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September 24, 2004

**International Accounting Standards Board**  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear Sirs,

**Comments on the Discussion Paper of Preliminary Views on Accounting Standards for Small and Medium-sized Entities**

Accounting Standards Board of Japan (ASBJ) is pleased to comment on the Discussion Paper of Preliminary Views on Accounting Standards for Small and Medium-sized Entities. The views expressed in this letter are those of International Issues Standing Committee of ASBJ.

We are in the “single standard” view that there should be only one set of accounting standards within a system of a nation. However, while based on such view, we plan to have a research project to study about application of accounting standards on a limited basis according to the size of an entity or the extent of its public accountability. We will carefully avoid using the term of the “Accounting Standards for Small and Medium-sized Entities” even for the name of the project.

Since we have not yet launched the research project, we express only our basic positions and comments that have come into our mind on the preliminary views. We would like to present additional comments if we feel the necessity of further suggestions as a result of our future studies.

We make the following comments on the preliminary views.

- We agree with the preliminary view 3.2 that entities should apply full IFRSs if they have public accountability. However, we consider that attention should be paid to the point that the specific scope of “a public utility or similar entity that provides an essential public service” in the presumptive indicator(c) of public accountability in the preliminary view 3.3 cannot be uniformly determined, because factors such as degree of privatization and extent of governmental regulations concerning public utilities and similar entities considerably vary with each jurisdiction.
- We disagree with the preliminary view 3.4, because requiring assent of all owners is unrealistic and unnecessary. Given that principal users of financial statements prepared by SMEs are owner-managers and banks, from the viewpoint of relevance to the needs of users, it is inappropriate that even opposition from one shareholder would preclude entities from adopting the IASB standards for SMEs.

- We agree with the preliminary view 3.6 that a subsidiary of an entity with public accountability should comply with full IFRSs in its separate financial statements if it prepares financial information in accordance with full IFRSs to meet the requirements of the parents. We would like to add for confirmation that we consider it as a matter of course that use of IASB standards for SMEs is permitted for subsidiaries which do not have public accountability nor prepare financial information in accordance with full IFRSs to meet requirements of the parents.

We hope that our comments will contribute to the work of the IASB in arriving at its final decision.

Best Regards,

**Ikuo Nishikawa**  
**Chairman, International Issues Standing Committee**  
**Vice-Chairman, Accounting Standards Board of Japan**