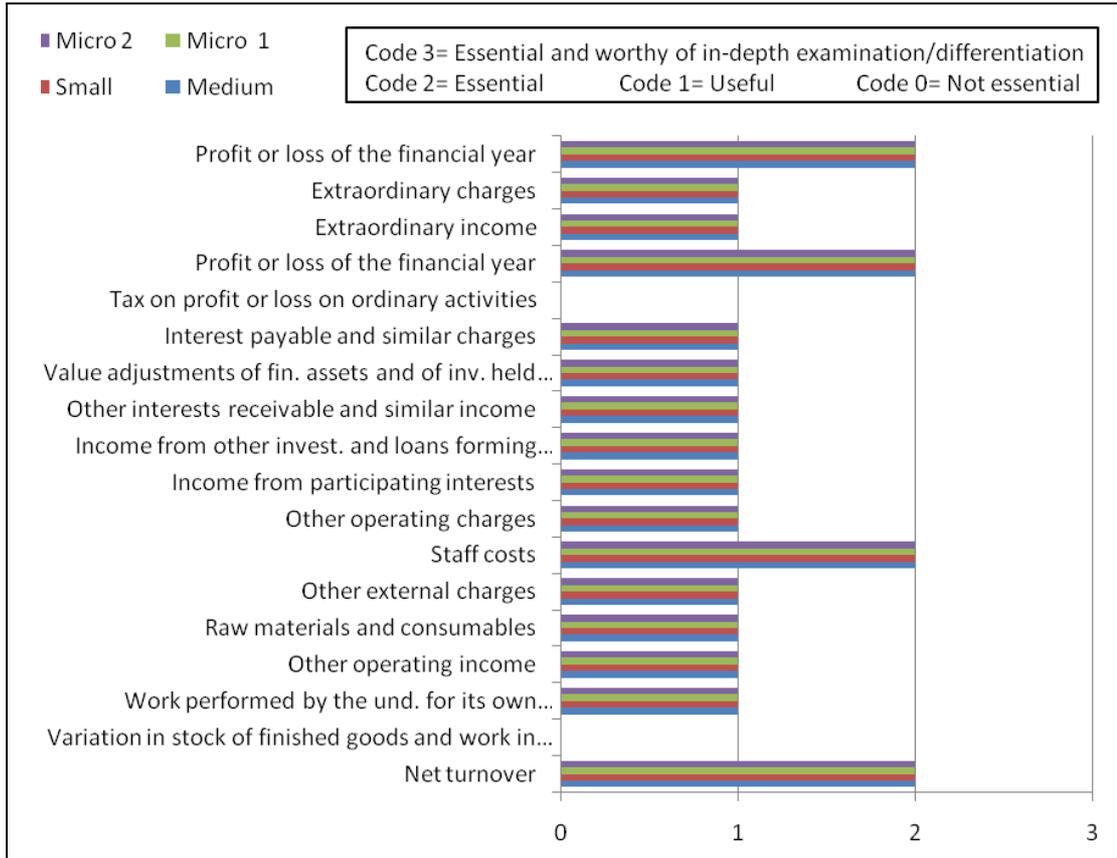
Source: Annex 2E - Summary sheets - Table No. 154

Most of the single items in the Profit and Loss Account are considered useful but non-essential by Type B and C entities, which are taken here together as they provide similar findings, In particular, the only items considered essential by all sizes of enterprise are “Net turnover”, “Staff costs” and “Profit or loss of the financial year”.

Below is a summary of the replies collected on single items of the Profit and Loss Account according to size and with reference to Type B and C entities, since there are no significant differences between them.

These figures show the level of importance of the single items, from the Users' point of view:

Figure No. 160 - Chapter 4 - Types B and C - The importance of the Profit and Loss Account's elements: total answers to question No. 18



Source: Annex 2E - Summary sheets - Table No. 155

Table No. 160 - Chapter 4- Which elements of your Profit and Loss Account do you think it would be useful to make available to third parties?

Preparers
Conclusions question No. 10

An analysis of the responses received, made on the basis of the Respondents' legal form (see figure No. 83 Chapter 4), has brought several significant differences to light.

A substantial number of Respondents from Type A entities are generally in favour of making all of the single items on the Profit and Loss Account available to third parties, with some slight variations among the items. However, general consent is basically given.

Most of the Respondents, for Type B and C entities are generally not in favour of making all of the single items on the Profit and Loss Account available to third parties.

This difference in attitude is due to the fact that Type A entities prepare their accounting documentation not only for internal use but also in compliance with current legal provisions, whereas the other entity Types B and C (partnerships and sole proprietorships), and in particular those which are smaller, normally carry out this operation almost exclusively for tax purposes and therefore do not regard it useful to make this available to third parties.

A summary of these results is provided in the table below, which shows the responses of the Preparers for each item on the Profit and Loss Account:

Table No. 161 - Chapter 4 - Type A - Are the Profit and Loss Account's elements important?

Profit and Loss Account's elements	yes	no
Net turnover (Reference Table No. 60-Chapter 4)	76%	24%
Variation in stock of finished goods and work in progress (Reference Table No. 61-Chapter 4)	67%	33%
Work performed and capitalized (Reference Table No. 62-Chapter 4)	62%	38%
Other operating income (Reference Table No. 63-Chapter 4)	67%	33%
Raw materials and consumables (Reference Table No. 64-Chapter 4)	67%	33%
Other external charges (Reference Table No. 65-Chapter 4)	65%	35%
Staff costs (Reference Table No. 66-Chapter 4)	67%	33%
Value adjustment (Reference Table No. 67-Chapter 4)	64%	36%
Other operating charges (Reference Table No. 68-Chapter 4)	65%	35%
Income from participating interests (Reference Table No. 69-Chapter 4)	61%	39%
Income from other investments and loans forming part of the fixed assets (Reference Table No. 70-Chapter 4)	62%	38%
Other interests receivable and similar income (Reference Table No. 71-Chapter 4)	59%	41%
Value adjustments of financial assets and of investments held as current assets (Reference Table No. 72-Chapter 4)	64%	36%
Interest payable and similar charges (Reference Table No. 73-Chapter 4)	64%	36%
Tax on profit or loss on ordinary activities (Reference Table No. 74-Chapter 4)	76%	24%
Profit or loss on ordinary activities after taxation (Reference Table No. 75-Chapter 4)	66%	34%
Extraordinary income (Reference Table No. 76-Chapter 4)	50%	50%
Extraordinary charges (Reference Table No. 77-Chapter 4)	64%	36%
Profit or loss of the financial year (Reference Table No. 78-Chapter 4)	73%	27%

Table No. 162 - Chapter 4 - The importance of the Profit and Loss (P/L) Account items for the different SMEs

Accounting Professionals
Conclusions question No. 11
Reference to Figures No. from 109 to 126 - Chapter 4

This question number 11 collects the opinions of the Respondents on the importance of the Profit and Loss items, with reference to the legal form and size of the entities.

The data collected highlight a general trend to consider the size of the entity more important than the legal form in relation to the different detailed items of the Profit and Loss Account.

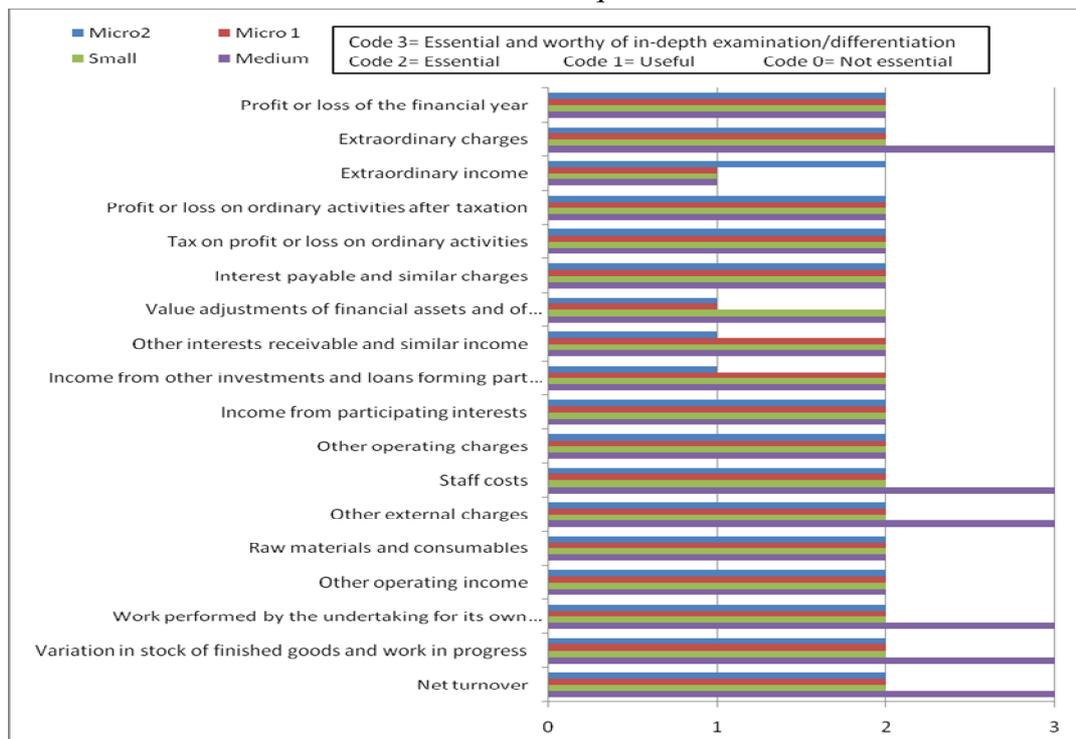
However, the considerable differences in opinion concerning the single items in the Profit and Loss Account compared to the various reference *clusters*, leads us to conclude that this operation is useful and essential for all types of entities regardless of size.

It is nevertheless worth noting that for all the entities, regardless of size, the item “*extraordinary income*” is considered useful but non-essential. For Micro 2 entities in particular, the following items are also regarded as useful but non-essential: “*Income from other investments and loans forming part of the fixed assets*”, “*Other interests receivable and similar income*”, “*Value adjustments of financial assets and of inventories held as current assets*” and “*Extraordinary charges*”.

Below is a summary of the replies collected on single items of the Profit and Loss Account per size and with reference to Type A entities.

These figures show the level of importance of the single items, from the Accounting Professionals’ point of view:

Figure No. 161 - Chapter 4 - Type A - The importance of the Profit and Loss Account’s elements: total answers to question No. 11

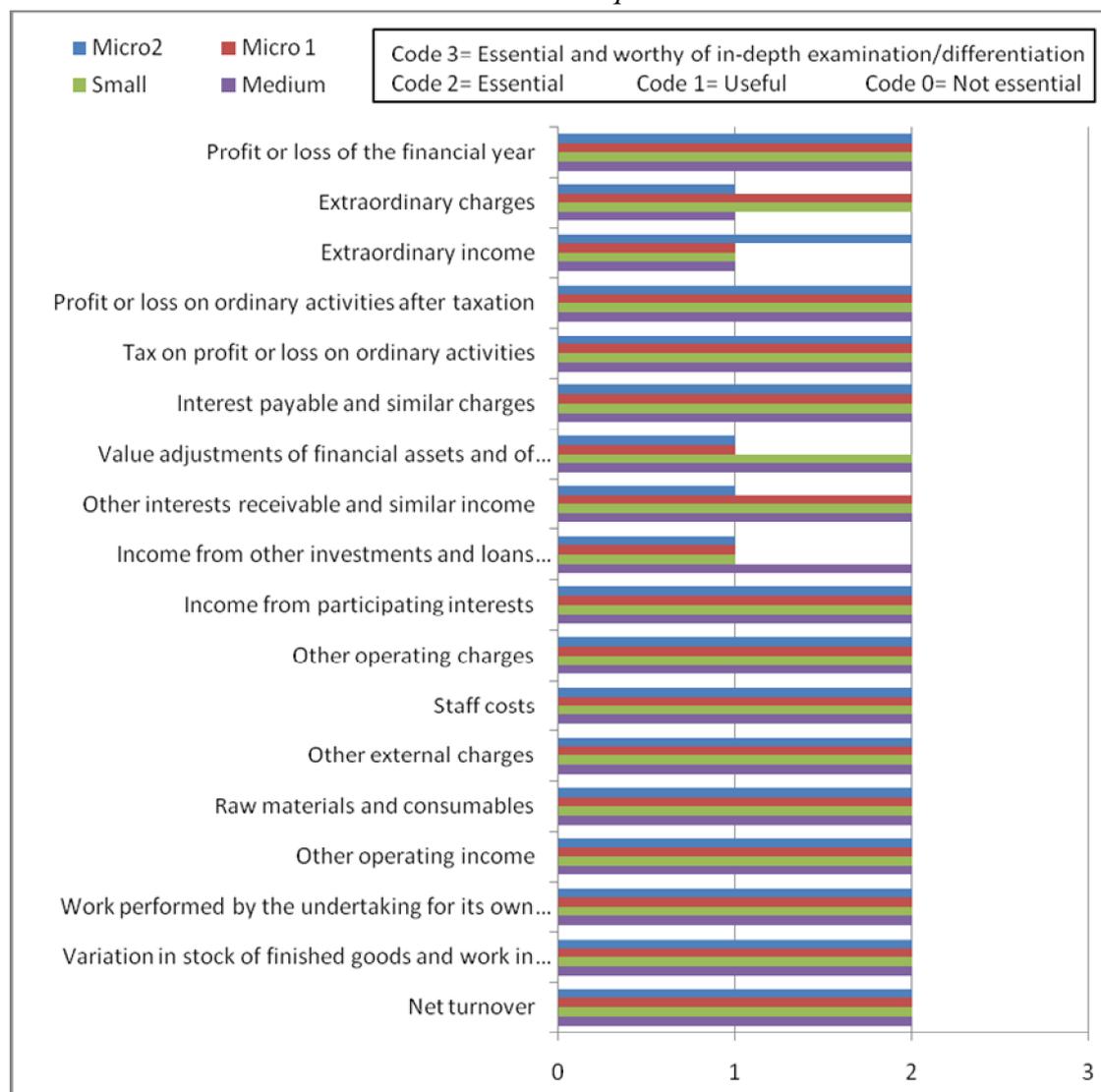


Source: Annex 2E - Summary sheets - Table No. 156

Below is a summary of the replies collected on single items of the Profit and Loss Account per size and with reference to Type B entities.

These figures show the level of importance of the single items, from the Accounting Professionals' point of view:

Figure No. 162 - Chapter 4 - Type B - The importance of the Profit and Loss Account's elements: total answers to question No. 11

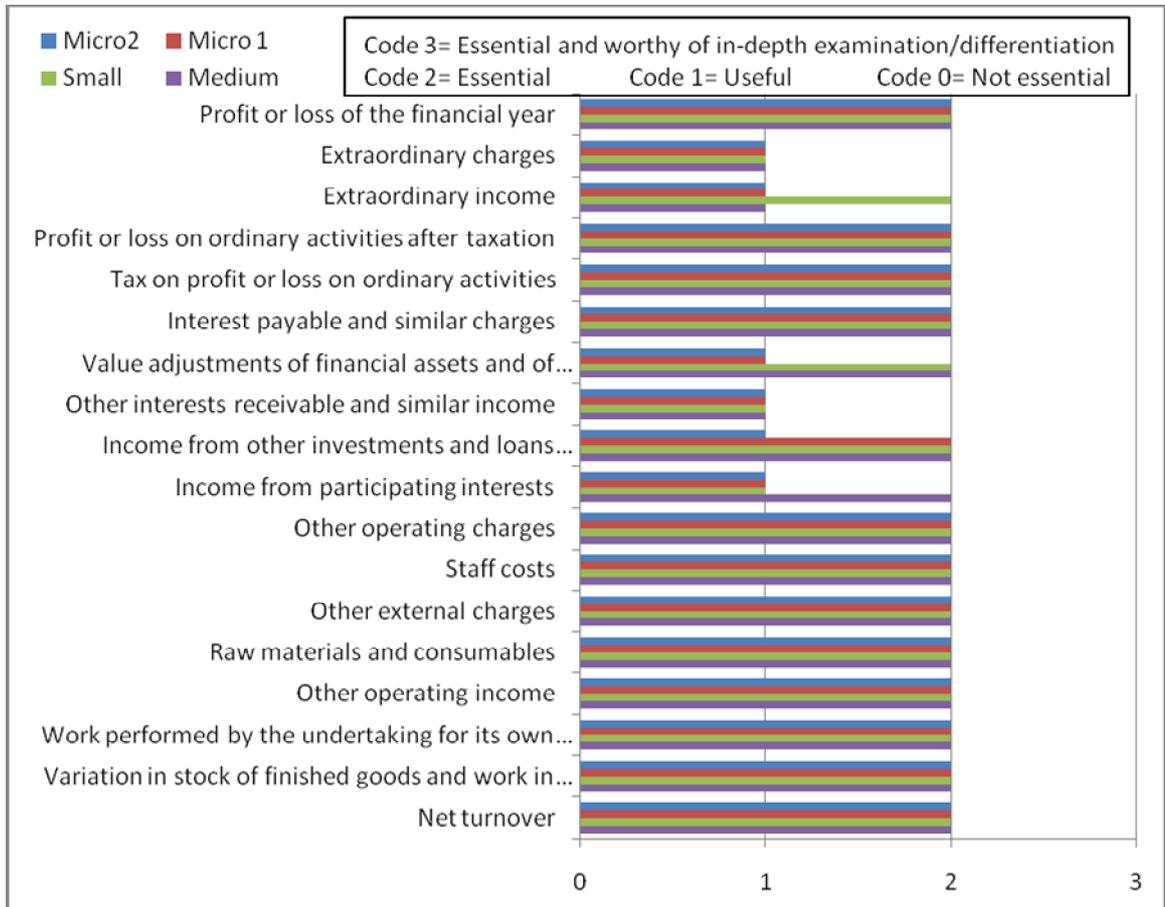


Source: Annex 2E - Summary sheets - Table No. 157

Below is a summary of the replies collected on single items of the Profit and Loss Account per size and with reference to Type C entities.

These figures show the level of importance of the single items, from the Accounting Professionals' point of view:

Figure No. 163 - Chapter4 - Type C - The importance of the Profit and Loss Account's elements: total answers to question No. 11



Source: Annex 2E - Summary sheets - Table No. 158

CONCLUSIONS (Users, Preparers and Accounting Professionals together)

With reference to the question¹⁶⁴ about specific Profit and Loss Account items, it needs to be said that:

- For Users, the level of importance attributed to single detailed Profit and Loss Account items is more strictly dependent on the legal form than on size of the entity. In general terms more interest is attributed to Type A entities and this then decreases for Type B entities reaching minimum interest for Type C entities. However, the little difference in expectations regarding single items of information leads such Respondents to consider that all the items in the Profit and Loss Account are essential/useful regardless of the size and Type of entity;
- For Preparers it is necessary to take into account the fact that the formulation of this question asks such entities what documentation they feel to be useful to provide to third parties. As a result, such Respondents are mainly concerned about documentation useful for internal purposes. As a matter of fact, with the exception of Type A entities, for which there is a generally favourable opinion regarding the availability of such detailed Profit and Loss Account items, for the other entities there is a lack of willingness to make such items available to third parties. The different level of willingness undoubtedly derives from the fact that Type A entities prepare accounting documentation not only for internal use but also as a compliance with legal provisions in force. Type B and C entities (partnerships and sole proprietorships), especially those of a smaller size, instead prepare accounts almost exclusively for tax purposes and it is not therefore considered useful to make them available to third parties;
- For Accounting Professionals, the level of importance attributed to single detailed Profit and Loss Account items depends particularly on the size of the entity rather than on the legal form. In general terms more interest is attributed for Type A entities and decrease for Type B entities reaching minimum interest for Type C entities. However, the little difference in expectations regarding single items of information leads such Respondents to consider that all the items in the Profit and Loss Account are essential/useful regardless of the size and Type of entity.

Taking into account these considerations, and with specific reference exclusively to entities that are obliged to prepare such documentation, with regard to single detailed Profit and Loss Account items, the conclusions are as follows:

- The items that are considered as essential/useful for all types of entities, (Types A, B and C) regardless of their size, are: *Net turnover, Variations in stocks, Work performed by the undertaking for its own purposes or capitalized, Other operating income, Raw materials and consumables, Other external charges, Staff costs, Other operating charges, Interests payable and similar charges, Tax on profit (or loss) on ordinary activities and Profit (or loss) for the financial year*;
- The items that are considered useful/essential only for Type A entities, regardless of size, are: *Value adjustments, Income from participating interests, Income from other investments and loans, Other interests receivables and similar income, Value adjustments of financial assets, Tax on profit (or loss) on ordinary activities, Extraordinary income and Extraordinary charges*;
- The items that are considered as useful/essential only for Type B and C Medium- and Small-sized entities are: *Income from participating interests, Income from other investments and loans, Value adjustments of financial assets, Extraordinary income and Extraordinary charges*.

¹⁶⁴ Reference is made to No. 18 for Users, No. 10 for Preparers and No.11 for Accounting Professionals.

An overview of the conclusions regarding the single detailed Profit and Loss Account items is given below:

Table No. 163 - Chapter 4 - Overview for Profit and Loss Account items (Users, Preparers and Accounting Professionals)

	Useful / Essential for Type A	Useful/Essential for Type B	Useful/Essential for Type C
Net turnover	YES	YES	YES
Variations in stocks	YES	YES	YES
Work performed by the undertaking for its own purpose or capitalized	YES	YES	YES
Other operating income	YES	YES	YES
Raw materials and consumables	YES	YES	YES
Other external charges	YES	YES	YES
Staff costs	YES	YES	YES
Value adjustments	YES	/	/
Other operating charges	YES	YES	YES
Income from participating interests	YES	YES (Medium and Small-sized)	YES (Medium and Small-sized)
Income from other investments and loans	YES	YES (Medium and Small-sized)	YES (Medium and Small-sized)
Other interests receivable and similar income	YES	YES (Medium and Small-sized)	YES (Medium and Small-sized)
Value adjustments of financial assets	YES	YES (Medium and Small-sized)	YES (Medium and Small-sized)
Interest payable and similar charges	YES	YES	YES
Tax on profit or loss on ordinary activities	YES	NO	NO
Profit (or loss) on ordinary activities after taxation	YES	YES	YES
Extraordinary income	YES	YES (Medium and Small-sized)	YES (Medium and Small-sized)
Extraordinary charges	YES	YES (Medium and Small-sized)	YES (Medium and Small-sized)
Profit (or loss) for the financial year	YES	YES	YES

Table No. 164 - Chapter 4 - The importance attributed to other info. contained in the financial statements

Users
Conclusions question No. 19
Reference to Figures No. from 46 to 71 - Chapter 4

This question number 19 collects the opinions of Respondents on the importance of further information concerning the economic operations of the entity, which are not of a strictly accounting nature.

The data collected, which for Type A entities is generally consistent, highlight the fact that the Respondents generally select “useful” or “essential” for Medium-sized entities, regardless of legal form.

As the entities decrease in size, the responses tend more towards “non-essential” in relation to the information.

Taking into account the fact that the responses did not result in a finding of essential (Code 3), any requirements to make information available indicated in question No. 19 should only be made for larger enterprises.

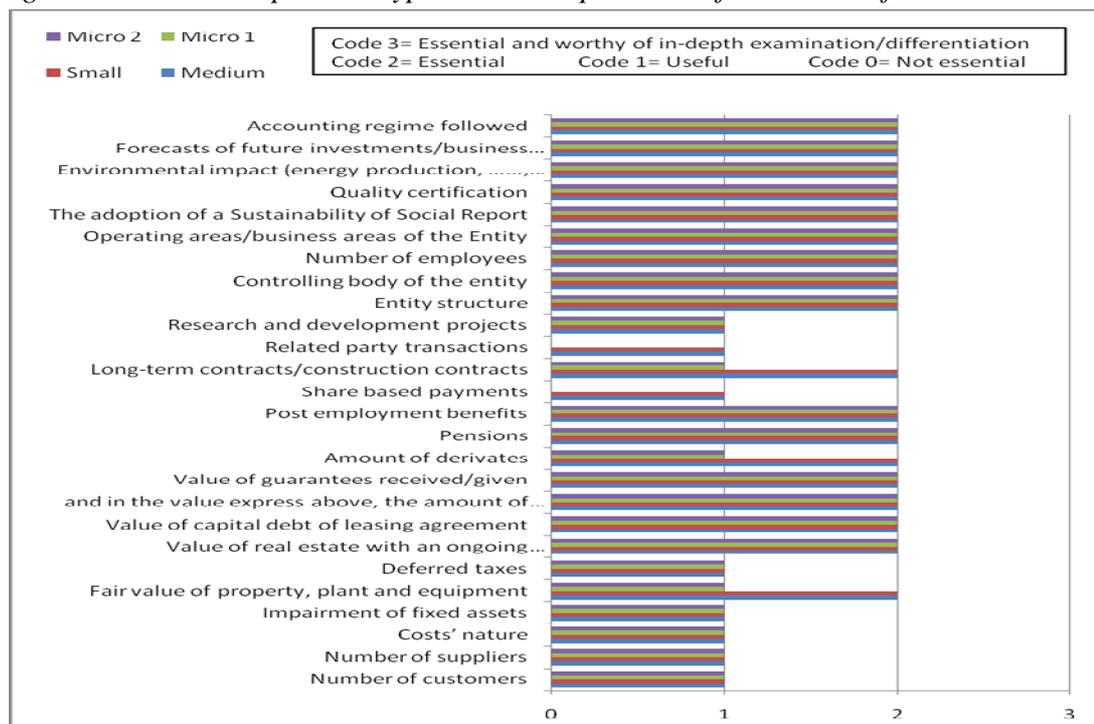
It should be noted that Type A Micros 1 and 2 responses of non-essential (Code 0) are prevalent for the following items: “Share based payments”, “Related party transactions”.

Responses of useful (Code 1), regardless of the size of the Type A entity, are prevalent for the following items: “Number of customers”, “Number of suppliers”, “Costs’ nature”, “Impairment of fixed assets”, “Deferred taxes” and “Research and development”.

Below is a summary of the replies collected on the various items indicated into the questionnaire, according to size and with reference to Type A entities.

These figures show the level of importance of the single items, from the Users’ point of view:

Figure No. 164 - Chapter 4 - Type A - The importance of the other information



Source: Annex 2E - Summary sheets - Table No. 159

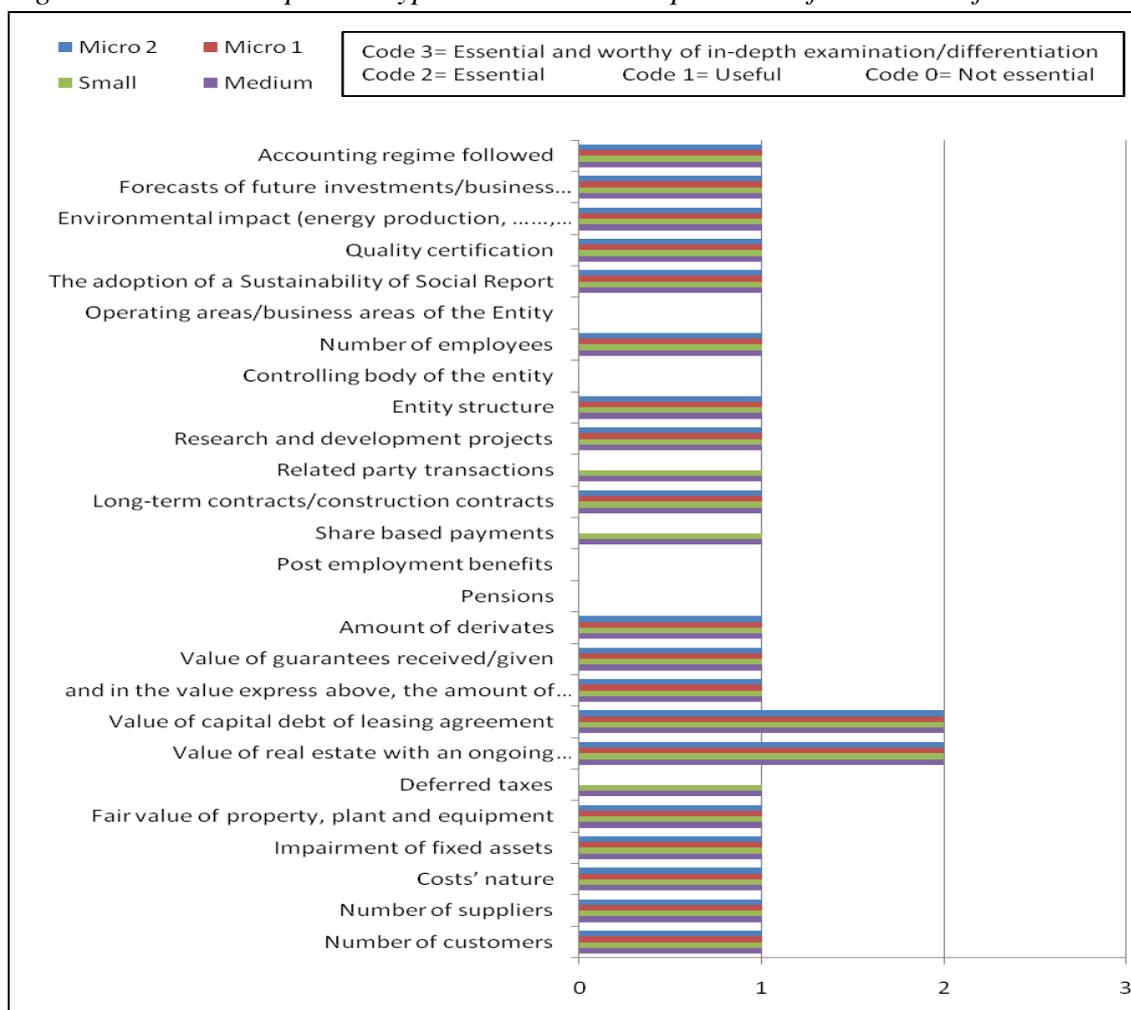
It should be noted that for Type B and C entities, “non-essential” judgments (Code 0) prevail for the following items: “Deferred taxes”, “Pensions”, “Post employment benefits”, “Share based payments”, “Related party transactions”, “Controlling body of the entity”, “Operating areas/business areas of the Entity”.

For Types B and C entities, regardless of their size, “essential” judgments (Code 2) have been expressed only with reference to the following items: “Value of real estate with an ongoing leasing/finance lease agreement” and “value of capital debt of leasing agreement”.

Below is a summary of the replies collected on single items of the Profit and Loss Account according to size and with reference to Type B and Type C entities, since there are no significant differences between them.

These figures show the level of importance of the single items, from the Users’ point of view:

Figure No. 165 - Chapter4 - Type B and C - The importance of the other information



Source: Annex 2E - Summary sheets - Table No. 160

Table No. 165 - Chapter 4 - What other elements and information do you think it would be useful to make available to third parties?

Preparers
Conclusions question No. 11

The question number 11 collects the opinions of the Respondents with regard to the importance of making other information available to third parties from the accounting documentation, even if not currently provided in the Balance Sheets.

In this regard, we need to underline the high percentage of negative responses which, along with the non-answers, indirectly represent a lack of interest in making the items analysed available, giving an overall negative opinion in this sense.

However, we note that the only items which the Respondents expressed interest in making available are:

- Value of fixed assets, subject to an ongoing financial lease agreement,
- Value of other assets, subject to an ongoing financial lease agreement,
- Value of guarantees received.

Below is a summary of the opinions expressed by the Respondents with reference to the various items indicated into the questionnaire.

Table No. 166 - Chapter 4 - Which other elements and information are important?

Other elements and information	yes	no
Value of fixed assets (Reference Table No. 80-Chapter 4)	76%	24%
Details of contracts (Reference Table No. 81-Chapter 4)	17%	83%
Value of other assets (Reference Table No. 82-Chapter 4)	77%	23%
Detailed list of lease contracts (Reference Table No. 83-Chapter 4)	11%	89%
Value of derivatives (Reference Table No. 84-Chapter 4)	30%	70%
Post-employment benefits (Reference Table No. 85-Chapter 4)	10%	90%
Fixed assets impairment (Reference Table No. 86-Chapter 4)	15%	85%
Fair value of tangible assets (Reference Table No. 87-Chapter 4)	28%	72%
Fair value of other assets (Reference Table No. 88-Chapter 4)	23%	77%
Operating lease (Reference Table No. 89-Chapter 4)	20%	80%
Share-based payments (Reference Table No. 90-Chapter 4)	16%	84%
Foreign-currency transactions (Reference Table No. 91-Chapter 4)	14%	86%
Long-term/construction contracts (Reference Table No. 92-Chapter 4)	22%	78%
R&D projects (Reference Table No. 93-Chapter 4)	21%	79%
Business combinations (Reference Table No. 94-Chapter 4)	21%	79%
Deferred taxes (Reference Table No. 95-Chapter 4)	15%	85%
Related party transactions (Reference Table No. 96-Chapter 4)	17%	83%
Debt position towards lease entity (Reference Table No. 97-Chapter 4)	32%	68%
Value of guarantees received (Reference Table No. 98-Chapter 4)	55%	45%
Value of granted guarantees (Reference Table No. 99-Chapter 4)	40%	60%
Contingency/Events after Balance Sheet closure (Reference Table No. 100-Chapter 4)	28%	72%

Questions No. 12, 13 and 14 collect opinions of the Respondents with regard to the importance of making further elements available to third parties which are not directly provided in the accounting documentation, but which affect the economic life of the entity.

In this regard, we need to underline the high percentage of negative opinions which, along with the non-responses, indirectly represent a lack of interest in making the information analyzed available to others, and an overall negative response in this sense.

It should be noted, however, that the Respondents who did give an opinion expressed an interest in making available information about:

- Details of entity structure;
- Market sector;
- Number of employees by staff categories;
- Number of customers;
- Number of suppliers;
- National operating/business areas of entity.

Below is a summary of the opinions expressed by the Respondents with reference to the various items indicated in the questionnaire:

Table No. 167 - Chapter 4 - Which other elements are important?

Other elements	yes	no
Details of entity structure (Reference Table No. 101-Chapter 4)	65%	35%
Controlling body of the entity (Reference Table No. 102-Chapter 4)	70%	30%
Market sector (Reference Table No. 103-Chapter 4)	88%	12%
Number of employees (Reference Table No. 104-Chapter 4)	73%	27%
Number of customers (Reference Table No. 105-Chapter 4)	71%	29%
Percentage of main customer out of total turnover (Reference Table No. 106-Chapter 4)	32%	68%
Number of suppliers (Reference Table No. 107-Chapter 4)	66%	34%
Percentage of the main supplier out of total purchases (Reference Table No. 108-Chapter 4)	29%	71%
National operating/business areas of entity (Reference Table No. 109-Chapter 4)	51%	49%
Percentage of main area out of total turnover (Reference Table No. 110-Chapter 4)	47%	53%
European operating/business areas of the entity (Reference Table No. 111-Chapter 4)	44%	56%
Percentage of main EU Country on total turnover (Reference Table No. 112-Chapter 4)	38%	62%
Operating/business areas of entity, extra EU (Reference Table No. 113-Chapter 4)	24%	76%
Percentage of the main extra-EU Country on total turnover (Reference Table No.114-Chapter 4)	25%	75%
Social Responsibility report (Reference Table No. 115-Chapter 4)	13%	87%
Quality certification (Reference Table No. 116-Chapter 4)	42%	58%
Forecast for new investments (Reference Table No. 117-Chapter 4)	29%	71%
Forecast for development of new products/services (Reference Table No. 118-Chapter 4)	41%	59%
Autonomous production of energy (Reference Table No. 119-Chapter 4)	20%	80%
Percentage of self-produced out of total requirement (Reference Table No. 120-Chapter 4)	16%	84%
Use of recycled materials (Reference Table No. 121-Chapter 4)	21%	79%
Percentage of recycled materials out of total requirement (Reference Table No. 122-Chapter 4)	17%	83%

Table No. 168 - Chapter 4 - The importance attributed to other information, contained in the financial statements

**Accounting Professionals
Conclusions question No. 12
Reference to Figures No. from 127 to 152 - Chapter 4**

This question number 12 collects the opinions of Respondents on the importance of further information concerning the economic operations of the entity, which are not of a strictly accounting nature.

The data collected (evenly) show a general trend where the entity size is more important than its legal form.

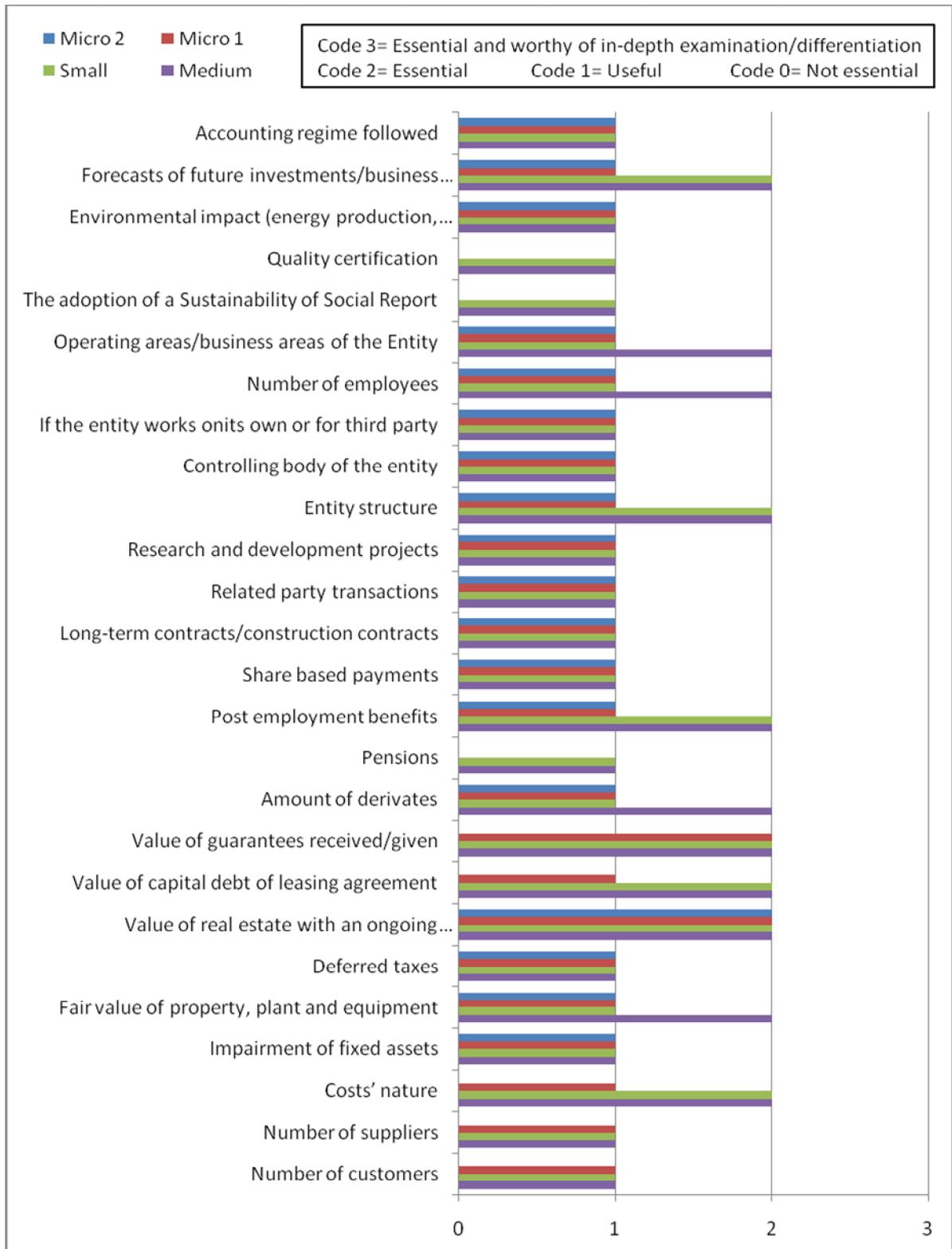
Below is a summary of the various items of the questionnaire, with the prevailing answers in relation to the entity size, regardless of their legal form (Types A, B and C), as these do not feature major differences. These show their level of importance, as perceived by Accounting Professionals:

In particular it should be noted that only for Micro 2 entities the opinions of “non essential” (Code 0) prevail for the following items:

- Number of customers;
- Number of suppliers;
- Cost's nature;
- Fair value of property, plant and equipment;
- Value of capital debt of leasing agreement;
- Value of guarantees received/given;
- Entity structure;
- Controlling body of the entity.

No Respondent expressed a judgment of “essential” and “worthy of in depth examination” (Code. 3).

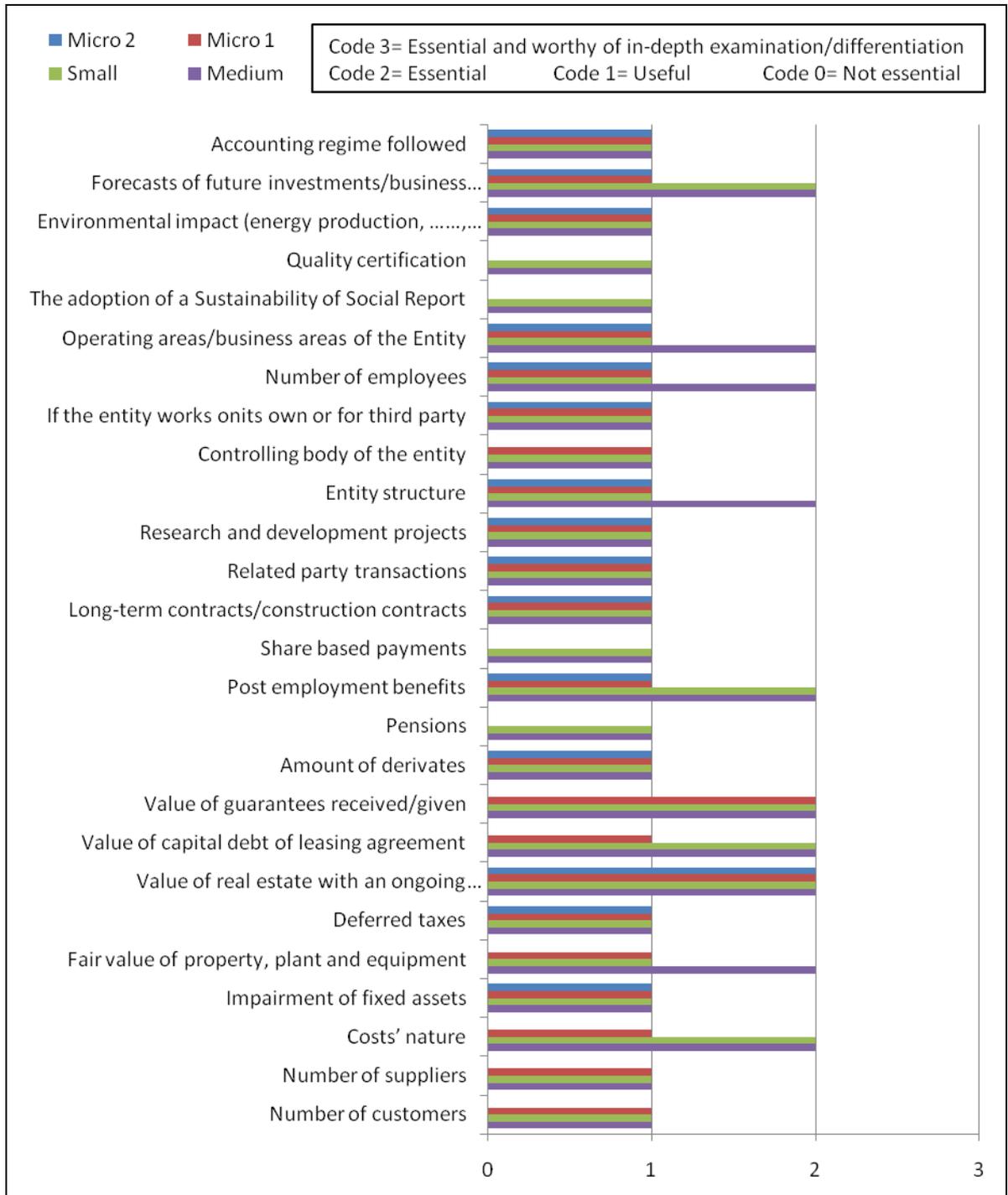
Figure No. 166 - Chapter 4 - Type A - The importance of the other information



Source: Annex 2E - Summary sheets - Table No. 161

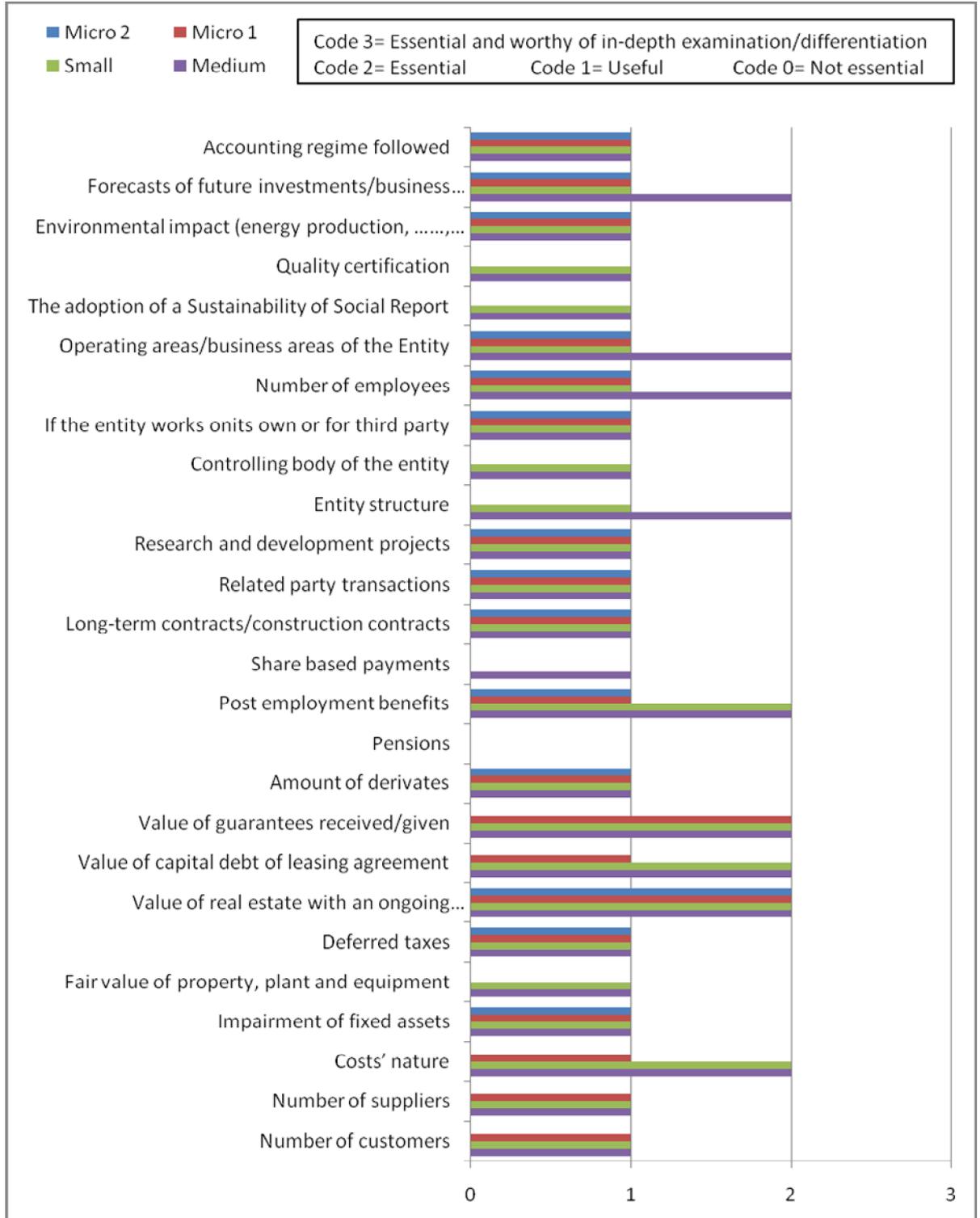
The Figures relating to Type B and C entities do not present significant differences in respect of Type A entities, with reference to the question “The importance of the other information”

Figure No. 167 - Chapter 4 - Type B - The importance of the other information



Source: Annex 2E - Summary sheets - Table No. 162

Figure No. 168 - Chapter 4 - Type C - The importance of the other information



Source: Annex 2E - Summary sheets - Table No. 163

Conclusions for Users, Preparers and Accounting Professionals together

With reference to the question No.12 about the other elements concerning the entities' activity (other accounting data not included in the financial accounts and other data not obtained from accounting documentation), it needs to be said that:

- There is, in general, little interest about the other elements referred to in the questions. Moreover, the data collected show, in a uniform manner that opinions of "usefulness" or "essentialness" apply principally to Medium- and Small-sized entities; as the size of the entity decreases, the opinions are more oriented towards the information being considered as "not essential".
- The legal form of the entity is more significant for the Users since, with reference to Type A entities and regardless of the size, the "essential" valuation is expressed for most of the specific elements requested. With regard to the other types of entities (Types B and C), the valuation expressed is that knowledge of the other single elements listed in the questions is not of an essential nature. As a matter of fact, some of such elements are considered as useful and others non-essential.
- The number of Respondents belonging to the Preparers' category is low. This is justified by the nature of the question which asks such Respondents what further information they think to be useful to provide to third parties. As a matter of fact, such Respondents are mainly concerned about documentation for internal purposes;
- For Accounting Professionals the level of importance attributed to the other elements requested depends on the size of the entity, the legal form being considered as irrelevant. The usefulness of the information is considered very low for Micro 1 and Micro 2 entities.

According to the above considerations and only with reference to Type A entities (all) and Medium- and Small-sized concerning Type B and C entities, it can be concluded that further requests for other data and elements could refer to the following items:

- Nature of costs; value of fixed assets subject to an ongoing finance lease agreement;
- Value of other assets subjected to an ongoing finance lease agreement;
- Values of guarantees received; details of the enterprise structure;
- Market sector;
- Number of employees by staff categories;
- Number of customers;
- Number of suppliers;
- National operating/business areas of the enterprise.

The information relating to the value of fixed assets acquired through an ongoing leasing agreement and the relative residual capital debt (capital amount) are deemed to be essential for all types of Respondents. For Micro 1 and Micro 2 entities, however, to provide such information implies a further burden contrary to the scope of simplification.

Table No. 169 - Chapter 4 - The Use of ratio analysis in analysing financial reports

	<u>Do you rely on ratio analysis in analysing financial reports? If yes, what kind of ratios do you find useful?</u> Conclusions ¹⁶⁵
Users Reference Table No 25 - Chapter 4	<p>Considering the type of Respondents, and that all Users are potential users of accounting data also represented by ratios, we deem it correct to consider missing answers together with the "NO" answers.</p> <p>As a consequence the Survey results show that a few Users utilise ratio analysis, and in addition, the open-ended answers highlight a limited use of financial ratios.</p>
Preparers Reference Table No 123 - Chapter 4	<p>The question collects together the opinions of the Respondents with regard to the use of ratio analysis of the Balance Sheet of their entity.</p> <p>In this regard we need to underline the high percentage of negative opinions which, along with the non-responses, indirectly represent a scarce use of ratio analysis in analysing financial reports.</p> <p>Among those who declared using balance indexes, those used most commonly are those that deal with profitability (ROE, ROI, ROA and ROS). Very few said that they used other indexes, especially those of a financial nature.</p>
Accounting Professionals Reference Table No 136 - Chapter 4	<p>Considering the type of Respondents (Accounting Professionals), the percentage of Respondents using the ratio analysis in analysing financial reports is low. The share of Respondents who did not answer this question plays an important role (26%).</p> <p>On the other hand, ratio analysis of the financial statements is no common practice for Accounting Professionals, who mainly handle fulfilments of a fiscal nature, and only partially - on a non-recurring basis- analyse financial statements for management control purposes.</p>

Conclusions for Users, Preparers and Accounting Professionals together

The use of ratio analysis for analysing financial reports is mainly carried out by Accounting Professionals in the performance of their advisory capacity for client entities and by Preparers in the internal management of their entity.

In dealings between entities, however, as can be inferred from the reply to question of the Users' questionnaire, accounting documentation is not aimed at obtaining the financial account items necessary for their use in ratio calculations and whenever they are used for this purpose, the ratios used relate to profitability.

¹⁶⁵ Reference is made to question No. 20 for Users, No. 15 for Preparers and No. 13 for Accounting Professionals.

Table No. 170 - Chapter 4 - Suggestions for more complete accounting documentation

	<u>Do you think that financial statements should be more complete?</u> Conclusions ¹⁶⁶
Users Reference Table No 26 - Chapter 4	As for the other types of replies, if we calculate and include also the "missing answers" into the replies to this question, we note that the percentage of those who believe that enhanced completeness of accounting documentation is required is between 2,6% and 7%; the range is therefore very low.
Preparers Reference Table No 124 - Chapter 4	The question collects the opinions of the Respondents with regard to the need for the accounting documentation of their entity to be more complete. In this regard, we must note the very high percentage of negative opinions among the Respondents, who clearly express the non-necessity of having accounting documentation more complete. This result may be strengthened by counting the non-answers as negative opinions, bearing in mind the type of Respondents (Preparers).
Accounting Professionals Reference Table No 137 - Chapter 4	The answers given highlight that the need for enhanced completeness is directly proportional to the entity size, and is only scarcely affected by the legal form. In brief, the Accounting Professionals' expectations involve enhanced completeness of the accounting documentation in relation to Medium- and Small-sized entities regardless of their legal form. On the other hand, there seems to be no need for enhanced completeness as regards Micro 1 and Micro 2 entities.

Conclusions for Users, Preparers and Accounting Professionals together

On the basis of the replies collected, there appears to be no general need for more complete accounting documentation. Specifically, it is clear that the need for greater completeness in accounting documentation is perceived mainly by Accounting Professionals, and refers exclusively to Medium- and Small-sized entities regardless of legal form. There is no need for more complete accounting documentation for Micro 1 and Micro 2 entities.

¹⁶⁶ Reference is made to question No. 21 for Users, No. 16 for Preparers and No. 14 for Accounting Professionals.

Table No. 171 - Chapter 4 - Suggestion for simplification of accounting documentation

	<u>Do you think that financial statements should be simplified?</u> Conclusions ¹⁶⁷
Users Reference Table No 27 - Chapter 4	The answers given confirm the interpretation hypotheses previously adopted, i.e. considering "missing answers" as negative answers for the purpose of calculating the number of Respondents and the weight of the replies given. It should be noted that the need for a simplification of accounting documentation is widely perceived, and this need increases as the entity's size decreases, regardless of the entity's legal form.
Preparers Reference Table No 125 - Chapter 4	We may note that the needs for simplification of accounting documentation are strongly perceived, and they increase as the size of the Respondent's entity decreases. A reading of the open answers, however, shows that there is no single indication of what part of the documentation should be simplified.
Accounting Professionals Reference Table No 138 - Chapter 4	The answers given highlight that the need for enhanced simplification is inversely proportional to the entity size, and is only scarcely, if not at all, affected by the legal form. In brief, the Accounting Professionals' expectations involve enhanced simplification of the accounting documents in relation to Types B and C Micro 1 and Micro 2 entities. On the other hand, there is no need for enhanced simplification as regards Medium- and Small-sized entities.

Conclusions for Users, Preparers and Accounting Professionals together

The needs for simplification are clearly perceived by all Respondents (Users, Preparers and Accounting Professionals), and increase as the size of enterprise decreases, regardless of legal form. Accounting Professionals say there is less need for simplification only with respect to Medium- and Small-sized Type A entities.

¹⁶⁷ Reference is made to question No. 22 for Users, No. 17 for Preparers and No. 15 for Accounting Professionals.

Table No. 172 - Chapter 4 - Awareness of “IFRS for SMEs”

	<u>Are you familiar with the “IFRS for SMEs”?</u> Conclusions ¹⁶⁸
Users Reference Table No 28 - Chapter 4	Reasoning by analogy, if we consider the Respondents who did not respond among those who declared not to be familiar with international accounting standards, we find that they represent 99% in total. Considering that nobody gave open-ended answers, it is difficult to provide a conclusion.
Preparers Reference Table No 126 - Chapter 4	The answers indicate a general non familiarity with IFRS. This conclusion is also confirmed by the fact that, with reference to the open answers, no considerations were formulated.
Accounting Professionals Reference Table No 139 - Chapter 4	Reasoning by analogy, if we consider the Respondents who did not respond among those who declared not to be familiar with international accounting standards, we find that they represent more than 90% as a whole. Considering that nobody gave open-ended answers, it is difficult to provide a conclusion. However, the results highlight that the IFRS for SMEs are not applicable by Accounting Professionals and at any rate, there is a lack of interest in their possible and standardised introduction into the entities' accounting systems.

Conclusions for Users, Preparers and Accounting Professionals together

For all Respondents (Users, Preparers and Accounting Professionals), there is a lack of use of the IFRS for SMEs standards and consequently poor knowledge of them. The high percentage of Respondents that do not know the IFRS for SMEs leaves little room for any conclusion other than a non-generalised use of such standards in accounting systems. They are only applied with reference to more highly structured entities that, by virtue of their structured nature, operate on an international level.

This conclusion is further supported by the general lack (on the part of all types of Respondents) of considerations and comments on the criteria contained in single accounting standards.

¹⁶⁸ Reference is made to question No.23 for Users, No. 18 for Preparers and No. 16 for Accounting Professionals.

5. CONCLUSIONS

The conclusions drawn, based on the results of the Desk Research (See Chapter 3.1.3.3 and 3.1.3.4) and the Survey (Chapter 4.4), are presented in this Chapter 5, according to the legal form (Types A, B and C) and size of the SMEs, also taking into consideration the technical areas analysed.

The following analysis also highlights when it is not possible to draw conclusions.

5.1. Type A: Private joint-stock companies with limited liability for those owning shares

From the analysis of the information collected with the Desk Research, it must be highlighted that the size of the Type A entities (Medium-, Small-sized, Micro 1 and Micro 2) is not a criterion which affects the accounting requirements in force. In other words, the legal form of the entities belonging to Type A is the prevalent determining factor for the accounting requirements.

Thus, by reason of their legal form and largely in view of their resulting limited liability, Type A entities are subject to various accounting requirements (see Chapter 3.1.3.3.1 and 3.1.3.4.2), including double-entry bookkeeping, the preparation and publication of their Financial Statements and auditing requirements.

From the analysis of the results of the Survey, it emerges that the perceived needs of the Respondents are not always in line with the provisions of the national accounting laws, because they relate more closely to the size of the Type A entities.

Accounting Records

With reference to the technical area “Accounting Records”, the Desk Research has shown that the Double-Entry Accounting method is compulsory in each selected Country, irrespective of the size of the entities.

This kind of accounting method is largely approved also by the Respondents of the Survey as is shown in Tables No. 150 and 151 in Chapter 4.4, where the Respondents declare that the Balance Sheet and the Profit and Loss Account is essential for each size of Type A entity, as these documents are necessarily based on the Double-Entry Accounting method.

Accounting Principles

As far as the Accounting Principles in use in the selected Countries are concerned, the analysis conducted with the Desk Research shows that the local GAAP are generally adopted. In addition, in some Countries (see Chapters 3.1.3.3.1 and 3.1.3.4.2) the IFRS or IFRS-EU Accounting Standards are optionally adopted or optionally allowed.

It should be noted that the Accounting Principles are not the subject of this Survey and therefore no conclusions can be drawn in this respect.

Generally speaking, with reference to the IFRS for SMEs, almost all the Respondents (Users, Preparers and Accounting Professionals), declared they were not familiar with them; therefore, no considerations and comments regarding IFRS for SME application criteria were collected from the Respondents. The conclusion that can be drawn is that the Respondents are not familiar with IFRS for SMEs (see Table No. 172 in Chapter 4.4).

Principles for external financial statements

The General principles set out in Articles 2 and 31 of the Fourth Directive¹⁶⁹ have been implemented by the selected Countries. The General Principles are basically the following: true and fair view, going concern, consistent application of valuation rules, prudence, realisation, recognition, separate valuation of components of assets and liabilities, opening balance, clarity and comparability.

The issue emerging from the analysis conducted in the Survey is that the judgment of the Respondent about the reliability of accounting data is positive; the conclusion that can be drawn is that the abovementioned principles of external financial statements are considered suitable for this purpose.

Components of Financial Statements

It emerges from the Desk Research that for Type A Medium-sized entities the minimum components include the Balance Sheet, the Profit and Loss Account and the Notes to the Accounts (according to the Fourth Directive: 3 basic components of the Financial Statements). Norway also includes the Cash Flow Statement.

Moreover, some other Countries also include the Cash Flow Statement and the Statement of Changes in Equity as components of the financial statements (see Chapter 3.1.3.3.1 and 3.1.3.4.2) while Small-sized and Micro 1 and Micro 2 entities are allowed to prepare Abridged Financial Statements (generally the same thresholds indicated for the auditing requirements apply).

The analysis carried out at the level of Survey shows (see Tables 150 and 151 in Chapter 4.4) that there is a strong interest in the Balance Sheet, Profit and Loss Account for all Type A entities, irrespective of size.

The Notes to the Accounts are only considered interesting for Medium- and Small-sized Type A entities.

Finally, as far as the Cash Flow Statements and Consolidated Accounts are concerned, these documents are considered interesting only for Type A Medium-sized entities.

Moreover, it emerges from the Survey that all the items of the Balance Sheet are considered useful/ essential.

However, from the Users' point of view, "Accruals and deferred income", "Prepayments and accrued income" are not considered essential for Small-sized, Micro 1 and Micro 2 entities (see Table No. 154, Figure No. 154 in Chapter 4.4).

As far as the Profit and Loss Account is concerned, all its items are considered useful/essential. However, from the Users' point of view "Tax on profit or loss on ordinary activities" is not considered useful, irrespective of size (see Table No. 159, Figure No. 159 in Chapter 4.4).

With reference to the Notes to the Accounts, the Survey has highlighted that the "Value of real estate with an ongoing leasing/finance lease agreement" and the "Value of capital debt of leasing agreement" are considered essential by the Users and Accounting Professionals. The same conclusions can also be drawn for "Pensions" and "Value of guarantees received/given" elements.

On the other hand, "Deferred Taxes", "Related party transactions" and "Research and development projects" are considered useful but not essential.

¹⁶⁹ Directive 78/660/EEC, Article 2 - General Provisions and Article 31 - Valuation rules.

Auditing

It emerges from the Desk Research that the Audit is compulsory for Type A Medium-sized entities yet non-compulsory for Small-sized, Micro 1 and Micro 2 entities.

All the Respondents (Users, Preparers and Accounting Professionals) consider useful the information about the presence of the “Controlling body of the entity”, where this exists.

However, it should be noted that the number of the Respondents replying to this question is very low in respect of the total number of the interviewees. This may lead to conclude that there is a low interest in this issue.

Publication

It emerges from the Desk Research that Publication is compulsory for all the selected Countries, irrespective of the size of the Type A entities.

The availability of the accounting documents of Type A entities is also confirmed by the results of the Survey. Indeed all Respondents (Users, Preparers and Accounting Professionals) consider the “availability/reliability and relevance” of the accounting documents to be adequate for Type A entities that already shall publish these documents.

Annual Report

With reference to Type A Medium-sized entities, the Annual Report is compulsory for all the selected Countries while the same document is generally not compulsory for Small-sized, Micro 1 and Micro 2 entities (whenever Auditing is not required).

The Accounting legislation seems to be in line with the results of the Survey, where the Annual Report is deemed to be useful for Medium- and Small-sized entities. On the contrary, for Type A Micro 1 and Micro 2 entities this document is not considered to be essential (see Figure No. 94 in Chapter 4.3.3 and Figure No. 8 in Chapter 4.3.1).

The Survey also shows that few Respondents rely on ratio analysis when analyzing financial reports (see Table No. 25 in Chapter 4.3.1, Table No. 123 in Chapter 4.3.2 and Table No. 136 and in Chapter 4.3.3).

Additional conclusions related to Type A entities

A general need for simplification emerges from the Survey, and this is expressed by all Respondents (Users, Preparers and Accounting Professionals). However, with reference to the replies of the Accounting Professionals, it must be noted that the need for simplification is expressed mainly for Micro 1 and Micro 2 Type A entities (see Figure No. 153 Chapter 4.4). The needs for an enhanced completeness of the accounting documentation expressed by the Accounting Professionals with reference to Medium- and Small-sized Type A entities, will lead to an increase of the costs which is not justified, taking into account the different opinion expressed by the larger part of the Users and Preparers.

Furthermore, among the Users, the Banks have expressed greater expectations of completeness of the accounting documentation for Small-sized and Micro entities: the reasons for this perceived need are explained below.

For the Banks/Financial institutions, the importance attributed to the completeness of the accounting documentation is due to the need to comply with their internal requirements concerning the application of the Basel agreements¹⁷⁰ with a view to granting credit, loans and financing to the SMEs.

¹⁷⁰ Basel II is the second of the Basel Agreements, which are recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision with the aim to secure international convergence on revisions to supervisory regulations governing the capital adequacy of internationally active banks. See also for more details <http://www.bis.org/publ/bcbcsca.htm>

5.2. Type B: Personally owned limited and unlimited liability partnerships

With reference to Type B entities and on the basis of the Desk Research findings, it can be noted that the size of the entity (Medium-, Small-sized, Micro 1 and Micro 2) becomes a more noteworthy driver for the purposes of the accounting requirements they are expected to meet.

From the analysis of the results of the Survey there emerges a very low interest in the accounting documentation of the SMEs, in particular from the Users' point of view (see Figure No. 2 in Chapter 4.3.1 and Annex 2E-Users Table No. 1).

This low level of interest in the accounting documentation of Type B entities is mainly due to the unlimited liability principle which governs those partnerships: indeed third parties may rely on the personal assets of the partners without the specific need for complete information about the entity's assets.

In particular, the Users declare that they use other channels of information for their evaluations and decisions (i.e. for the evaluation of the good standing of other SMEs). These channels may be commercial reports, banking reports, asset search, reports on the personal/business assets of the entrepreneur, etc.).

From the results of the Desk Research and of the Survey, it can be concluded that even if there is some interest in the accounting documentation of Medium-sized entities, this interest is lower and the level decreases as the size of the entities decreases (Small-sized, Micro 1 and Micro 2 entities).

Accounting Records

With reference to the technical area "Accounting Records", the Desk Research has shown that the Double-Entry Accounting method is generally adopted by Type B entities, irrespective of size. However, it is worth considering that the Desk Research has also highlighted a trend to reduce accounting obligations according to diminishing size, especially with reference to Micro entities where some exemptions to the Double-Entry Accounting method are provided.

Likewise from the results of the Survey it can also be concluded that the Double-Entry Accounting method is considered essential for Medium- and Small-sized entities. This conclusion can be drawn on the basis of the Users' and Accounting Professionals' expressed needs (see Tables No. 150 and No. 151 in Chapter 4.4) when they consider the Balance Sheet and the Profit and Loss Account to be essential. Indeed these financial statements are based on the Double-Entry Accounting method; this method is therefore essential for Medium- and Small-sized entities.

Accounting Principles

As far as the Accounting Principles in use in the selected Countries are concerned, the information collected with the Desk Research shows that the local GAAP are generally adopted. In addition, in some Countries (see Chapters 3.1.3.3.2 and 3.1.3.4.3) some specific Accounting Principles for SMEs are applicable.

It should be noted that the Accounting Principles are not the subject of this Survey and no conclusions can therefore be drawn in this respect.

Generally speaking, with reference to the IFRS for SMEs, almost all the Respondents (Users, Preparers and Accounting Professionals), declared they were not familiar with them; no considerations and comments regarding IFRS for SMEs application criteria were therefore collected from the Respondents. The conclusion that can be drawn is that the Respondents are not interested in IFRS for SMEs (see Table No. 172 in Chapter 4.4).

Principles for External Financial Statements

General principles set out in Articles 2 and 31 of the Fourth Directive¹⁷¹ have been implemented by the selected Countries and are applicable to all the commercial entities required to draw up financial statements.

Whenever simplified accounting systems (or accounting for tax purposes only) are applicable, it can be noted that there are no specific requirements in terms of Principles for external financial statements.

From the analysis conducted in the Survey, it emerges that the reliability of accounting data of Type B entities is considered inadequate and this judgment increases as the size of the entity decreases.

However, it should be considered that:

- The number of Respondents replying to this question (question No. 10 for Users, question No. 4 for Accounting Professionals, and question No. 3 for Preparers) is very low in respect of the overall number of the interviews. This shows the low level of interest in the accounting documentation of other SMEs for the Respondents' own purposes;
- The documentation of these entities is closely connected to the personal assets of the partners who have unlimited liability with regard to the commitments undertaken. The introduction of additional and more stringent obligations and rules could increase the reliability of the accounting documentation of Type B entities. Nevertheless, it must also be pointed out that even if it was more reliable, this accounting documentation alone would provide a partial overview of the assets of the entities coming under this category.

Components of Financial Statements

It emerges from the Desk Research that for Type B Medium-sized entities, the minimum components of financial statements are the Balance Sheet, the Profit and Loss Account and the Notes to the Accounts (i.e. the 3 basic components).

Moreover, some Countries also include the Cash Flow Statement and the Statement of Changes in Equity as components of the Financial Statements (see Chapters 3.1.3.3.2 and 3.1.3.4.3).

The same applies to Type B Small-sized and Micro 1 and Micro 2 entities: although these entities are allowed to prepare Abridged Financial Statements (generally if some thresholds indicated for the auditing requirements are not exceeded).

On the contrary, from the analysis of the results of the Survey (see Chapter 4.4) it emerges that:

- The Profit and Loss Account is considered essential for all Type B entities, regardless of size;
- The Balance Sheet is considered to be essential only for Type B Medium- and Small-sized entities;
- The Notes to the Accounts are considered useful but not essential for Medium-sized entities, while for Small-sized, Micro 1 and Micro 2 they are not considered necessary;
- The Cash Flow Statement and the Consolidated Accounts are not considered necessary for all Type B entities, regardless of size.

¹⁷¹Directive 78/660/EEC, Article 2- General Provisions, Article 31 - Valuation rules.

With specific reference to the Profit and Loss Account items, from the Users' point of view a general judgment of usefulness emerges for all those items required by law.

Only the following items are not considered essential:

- Net turnover;
- Staff costs;
- Profit or loss on ordinary activities after taxation;
- Profit or loss of the financial year.

The item Tax on profit or loss of the financial year is not considered useful.

With specific reference to the Balance Sheet items, from the Users' point of view a general judgment of essentiality emerges for only some of the items required by law: Tangible assets, Stocks, Investments, Profit (loss) of the financial year and Debtors and only with reference to Medium-sized entities.

The items Capital and reserves, Provisions and Creditors are not considered useful for all Type B entities.

The remaining items are considered useful but not essential.

Type B entities are not required to prepare the Notes to the Accounts.

However, the questionnaire of the Survey also aimed to verify if some items, usually provided for in such documents or other items (not contained into financial statements) were considered essential for these entities. According to the analysis of the results presented in Chapter 4.4 it can be concluded that none of these items are considered essential for Type B entities.

The above conclusions, with reference to the Components of Financial Statements, are mainly drawn from the opinions expressed by the Users as the major Users of accounting documentation. Furthermore, the Users represent the largest part of the Respondents.

It must therefore be highlighted that with reference to the different sizes of the entities, the opinions may vary significantly; and this shall be taken into account in the Recommendations.

The Accounting Professionals awarded a higher level of importance to the Components of the Financial Statement, while the Preparers expressed a greater need for simplification.

The different point of views are mainly due to the different approach of the Respondents (i.e. Users, Preparers and Accounting Professionals), according to their different needs and interests in the accounting documentation.

Auditing

With reference to Auditing requirements, the Desk Research has highlighted that only Type B Medium-sized entities are subject to audit obligation, while Micro entities are largely exempt. With reference to Small-sized entities, in several Countries audit is compulsory only when some threshold(s) is exceeded (see Chapters 3.1.3.3.2 and 3.1.3.4.3). The results above lead to the conclusion that in the majority of the selected countries, the audit requirements provided for Type A entities are applied only to Type B Medium-sized entities.

According to the results of the Survey, Auditing is considered useful only by the Accounting Professionals and the Preparers, while the Users expressed a low interest in this issue. For all Respondents, it must be noted that the overall number of replies is low in respect of the number of interviews.

Publication

It emerges from the Desk Research that Publication is compulsory for Type B Medium- and Small-sized entities, also taking into account the fact that in many Countries, Publication is compulsory when members with unlimited liability in a partnership are a limited liability company or a foreign company.

From the Desk Research it emerges that for Micro 1 and Micro 2 entities, Publication is not compulsory, thus confirming a trend to reduce accounting requirements as the size of the entity decreases.

The results of the Survey show that the availability of the accounting documents of Type B entities is considered inadequate and this judgment increases as the entity's size decreases. This is due to the fact that for Type B entities, as already stated, Publication of the financial statements is not compulsory.

It must be noted, however, that this opinion is expressed by a small proportion of the Respondents and that it shall be considered within the general context of a lack of use of the accounting documentation by the Users (see Figure No. 2 in Chapter 4.3.1 and Annex2E Users – Table No.1).

Furthermore, as already noted, the accounting documentation has a low level of importance for Type B entities, where greater importance is attached to the personal assets of the partners.

Annual Report

With reference to Type B Medium-sized and Small size entities, the Annual Report is compulsory only in few Countries, while for Micro 1 and 2 entities it is generally not compulsory.

On the contrary, according to the results of the Survey the Annual Report is considered useful even if only with reference to Medium-sized entities. For Type B Small-sized, Micro 1 and Micro 2 this document is not considered necessary.

Additional conclusion related to Type B entities

From the Survey, it emerges that there is a general need for simplification for all the Respondents. However, with reference to replies given by Accounting Professionals, less need for simplification is expressed only with reference to Medium- and Small-sized Type B entities.

Furthermore, among the Users, the Banks have expressed greater expectations of completeness of the accounting documentation of Small-sized and Micro entities: the reasons for this need can be explained as follows.

For Banks/Financial institutions, the importance attributed to the completeness of the accounting documentation is due to the need to comply with their internal requirements concerning the application of the Basel agreements with a view to granting credit, loans and financing to the SMEs.

For Type B entities, third parties can rely on the unlimited liability principle which governs those partnerships: indeed third parties may rely on the personal assets of the partners.

This conclusion can also be drawn by considering that most Respondents declared they used other channels of information for their evaluations and decisions (i.e. for the evaluation of the good standing of other SMEs), as is shown in the results presented in Figure No. 2 in Chapter 4.3.1 and in Annex 2E-Users Table No. 1.

It is therefore possible to conclude that the Recommendations and the Future Policy Initiatives shall take into account the expectation of a simplification of the accounting requirements for SMEs.

5.3. Type C: Personally owned and unlimited personal liability such as sole proprietorship or unincorporated entities

With reference to Type C entities and on the basis of the Desk Research findings, it can be noted that in most of the selected Countries, some accounting requirements are mainly due to the size of the entity (e.g. accounting records and components of financial statements) while other are not provided regardless of size (e.g. publication, auditing, Annual Report).

From the analysis of the results of the Survey a very low level interest in the accounting documentation of the SMEs emerges, in particular from the Users' point of view. (see Figure No. 2 in Chapter 4.3.1 and Annex2E Users - Table No.1).

This low level of interest in the accounting documentation of Type C entities is mainly due to the unlimited liability principle which governs those partnerships: indeed third parties may rely on the personal assets of the partners without a specific need to have complete information about the entity's assets.

In particular, the Users declare they use other channels of information for their evaluations and decisions (i.e. for the evaluation of the good standing of other SMEs). These channels, which differ from accounting documentation, may be commercial reports, banking reports, asset search and reports on the personal assets of the entrepreneur, etc.).

From the results of the Desk Research and of the Survey, it can be concluded that even if there is some interest in the accounting documentation of Medium-sized entities, the level of this interest is lower and decreases as the size of the entities decreases (Small-sized, Micros 1 and 2 entities).

Accounting Records

With reference to the technical area "Accounting Records", the Desk Research has shown that the Double-Entry Accounting method is generally adopted by Small- and Medium-sized Type C entities.

With reference to Micro entities (Micro 1 and Micro 2) these latter have an option to use other accounting systems for tax purposes.

Likewise from the results of the Survey it can also be concluded that the Double-Entry Accounting method is considered essential for Medium- and Small-sized entities. This conclusion can be drawn on the basis of the Users' and Accounting Professionals' expressed needs (see Tables No. 150 and No. 151 in Chapter 4.4) when they consider the Balance Sheet and the Profit and Loss Account to be essential. Indeed these financial statements are based on the Double-Entry Accounting method; this method is therefore essential for Medium- and Small-sized entities.

Accounting Principles

As far as the Accounting principles in use in the selected Countries are concerned, the information collected with the Desk Research shows that the local GAAP is generally adopted. In addition, in some Countries (see Chapters 3.1.3.3.3 and 3.1.3.4.4) some specific Accounting principles for SMEs and some specific principles for Double-Entry Accounting method are applicable.

It should be noted that the Accounting principles are not the subject of this Survey and no conclusions can therefore be drawn in this respect.

Generally speaking, with reference to the IFRS for SMEs, almost all Respondents (i.e. Users, Preparers and Accounting Professionals) declared they were not familiar with them; no considerations and comments regarding the IFRS for SME application criteria were therefore collected from the Respondents. The conclusion that can be drawn is that the Respondents are not interested in IFRS for SMEs (see Table No. 172 in Chapter 4.4).

Principles for External Financial Statements

The General principles set out in Articles 2 and 31 of the Fourth Directive¹⁷² have been implemented by the selected Countries and are applicable to all commercial entities required to draw up financial statements.

Whenever simplified accounting systems (or accounting for tax purposes only) are applicable, it can be noted that there are no specific requirements in terms of Principles for External Financial Statements for Micro 2 entities (e.g. Germany, Norway and the United Kingdom), while, in Romania there is a simplified accounting system for all Type C entities.

From the analysis conducted in the Survey it emerges that the reliability of accounting data of Type C entities is considered inadequate and this judgment increases as the size of the entity decreases.

However, it should be considered that:

- The number of Respondents replying to this question (Question No. 10 for Users, Question No. 4 for Accounting Professionals, and Question No. 3 for Preparers) is low in respect of the overall number of the interviews. This shows the low level of interest in the accounting documentation of other SMEs for the Respondents' own purposes;
- The entities' documentation is closely connected to the personal assets of the partners who have unlimited liability with regard to the commitments undertaken. The introduction of additional and more stringent obligations and rules could increase the reliability of the accounting documentation of Type C entities. Nevertheless, it must also be pointed out that even if it was more reliable, this accounting documentation alone would provide a partial overview of the assets of the entities coming under this category.

Components of Financial Statements

From the Desk Research it emerges that for Type C Medium-sized entities, the minimum components of financial statements are the Balance Sheet, the Profit and Loss Account and the Notes to the Accounts (in 10 selected Countries) while in 3 selected Countries there is the Balance Sheet and the Profit and Loss Account only. In some selected Countries the Cash Flow Statement is also provided (see Chapters 3.1.3.3.3 and 3.1.3.4.4).

Compared to Medium-sized entities, the analysis of those of type C Small-sized highlights the fact that the Countries where the Financial Statements must be drawn up decreases in number, and that there are also some simplifications such as the exclusion of the Notes to the Account or a simplification of these notes.

With reference to Micro 1 and Micro 2 entities, in most of the selected Countries, the latter are required to prepare the Financial Statements for tax purposes only.

From the analysis of the results of the Survey (see Chapter 4.4) it emerges that:

- The Profit and Loss Account is considered essential for all Type C entities, regardless of size;
- The Balance Sheet is considered essential only for Type C Medium- and Small-sized entities;
- The Notes to the Accounts and Annual Report are considered useful but not essential for Medium-sized entities, while for Small-sized, Micro1 and Micro 2 they are not considered necessary;

¹⁷²Directive 78/660/EEC, Article 2- General Provisions and Article 31 - Valuation rules

- The Cash Flow Statement and the Consolidated Accounts are not considered necessary for all Type C entities, regardless of size.

With specific reference to the Profit and Loss Account items, a general judgment of usefulness emerges from Users for all those items required by law.

Only the following items are considered essential:

- Net turnover;
- Staff costs;
- Profit or loss on ordinary activities after taxation;
- Profit or loss of the financial year.

The item “Tax on profit or loss of the financial year” is not considered useful.

With specific reference to the Balance Sheet items, a general judgment of essentiality emerges from Users for only some of the items required by law, as follows:

- Profit (loss) of the financial year regardless of size;
- Investments, Debtors and Financial assets only with reference to Medium- and Small-sized entities.

The items Capital and Reserves, Provisions, Creditors and Tangible Assets are not considered useful for all Type C entities.

The remaining items are considered useful but not essential.

The Type C entities Small-sized, Micro 1 and Micro 2 are not required to prepare the Notes to the Accounts and the Annual Report.

However, the questionnaire in the Survey aimed to verify for these entities if some items, usually provided for in these documents or other items (not contained in financial statements) were considered essential. According to the analysis of the results presented in Chapter 4.4 it can be concluded that none of these items are considered essential for Type C entities.

The above conclusions, with reference to the Components of Financial Statements, are mainly drawn from the opinions expressed by the Users as the major users of accounting documentation. Furthermore, the Users represent the highest proportion of the Respondents.

It must therefore be highlighted that with reference to the different sizes of the entities, the opinions may vary significantly; this shall be taken into account in the Recommendations.

The Accounting Professionals awarded a higher level of importance to the Components of the Financial Statement, while the Preparers expressed a greater need for simplification.

The differing points of view are mainly due to the different approach of the Respondents (i.e. Users, Preparers and Accounting Professionals), according to their different needs and interests in the accounting documentation.

Auditing

With reference to Auditing requirements, the Desk Research has highlighted that Type C entities are exempt from audit obligations, regardless of size.

According to the results of the Survey, Auditing is considered useful only by the Accounting Professionals and the Preparers, while the Users expressed a low level of interest in this issue. For all Respondents, it must be noted that the overall number of replies is low in respect of the number of interviews.

Publication

From the Desk Research it emerges that Publication in most of the selected Countries is not compulsory for Type C entities.

The number of Countries where this is not a requirement is the same as that concerning Medium- and Small-sized entities, whereas the number of Countries where the requirement is not made for Micro 1 and 2 entities increases considerably.

The results of the Survey show that the availability of the accounting documents of Type C entities is considered inadequate and this judgment increases as the entity's size decreases. This is due to the fact that for Type C entities, as already stated, Publication of the financial statements is not compulsory.

It must be noted, however, that this opinion is expressed by a small proportion of Respondents and that it shall be considered within the general context of a lack of use of the accounting documentation by the Users (see Figure No. 2 in Chapter 4.3.1 and Annex2E Users - Table No.1).

Furthermore, as already noted, the accounting documentation has a low level of importance for Type C entities, where greater importance is attached to the personal assets of the partners.

Annual Report

From the Desk Research it emerges that the Annual Report is also not compulsory for Medium-sized entities in almost all the selected Countries.

According to the results of the Survey the Annual Report is considered useful only with reference to Medium-sized entities. For Type C Small-sized, Micro1 and Micro 2 entities this document is not considered necessary.

Additional conclusion related to Type C entities

A general need for simplification of the accounting requirements for Type C entities emerges from the Survey. However, with reference to replies given by Accounting Professionals, a lesser need for simplification is expressed only with reference to Medium- and Small-sized Type B entities.

Furthermore, among the Users, the Banks have expressed greater expectations of completeness of the accounting documentation of Small-sized and Micro entities: the reasons for this need are explained below.

For the Banks/Financial institutions, the importance attributed to the completeness of the accounting documentation is due to the need to comply with their internal requirements concerning the application of the Basel agreements with a view to granting credit, loans and financing to the SMEs.

For Type C entities, third parties can rely on the unlimited liability of the sole proprietorship: indeed third parties may rely on the personal assets of the entrepreneur.

This conclusion can also be drawn by considering that most Respondents declared they used other channels of information for their evaluations and decisions (i.e. for the evaluation of the good standing of other SMEs), as shown in the results presented in Figure No. 2 - Chapter 4.3.1 and in the Annex2E Users – Table No. 1).

It is therefore possible to conclude that the Recommendations and the Future Policy Initiatives shall take into account the expectation of a simplification of the accounting requirements for SMEs.

6. RECOMMENDATIONS

The Recommendations, based on the Conclusions presented in Chapter 5, are presented in this Chapter, according to the legal form (Types A, B and C) and size of the SMEs, also taking into consideration the technical areas analyzed.

6.1. Type A: Private joint-stock companies with limited liability for those owning shares

Accounting Records

The Desk Research has shown that the Double-Entry Accounting method is compulsory in each selected Country, for all Type A entities irrespective of size.

This kind of accounting method is also widely approved by the Respondents of the Survey who considered it useful.

The recommendation is therefore to maintain this current accounting method for all Type A entities.

Accounting Principles

As far as the Accounting Principles in use in the selected Countries are concerned, the analysis conducted with the Desk Research shows that they are generally adopted.

The results of the Survey, on the other hand, have confirmed the need for a more harmonized accounting framework at EU level with specific reference to Medium-sized size entities.

It is therefore recommended that possible legislative initiatives of harmonization concerning the Accounting Principles will concern in particular Medium-sized entities. One suggestion could also be to verify whether, based on the Accounting Principles, it is possible to achieve standardization and consequently greater harmonization and improved comparability of accounting documents.

The positive judgment expressed by the Respondents in the Survey about reliability of accounting data, highlights a general favourable opinion about the current legislative framework.

No modification is therefore recommended in the present Accounting Principles.

From the Desk Research it emerges that in some selected Countries the IFRS or IFRS-EU Accounting Standards are optionally adopted or optionally allowed for Type A entities.

In some selected Countries the adoption of the IFRS is designed to complete the National accounting principles.

A further consideration is that the IFRS seem to be used only by the entities that are forced to use them as a consequence of the European Regulations in force; whereas they are not used where those requirements are not mandatory by law.

It shall be highlighted that the IFRSs were not part of the object of the Survey and therefore no specific recommendations shall be made on this issue.

However, the European proposals¹⁷³ aimed at introducing the IFRS for SMEs¹⁷⁴, as a less complex model compared with the full IFRSs, could be the answer to the need for an enhanced harmonization of the IFRS at an European level.

¹⁷³ See the “Commission’s consultation on the International Financial Reporting Standard for Small and Medium-sized entities”, Directorate General for the Internal Market and Services, available at http://ec.europa.eu/internal_market/consultations/2009/ifrs_for_sme_en.htm

¹⁷⁴ <http://www.ifrs.org/IFRS+for+SMEs/IFRS+for+SMEs.htm>

Principles for External Financial Statements

The Desk Research has highlighted a general use of the general accounting principles set out in the Fourth Directive in all the selected Countries.

The positive judgment of the Respondents about the reliability of accounting data, which emerges from the Survey, highlights a general favourable opinion about the current legislative framework.

No modification is therefore recommended for the Principles for External Financial Statements.

Components of Financial Statements

From the Desk Research it emerges that the Components of the Financial Statements are completely regulated by the Fourth Directive.

The results presented in Chapter 4 show that the Balance Sheet and the Profit and Loss Account are always considered essential components for all Type A entities, irrespective of size (see Figures No. 5 and No. 6 in Chapter 4.3.1, and Figures No. 86 and No. 87 in Chapter 4.3.3).

The Notes to the Accounts and the Annual Report are considered necessary only for Medium- and Small-sized Type A entities (see Figures No. 7 and No. 8 in Chapter 4.3.1, and Figures No. 88 and No. 89 in Chapter 4.3.3). The Cash Flow Statement is only considered necessary for Type A Medium-sized entities (see Figures No. 9 in Chapter 4.3.1, and Figures No. 90 in Chapter 4.3.3).

With a view to attaining a simplification of the requirements and a reduction in the administrative burdens, not only of the costs, it is useful to note the different levels of importance attributed by the Respondents to the different current components of the Financial Statements as shown by the analysis of the results of the Survey and the relevant conclusions (see Tables No. 155 to No. 163 Chapters 4.4 and 5).

In this respect, it is recommended that, for Micro 1 and Micro 2 Type A entities, the possibility of creating an accounting requirement within a legislative framework is evaluated, connecting this more closely to the size of the entity than to its legal form.

With reference to the elements of the Balance Sheet, the Conclusions highlighted a general interest in this document and its specific items. It is then recommended that possible future policy initiatives aimed at reducing the accounting requirements may concern the “Accruals and deferred income” and “Prepayments and accrued income” items.

With reference to the elements of the Profit and Loss Account, the Conclusions highlighted a general interest in this document and its specific items. It is then recommended that possible future policy initiatives aimed at reducing the accounting requirements may concern the “Tax on profit or loss on ordinary activities” item.

With specific reference to the Notes to the Accounts, the results of the Survey expressed the opinions of the Respondents on other elements that can be indicated into the Notes to the Accounts (see Tables No. 164 to No. 168 in Chapters 4.4 and 5). Nevertheless, the expressed interest shall be considered in connection to the lack of use of the accounting documentation as has emerged from the Survey. Possible future legislative initiatives should therefore avoid an increase in administrative burdens and costs if the advantages deriving from a more complete accounting information are not concrete and significant.

Furthermore, the Conclusions show which kind of elements now required by law, are not considered useful (see Tables No. 155 to No. 163 in Chapters 4.4 and 5). It is therefore recommended that possible future policy initiatives of simplification will concern “Deferred Taxes”, “Related party transactions” and “Research and developments projects” items.

Auditing

The outcome of the Desk Research suggests that Type A entities should maintain the highest accounting information level, as already provided for by the national laws in force in the selected Countries.

This level of accounting disclosure is considered adequate and necessary for the attainment of the social and economic objectives as have emerged from the Desk Research. Taking into account that some of the selected Countries have adopted lower thresholds in respect to the ones provided by the Fourth Directive, a harmonization of the thresholds for all Countries to the highest level provided for by the Fourth Directive can be recommended.

The results of the Survey confirm the usefulness of the Auditing procedure for Type A entities, since the reliability of the accounting data is essential for the safeguarding of third parties and shareholders. It is however necessary to keep a threshold of exemption from this requirement, as currently provided for by the Fourth Directive.

Therefore, the current EU auditing legislation is in line with the stakeholders' needs and no further recommendation is provided on this matter.

Publication

With reference to "Publication" of the Financial Statements its usefulness for Type A entities can be confirmed since the availability of the accounting documents is important for third parties.

Therefore the current accounting legislation is in line with the stakeholders' needs and no further recommendation is needed. However, according to the general need for simplification of the accounting requirements, it is recommended that the possibility to allow a procedure of Publication of the Financial Statements by means of a simple upload of those documents on the entity's website is considered.

According to the results of the Survey no recommendation can be done about the XBRL.

Director's Report

The Conclusions show (See Table No. 320 in Chapter 4.4) that the Director's report is considered necessary only for Medium- and Small-sized entities. This appears to be in line with the national legislations that provide for this requirement only when exceeding some specific thresholds.

The non use of ratio analysis in analyzing financial reports highlighted by the results of the Survey, suggest a possible simplification of the mandatory information contained in the Director's report.

Additional recommendations related to Type A entities

The results of the Survey have clearly highlighted a perceived need of simplification from the Users and Preparers' point of view. This need increases as the size of the entity decreases.

Therefore, it is recommended that possible initiatives of simplification will take into account the size criterion (Medium-, Small-sized, Micro 1 and Micro 2) as a guideline for every kind of legislative initiative.

6.2. Type B: Personally owned limited and unlimited liability partnerships

Accounting records

With reference to the technical area “Accounting records”, the Desk Research has shown that the Double-Entry Accounting method is not mandatory for all Type B entities; indeed in several of the selected Countries, the Desk Research has highlighted a trend to reduce accounting requirements according to diminishing size, especially with reference to Micro entities where some exemptions to the Double-Entry Accounting method are provided.

Likewise from the results of the Survey it can be concluded that the Double-Entry Accounting method is considered essential for Medium- and Small-sized entities only, while it is not considered essential for Micro 1 and Micro 2 entities.

Therefore, taking into account that among the selected Countries different needs emerge, it is recommended that:

- This requirement is only maintained for Medium-sized entities;
- The exemption for Micro 1 and Micro 2 entities is extended;
- The possible introduction of this mandatory requirement is considered for the entities that reach a significant threshold within the Small size class. Indeed for Small-sized entities, the majority of the selected Countries already provide for the Double-Entry Accounting method as mandatory when reaching significant thresholds. With a view to attaining a more harmonized accounting framework at EU level it is recommended that the thresholds beyond which the Small-sized entities shall adopt the Double-Entry Accounting method are standardised.

Accounting principles

As far as the Accounting Principles in use in the selected Countries are concerned, the analysis conducted with the Desk Research shows that they are generally adopted.

The results of the Survey, on the other hand, have confirmed the need for a more harmonized accounting framework at EU level with specific reference to Medium-sized and Small sized entities.

It is therefore recommended that possible legislative initiatives of harmonization will concern Medium - and Small-sized entities. It can be also suggested that verification is made as to whether it is possible to achieve standardization and consequently enhanced harmonization and improved comparability of accounting documents based on the Accounting Principles.

The positive judgment expressed by the Respondents in the Survey about reliability of accounting data, highlights a general favourable opinion about the current legislative framework.

Therefore no modification is recommended.

From the Desk Research it emerges that in some selected Countries the IFRS or IFRS-EU Accounting Standards are optionally adopted or optionally allowed.

In some selected Countries the adoption of the IFRS is designed to complete the National accounting principles.

A further consideration is that the IFRS seem to be used only by the entities that are forced to use them as a consequence of the European Regulations in force; whereas they are not used where those requirements are not mandatory by law.

It shall be highlighted that the IFRSs were not part of the object of the Survey and therefore no specific recommendations shall be made on this issue.

However, the European proposals¹⁷⁵ aimed at introducing the IFRS for SMEs¹⁷⁶, as a less complex model compared with the full IFRSs, could be the answer to the need for an enhanced harmonization of the IFRS at an European level.

Principles for external financial statement

The Desk Research has highlighted a general use of the general principles for external financial statements, regardless of the size of the entities.

However the results of the Survey highlighted the low level of reliability of the accounting documentation of Type B entities.

This would suggest that possible legislative initiatives aimed at an enhanced harmonization of those Principles are introduced at least for Medium-sized entities.

Nevertheless, the opinion of non-reliability has been expressed by a small number of Respondents compared to those that did not reply at all on this issue.

Furthermore, from the Survey it also emerged that the accounting documentation is not considered essential for Type B entities, due to the unlimited liability of the partners that characterize this kind of legal form of entity.

For these reasons, it is recommended with extreme caution that new requirements are introduced for Type B entities, also when aimed at enhanced reliability.

It must be noted that these additional requirements would lead to an increase in costs and administrative burdens that will not be justified by the small advantages that the economic system would gain; this also takes into account the lack of use of the accounting documentation as has emerged by the Survey.

It is therefore recommended that any possible initiative aimed at an enhanced harmonization takes into account the different size of the entities and the impact of the costs deriving from these requirements.

Components of financial statements

From the Desk Research it emerges that the size of the entity (Medium-, Small-sized, Micro 1 and Micro 2) is a fundamental criterion to determine the accounting requirements of Type B entities.

According to the Conclusions presented into Chapter 5 with reference to the results of the Desk Research and of the Survey, and especially taking into account the needs of harmonization of the accounting documentation at EU level, the following recommendations are provided.

These recommendations are made with a view to attaining a simplification of the requirements and a reduction of the burdens, not only of the costs.

For Type B entities the following action is recommended:

- The adoption of the Profit and Loss Account for all the entities, regardless of size;
- The adoption of the Balance sheet only for Medium- and Small-sized entities;
- The adoption of the Notes to the Accounts only for Medium-sized entities. For Small-sized entities this document can be adopted at the entity's discretion;

¹⁷⁵ See the "Commission's consultation on the International Financial Reporting Standard for Small and Medium-sized entities", Directorate General for the Internal Market and Services, available at http://ec.europa.eu/internal_market/consultations/2009/ifrs_for_sme_en.htm

¹⁷⁶ <http://www.ifrs.org/IFRS+for+SMEs/IFRS+for+SMEs.htm>

- The exemption from the Cash flow statement and the Consolidated Accounts for all Type B, regardless of the size.

According to the results of the Desk Research and of the Survey, recommendations are hereby made with reference to a possible reduction in the specific items currently required in the Components of financial statements, according to size class of the entities.

With reference to the elements of the Profit and Loss Account, the following action is recommended:

- For Medium- and Small-sized entities, to maintain the current scheme, with the exclusion of the “Tax on profit or loss of the financial year” item that can be eliminated;
- For Micro1, the Profit and Loss Account may be replaced by a document composed of the following items only: Net turnover, Raw materials and consumables, Variation in stock, Staff costs, Profit or loss on ordinary activities after taxation and Profit or loss of the financial year;
- For Micro 2, the Profit and Loss Account may be replaced by a document composed of the following items only: Net turnover, Staff costs, Profit or loss on ordinary activities after taxation and Profit or loss of the financial year.

With reference to the elements of the Balance Sheet, the following action is recommended;

- For Medium-sized entities, to maintain the current scheme;
- For Small-sized entities, to provide a simplified document in which the following items shall be indicated separately: Tangible assets, Stocks, Investments and Profit (loss) of the financial year. It is also recommended to provide for the optional adoption of the scheme in force for the Medium-sized entities;
- For Micro 1, total exemption, with the possibility of the optional adoption of the simplified document provided for the Small-sized;
- For Micro 2, total exemption.

With specific reference to the Notes to the Accounts a reduction of the mandatory elements is recommended. It is also recommended that this requirement is applicable only with reference to Medium-sized entities, having considered the lack of use of the accounting documentation made by the Users and the unlimited liability of the partners of those entities.

Auditing

The outcome of the Desk Research and the results of the Survey are coherent, with reference to Micro 1 and Micro 2 entities. Exemption from the Auditing requirement is therefore recommended.

With reference to Type B Medium-sized entities, from the Desk Research it emerges that Auditing is a general mandatory requirement. On the contrary, the Survey highlighted with specific reference to the Users (the majority of the Respondents), a lack of interest in the issue.

Taking into account the need for an enhanced simplification as expressed by all the Respondents and also taking into account the unlimited liability of the partners, it is recommended that Type B Medium-sized entities are exempted from the Auditing requirement, leaving at the entity’s discretion the choice to adopt it or not.

It is also recommended that this requirement is introduced as optional for the entities that reach a significant threshold within the Small size class, as is already provided for Medium-sized entities.

For the Small-sized entities that do not reach significant threshold within the Small size class, exemption from the Auditing requirement is recommended.

Publication

The outcome of the Desk Research and the results of the Survey showing a need for more availability of the accounting documents and consequently better comparability, would recommend further requirements currently not provided. Nevertheless, these additional requirements would lead to an increase of costs and administrative burdens that would not be justified by the small advantages that the economic system would gain; this also takes into account the lack of use of the accounting documentation as has emerged from the Survey.

In this respect, taking into account the Conclusions of the Desk Research and of the Survey, for Type B entities the following action is recommended:

- To provide for the mandatory Publication of the Financial Statements also for the cooperatives. This mandatory requirement is justified by the fact that the cooperatives are already assimilated to the Type A entities in the selected Countries;
- To provide for the mandatory Publication of the Financial Statement for Type B Medium-sized entities;
- To provide for the mandatory Publication of the Financial Statement for Type B Small-sized, whenever such entity is participated by a Cooperative or by a Type A entity or by a non resident entity;
- To maintain the exemption from the Publication for Type B Small-sized, Micro 1 and Micro 2 entities.

However, according to the general need for simplification of the accounting requirements, it is recommended that the possibility of allowing a procedure of Publication of the Financial Statements by means of a simple upload of those documents on the web site of the entity is considered.

Director's Report

The accounting legislation in force does not generally provide for this document to be mandatory for Type B entities.

As a consequence, and also taking into account the conclusions of the Survey, it is recommended that Type B entities are exempted from this requirement, regardless of the size of the entity.

Additional recommendations related to Type B entities

The results of the Survey have clearly highlighted a perceived need of simplification from the Users and Preparers' point of view. This need increases as the size of the entity decreases.

Therefore, it is recommended that possible initiatives of simplification will take into account the size criterion (Medium-, Small-sized, Micro 1 and Micro 2) as a guideline for every kind of legislative initiative. The smaller the size, the greater the simplifications should be.

6.3. Type C: Personally owned and unlimited personal liability such as sole proprietorship or unincorporated entities

Accounting records

With reference to the technical area “Accounting records”, the Desk Research has shown that the Double-Entry Accounting method is not mandatory for all Type C entities, but is directly connected to the size of the entity.

From the results of the Survey it can be concluded that the Double-Entry Accounting method is considered useful for Type C Medium-sized entities only.

Therefore, taking into account that among the selected Countries different needs emerge, it is recommended that:

- This requirement is only maintained for Medium-sized entities;
- The exemption for Micro 1 and Micro 2 entities is extended;
- The possible exemption from this requirement for Small-sized entities is considered, taking into account the needs for simplification highlighted in Chapter 5. If the exemption is not possible, then the recommendation is to adopt this method for the entities that reach a significant threshold within the Small size class. Indeed for Small-sized entities, the majority of the selected Countries already provide for the Double-Entry Accounting method as mandatory when reaching significant thresholds. With a view to attaining a more harmonized accounting framework at EU level it is recommended that the thresholds beyond which the Small-sized entities shall adopt the Double-Entry Accounting method are standardised.

Accounting principles

As far as the Accounting Principles in use in the selected Countries are concerned, the analysis conducted with the Desk Research shows that they are generally adopted. Whenever the accounting records are made for tax purposes only, the accounting principles are not applicable.

The results of the Survey, on the other hand, have confirmed the need for a more harmonized accounting framework at EU level with specific reference to the Medium-sized and Small size entities.

It is therefore recommended that possible legislative initiatives of harmonization will concern Medium- and Small-sized entities. One suggestion could also be to verify whether it is possible to achieve a standardization and consequent enhanced harmonization and a better comparability of accounting documents based on the Accounting Principles.

The positive judgment expressed by the Respondents in the Survey about reliability of accounting data, highlights a general favourable opinion about the current legislative framework.

Therefore no modification is recommended.

From the Desk Research it emerges that in some selected Countries the IFRS or IFRS-EU Accounting Standards are already optionally adopted for Type C entities.

In some selected Countries the adoption of the IFRS is designed to complete the National accounting principles.

A further consideration is that the IFRS seem to be used only by the entities that are forced to use them as a consequence of the European Regulations in force; whereas they are not used where those requirements are not mandatory by law.

It shall be highlighted that the IFRSs were not part of the object of the Survey and therefore no specific recommendations shall be made on this issue.

However, the European proposals¹⁷⁷ aimed at introducing the IFRS for SMEs¹⁷⁸, as a less complex model compared with the full IFRSs, could be the answer to the need for an enhanced harmonization of the IFRS at an European level.

Principles for external financial statements

The Desk Research has highlighted a differentiated use of the general principles for external financial statements in the selected Countries. In particular, for Micro 1 and Micro 2 entities the principles for external financial statements are not applied. This is mainly due to the mere tax purpose of the accounting records for these types of entities.

However, the results of the Survey highlighted the perceived low level of reliability of the accounting documentation of Type B entities.

This would suggest possible legislative initiatives aimed at an enhanced harmonization of those Principles at least for Medium-sized entities.

Nevertheless, the opinion of non-reliability has been expressed by a small number of Respondents compared to those who did not reply at all on this issue.

Furthermore, from the Survey it has also emerged that the accounting documentation is not considered essential for Type C entities, due to the unlimited liability of the partners that characterize this kind of legal form of entity.

For these reasons, it is recommended with extreme caution that new requirements for Type C entities are introduced, also when aimed at an enhanced reliability of the accounting documentation.

It must be noted that these additional requirements would lead to an increase in costs and administrative burdens that would not be justified by the small advantages that the economic system would gain; this also takes into account the lack of use of the accounting documentation as has emerged from the Survey.

It is therefore recommended that any possible initiative aimed at an enhanced harmonization take into account the different size of the entities and the impact of the costs deriving from these requirements.

Components of financial statements

From the Desk Research it emerges that the size of the entity (Medium-, Small-sized, Micro 1 and Micro 2) is a fundamental criterion to determine the accounting requirements of Type C entities.

According to the Conclusions presented in Chapter 5 with reference to the results of the Desk Research and of the Survey, and especially taking into account the needs of harmonization of the accounting documentation at EU level, the following recommendations are provided.

These recommendations are made with a view to attaining a simplification of the requirements and a reduction in the burdens, not only in the costs.

For Type C entities the following action is recommended:

- The adoption of the Profit and Loss Account for all entities, regardless of size;
- The adoption of the Balance Sheet for Medium- and Small-sized entities only;

¹⁷⁷ See the “Commission’s consultation on the International Financial Reporting Standard for Small and Medium-sized entities”, Directorate General for the Internal Market and Services, available at http://ec.europa.eu/internal_market/consultations/2009/ifrs_for_sme_en.htm

¹⁷⁸ <http://www.ifrs.org/IFRS+for+SMEs/IFRS+for+SMEs.htm>

- The adoption of the Notes to the Accounts and of the Directors' report for Medium-sized entities only. No requirements shall be applicable to Small-sized, Micro 1 and Micro 2 entities;
- The exemption from the Cash flow statement and the Consolidated Accounts for all Type C entities, regardless of size.

According to the results of the Desk Research and of the Survey, recommendations are hereby made with reference to a possible reduction in the specific items currently required in the Components of financial statements, according to the size class of the entities.

With reference to the elements of the Profit and Loss Account, the following action is recommended:

- For Medium-sized entities, to maintain the current scheme, with the exclusion of the "Tax on profit or loss of the financial year" item that can be eliminated;
- For the entities that reach a significant threshold within the Small size, to apply the current scheme with the exclusion of the "Tax on profit or loss of the financial year" item that can be eliminated. For the other Small-sized entities the Profit and Loss Account may be replaced by a document composed of the following items only: Net turnover, Raw materials and consumables, Variation in stock, Staff costs, Profit or loss on ordinary activities after taxation and Profit or loss of the financial year;
- For Micro 1, the Profit and Loss Account may be replaced by a document composed of the following items only: Net turnover, Staff costs, Profit or loss on ordinary activities after taxation and Profit or loss of the financial year;
- For Micro 2, no requirements apart from the obligation to disclose the following items: Net turnover and Profit or loss of the financial year.

With reference to the elements of the Balance Sheet, the following action is recommended;

- For Medium-sized entities, to maintain the current scheme;
- For Small-sized entities, to provide a simplified document in which the following items shall be indicated separately: Tangible assets, Stocks, Investments and Profit (loss) of the financial year. It is also recommended that the optional adoption of the scheme in force for the Medium-sized entities is provided for;
- For Micro 1, no requirements, with the possibility of a optional adoption of the simplified document provided for Small-sized entities;
- For Micro 2, no requirements.

With specific reference to the Notes to the Accounts a reduction in the mandatory elements is recommended. It is also recommended that this requirement is applicable with reference to Medium-sized entities only, having considered the lack of use of the accounting documentation made by the Users and the unlimited liability of the partners of those entities.

Auditing

Taking into account that the outcome of the Desk Research and the results of the Survey are in line with one another, and with the aim of a further simplification for all Type C entities, regardless of size, the exemption from the auditing requirement is recommended.

For Type C Medium-sized only, the possible optional adoption of the auditing may be provided for.

Publication

The outcome of the Desk Research has highlighted a rare obligation of Publication of the Financial Statements for Micro 1 and Micro 2 entities.

The results of the Survey showing a need for more availability of the accounting documents and consequently better comparability, would suggest that further requirements currently not provided for are introduced. Nevertheless, these additional requirements would lead to an increase in costs and administrative burdens that would not be justified by the advantages that the economic system would gain; this also takes into account the lack of use of the accounting documentation as has emerged by the Survey.

In this respect, taking into account the Conclusions of the Desk Research and of the Survey, for Type C entities the following action is recommended:

- To provide the mandatory Publication of the Financial Statement for Type C Medium-sized entities;
- To maintain the exemption from the Publication for Type C Small-sized, Micro 1 and Micro 2 entities.

However, according to the general need for simplification of the accounting requirements, it is recommended that the possibility of allowing a procedure of Publication of the Financial Statements by means of a simple upload of those documents on the website of the entity is considered.

Director's report

The accounting legislation in force does not generally provide for this document to be mandatory for Type C entities and this should not be modified.

Nonetheless, the needs for better availability and disclosure of accounting data, even if balanced with the need for simplification, suggest possibly providing for this requirement to be applied to Type C Medium-sized entities only.

Additional recommendations related to Type C entities

The results of the Survey have clearly highlighted a perceived need of simplification from the Users and Preparers' point of view. This need increases as the size of the entity decreases.

Therefore it is recommended that possible initiatives of simplification will take into account the size criterion (Medium-, Small-sized, Micro 1 and Micro 2) as a guideline for every kind of legislative initiative. The smaller the size, the greater the simplifications should be.

7. FUTURE POLICY INITIATIVES

Among the future policy initiatives, ideal accounting practices will be identified with a view to increasing the competitiveness of European enterprises, bearing in mind the EU guidelines (Green Paper on Audit Policy¹⁷⁹; Small Business Act¹⁸⁰) and both with regard to the simplification and reduction of administrative burdens, and the harmonisation of the various existing accounting practices. Furthermore, due consideration is taken to the work of the Commission with regard to the intention to exempt micro entities from the application of the accounting requirements foreseen in the proposed amendment to the Fourth Directive as well as the revision of the Accounting Directives. The Chapter takes into account the impact arising from the application of the future policies identified; with particular reference to the points of view of the stakeholders such as users, preparers and accounting professionals.

7.1. Background

An analysis - by legal form (Type A, Type B and Type C) and size (Medium, Small, Micro 1 and 2) - of the accounting requirements in force at 20.11.2009 in the selected Countries (see Chapter 3.1.2.) revealed significant information for the formulation of Future Policy Initiatives.

We can observe that within the EU there are more than 21 million enterprises engaged in non-financial activities, employing over 134 million people. Of these, Small- and Medium-sized entities (SMEs) – i.e. enterprises with fewer than 250 employees – make up over 99% of the total of enterprises. Thus, the approximately 45.000 large enterprises make up just 0,2% of the total. The SMEs generate about 58 percent of the EU enterprises' turnover, employing two thirds of the total private employment¹⁸¹. In the last five years 80 percent of the new jobs were created by SMEs¹⁸².

Moreover, it should be underscored that in the SME sector the “Micro-Entity” category, i.e. those enterprises with fewer than 10 employees, accounts for 91,8% (around 19 million enterprises) of the total (see Table No. 1 below).

The “typical” European enterprise is therefore the Micro-Entity. And of these, at least half have no employees, the owner being the only person working in the enterprise.

Overall, the framework of reference is made up of small enterprises, which number about 1.4 million, or 6,9% of the total, and about 228.000 Medium-sized entities, or 1% of all enterprises.

¹⁷⁹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0561:FIN:EN:PDF>

¹⁸⁰ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0394:FIN:en:PDF>

¹⁸¹ http://ec.europa.eu/enterprise/policies/sme/files/docs/sba/report_think_small_first_en.pdf

¹⁸² http://ec.europa.eu/enterprise/policies/sme/files/docs/sba/report_think_small_first_en.pdf

Table No. 1 - Chapter 7 - Number of enterprises by enterprise size-class and legal form type in the EU

ENTERPRISES SIZE CLASS	LARGE		MEDIUM-SIZED		SMALL-SIZED		MICRO		TOTAL	
Personally owned and no limit to personal liability	0	0,00%	0	0,00%	1.972	0,01%	11.213.751	53,40%	11.215.723	53,40%
Private or publicly quoted joint stock companies with limited liability for those owning shares	45.184	0,22%	228.209	1,09%	1.445.170	6,88%	5.753.972	27,40%	7.472.536	35,58%
Personally owned limited and unlimited liability partnerships	0	0,00%	0	0,00%	2.866	0,01%	2.311.832	11,00%	2.314.698	11,02%
TYPE OF LEGAL FORM	45.184	0,22%	228.209	1,09%	1.450.008	6,90%	19.279.555	91,80%	21.002.956	100,00%

Source: CNA Interpreta S.r.l. elaboration upon "Annual Report on EU Small and Medium-sized Enterprises", based on Eurostat SBS; Europe-30 countries¹⁸³ 2007

This background must be kept in mind for the suggestion of Future Policy Initiatives, in order to assess the impact that the choices implemented will have on the accounting system of European entities. To this end, and bearing in mind the size element, we also need to consider the legal form of the entities (of Types A, B, and C). Table No. 2 below shows the range of European SMEs in percentage terms.

Table No. 2- Chapter 7 - The range of European SMEs in %¹⁸⁴

TYPE	MEDIUM-SIZED	SMALL-SIZED	MICRO	TOTAL
TYPE A	1,1%	6,9%	27,4%	35,4%
TYPE B	0,0%	0,0%	11,0%	11,0%
TYPE C	0,0%	0,0%	53,4%	53,4%
Overall total	1,1%	6,9%	91,8%	99,8%

In this Table No. 2 Chapter 7, the Large enterprises (equal to 0,2% out of the total) are not included.

As this table illustrates, 64% (11,01% plus 53,39%) of Type B and C Micro-entities (0,01% of the Small-sized enterprises in each category), are largely characterised by Micro-entities, as is the case with Type A also, and by a number of Small-sized entities.

One important element in identifying Future Policy Initiatives is the result of the good practices that emerged from the Desk Research and from the Survey.

In general terms, the Desk Research and Survey show the need (albeit one that regulatory bodies have not yet fully acted upon) to apply the "Think Small First" principle, as proposed

¹⁸³ Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Romania, Slovenia, Slovakia, Spain, Sweden, Switzerland, the United Kingdom.

¹⁸⁴ http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-BW-09-001/EN/KS-BW-09-001-EN.PDF

in the “Small Business Act (SBA)”¹⁸⁵. The “Think Small First” principle implies that policy makers give full consideration to SMEs at the early development stage¹⁸⁶.

The SBA recognised that an economic environment favourable to SMEs, at both Community and Member State level, is of vital importance to growth and employment in Europe.

SMEs suffer disproportionately from the regulatory burden with respect to large enterprises, since they often do not have sufficient financial and human resources to manage their obligations in the most efficient manner.

There is a need, therefore, to adopt measures to free up the potential of SMEs¹⁸⁷. In general, European SMEs still suffer, even today, from lower productivity and slower development than their counterparts in the USA, where enterprises which survive increase their employment by 60% on average by their 7th year of life, while the corresponding figure in the EU is 10-20%. SMEs then have to deal with market shortcomings in sectors such as credit (especially as regards risk capital), research, innovation and the environment, which undermine the conditions in which they have to operate and compete with their rivals. For about 21% of SMEs, for example, access to credit is problematic¹⁸⁸ and in many Member States the percentage for Micro-enterprises is much higher. Moreover, fewer European SMEs innovate successfully compared with large enterprises. The situation, already characterised by national labour market rigidities, is made worse by structural difficulties such as shortcomings in management and technical capability.

An analysis of the Desk Research reveals a trend to extend the accounting requirements envisaged for Type A entities to the other categories (Types B and C) also, regardless of their size. The Survey, on the other hand, clearly shows the scant use made of accounting information (especially among the Users interviewed) and the need to simplify the accounting obligations (for Users, Preparers, and Accounting Professionals).

The Accounting Directives (i.e. the Fourth and Seventh Directives) were adopted for limited liability enterprises (i.e. Type A entities). Although this group is extremely important to the European Union, the most significant group of entities for the EU is composed of Type B and C enterprises, which in many cases are not subject to any EU-level accounting regulations. As a result, for this type of entity a large number of Member States have drawn up their own domestic legislation for accounting purposes (GAAP or local accounting principles). This has led to a diversification of the accounting legislation applicable to Type B and C enterprises.

It is most important, therefore, to use the results of this study to mediate the needs of accounting harmonisation at the Community level. In so doing we must take into account the characteristics (in terms of size and legal form) of entities and at the same time the goals of simplification. This latter aspect concerns administrative/accounting requirements and the consequent reduction in costs in relation to these characteristics (size and legal form), bearing in mind at all times that the underlying aim is to make European enterprises more competitive.

In this respect the EU and its Member States have accepted the Charter for Small Enterprises to improve the business environment for small firms¹⁸⁹. By encouraging government offices

¹⁸⁵ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions “Think Small First” COM(2008), http://ec.europa.eu/enterprise/entrepreneurship/sba_en.htm

¹⁸⁶ http://ec.europa.eu/enterprise/policies/sme/files/docs/sba/report_think_small_first_en.pdf

¹⁸⁷ “Impact Assessment on SBA”, SEC (2008) 2101

¹⁸⁸ 2007 Observatory of SMEs in the EU

¹⁸⁹ <http://ec.europa.eu/enterprise/policies/sme/best-practices/charter/>

to share their policy experience in this sector, it is possible to learn from such experience and speed up the growth in competitiveness¹⁹⁰.

A first step to improve and promote the growth of SMEs by helping them tackle the problems that continue to impede their development was promoted by the EU through its “Accounting Systems for Small Entities – recommendations and good practices”¹⁹¹ project. This was conceived to provide opinions and input on how to improve Small-sized enterprises’ accounting systems to best effect to provide their owners/managers with adequate financial information.

As part of this project, entities whose accounting legislation is not regulated at EU level were examined. The aim was to help introducing good practices to improve Small-sized entities’ accounting systems.

In concrete terms, this was achieved by identifying and exchanging opinions on Small-sized enterprises’ accounting systems in the Member States, with the aim of reducing the regulatory and administrative burdens at the Community level and providing suggestions at the national level.

The adoption of good practices at the EU level would certainly have direct and indirect beneficial effects for SMEs. Direct benefits worthy of note are improved working conditions and lower administrative costs. Indirect benefits that merit attention include increased competitiveness and the possibility of using human resources more efficiently.

7.2. Aim and identification method of the “Future policy initiatives”

The aim of the Desk Research was to describe the current accounting requirements while that of the Survey was to assess and analyse the information that Users, Preparers and Accounting Professionals ask SMEs with respect to their needs.

The picture emerging from the Desk Research is one of highly disparate rules, which nearly always lack suggestions or lack awareness of the difficulty of implementing accounting requirements that are too complex for legal forms Type B and Type C, but above all for Micro-Entities. It should be noted that these accounting requirements represent a time and administrative cost burden on enterprises, often irrespective of their legal form.

The need for simplification must always, however, take into due consideration the need to prepare uniform accounting documentation that can be easily used in the different Member States.

As regards the simplification and standardisation of the data produced by enterprises, the Future Policy Initiatives must therefore be modulated both in terms of the legal form of Type A, B and C entities, and in terms of entity size. No optimal practice exists, but rather many optimal practices depending on the Type of entity (A, B or C) and their size, i.e. Medium-sized, Small-sized, Micro 1 or Micro 2.

The analysis in this chapter aims to identify the Future Policy Initiatives, having collected the actual needs of the actors involved and their demands. The aim is to eliminate any requirement not necessary or in line with the internal organisation of the entities, at the same time reducing time, administrative burdens and costs.

The distribution of the potential costs and of the benefits of the proposals, has been analysed qualitatively and, whenever possible, quantitatively.

¹⁹⁰ http://ec.europa.eu/enterprise/enterprise_policy/charter/docs/charter_en.pdf

¹⁹¹ Final report of the Expert Group, Accounting systems for small entities – recommendations and good practices
http://ec.europa.eu/enterprise/policies/sme/files/craft/accounting/doc/accounting_systems_report_en.pdf

The tables that follow, divided by type and size of entity within the Study, represent the proposed measures for simplification and reduction of the obligatory accounting requirements for Medium-sized, Small-sized, Micro 1 and Micro 2 entities.

The project is intended to create explanatory tables by type and size of entity in order to suggest obligatory, non-obligatory and non-applicable requirements. This matrices (Tables No. 3, No. 4 and No. 5 Chapter 7), was obtained through a joint analysis of the Desk Research, which identifies and analyses the information regarding accounting requirements and obligations, and the Survey, which focuses on the practical needs of those using and preparing accounting documentation.

This Study makes it possible to identify the effect, the advantages and the disadvantages of the potential new policy options. First, we need to envisage the structure of the multiple levels of analysis; the first level of analysis is made taking into account each size of SME (Medium-sized, Small-sized, Micro 1 and Micro 2) and each legal form (Type A, B and C). This first level is completed by a review of the Respondents' needs (Users, Preparers and Accounting Professionals) as emerged from the conclusions and recommendation drawn from the Survey (Chapter 5 and Chapter 6).

The key elements of analysis (i.e. Technical Areas) that we have focused on are:

- Double-Entry Accounting (accounting records)
- Profit and Loss Account (components of financial statements)
- Accounting for taxation purposes only (accounting records)
- Balance Sheet (components of financial statements)
- Notes to the Accounts (components of financial statements)
- Directors' report (components of financial statements)
- Abbreviated (abridged) financial statements (components of financial statements)
- Cash flow statement (components of financial statements)
- Statement of changes in equity (components of financial statements)
- Consolidated Financial Statement (components of financial statements)
- Auditing (auditing)
- Publication of financial statements (publication)

The results of the above analysis will be described in sub-sections with the help of tables, where each legal entity is described according to the following legend:

- YES = (obligatory EU-level requirement), when the requirement shall be maintained as currently in force or shall be adopted;
- NO = (non-obligatory EU-level requirement), when the requirement may be eliminated or may be adopted as an optional requirement;
- N/A = (non-applicable EU-level requirement), when the requirement shall not be maintained or shall not be adopted at all.

7.2.1. Type A

Table No. 3 - Chapter 7 - The proposed simplification for Type A, drawing upon the results in the Desk Research and Survey analysis

TYPE A	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
Double-Entry Accounting	YES	YES	YES	YES
Profit and Loss Account	YES	YES	YES	YES
Accounting for taxation purposes only	N/A	N/A	N/A	N/A
Balance Sheet	YES	YES	YES	YES
Notes to the Accounts	YES	YES	YES	YES
Directors' Report	YES	NO	NO	NO
Abbreviated Financial Statement	NO	YES	YES	YES
Cash Flow Statements	NO	N/A	N/A	N/A
Statement of Changes in Equity	YES	NO	NO	NO
Consolidated Financial Statement	YES	NO	NO	NO
Auditing	YES	NO	NO	NO
Publication	YES	YES	YES	YES

The above table shows the results of the analysis with respect to the legislation currently in force in the selected Countries, as obtained from the Desk Research and compared with the Survey results.

More specifically, for Type A entities, the Desk Research indicates that the accounting requirements for the technical areas under study are affected by the Fourth Directive. National implementation of the Fourth Directive has facilitated the creation of a harmonised system in the selected Countries, although some differences still remain. It emerged from the analysis that size (Medium-sized, Small-sized, Micro 1 and Micro 2) has only a partial impact on the obligatory accounting requirements.

To complete the information above, the results of the Survey are also set out in detail below, by type of Respondent group.

Users:

Users highlight the need to use Double entry accounting to obtain information concerning the solvency of the entity and comparability of accounting data, regardless of the market of reference. Many Respondents consider the information generated by Double-entry accounting method to be sufficient, since it makes it possible to obtain documents such as the Balance Sheet, the Profit and Loss Account, the Director's report and the Notes to the Accounts in forms that are easy to obtain and compare. The particular importance of publishing the data should be noted, notwithstanding the higher costs and more time

required, as highlighted in the Study on administrative costs of the EU Company law Acquis - July 2007 - Ramboll management¹⁹².

In detail, the following results of the Survey are worthy of note:

- Balance Sheet, see Figure No. 5 - Chapter 4, obligatory requirement for all sizes of entity;
- Profit and Loss Accounts, see Figure No. 6 - Chapter 4, obligatory requirement for all sizes of entity; however the consensus among Users decreases with size of entity;
- Notes to the Accounts, see Figure No. 7 - Chapter 4, obligatory requirement for all sizes of entity;
- Cash flow statements, see Figure No. 9 - Chapter 4, interviewees from large-sized entities, and therefore accustomed to reporting requirements, felt that these documents should only be optional for Medium-sized entities, in spite of the time and costs involved.

Preparers:

The results are as follows:

- Auditing: 36% of the Preparers outsource this activity, 14% do it internally (e.g. the internal audit effected by the Board of Statutory Auditors in Italian limited liability company) Table No. 35;
- Chapter 4. This activity is costly and time-consuming, so it can be considered obligatory only for Medium-sized entities;
- Double-Entry Accounting: a method used by the Prepares as a preparatory instrument to obtain documents such as the Balance Sheet, the Profit and Loss Account and the Notes to the Accounts. It appears to respond to needs, it is comparable and adequate and therefore a mandatory element for all sizes of entity (Tables No. 129 and 130 - Chapter 4);
- Financial statement: Table No. 125 - Chapter 4 shows that this is an obligatory requirement since it is an important document in understanding an enterprise's data. However, it should be simplified in order to reduce the time spent on it.

Accounting Professionals:

All entities have a form of Double-Entry Accounting that corresponds to their size-related needs. Double-Entry Accounting method enables them to produce reports such as the Balance Sheet, the Profit and Loss Account, the Directors' report and the Notes to the Accounts. Most notably:

- Balance Sheet, see Figure No. 86 - Chapter 4, obligatory requirement for all entity-size categories;
- Profit and Loss Account, see Figure No. 87 - Chapter 4, obligatory requirement for all entity-size categories;
- Notes to the Accounts, see Figure No. 88 - Chapter 4, obligatory requirement for all entity-size categories;
- Cash flow statement, see Figure No. 90 - Chapter 4, obligatory requirement for Medium-sized entity.

¹⁹²http://ec.europa.eu/internal_market/company/docs/simplification/final_report_company_law_administrative_costs_en.pdf

TYPE A PROPOSALS

For this category the analysis highlighted the following factors:

- For Medium-sized entities there are no elements to suggest for their accounting requirements to be reduced. This is because the documents produced are needed to provide sufficient levels of information to represent the entities' economic and financial situation faithfully and accurately. This in turn is necessary since the enterprise's external economic relations are of relevance. The accounting requirements and the accounting work are of fundamental importance to understand how business is going and the economic-financial balance. As a result, they are a key instrument for dialogue with stakeholders. Any simplification, however minimal, that might be proposed would lead to important information being sacrificed;
- For Small-sized, Micro 1 and Micro 2 entities, the possibility exists of simplifying, or else eliminating, the Directors' report, the Statement of changes in equity and Auditing. These simplifications would save businesses' time and money and bring the requirements into line with the level of administrative structure typical for these entities. The documentation could be replaced simply by a transparent relationship with investors and other interlocutors.

Any further simplification of the obligatory requirements for Micro 1 and 2 entities would not be useful since it would deprive the stakeholders of essential information and would not necessarily protect investors' interests.

These are the simplification proposals in terms of accounting requirements that would be appropriate, based on the results of Desk Research and of the Survey. However the Survey's results revealed that many items of the Balance Sheet, in accordance with the Respondents' types (Users, Preparers and Accounting Professionals), have a degree of interest higher or lower, depending on the size. This aspect should be considered in order to identify the possible proposals of simplifications in the preparation of the financial statement.

In particular, we have to analyze the degree of interest of various stakeholders (i.e. Users, Preparers and Accounting Professionals) in the single Balance Sheet line items in order to propose, where there is no interest, to eliminate the further details that are currently required in the Balance Sheet, the Profit and Loss Account and in the Notes to the Accounts. Considering the joint analysis of the results of the Survey, indeed, it emerges the picture represented by the Figures No. 154, No. 157, No.159 and No. 161 in Chapter 4.4 and Tables No. 156 and No. 161 in Chapter 4.4.

From these Tables and Figures here above indicated it is clear that there is not the same degree of interest for all the items of the financial statements. This interest is affected by the entity's size.

The proposed simplification is therefore to eliminate the items that are not considered essential by the Respondents, as more specifically indicated in Chapters 7.3.2, 7.3.4, 7.3.5 and 7.3.7.

7.2.2. Type B

Table No. 4 - Chapter 7 - The proposed simplifications for Type B, drawing upon the results in from the Desk Research and Survey analysis

TYPE B	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
Double-Entry Accounting	YES	YES	NO	NO
Profit and Loss Account	YES	YES	N/A	N/A
Accounting for taxation purposes only	N/A	N/A	YES	YES
Balance Sheet	YES	NO	N/A	N/A
Notes to the Accounts	YES	NO	N/A	N/A
Directors' Report	NO	N/A	N/A	N/A
Abbreviated Financial Statement	YES	NO	N/A	N/A
Cash Flow Statement	NO	N/A	N/A	N/A
Statement of Changes in Equity	NO	N/A	N/A	N/A
Consolidated Financial Statements	NO	NO	N/A	N/A
Auditing	NO	N/A	N/A	N/A
Publication	YES	NO	N/A	N/A

The above table shows the results of the analysis with respect to the legislation currently in force in the selected Countries, as indicated by the Desk Research compared with the Survey results.

More specifically, for Type B entities, the Desk Research indicates that the size factor (i.e. Medium-sized, Small-sized, Micro 1 and Micro 2) becomes the most noteworthy driver for the purposes of accounting requirements.

To complete the information above, the results of the Survey are also set out in detail below, by type of Respondent group.

Users:

Users underscored the need to read documents such as the Balance Sheet, the Profit and Loss Account, the Director's report and the Notes to the Accounts, which enable them to obtain the information they need. They say, however, that the documents found on the market are inadequate, regardless of size category (*Table No. 18 - Chapter 4*).

Most notably:

- Balance Sheet, see Figure No. 5 - Chapter 4, an obligatory document for Medium- and Small-sized;
- Profit and Loss Account, see Figure No. 6 - Chapter 4, this requirement proved to be obligatory only for Medium- and Small-sized, while for Micro 1 and 2 it is used only for taxation purposes;
- Notes to the Accounts, see Figure No. 7 - Chapter 4; an obligatory document only for Medium-sized entities.

The information obtained from the Survey also reveals that not even for Medium-sized entities is the Directors' report, the Statement of changes in equity, Auditing, or the Consolidated financial statements deemed necessary. The preparation of these documents is considered to be costly and excessive to stakeholders' information needs.

Preparers:

The results are as follows:

- Auditing: is not considered obligatory for all size categories of entities (Table No. 35 - Chapter 4);
- Double-Entry Accounting is an obligatory requirement for Medium-sized, for which it is a preparatory step to obtaining the following documents:

§ Balance Sheet;

§ Profit and Loss Account;

§ Notes to the Accounts.

The availability of the accounting documentation, however, proves to be inadequate and fails to meet Respondents' needs, regardless of entity size (Table No. 36 - Chapter 4).

Accounting Professionals:

The Financial Statements produced proved to be necessary and to respond to needs. Most notably:

- Balance Sheet, see Figure No. 86 - Chapter 4, should be obligatory for all entity-size categories;
- Profit and Loss Account, see Figure No. 87 - Chapter 4, should be obligatory for all entity-size categories;
- Notes to the Accounts, see Figure No. 88 - Chapter 4, not obligatory;
- Cash flow statement, see Figure No. 90 - Chapter 4, not obligatory.

TYPE B PROPOSALS

For these entities, the Users' principal element of evaluation is the personal reliability of the partners, regardless of the enterprise's capital.

The preparation and the use of Financial Statements are almost entirely in-house, with relevant savings in time and resources.

In light of the above, therefore, and in spite of the recommendations indicated in the Desk Research, we might usefully suggest that Double-Entry Accounting should not be obligatory for Micro 1, Micro 2 and Small-sized entities. For Medium-sized entities, on the contrary, its adoption would be desirable, in view of their size and greater external relevance as perceived by the Respondents.

These considerations, in terms of simplification, can also be applied to Publication of the annual accounts.

7.2.3. Type C

Table No. 5 - Chapter 7 - The proposed simplifications for Type C, drawing upon the results in from the Desk Research and Survey analysis

TYPE C	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
Double-Entry Accounting	YES	NO	NO	NO
Profit and Loss Account	YES	YES	N/A	N/A
Accounting for taxation purposes only	N/A	YES	YES	YES
Balance Sheet	YES	NO	N/A	N/A
Notes to the Accounts	YES	NO	N/A	N/A
Directors' Report	NO	N/A	N/A	N/A
Abbreviated Financial Statement	YES	NO	N/A	N/A
Cash Flow Statements	NO	N/A	N/A	N/A
Statement of Changes in Equity	NO	N/A	N/A	N/A
Consolidated Financial Statements	NO	NO	N/A	N/A
Auditing	NO	N/A	N/A	N/A
Publication	YES	N/A	N/A	N/A

The above table shows the results of the analysis with respect to the legislation currently in force in the selected Countries, as indicated by the Desk Research compared with the Survey results.

More specifically, the Desk Research results indicate, in general terms that Type C entities, regardless of size, are not subject to any obligations in terms of Auditing or drawing up of the Directors' report, or the Publication of annual accounts.

To complete the information above, the results of the Survey are also set out in detail below, by type of Respondent group.

Users:

Users underscored the need to use Financial Statements such as the Balance Sheet, the Profit and Loss Account, the Director's report and the Notes to the Accounts, which enable them to obtain information. However, the availability of the accounting documents for each size-category is deemed to be inadequate. The degree of inadequacy increases as the entity's size decreases (Table No. 18 - Chapter 4). Most notably:

- Balance Sheet, see Figure No. 5 - Chapter 4, obligatory document for Medium-sized entities;
- Profit and Loss Account, see Figure No. 6 - Chapter 4, is important only for Medium- and Small-sized entities, while for Micro 1 and 2 it can be used solely for taxation purposes;
- Notes to the Accounts, see Figure No. 7 - Chapter 4, obligatory for Medium-sized.

The information obtained from the Survey also reveals that not even for Medium-sized entities is the Directors' report, Statement of changes in equity, Auditing, or Consolidated financial statement deemed necessary. The preparation of these Financial Statements is considered overly costly, while they do not respond to basic information requirements.

Preparers:

The results are as follows:

- Auditing: for all categories is not considered obligatory (see Table No. 35 - Chapter 4);
- Double-Entry Accounting is obligatory for Medium-sized, for which it is a preparatory step to the following:
 - § Balance Sheet;
 - § Profit and Loss Account;
 - § Notes to the Accounts.

However, the Respondents consider the availability of the accounting documentation to be inadequate and commented that it failed to meet their needs, regardless of size of entity (see Table No. 36 - Chapter 4).

Accounting Professionals:

In summary:

- Balance Sheet, see Figure No. 86 - Chapter 4, obligatory for Medium- and Small-sized;
- Profit and Loss Account, see Figure No. 87 - Chapter 4, all size-categories consider this document as obligatory, with the exception of Micro 2;
- Notes to the Accounts, see Figure No. 88 - Chapter 4, obligatory for Medium-sized and Small-sized;
- Cash flow statement, see Figure No. 90 - Chapter 4, obligatory only for Medium-sized.

TYPE C PROPOSALS

The principal factor of evaluation of the Type C entities, for the Users is the entrepreneur's personal assets and liabilities, irrespective of the enterprise's capital. It should be noted that for these entities the entrepreneur has unlimited liability.

This type of entity is characterised by a strong personal dimension and its economic and financial reports are affected by this mixture between managing the enterprise's assets and managing the owners' personal assets and liabilities. The preparation and use of accounting documents is almost entirely made for internal purposes, with relative savings in time and resources.

In light of the above, therefore, and in spite of the recommendations indicated in the Desk Research, we may suggest that the Double-Entry Accounting method should not be obligatory for Micro 1, Micro 2 and Small-sized entities. For Medium-sized entities, on the contrary, its adoption would be desirable, in view of their size and greater external relevance.

In terms of simplification, these considerations can also be applied to Publication of the annual account.

7.3. Suggestions for the Future Policy Initiatives

In conclusion, a certain number of Future Policy Initiatives can be proposed on the basis of the key aspects analysed in the Desk Research and Survey.

Although the type and size of entity examined vary, the project enabled us to draw up a number of simplification proposals. These are outlined below, by technical area.

7.3.1. Double-Entry Accounting method

Type A: The Double-Entry Accounting method proved always to be obligatory, regardless of size, since it is a preparatory step in drawing up the Balance Sheet, the Profit and Loss Account and the Notes to the Accounts. The current Double-Entry Accounting method should therefore be retained. In summary:

Table No. 6 - Chapter 7 - Outline of the proposed measures for Double Entry Accounting - Type A

DOUBLE-ENTRY ACCOUNTING	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE A	YES	YES	YES	YES

The Desk Research revealed that the Double-Entry Accounting method is obligatory in every country surveyed, regardless of size.

Moreover, as shown in Tables No. 150 and 151 of Chapter 4.4, the Double-Entry Accounting method meets with ample approval from the Survey's interviewees. They said that the Balance Sheet and the Profit and Loss Account are essential for all sizes of Type A entity, since these documents are based on the Double-entry method (See Chapter 6.1).

Type B: The Desk Research shows that the Double-Entry Accounting method is not obligatory for all Type B entities, and for some of the selected Countries this requirement tends to lighten as size decreased. This applies in particular to Micro-entities, where a number of different methods (e.g. accounts on cash basis, books and register for tax purposes only, etc.) have been introduced instead of the Double-Entry Accounting method (See Chapter 6.2).

Similarly, from the results of the Survey we can conclude that the Double-Entry Accounting method is deemed essential only for Medium-sized and Small-sized entities, and not for Micro 1 and Micro 2 entities. In summary, the proposed solution is the following:

Table No. 7- Chapter 7 - Outline of the proposed measures for Double-Entry Accounting - Type B

DOUBLE-ENTRY ACCOUNTING	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE B	YES	YES	NO	NO

In any case, taking into account shareholders' unlimited liability and scant use of the accounting records of these entities, no need is seen for new requirements.

Type C: The Double-Entry Accounting method proved to be obligatory only for Medium-sized entities. This conclusion was drawn from the needs expressed by the Users and the Accounting Professionals (see Tables No. 150 and No. 151 of Chapter 4.4), who consider the Balance Sheet and Profit and Loss Account to be essential.

It might therefore be reasonable to create a simpler accounting method related to the size of the entity, or even one serving solely for tax calculation purposes. For Small-sized entities, a need emerged to simplify through exemption from the Double-Entry Accounting method and/or by applying thresholds based on size.

In summary, the proposed solution is the following:

Table No.8 - Chapter 7 - Outline of the proposed measures for Double-Entry Accounting - Type C

DOUBLE-ENTRY ACCOUNTING	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE C	YES	NO	NO	NO

Double-Entry Accounting method: Cost/benefit analysis

As regards the Double-Entry Accounting method, for Type A entities, no evidence of higher costs emerged but no benefits were found either, since the information provided confirms the obligations currently envisaged for this type of entity.

For Type B (Micro 1 and Micro 2) and Type C (Small, Micro 1 and Micro 2), it was not possible to quantify the benefits of exemption from the Double-Entry Accounting method requirement, given the lack of specific information. However, exemption can only translate into advantages for entities in selected Countries where this type of procedure is obligatory.

7.3.2. Profit And Loss Account

Type A: The Profit and Loss Account (P/L) is a necessary and fundamental document regardless of entity size, therefore no simplification is envisaged. The exception to this is the reduction of the line item of the P/L, namely Tax on profit or loss on ordinary activities (see Figure No. 159 of Chapter 4.4).

Table No. 9 - Chapter 7 - Outline of the proposed measures for Double-Entry Accounting - Type A

PROFIT AND LOSS ACCOUNT	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE A	YES	YES	YES	YES

Concerning Type A for Micro 1 and Micro 2, the line item “Tax on profit or loss on ordinary activities” is not considered as essential. Therefore, also in accordance with our proposals concerning Deferred taxes as items of the Balance Sheet (see Chapter 7.3.5.) we propose that all taxes should be indicated in a single line item irrespective of the taxes’ different nature, type and of the accrual basis principle.

Moreover, from the Survey emerges that the line items “Work performed by the undertaking for its own purposes and capitalized” and “Other interests receivable and similar income”, are considered as useful but not essential.

Therefore, it could be proposed to include the line item “Work performed by the undertaking for its own purposes and capitalized” into the line item “Other operating income”.

The line item “Other interests receivable and similar income”, could also be included again into the line item “Other operating income”, whenever the financial expenses are not significant.

Type B: The drafting of this document is closely linked to entity size. It is therefore necessary only for Medium-sized and Small-sized entities, while for Micro 1 and 2 the joint analysis of the Desk Research and the Survey, suggests that it is useful and necessary only for taxation purposes.

While maintaining the current line items of the Profit and Loss Account for Medium-sized and Small-sized entities, with the exception of the line item “Tax on profit or loss of the financial year” in the Profit and Loss Account, for the other size-categories, we suggest that the following simplified models be adopted for the Profit and Loss Account:

Table No. 10 - Chapter 7 - Outline of the proposed measures for Profit and Loss Account - Type B

TYPE B – PROFIT AND LOSS ACCOUNT	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
Net turnover	YES	YES	YES	YES
Variation in stock of finished goods and work in progress	YES	YES	YES	N/A
Work performed by the und. for its own purposes and capitalized	YES	YES	N/A	N/A
Other operating income	YES	YES	N/A	N/A
Raw materials and consumables	YES	YES	YES	N/A
Other external charges	YES	YES	N/A	N/A
Staff costs	YES	YES	YES	YES
Value adjustment	YES	YES	N/A	N/A
Other operating charges	YES	YES	N/A	N/A
Income from participating interests	YES	YES	N/A	N/A
Income from other invest. and loans forming part of the fixes ass.	YES	YES	N/A	N/A
Other interests receivable and similar income	YES	YES	N/A	N/A
Value adjustments of fin. assets and of inv. held as current assets	YES	YES	N/A	N/A
Interest payable and similar charges	YES	YES	N/A	N/A
Tax on profit or loss on ordinary activities	YES	YES	N/A	N/A
Profit or loss on ordinary activities after taxation	YES	YES	YES	YES
Extraordinary income	YES	YES	N/A	N/A
Extraordinary charges	YES	YES	N/A	N/A
Profit or loss of the financial year	YES	YES	YES	YES

Type C: The preparation of the Profit and Loss Account is closely linked to entity size. It is therefore necessary only for Medium- and Small-sized entities, while for Micro 1 and 2 the joint analysis (i.e. the Desk research and Survey) suggests that it is useful and necessary only for taxation purposes. While maintaining the current line items of Profit and Loss Account for Medium-sized and Small-sized entities, with the exception of the line item “Tax on profit or loss of the financial year” for the other size-categories we suggest that the following simplified models be adopted for the Profit and Loss Account:

Table No. 11- Chapter 7 - Outline of the proposed measures for Profit and Loss Account - Type C

TYPE B – PROFIT AND LOSS ACCOUNT	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
Net turnover	YES	YES	YES	YES
Variation in stock of finished goods and work in progress	YES	YES	N/A	N/A
Work performed by the und. for its own purposes and capitalized	YES	N/A	N/A	N/A
Other operating income	YES	N/A	N/A	N/A
Raw materials and consumables	YES	YES	N/A	N/A
Other external charges	YES	N/A	N/A	N/A
Staff costs	YES	YES	YES	N/A
Value adjustment	YES	N/A	N/A	N/A
Other operating charges	YES	N/A	N/A	N/A
Income from participating interests	YES	N/A	N/A	N/A
Income from other invest. and loans forming part of the fixes ass.	YES	N/A	N/A	N/A
Other interests receivable and similar income	YES	N/A	N/A	N/A
Value adjustments of fin. assets and of inv. held as current assets	YES	N/A	N/A	N/A
Interest payable and similar charges	YES	N/A	N/A	N/A
Tax on profit or loss on ordinary activities	YES	N/A	N/A	N/A
Profit or loss on ordinary activities after taxation	YES	YES	YES	N/A
Extraordinary income	YES	N/A	N/A	N/A
Extraordinary charges	YES	N/A	N/A	N/A
Profit or loss of the financial year	YES	YES	YES	YES

Profit and Loss Account: Cost/benefit analysis

Since the Profit and Loss Account is generally applied in all selected Countries, no differences were found in costs and benefits.

If the suggested simplifications were adopted, many more advantages than disadvantages could result. In more detail, we can consider the following.

For Type A (all size), and for Types B and C in the Medium-sized and Small-sized categories, eliminating the line item “Tax on profit or loss on ordinary activities” would not produce significant benefits.

For Types B and C in the Micro 1 and Micro 2 categories, the introduction of simplified models for the Profit and Loss Account would bring a clear reduction in workloads and consequently in costs, albeit not quantifiable given the lack of reliable data.

To this end, the study on administrative costs¹⁹³ provides elements for consideration. This study concerns Medium-sized entities, from which it emerges that 440 minutes per year are required to draw up the Profit and Loss Account. The resulting cost varies from country to country, but can be summarised as follows:

¹⁹³ Study on administrative costs of the EU Company Law Acquis – Final report – July 2007, http://ec.europa.eu/internal_market/company/docs/simplification/final_report_company_law_administrative_costs_en.pdf

Table No. 12 - Chapter 7 - Administrative costs for drawing up P/L - Medium-sized entities

Profit and Loss Account	Medium-sized
Minutes	440,00
Hours	7,33
Hourly rate European Union (27 countries) ¹⁹⁴ EUR	19,85
Total cost EUR	145,57

The simplification proposals on the Profit and Loss Account as set above are also in accordance with a cost/benefit analysis based on the results of the Report of EBTP¹⁹⁵ conducted on the “Simplification and modernisation of accounting rules (Fourth Directive)”. This Report shows calculations on the percentage saving in total cost resulting from potential change of the said Fourth Directive. With reference to the simplification of the Profit and Loss Account layout it has been calculated that for Small-sized enterprises this measure might save 6% of the administrative burden, this percentage of saving raising at 15% for Micro entities. Furthermore this study analyses also the savings which will result by a relaxation of the requirement to report on deferred taxes; it has been calculated that this change may lead to a saving of the 6% for Small-sized entities and 14% for Micro entities. Also the removal of other disclosures (e.g. prepayments and accrued income) may result in a saving of the 5% for the Small-sized entities and 6% for Micro entities.

7.3.3. Accounting for taxation purposes only

Type A: The conclusions show that this method of determining the taxable base is not necessary since other information and documentation, resources and means are already able to produce the information needed for taxation purposes. More precisely, through the Double-Entry Accounting method, which is necessary for this type of entity regardless of size, it is possible to produce the information needed for taxation purposes.

Type B: The Desk Research reveals that the Double-Entry Accounting method is not obligatory for all Type B entities, and that for some of the selected Countries, a tendency emerged for accounting obligations to diminish with entity size. This is especially true with respect to Micro-entities, where different methods have been introduced instead of the Double-Entry Accounting method (e.g. accounts on cash basis, books and registers for tax purposes only, etc.).

Therefore, we can conclude that the Double-Entry Accounting method is deemed essential for Medium-sized and Small-sized entities, and therefore likely to produce data for taxation purposes, while for Micro 1 and Micro 2 entities, the accounting records are used solely for taxation purposes (see Chapter 6.2).

Type C: When the accounting principles (e.g. Double-Entry Accounting) in use in the selected Countries are not applicable, as results from the analysis conducted in the Desk Research, the accounting records are used solely for taxation purposes (see Chapter 6.3 – Accounting principles).

Accounting for taxation purposes only: Cost/benefit analysis

It is not possible to draw any conclusions on this subject since no specific studies have been written to calculate the administrative costs imposed on enterprises by this accounting requirement. Without reliable information and data it is not possible to express any

¹⁹⁴ <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&plugin=1&language=en&pcode=tps00173>

¹⁹⁵ http://ec.europa.eu/yourvoice/ebtp/consultations/2010/4th_company_law_directive/report_en.pdf

judgement regarding an analysis of the costs/benefits of the simplification proposals set out above.

7.3.4. Balance Sheet

Type A: The conclusions underscored that this document is obligatory regardless of size category.

In summary, the proposed solution is as follows:

Table No. 13 - Chapter 7 - Outline of the measures proposed - Balance Sheet Type A

BALANCE SHEET	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE A	YES	YES	YES	YES

Even if the Balance Sheet is mandatory for all size of entities, from the Survey it emerges that some line items (i.e. “Prepayments and accrued income”, “Accruals and Deferred income” and “Deferred taxes”) are of low interest for Micros 1 and 2.

Therefore, we propose to eliminate those line items, irrespective of the accrual basis principle.

Table No. 14 - Chapter 7 - Balance Sheet-specific items - Type A

BALANCE SHEET	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
Prepayments and accrued income	YES	YES	NO	NO
Accruals and deferred income	YES	YES	NO	NO
Deferred taxes	YES	YES	NO	NO

Type B: In spite of the higher costs, the Balance Sheet proved to be necessary only for Medium-sized entities, since it is linked more to size than to legal form. It emerges from the Survey that for Type B entities the importance of the Balance Sheet in general tends to diminish with entity size. As regards Small-sized entities, a simplified Balance Sheet is proposed, as emerges from the recommendations (see Chapter 6):

Table No. 15 - Chapter 7 - Outline of the measures proposed - Balance Sheet Type B

BALANCE SHEET	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE B	YES	NO	N/A	N/A

Even if the Balance Sheet is mandatory for all size of entities, from the Survey it emerges that some line items (i.e. “Prepayments and accrued income”, “Accruals and Deferred income” and “Deferred taxes”) are of low interest for Micros 1 and 2.

Therefore, we propose to eliminate those line items, irrespective of the accrual basis principle.

Table No. 16 - Chapter 7 - Balance Sheet-specific items - Type B

BALANCE SHEET	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
Prepayments and accrued income	YES	YES	NO	NO
Accruals and deferred income	YES	YES	NO	NO
Deferred taxes	YES	YES	NO	NO

Type C: In spite of the higher costs, this proved to be necessary only for Medium-sized entities, since it is linked more to size than to legal form. It emerges from the Survey that for Type C entities the importance of the Balance Sheet in general tends to diminish with entity size. As regards Small-sized entities, a simplified statement is proposed, as emerges from the recommendations (See Chapter 6):

Table No. 17- Chapter 7 - Outline of the measures proposed - Balance Sheet Type C

BALANCE SHEET	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE C	YES	NO	N/A	N/A

Even if the Balance Sheet is mandatory for all sizes of entities, from the Survey it emerges that some line items (i.e. “Prepayments and accrued income”, “Accruals and Deferred income” and “Deferred taxes”) are of low interest for Micros 1 and 2.

Therefore, we propose to eliminate those line items, irrespective of the accrual basis principle.

Table No. 18 - Chapter 7 - Balance Sheet-specific items - Type C

BALANCE SHEET	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
Prepayments and accrued income	YES	YES	NO	NO
Accruals and deferred income	YES	YES	NO	NO
Deferred taxes	YES	YES	NO	NO

Balance Sheet: Cost/benefit analysis

Since the Balance Sheet is applied by all Type A entities in all selected Countries, no differences were found between costs and benefits.

As regards Types B and C, since the Balance Sheet obligation varies amongst the different selected Countries, it is not possible to quantify the specific potential effects of the proposals.

However, to this end a study conducted¹⁹⁶ on the administrative costs necessary to draw up the Balance Sheet might be useful. From this it emerged that 440 minutes per year are required for Medium-sized entities, while if a shorter Balance Sheet were introduced for Small-sized, Micro 1 and Micro 2, then 230 and 200 minutes respectively would be needed. The cost would vary from one Country to another. The administrative costs for the preparation of the Balance Sheet are set out below:

¹⁹⁶ Study on administrative costs of the EU Company Law Acquis – Final report – July 2007, http://ec.europa.eu/internal_market/company/docs/simplification/final_report_company_law_administrative_costs_en.pdf

Table No. 19 - Chapter 7 - Administrative costs for drawing up B/L

Balance Sheet	Medium-Sized	Small-Sized	Micro
Minutes	440	230	200
Hours	7,33	3,83	3,33
Hourly rate European Union (27 countries) ¹⁹⁷ EUR	19,85	19,85	19,85
Total cost EUR	145,57	76,09	66,17

The simplification proposals on the Balance Sheet as set above are also in accordance with a cost/benefit analysis based on the results of the Report of EBTP¹⁹⁸ conducted on the “Simplification and modernisation of accounting rules (Fourth Directive)”. This Report shows calculations on the percentage saving in total cost resulting from potential change of the said Fourth Directive. With reference to the simplification of accounts layout it has been calculated that for Small-sized enterprises this measure might save 6% of the administrative burden, this percentage raising at 15% for Micro entities. Furthermore this study analyses also the savings which will result by a relaxation of the requirement to report on deferred taxes; it has been calculated that this change may lead to a saving of the 6% for Small-sized entities and 14% for Micro entities. Also the removal of other disclosures (e.g. prepayments and accrued income) may results in a saving of the 5% for the Small-sized entities and 6% for Micro entities.

¹⁹⁷ <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&plugin=1&language=en&pcode=tps00173>

¹⁹⁸ http://ec.europa.eu/yourvoice/ebtp/consultations/2010/4th_company_law_directive/report_en.pdf

7.3.5. Notes to the Accounts

Type A: The Desk Research shows that the Notes to the Accounts, as a component of the Financial Statements, are generally obligatory, regardless of entity size, in line with the Fourth Directive. Therefore, the proposed solution is the following:

Table No. 20 - Chapter 7 - Outline of the measures proposed - Notes to the Accounts Type A

NOTES TO THE ACCOUNTS	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE A	YES	YES	YES	YES

In Chapter 7.2 it is underlined that there is a need of simplification of the Notes to the Accounts.

The “Notes to the Accounts” is the document containing the criteria utilised, the details and changes of some entries, as well as useful information for the stakeholders (Users, Preparers and Accounting Professionals) when reading and analyzing the Balance Sheet.

The Notes to the Accounts depend on the contents of the Balance Sheet. Therefore, the hypotheses suggested for the simplification of the Balance Sheet directly affect the Notes to the Accounts.

However, compared to the Balance Sheet, the simplification hypotheses suggested for the Notes to the Accounts are greater for some types of enterprises as it is suggested that some entries or comments in the Notes to the Accounts are deleted whilst highlighting them in the Balance Sheet.

For example, the Notes to the Accounts and the Balance Sheet are considered mandatory for Type A of enterprises of all sizes (Medium-Sized, Small-Sized, Micro 1 and Micro 2). Yet, it is suggested that some specific entries (e.g. “Prepayments and accrued income”) are maintained as details in the entries of the Balance Sheet for Medium-Sized and Small-Sized enterprises only, whilst they are deleted from the comments and details in the Notes to the Accounts for enterprises of all sizes (Medium-Sized, Small-Sized, Micro 1 And Micro 2).

The suggestions for future policies related to the Notes to the Accounts and the individual entries affected by changes are described in detail hereinafter for each type (Type A, Type B and Type C) and size of enterprise (Medium-Sized, Small-Sized, Micro 1 And Micro 2).

The analysis of the results of the Survey shows that for Type A entities, in general, the line items of the Balance Sheet are considered as essential regardless of size. Only for some line items as “Prepayments and accrued income”, “Accruals come and deferred income”, “Financial assets” and “Deferred taxes” the interest decreases with the size decreasing (Small-sized, Micros 1 and 2).

Therefore we propose to eliminate, the above mentioned line items from the Notes to the Accounts as indicated in the table below:

Table No. 21 - Chapter 7 - Notes to the Accounts- Specific items - Type A

NOTES TO THE ACCOUNTS	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
Prepayments and accrued income	NO	NO	NO	NO
Accruals and deferred income	NO	NO	NO	NO
Financial assets	YES	NO	NO	NO
Deferred taxes	YES	NO	NO	NO

Type B: The Desk Research shows that in most of the countries examined, the Notes to the Accounts are obligatory since these countries have extended the requirements for Type A entities to Type B Medium-sized entities in line with the Fourth Directive. From the Survey it emerges that the Notes to the Accounts are deemed necessary for Type B Medium-sized entities, but the percentage falls as size of Type B entity diminishes. So, while for Medium-sized entities it is deemed necessary, for Small-sized entities it could be optional.

Table No. 22 - Chapter 7 - Outline of the measures proposed - Notes to the Accounts Type B

NOTES TO THE ACCOUNTS	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE B	YES	NO	N/A	N/A

The analysis of the results of the Survey shows that for Type B entities, in general, the items of the Balance Sheet are considered as essential regardless the size. Only for some line items as “Prepayments and accrued income”, “Accruals come and deferred income”, “Financial assets” and “Deferred taxes” the interest decreases with the size decreasing (Medium-sized, Small-sized, Micros 1 and 2).

Therefore we propose to eliminate, the above mentioned line items from the Notes to the Accounts as indicated in the table below:

Table No. 23 - Chapter 7 - Notes to the Accounts- Specific items - Type B

NOTES TO THE ACCOUNTS	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
Prepayments and accrued income	NO	NO	NO	NO
Accruals and deferred income	NO	NO	NO	NO
Financial assets	NO	NO	NO	NO
Deferred taxes	NO	NO	NO	NO

Type C: The Desk Research shows that in 11 of the countries examined the Notes to the Accounts are obligatory for Type C Medium-sized entities. The Survey, however, indicates that the need to prepare the Notes to the Accounts is influenced by the legal form of the entity and diminishes with entity size. Therefore, the proposed solution is the following:

Table No. 24 - Chapter 7 - Outline of the measures proposed - Notes to the Accounts Type C

NOTES TO THE ACCOUNTS	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE C	YES	NO	N/A	N/A

The analysis of the results of the Survey shows that for Type C entities, in general, the items of the Balance Sheet are considered as essential regardless of size. Only for some line items as “Prepayments and accrued income”, “Accruals come and deferred income”, “Financial assets” and “Deferred taxes” the interest decreases with the size decreasing (Medium-sized, Small-sized, Micros 1 and 2).

Therefore we propose to eliminate, the above mentioned line items from the Notes to the Accounts as indicated in the table below:

Table No. 25 - Chapter 7 - Notes to the Accounts-specific items - Type C

NOTES TO THE ACCOUNTS	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
Prepayments and accrued income	NO	NO	NO	NO
Accruals and deferred income	NO	NO	NO	NO
Financial assets	NO	NO	NO	NO
Deferred taxes	NO	NO	NO	NO

Notes to the Accounts: Cost/benefit analysis

Notes to the Accounts are applied by all Type A entities in all selected Countries.

As regards Types B and C, since the Notes to the Accounts obligation is not uniform from one country to the next, it is not possible to quantify the specific effect the proposals might produce.

However, to this end a study conducted¹⁹⁹ for the purpose of preparing this document might be useful. From this it emerged that 380 minutes per year are required for Medium-sized entities, while if Notes to the Accounts were introduced for Small-sized, Micro 1 and Micro 2 entities then 230 and 200 minutes respectively would be needed. The cost would vary, depending on the nation examined. The cost of this activity is set out below:

Table No. 26 - Chapter 7 - Administrative costs for drawing up Notes to the Accounts

Notes to the Accounts	Medium-Sized	Small-Sized	Micro
Minutes	380	230	220
Hours	6,33	3,83	3,67
Hourly rate European Union (27 countries) ²⁰⁰ EUR	19,85	19,85	19,85
Total cost EUR	125,72	76,09	72,78

The simplification proposals on the Notes to the Accounts as set above are also in accordance with a cost/benefit analysis based on the results of the Report of EBTP²⁰¹ conducted on the “Simplification and modernisation of accounting rules (Fourth Directive)”. This Report shows calculations on the percentage saving in total cost resulting from potential change of the said Fourth Directive. With reference to the simplification of accounts layout it has been calculated that for Small-sized enterprises this measure might save 6% of the administrative burden, this percentage raising at 15% for Micro entities. Furthermore this study analyses also the savings which will result by a relaxation of the requirement to report on deferred taxes; it has been calculated that this change may lead to a saving of the 6% for Medium-sized, Small-sized entities and 14% for Micro entities. Also the removal of other disclosures (e.g. prepayments and accrued income) may result in a saving of the 7% for Medium-sized entities, 5% for the Small-sized entities and 6% for Micro entities.

¹⁹⁹ Study on administrative costs of the EU Company Law Acquis – Final report – July 2007, http://ec.europa.eu/internal_market/company/docs/simplification/final_report_company_law_administrative_costs_en.pdf

²⁰⁰ <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&plugin=1&language=en&pcode=tps00173>

²⁰¹ http://ec.europa.eu/yourvoice/ebtp/consultations/2010/4th_company_law_directive/report_en.pdf

7.3.6. Directors' Report

Type A: The conclusions emerging from the Desk Research (see Chapters 3.1.2.1 to 3.1.2.20) and from the Survey showed that this document is only necessary for Medium-sized entities, since it is obligatory under Article 46 of the Fourth Directive (see paragraph 3.1.3.3 of this report). As regards Small-sized, Micro 1 and Micro 2 entities, the Directors' Report is not obligatory when auditing is not required.

Considering that the Director's Report includes some information about the Balance Sheet ratios, and given the scant use of Balance Sheet ratios analysis by Small-sized and Micro 1 and 2 entities (see Tables No. 25, 123 and 136 of Chapter 4.4); we suggest that the obligatory information be simplified. In summary:

Table No. 27 - Chapter 7 - Outline of the measures proposed - Directors' Report Type A

DIRECTORS' REPORT	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE A	YES	NO	NO	NO

Type B: This document is neither obligatory for many of the Countries studied (see Chapter 3.1.3.3.2.) nor useful to third parties because the actual economic-financial picture is related to the assets of individual shareholders. Given the adopted methodology criterion and definition of good accounting practices (see Chapter 3.1.3.1), the Directors' Report cannot be analysed from a good accounting practice perspective. In summary, the proposed solution is the following:

Table No. 28 - Chapter 7 - Outline of the measures proposed - Directors' Report Type B

DIRECTORS' REPORT	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE B	NO	N/A	N/A	N/A

Type C: This document is neither obligatory for most of the countries studied (see Chapter 3.1.3.3.2.) nor useful to third parties because the actual economic-financial picture is related to the assets of the business owner. The cost of drawing up the document is excessively onerous with respect to any potential benefits. In summary, the proposed solution is the following:

Table No. 29 - Chapter 7 - Outline of the measures proposed - Directors' Report Type C

DIRECTORS' REPORT	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE C	NO	N/A	N/A	N/A

Directors' Report: Cost/benefit analysis

It is not possible to draw any conclusions on this subject since no specific studies have been written to calculate the administrative costs imposed on enterprises by this accounting requirement. Without reliable information and data it is not possible to express any judgement regarding an analysis of the costs/benefits of the simplification proposals set out above.

7.3.7. Abbreviated Financial Statement²⁰²

Type A: An analysis of the Desk Research shows that the Abbreviated Financial Statement is envisaged for Small-sized, Micro 1 and Micro 2 entities. The Survey (see Tables No. 150 and 151 of Chapter 4.4) revealed a strong interest in the Balance Sheet and Profit and Loss Account for all Type A entities, regardless of size, since they are deemed useful and/or necessary. The Notes to the Accounts, on the other hand, are deemed necessary only for the Small-sized entities. Therefore, the proposal is to leave the minimum content for Type A unchanged, as specified in the following table:

Table No. 30 - Chapter 7 - Outline of the measures proposed - Abbreviated financial statement Type A

ABBREVIATED FINANCIAL STATEMENT	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE A	NO	YES	YES	YES

The same simplifications²⁰³ proposed for the Balance Sheet, Profit and Loss Account and Notes to the Accounts in the Financial Statements are applicable to the Abbreviated Financial Statement.

Type B: An analysis of the Survey results reveals scant interest in the accounting record. This can be explained mainly by the principle of unlimited liability governing these companies, since third parties have recourse to shareholders' personal assets.

An analysis of the Desk Research shows that for Type B Medium-sized entities, the minimum Financial Statements requirements are the Balance Sheet, Profit and Loss Account and Notes to the Accounts. From an analysis of the Survey results (see Chapter 4.4) it emerges that:

- The Profit and Loss Account is deemed essential for all Type B entities, regardless of size;
- The Balance Sheet is deemed essential only for Type B Medium-sized and Small-sized entities;
- The Notes to the Accounts are deemed useful but not essential for Type B Medium-sized entities, while for Small-sized, Micros 1 and 2 entities it is not deemed necessary.

It is considered essential, therefore, only for the Type B Medium-sized entities. In summary, the simplification proposal is the following:

Table No. 31 - Chapter 7 - Outline of the measures proposed - Abbreviated financial statement Type B

ABBREVIATED FINANCIAL STATEMENT	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE B	YES	NO	N/A	N/A

²⁰² The size parameters for Types A, set out in section 11 of the Fourth Directive as amended by the Directive 2006/46/EC, have been here also applied to Type B and C with reference to the Abbreviated Financial Statement.

²⁰³ The simplification regards the following items: prepayments and accrual income, accruals and deferred income and deferred taxes (see Chapter 7.3.2, Chapter 7.3.5 and Chapter 7.3.8).

The same simplifications²⁰⁴ proposed for the Balance Sheet, Profit and Loss Account and Notes to the Accounts in the Financial Statements are applicable to the Abbreviated Financial Statement.

Type C: The Desk Research for Type C Medium-sized entities shows that the minimum Financial Statement requirements are the Balance Sheet, Profit and Loss Account and Notes to the Accounts.

Compared with the Type C Medium-sized entities the analysis of the Type C Small-sized category highlighted that countries where the Financial Statements must be drawn up are diminishing in number. Some simplification is also envisaged, such as the exclusion of the Notes to the Accounts.

In most of the selected Countries Micro 1 and 2 entities are required to draw up the Financial Statements solely for tax purposes.

From an analysis of the results of the Survey (see Chapter 4.4) it emerges that:

- The Profit and Loss Account is deemed essential for all Type C entities, regardless of size;
- The Balance Sheet is deemed essential only for Type C Medium and Small-sized entities;
- The Notes to the Accounts are deemed useful but not essential for the Type C Medium-sized and Small-sized entities, while for Type C Micro 1 and 2 entities, they are not deemed useful.

Therefore, the Abbreviated Financial Statement is deemed necessary only for Type C Medium-sized entities. In summary, the simplification proposal is the following:

Table No. 32 - Chapter 7 - Outline of the measures proposed - Abbreviated financial statement Type C

ABBREVIATED FINANCIAL STATEMENT	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE C	YES	N/A	N/A	N/A

The same simplifications²⁰⁵ proposed for the Balance Sheet, Profit and Loss Account and Notes to the Accounts in the Financial Statements are applicable to the Abbreviated Financial Statement.

Abbreviated Financial Statement: Cost/benefit analysis

It is not possible to draw any conclusions on this subject since no specific studies have been written to calculate the administrative costs imposed on enterprises by this accounting requirement. Without reliable information and data it is not possible to express any judgement regarding an analysis of the costs/benefits of the simplification proposals set out above.

²⁰⁴ The simplification regards the following items: prepayments and accrual income, accruals and deferred income and deferred taxes (see Chapter 7.3.2, Chapter 7.3.5 and Chapter 7.3.8).

²⁰⁵ The simplification regards the following items: prepayments and accrual income, accruals and deferred income and deferred taxes (see Chapter 7.3.2, Chapter 7.3.5 and Chapter 7.3.8).

7.3.8. Cash Flow Statement

Type A: The Desk Research showed (see Chapter 3.1.3.3.1) that the Cash Flow Statement is obligatory for most of the countries analyzed. From the interviewees' conclusions in the Survey, however, it emerged (see Chapter 4.4) that it is useful only for the Type A Medium-sized entity. We consider that the Cash Flow Statement is particularly burdensome in terms of both time and cost, while being of only relative importance for the interviewees, therefore we suggest that it should be adopted on an optional basis only. In summary, the proposed solution is the following:

Table No. 33 - Chapter 7 - Outline of the measure proposed - Cash flow statement Type A

CASH FLOW STATEMENT	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE A	NO	N/A	N/A	N/A

Type B: The Desk Research (see Chapter 3.1.3.3.1) shows that the Cash Flow Statement is not envisaged. The results of the Survey are unchanged (see Chapter 4.4). In summary, the proposed solution is the following:

Table No. 34 - Chapter 7 - Outline of the measures proposed - Cash flow statement Type B

CASH FLOW STATEMENT	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE B	NO	N/A	N/A	N/A

Type C: The Desk Research (see Chapter 3.1.3.3.1) shows that the Cash Flow Statement is not envisaged. The results of the Survey are unchanged (see Chapter 4.4). In summary, the proposed solution is the following:

Table No. 35 - Chapter 7 - Outline of the measure proposed - Cash flow statement Type C

CASH FLOW STATEMENT	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE C	NO	N/A	N/A	N/A

Cash Flow Statement: Cost/benefit analysis

The simplification proposals on the Cash Flow Statement as set above are also in accordance with a cost/benefit analysis based on the results of the Report of EBTP²⁰⁶ conducted on the “Simplification and modernisation of accounting rules (Fourth Directive)”. This Report shows calculations on the percentage saving in total cost resulting from potential change of the said Fourth Directive. With reference to the “Cash Flow Statement” it has been calculated that for Small-sized enterprises a requirement to disclose the Cash Flow Statement might add a 5% to the burden, this percentage raising at 15% for Micro entities.

7.3.9. Statement of changes in Equity

Type A: For Type A Medium-sized entities, the Desk Research shows that in some countries, in addition to the minimum requirements such as the Balance Sheet, the Profit and Loss Account and the Notes to the Accounts, the Cash Flow Statement and Statement of Changes in Equity are also envisaged (see Chapters 3.1.3.3. and 3.1.3.4). For Small-sized, Micro 1 and Micro 2 entities, however, the Abbreviated Financial Statement is sufficient.

²⁰⁶ http://ec.europa.eu/yourvoice/ebtp/consultations/2010/4th_company_law_directive/report_en.pdf

The Survey (see Tables No.150 and 151) revealed a strong interest in the Balance Sheet and the Profit and Loss Account, regardless of size, since they are deemed to be necessary and useful document. The Survey also reveals a general need for simplification, expressed by all Respondents concerned (i.e. Users, Preparers and Accounting Professionals).

However, the importance attributed by banks/financial institutions to the completeness of the accounting records can be explained by their need to respect internal requirements relating to the application of the Basel agreements²⁰⁷, for the purposes of granting credit, loans and funding to SMEs.

The conclusions show, therefore, that this component is necessary only for Medium-sized entities, while a simplification is desirable for the Small-sized, Micro 1 and 2 categories through the non-obligatory status of the Statement of Changes in Equity, with resulting benefits in terms of time-savings. In summary, the proposed solution is the following:

Table No. 36 - Chapter 7 - Outline of the measures proposed - Statement of changes in equity Type A

STATEMENT OF CHANGES IN EQUITY	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE A	YES	NO	NO	NO

Type B: For Type B Medium-sized entities, the Desk Research shows that in some countries, in addition to the minimum requirements such as the Balance Sheet, Profit and Loss Account and Notes to the Accounts, the Cash Flow Statement and Statement of Changes in Equity are also envisaged (see Chapters 3.1.3.3. and 3.1.3.4). For Small-sized, Micro 1 and Micro 2 entities, however, the Abbreviated Financial Statement is sufficient.

The Survey results indicate that interest in the accounting records of Type B SMEs is very low (see Figure No. 2 of Chapter 4.3.1).

This scant interest in the accounting records of Type B entities can be explained mainly by the principle of unlimited liability governing such companies. Indeed, third parties may have recourse to shareholders' personal assets without any need for specific or complete information on the company's assets. Users declared that they use other information channels for their evaluations and decisions.

From the results of the Desk Research and Survey, we can conclude that, even where there is a degree of interest in the accounting records of Medium-sized entities, this interest is low and diminishes with entity size (Small-sized, Micro 1 and Micro 2). As a result, this document is not obligatory. In summary, the proposed solution is the following:

Table No. 37 - Chapter 7 - Outline of the measures proposed - Statement of changes in equity Type B

STATEMENT OF CHANGES IN EQUITY	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE B	NO	N/A	N/A	N/A

²⁰⁷ Basel Agreements, are recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision with the aim to secure international convergence on revisions to supervisory regulations governing the capital adequacy of internationally active banks. See also for more details <http://www.bis.org/publ/bcbsca.htm>

Type C: As regards Type C, the Desk Research results indicate that in most of the selected Countries some accounting requirements are a factor mainly of entity size, while others are provided regardless of size.

An analysis of the Survey results indicates that there is scant interest in SMEs' records, especially on the part of Users (see Figure No. 2 of Chapter 4.3.1). This low degree of interest for accounting records can be explained mainly by the principle of unlimited liability governing these companies.

More specifically, Users declared that they use other information channels for their evaluations and decisions. As a result, this document is not obligatory. In summary, the proposed solution is the following:

Table No. 38 - Chapter 7 - Outline of the measures proposed - Statement of changes in equity Type C

STATEMENT OF CHANGES IN EQUITY	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE C	NO	N/A	N/A	N/A

Statement of changes in Equity: Cost/benefit analysis

It is not possible to draw any conclusions on this subject since no specific studies have been written to calculate the administrative costs imposed on enterprises by this accounting requirement. Without reliable information and data it is not possible to express any judgement regarding an analysis of the costs/benefits of the simplification proposals set out above.

7.3.10. Consolidated Financial Statement

Type A: The Desk Research shows that the Consolidated Financial Statement is subject to local accounting principles. The Survey reveals, however, that the interviewees did not take the issue into consideration and showed scant interest in the Consolidated Financial Statement (see Chapter 4)²⁰⁸. This document is deemed of interest only for the Type A Medium-sized entity (see Chapter 5.1) under the conditions envisaged by local accounting principles. Therefore, the proposed solution is the following:

Table No. 39 - Chapter 7 - Outline of the measures proposed - Consolidated Financial Statement Type A

CONSOLIDATED FINANCIAL STATEMENT	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE A	YES	NO	NO	NO

Type B: The Desk Research shows that Consolidated Financial Statement is subject to local accounting principles. The Survey reveals, however, that the interviewees did not take the issue into consideration and showed scant interest in the Consolidated Financial Statement (cf. Chapter 4)²⁰⁹. Therefore, the proposed solution is the following:

²⁰⁸ See Figures No. from 10 to 14 Chapter 4 for Users and see Figures No. from 91 to 95 Chapter 4 for Accounting Professionals.

²⁰⁹ See Figures No. from 10 to 14 Chapter 4 for Users and see Figures No. from 91 to 95 Chapter 4 for Accounting Professionals.

Table No. 40 - Chapter 7 - Outline of the measures proposed - Consolidated Financial Statement Type B

CONSOLIDATED FINANCIAL STATEMENT	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE B	NO	NO	N/A	N/A

Type C: The Desk Research indicates that Consolidated Financial Statement is subject to local accounting principles. The Survey reveals, however, that the interviewees did not take the issue into consideration and showed scant interest in the Consolidated Financial Statement (cf. Chapter 4)²¹⁰. The proposed solution is the following:

Table No. 41 - Chapter 7 - Outline of the measures proposed - Consolidated Financial Statement Type C

CONSOLIDATED FINANCIAL STATEMENT	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE C	NO	NO	N/A	N/A

Consolidated Financial Statement: Cost/benefit analysis

It is not possible to draw any conclusions on the Consolidated Financial Statement since no specific studies have been written to calculate the administrative costs imposed on enterprises by this accounting requirement. Without reliable information and data it is not possible to express any judgement regarding an analysis of the costs/benefits of the simplification proposals set out above.

7.3.11. Auditing

Type A: The Desk Research revealed that the Type B Medium-sized entities are subject to Auditing requirements, while Type B Small-Sized, Micro 1 and Micro 2 entities are largely exempt. As regards Small-sized entities, in many countries Auditing is only obligatory above a certain size threshold (see Chapters 3.1.3.3.2 and 3.1.3.4.3). The results suggest that Auditing tends to apply only to Type B Medium-sized entities, under the same provisions as envisaged for Type A entities. The Survey is deemed useful only by Accounting Professionals and Preparers who find it useful, while Users expressed scant interest in the subject. In summary, the proposed solution is the following:

Table No. 42 - Chapter 7 - Outline of the measures proposed - Auditing Type A

AUDITING	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE A	YES	NO	NO	NO

Type B: The Desk Research revealed that the Type B Medium-sized entities are subject to Auditing requirements, while Type B Small-Sized, Micro 1 and Micro 2 entities are largely exempt. As regards Small-sized entities, in many countries Auditing is only obligatory above a certain size threshold (see Chapters 3.1.3.3.2 and 3.1.3.4.3). The results suggest that Auditing tends to apply only to the Type B Medium-sized entities, under the same provisions as envisaged for Type A. The Survey reveals that it is deemed useful only by the

²¹⁰ See Figures No. from 10 to 14 Chapter 4 for Users and see Figures No. from 91 to 95 Chapter 4 for Accounting Professionals.

Accounting Professionals and Preparers, while Users expressed scant interest in the subject. In summary, the proposed solution is the following:

Table No. 43 - Chapter 7 - Outline of the measures proposed - Auditing Type B

AUDITING	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE B	NO	N/A	N/A	N/A

Type C: The Desk Research revealed that Type C entities are exempt from Auditing requirements, regardless of size. The Survey reveals that it is deemed useful only by Accounting Professionals and Preparers, while Users expressed scant interest in the subject. Therefore, the proposed solution is the following:

Table No. 44 - Chapter 7 - Outline of the measures proposed - Auditing Type C

AUDITING	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE C	NO	N/A	N/A	N/A

Auditing: Cost/benefit analysis

Since Auditing is already applied by Medium-sized Type A entities in all selected Countries, the application of the suggestions would bring no cost/benefit effect for the enterprise.

The suggested exemption, given above, from the Auditing requirement for all Type B and C entities regardless of size and for Type A entities of Small-sized, Micro 1 and Micro 2, albeit to the detriment of more reliable financial statements, would avoid introducing a heavy burden on these entities.

This burden can be inferred from a study²¹¹ which, albeit applied only to Medium-sized entities, finds that 7.560 minutes per year are required to compile the auditing documentation. The resulting higher economic cost differs amongst the nations examined. It can be quantified as follows:

Table No. 45 - Chapter 7 - Administrative costs for Auditing

Auditing	Medium-sized
Minutes	7.560
Hours	126,00
Hourly rate European Union (27 countries) EUR ²¹²	19,85
Total cost EUR	2.501,10

While SMEs get value from an audit in terms of enhanced credibility of financial information, statutory audits have also been identified as a potential source of administrative burden²¹³.

Possible proposals to create a specific environment for the audit of SMEs would be:

- Discouraging the statutory audit of SMEs;
- Alternatively, where Member States want to maintain some form of assurance, introducing a new type of statutory service adapted to the needs of SMEs such as a

²¹¹ Study on administrative costs of the EU Company Law Acquis – Final report – July 2007

²¹² <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&plugin=1&language=en&pcode=tps00173>

²¹³ http://ec.europa.eu/internal_market/consultations/docs/2010/audit/summary_responses_en.pdf

"limited audit" or a "statutory review" where auditors would perform limited procedures so as to detect misstatements due to error or fraud²¹⁴.

7.3.12. Publication

Type A: Required for entities of all sizes since it provides useful evidence of an entity's accounting data and thus serves to protect third parties (see Chapter 3.1.3.3.1). It emerged from the Survey that the interviewees (i.e. Users, Preparers and Accounting Professionals) deem the "availability/reliability" of accounting records to be important for Type A entities, for which this requirement of Publication is already envisaged. In summary, the proposed solution is the following:

Table No. 46 - Chapter 7 - Outline of the measures proposed - Publication Type A

PUBLICATION	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE A	YES	YES	YES	YES

Type B: The Desk Research shows that Publication is obligatory for Type B Medium-sized entities, but not for other categories. This confirms the tendency for the burden of accounting requirements to lighten as the entity size diminishes. The Survey reveals that the availability of accounting records for Type B enterprises is deemed inadequate and this increases as the entity size diminishes. This can be explained by the fact that Publication is obligatory only for Type B Medium-sized entities, since it is linked to size, and it is optional for the others. Although a need emerged from the Survey to obtain more accounting information, we suggest that this requirement should not be obligatory for the other categories, as it would entail higher costs and administrative burdens. It should be observed, however, that the accounting records are of low importance for Type B entities, for which the personal assets and liabilities of the shareholders are deemed more important. In summary, the proposed solution is the following:

Table No. 47 - Chapter 7 - Outline of the measures proposed - Publication Type B

PUBLICATION	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE B	YES	NO	N/A	N/A

Type C: The Desk Research shows that in most of the selected Countries, Publication is not obligatory for Type C entities. The Survey reveals that the availability of accounting records for Type C entities is deemed inadequate and this increases as entity size diminishes. It should be observed, however, that the accounting records are of low importance for Type C entities, for which the personal assets and liabilities of the entrepreneur are deemed more important. In summary, the proposed solution is the following:

Table No. 48 - Chapter 7 - Outline of the measures proposed - Publication Type C

PUBLICATION	MEDIUM-SIZED	SMALL-SIZED	MICRO 1	MICRO 2
TYPE C	YES	N/A	N/A	N/A

Publication: Cost/benefit analysis

If the suggestions provided were implemented:

²¹⁴ http://ec.europa.eu/internal_market/consultations/docs/2010/audit/summary_responses_en.pdf

- For Type A entities (all), no difference in costs and benefits would result, since the current requirement would be unchanged;
- For Types B and C, Small-sized, Micros 1 and 2, no differences in costs and benefits would result in the selected Countries where the exemption is still in force;
- For Types B and C, Medium-sized, costs would increase. This cost would be justified by the benefit of a greater traceability and transparency in the accounting information.

To quantify these higher administrative burdens on Medium-sized entities, Types B and C, a study on administrative costs²¹⁵ showed that 15 minutes per year are required for all size categories. The cost of this activity is set out below:

Table No. 49 - Chapter 7 - Administrative costs for Publication

Publication	Medium-Sized	Small-Sized	Micro
Minutes	15	15	15
Hours	0,25	0,25	0,25
Hourly rate European Union (27 countries) ²¹⁶ EUR	19,85	19,85	19,85
Total cost EUR	4,96	4,96	4,96

Considering the overall thrust towards greater simplification, we suggest that Publication of the accounting documentation on the entity's website should be deemed sufficient to comply with the duty to publish. This would also reduce any costs (e.g. duties and taxes) entailed in filing these documents, for all types of entities subject to this requirement.

7.4. Final summary of all the proposals for Future Policy Initiatives

The following proposals for Future Policy Initiatives as described in detail in the preceding Chapter 7.3 are made taking into consideration three different measures:

- Abolishment of the accounting requirements;
- Simplification of the accounting documentation requirements;
- Exemption from accounting requirements either by introducing new thresholds or by a harmonization of the existing thresholds.

Only for Medium-sized entities Type B and Type C, some further accounting requirements are to be introduced, taking into account the needs of more availability and reliability of their accounting documentation expressed by the Respondents.

The proposals are hereby briefly summarized by type of measure proposed, Type and Size of the entities as follows.

7.4.1. Abolishment

Type A: For the Type A entities, no specific future legislative interventions of abolishment are recommended since the accounting framework in force, is considered coherent with the needs of the Respondents.

²¹⁵ See "Study on administrative costs of the EU Company Law Acquis – Final report – July 2007

²¹⁶ <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&plugin=1&language=en&pcode=tps00173>

Type B:

Double-Entry Accounting:

It is proposed to eliminate the requirement of the Double-Entry Accounting method for Micro 1 and Micro 2 entities.

Directors' Report, Cash flow statements and Auditing:

It is proposed to eliminate these requirements in the Countries where these are now mandatory for all entities' size.

Balance Sheet, Abbreviated Financial Statement, Notes to the Accounts, Publication:

It is proposed to eliminate these requirements in the Countries where these are now mandatory, for Small-sized entities and Micros 1 and 2 entities.

Type C:

Double-Entry Accounting:

It is proposed to eliminate the requirement of the Double-Entry Accounting method for Small-sized entities and Micros 1 and 2 entities.

7.4.2. Simplifications

Type A: The proposals for simplification outlined in the Table No.3 of Chapter 7, if adopted, will allow for greater harmonization of the requirements for Type A in the selected Countries.

Balance Sheet, Profit and Loss Account and Notes to the Accounts:

For all entity sizes, it is proposed to reduce some items of the Balance Sheet, Profit and Loss, and Notes to the Accounts either by eliminating some line items or by combining them into one line item.

Only for Micro 1 and 2 entities, these simplifications are a direct consequence of the elimination also of the records regarding mainly the line items of deferred taxes and prepayments and accrued income.

Directors' report:

It is proposed to reduce the information required. In particular, it is proposed to eliminate the information relating to financial ratios.

Auditing:

A simplification is proposed by introducing a "limited audit" or a "statutory review", for Small sized, Micro 1 and Micro 2 entities in those Countries where this requirement is now mandatory without exemption thresholds.

Publication:

It is proposed that the Publication of the Financial Statements shall be effected on the entity's web site.

Type B: The proposals of simplification outlined in the Table No.4 of Chapter 7, if adopted, will allow for greater harmonization of the requirements for Type B in the selected Countries.

Double-Entry Accounting method

It is proposed, as a simplification that, for the Micros 1 and 2 entities, the Double-Entry Accounting method may be adopted as optional by the enterprises.

Profit and Loss Account:

For Micro 1 and Micro 2 it is proposed the adoption of a simplified layout which shall present only the reduced line items as indicated in Table No. 10 of Chapter 7. The Profit and Loss Account shall thus become the only document to be used for tax purposes.

Abbreviated financial statement and Publication:

For Small-sized entities it is proposed that these requirements become optional in the selected Countries where there are now mandatory requirements.

Directors' report, Cash flow statement and Auditing:

For Medium-sized entities it is proposed that these requirements become optional into the selected Countries where there are now mandatory requirements.

Type C: The proposals of simplification outlined in the Table No.5 of Chapter 7, if adopted, will allow for greater harmonization of the requirements for Type C in the selected Countries.

Double-Entry Accounting method

It is proposed, as a simplification that, for the Micros 1 and 2 entities, the Double-Entry Accounting method may be adopted as optional by the enterprises.

Profit and Loss Account:

For Micro 1 and Micro 2 it is proposed the adoption of a simplified layout which shall present only the reduced line items indicated in Table No. 11 of Chapter 7. The Profit and Loss Account shall thus become the only document to be used for tax purposes.

Abbreviated Financial statement:

For Small-sized entities it is proposed that these requirements become optional in the selected Countries where there are now mandatory requirements.

Directors' report, Cash flow statement and Auditing:

For Medium-sized entities it is proposed that these requirements become optional in the selected Countries where there are now mandatory requirements.

7.4.3. Exemptions

Type A: For the Type A entities, no specific future legislative interventions of exemption are recommended since the accounting framework in force, is considered coherent with the needs of the Respondents. The proposals of exemption outlined in the Table No.3 of Chapter 7, if adopted, will allow for greater harmonization of the requirements for Type A in the selected Countries.

Type B: For Micro 1 and 2 entities, it is proposed to maintain the highest level of exemption from the accounting requirements; it is however suggested the possibility for these entities to opt for the adoption of the Double-Entry Accounting method and the Abbreviated Financial Statements.

It is also suggested that the Commission will set standard requirements at the European level for the “Accounting for taxation purposes only” (e.g. specifications on mandatory records, instructions on how to fill in records and invoices).

Type C: For Micro 1 and 2 entities, it is proposed to maintain the highest level of exemption from the accounting requirements; it is however suggested the possibility for these entities to opt for the adoption of the Double-Entry Accounting method.

It is also suggested that the Commission will set standard requirements at the European level for the “Accounting for taxation purposes only” (e.g specifications on mandatory records, instructions on how to fill in records and invoices).

7.4.4. Introduction of new requirements

Type A:

No further requirements proposed.

Type B:

Abbreviated Financial Statements:

For Medium-sized entities it is proposed to introduce as mandatory requirement for the Abbreviated Financial Statements.

Publication:

For Medium-sized entities it is proposed to introduce as mandatory requirement for the Publication of the Financial Statements.

Type C:

Abbreviated Financial Statements:

For Medium-sized entities it is proposed to introduce as mandatory requirement for the Abbreviated Financial Statements.

Publication:

For Medium-sized entities it is proposed to introduce as mandatory requirement for the Publication of the Financial Statements.

8. ANNEXES

Annex 1.

The complete set of the reports on accounting requirements in force in November 2009 in the selected Countries;

Annex 2.

Tables reporting the data processing of the Survey's results divided as follows;

Annex 2. A Users' data and results;

Annex 2.B Preparers' data and results;

Annex 2.C Accounting Professionals' data and results;

Annex 2.D Users', Preparers' and Accounting Professionals' data in aggregated form;

Annex 2. E Users' results - Figures and Tables;

Annex 2. E Preparers' results - Figures and Tables;

Annex 2. E Accounting Professionals' results - Figures and Tables;

Annex 3. A list of used abbreviations and definitions – glossary;

Annex 4. All three questionnaires of the Survey in all used languages;

Annex 5. The list with contact details of the persons who have been interviewed in the Survey;

Annex 6. Key findings;

Annex 7. Executive Summary in French and German versions