THE INTRODUCTION OF INTERNATIONAL ACCOUNTING STANDARDS IN THE ITALIAN SMALL AND MEDIUM Sized ENTITIES

ABSTRACT

Considering the fact that the Italian government is ready to review both tax regulations and civil regulations governing financial statements, the paper try to summarize the considerations of Italian accounting science on introduction of International Accounting Standards in the national system. Accounting changes seen in recent years are significantly impacting the financial statements of the European companies: on one hand, listed companies are adopting International Accounting Standards, and on the other hand, SMEs are facing new regulations that are about to be reviewed by the Italian Government.

Keywords: IFRS, SMEs, Micro-Entities, EU Directives

1. THE GRADUAL INTRODUCTION OF INTERNATIONAL ACCOUNTING STANDARDS IN THE ITALIAN SYSTEM: FROM NATIONAL PRINCIPLES TO IAS/IFRS.

It appears useful to summarize the stages through which the IAS/IFRS principles took on a significant role in the Italian legal system, also considering that the Italian legal system assigned (and still assigns today) a role of certain importance to national accounting principles within the framework of regulations traditionally concerning civil law.

Within the Italian legal system, the national accounting principles have the function of support and interpretation of the regulations on the subject of financial statements; implicit reference is made to the national accounting principles in the general clause of Article 2423 of the Italian Civil Code when it introduces the so-called “integration obligation” and “exception obligation”. In addition, the concept of “technical discretion” contained in the report accompanying Decree no. 127 of 1991 refers to the national accounting principles.

The International Accounting Standards were only marginally important before Law no. 306/2003 went into effect on 31 October 2003; up to that date, the international principles could only be used in the event of an issue not be addressed by the national principles.

However, as it is known, the firms that dominate the international scenario have imposed their practices and traditions on the world’s most important financial markets, and if the firms belonging to different traditions and different economic, political and cultural systems intend to compete, or even just to survive in such markets, they must align themselves to the methods and procedures dictated by the dominant parties.

The European Union’s initiative originated from this. After having found a minimum common denominator in the EU-based companies’ preparation of financial statements during the 1990s, the EU subsequently issued “directives” through which it stated the need to oblige the Member States to adopt regulations that were initially compatible in substance with those prevailing on the main international markets, and later, increasingly coincident with the

---

1 Gianfranco Capodaglio is Full Professor of accounting, Department of management, University of Bologna, Matteo Santi and Ivanoe Tozzi are Associate Professors of accounting, Department of management, University of Bologna, Via Capo di Lucca, 34 - 40126 Bologna (Italy) e-mail: m.santi@unibo.it Paragraphs 1 and 7 is to be attributed to Gianfranco Capodaglio, paragraphs 2 and 3 is to be attributed to Ivanoe Tozzi, paragraphs 4, 5, 6 is to be attributed to Matteo Santi.
regulations on the international markets.

The referenced regulations were formulated and developed in the Anglo-American countries, whose cultural and legal traditions are very different from those of most countries in Continental Europe.

With a series of regulations\(^1\), the European Union obligated the Member States to adopt the IAS/IFRS\(^2\) as of 1 January 2005, for the preparation of the consolidated financial statements of companies whose securities were traded on regulated markets.

With Law n. 306/2003 and Decree-Law n. 38/2005, Italy agreed to endorse the accounting harmonization promoted by the European Union, moving beyond the obligations imposed by the aforementioned series of regulations, and provided that IAS/IFRS were also to be adopted by:

- publicly traded companies in the preparation of their financial statements (non-consolidated);
- companies issuing financial instruments sold to the public, in the preparation of their consolidated and non-consolidated financial statements;
- banks and financial intermediaries subject to the oversight of the Bank of Italy, in the preparation of their consolidated and non-consolidated financial statements;
- insurance companies in the preparation of their consolidated financial statements, and if publicly traded, in the preparation of their non-consolidated financial statements in the event of their not preparing consolidated statements.

The Italian regulations also provide the option of preparing financial statements according to International Accounting Standards for all other firms that are not authorized to elect an abbreviated form for their financial statements\(^3\).

### 2. THE GRADUAL INTRODUCTION OF INTERNATIONAL ACCOUNTING STANDARDS IN THE ITALIAN SYSTEM: THE ROLE AND THE PURPOSES OF IAS/IFRS.

The expression “IAS/IFRS” is normally translated in Italian as “international accounting principles”, however, the use of these terms can be misleading.

An “accounting standard” (or “financial reporting standard”) is not actually an “accounting principle” as defined by accounting doctrine and Italian practices, but is a simple “empirical rule” susceptible to ongoing changes, depending on how the prevailing practice perceives the changes of the economic situations in which the rule needs to be adopted.

In particular, the Standards are not associated with any general system of reference; they instead exist with respect to the “Framework” which applies only if it is not conflicting with the content of the individual rules\(^4\). It is interesting to note that the Framework was not ratified by the European Union, even though frequently cited by the individual standards.

If we consider the role of the IAS/IFRS in the countries where they originated and were developed, we can see that their significance is totally different from that of the Italian accounting principles. As it is known, in countries where common law is in effect, the legal system is based not on legal codes, but rather on laws developed through the precedent of jurisprudential decisions. Such decisions are based on “best practices”, which, in the case of financial statements, are represented by “generally accepted accounting principles”.

The IASs/IFRSs clearly have a very significant role, considerably limiting the actions of anyone involved in the subject, including, obviously, decision-making authorities of every order and degree.

The significant innovation for the Italian system is not limited to this alone: as stated, the Standards are continuously changing and are issued by a private entity which thus substitutes the national legislature.

A reading of the Framework (which, as indicated, does not prevail over the Standards)
is nonetheless interesting because it indicates, among other things, the purposes of financial statements according to the IAS/IFRS (Onida, 1951): the financial statements are prepared to meet the information needs of many users, but, among them, the category of “investors” is the most prevalent; investors are described as: “persons who supply risk capital and their consultants who are interested in the risk inherent to their investment and the related return. They need information that helps them to decide if to buy, maintain or sell. Shareholders, moreover, are interested in making use of the information that puts them in a position of evaluating the entity's capacity to pay dividends.”

It is appropriate to note that the reference to "financial statements" is normally to consolidated financial statements in the environment in which IAS originated, with the financial statements for the individual company considered an almost "internal" document, and thus, one of less importance. The situation in Italy is obviously very different: the concept of “financial statements” is unanimously related to the reference reporting for the individual company, except for particular cases specifically identified in regulations, doctrine and practices. The question of the distinctiveness of the financial statements for all types of firms, regardless of their size, has been debated in doctrine in past decades, with the discussion leading to the almost unanimous conclusion of the existence of a distinct ordinary financial statement, i.e. a unique document whose information-reporting purpose is represented by the "earnings result for the period and by the related working capital." It is obvious and generally acknowledged that, if documents that have other information-reporting purposes are called "financial statements", then it is inevitable to acknowledge their existence, without however being able to label them as "ordinary", even though they may be referable to individual periods.

In the Framework, on the contrary, a decisive statement is made regarding the intention to sacrifice the needs of all other users, if they are not compatible with the needs of investors: “since the investors supply risk capital to the entity, financial statements that satisfy their needs for information will also satisfy more of the needs of the other users of the financial statements.”

It is almost superfluous to note that the interests of the shareholders are not all equal, and that those of the majority investors of the present, and more importantly, the majority investors of the future, may be very different from those of the minority shareholders, creditors, employees, and especially - in our case - the state (in its role as the collector of taxes).

The Standards are accordingly aimed at mainly representing information useful for shareholders (present and future), rather than information useful to enterprise: in other words, financial statements must offer the most information possible about the probability of a shareholder to collect the sum invested over a foreseeable time period, namely, the result of the investment, through the distribution of dividends and the subsequent resale of the securities acquired. For this purpose, from the shareholder’s perspective, the receipt from the company of income available, and likely set aside, for distribution or an increase in the price of the securities held has the same value.

The consequences of this choice on establishing principles for the preparation of financial statements are particularly important; there are only two principles: the matching principle and the going-concern principle. The “qualitative characteristics” of the financial statements are a follow-up to such principles, and are defined as “aspects that make the information contained in the financial statements useful for the users”; such aspects include intelligibility, significance, reliability and comparability.

The requisites for reliability include not only neutrality, completeness and the prevalence of substance over form, but also prudence, which, as is known, constitutes the first of the principles currently in effect for preparing financial statements, as dictated by Article 2423 bis of the Italian Civil Code.

The application of this orientation is seen in the individual Standards: it is interesting to note, for example, the definition of “revenue” as provided by IAS 18, according to the
Italian text ratified by Italian lawmakers: «i ricavi sono flussi lordi di benefici economici conseguenti l’esercizio derivanti dallo svolgimento dell’attività ordinaria dell’impresa, quando tali flussi determinano incrementi del patrimonio netto diversi dagli incrementi derivanti dagli apporti degli azionisti» ["revenue is the gross inflow of economic benefits achieved during the year arising from the ordinary operating activities of the enterprise, when such inflow determines increases in shareholders' equity other than increases arising from shareholders’ contributions."]

Even more suggestive is the passage that indicates the conditions that make it possible to book the revenue: the passage includes a provision according to which revenue may be booked when «è probabile che i benefici economici derivanti dall’operazione saranno frutti dall’impresa e i costi sostenuti, o da sostenere, riguardo all’operazione possono essere attendibilmente determinati» ["it is probable that the economic benefits arising from the transaction will be enjoyed by the enterprise, and the costs sustained, or to be sustained, regarding the transaction may be reliably determined"].

A provision contained in Paragraph 29 of IAS 16 is completely in line with the objectives indicated, and makes it possible to value plant, property and equipment at fair value, even if above book value. Fair value is defined (Paragraph 7 of IAS 18) as “the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.”

3. THE GRADUAL INTRODUCTION OF INTERNATIONAL ACCOUNTING STANDARDS IN THE ITALIAN SYSTEM: THE PROCEDURE FOR ADOPTION IN THE EUROPEAN UNION

The adoption of the International Accounting Standards in the Member States of the EU is subject to a ratification process (a process which has occurred with the regulations indicated above). Thus, unlike the situation in the countries where the principles originated, the adoption of the International Accounting Standards in Europe does not automatically occur as the principles are issued by the IASB, but rather is subject to examination and specific approval.

As soon as they are adopted at a European level, however, the IAS/IFRS become fully valid in the Member States, including in the absence of any special ratification.

In Italy’s case, the Decree-Law no. 38/2005 adopted these principles, extending the sphere of application thereof; we need to emphasize, however, that Article 5, Paragraph 1 of such decree introduces a regulation that would seem to limit the indiscriminate use of the international principles, inasmuch as it specifies that “if, in exceptional cases, the application of a provision provided by the IAS is incompatible with the true and correct representation of the earnings, financial position and capital, the provision is not applied. In the financial statements any earnings arising from the exception are booked to a reserve whose distribution is restricted, unless in an amount corresponding to the value recovered.”

The sphere of application of such provision is not clear: indeed, the phrase “true and correct representation” seems to refer to the content of Article 2423 of the Italian Civil Code, as interpreted up to now in the Italian legal system; such interpretation identifies the requisite of “correctness” in the application of the principles for preparation provided by Article 2423-bis and ranks at the top of a body of regulations that are an alternative to the international Standards.

At this point, the Member States, such as Italy, which have extended the regulations regarding the preparation of consolidated financial statements to the non-consolidated financial statements for certain categories of larger businesses, have two distinct sets of regulations in relation to the same matter (the non-consolidated statutory financial statements) which are in effect to two different categories of businesses, which are principally distinguished from one another by their size.

On 25 October 2006, the executive committee of Organismo Italiano di Contabilità (the Italian Accounting Entity or O.I.C.) approved a proposal that is aimed at modifying the current regulations in the Italian Civil Code, and in our opinion, this is considered positive because it excludes the simple extension of the obligation of adopting the international principles to the entire array of Italian companies. We feel it is worth noting however what was observed in relation to the different role played by accounting principles in Italy, compared with what occurs in countries with common law systems: the inclusion of the principles in the provisions of the Civil Code in Italy would substantially change their nature and could have material adverse consequences on the equilibrium of the entire system of company regulation.

A new article contemplated is particularly important in that it would take the place of the current Article 2423-bis about the framework of application of the new regulations, excluding only the companies that are obligated by law to adopt the International Accounting Standards, with the consequence that all other firms would be prohibited from adopting such principles.

The changes can be summed up in several key points:

* The principle of the prevalence of substance over form is very clearly stated, compared with a current situation in which it is expressed in an ambiguous manner and inconsistently applied to different types of cases (as in the case of leasing transactions).

* Thought continuing to figure as a factor in the preparation of financial statements, the principle of prudence loses its place as the guiding principle, both because it is no longer ranked in first position, and more importantly, due to the possibility provided of an exception to the historical cost criterion; however, this does not eliminate the enormous gap existing with the meaning assigned to the term by the IAS/IFRS, inasmuch as the O.I.C. fully preserves the principle of “asymmetry” of the Italian tradition; indeed, for the positive components of income, there is still the need for “reasonable certainty”, in place of the “probability” incorporated into the international principles; instead, probability remains a sufficient condition for the accrual of risk-related charges (the asymmetry between the negative and positive components of income can also be found in Article 2423-ter no. 5 of the Italian Civil Code which proposes anew the currently prevailing regulation).

* In relation to the preceding point, the proposal provides for the option of using fair value as an alternative to historical cost for the valuation of certain elements, with historical cost no longer being allowed for financial derivatives instruments; similarly, the possibility of valuing commissioned work in process at cost is excluded, except when the amount is accrued with reasonable certainty.

* The concept of the “amortized cost” of receivables and payables (2426 bis, Paragraph 2) and the assumptions for discounting are introduced.

* The concept of “financial-statement continuity” (the provision in Article 7 of Decree-Law 87/92, which ratifies Article 31, letter f) of the EC Directive IV, according to which “the opening balance sheet for a period must correspond with the closing balance sheet of the prior period”) has been dismissed. The proposal provides that the effects of the change in the valuation criteria must be directly booked to shareholders’ equity, without flowing through the profit and loss statement.
The content of the financial statements is enriched by the cash-flow statement and the statement of changes in shareholders’ equity. The latter is necessary because of the change outlined in the preceding point. With financial-statement continuity no longer required, the relationship between the balance sheet and income statement would be impossible to understand without an additional statement.

As previously indicated, in our opinion, the O.I.C. proposal needs to be favourably embraced in general as a compromise between opposing needs, particularly the sections that continue to place the priority on the production of information useful for the traditional user of the financial statements. This does not mean overlooking the critical elements associated with the possible acceptance of the proposal: one of the most significant critical elements in our opinion is the elimination of the requirement for financial-statement continuity, in order to adjust to the new version of IAS 8 which establishes the retroactive application of changes in valuation criteria, with the consequent adjustment of the opening balance of the corresponding account of shareholders’ equity. This practice is subject to criticism on two fronts: first, from the standpoint of the law, and second, from a business economics perspective. From a legal viewpoint, the establishment and use of unrestricted reserves needs to be approved by the shareholders under Italian law; therefore, any changes to the opening balance of shareholders’ equity would be a clear-cut violation of such law. It would be possible to get around this limitation by submitting a proposal to the shareholders (along with the proposal for approval of the financial statements) asking for approval of the use or the increase of reserves. This response, however, is not convincing: the shareholders have absolute power over deciding the allocation, meaning they could reject such a proposal, with the consequence that the planned adjustment of the opening balances (which would be moreover obligatory) could not be adopted in such case.

Equally important (and perhaps even more important) is the business economics argument. As known (Ferrer, 1995, 179); the changes in net capital can be “direct” or “indirect”; while the former originate from outside of the company (increases and reductions of share capital, share issuance premiums, and reimbursements), the latter are associated with earnings, income that flows continually (Ferrero, 1995, 14) during the life of the firm, despite the merely conventional need for assigning part of it to any short period. The fundamental principle of final reconcilement is based on the considerations set out above, and according to such principle, the algebraic sum of the periodic income reported must coincide with total or overall income, i.e. the amount referable to the entire life of the firm (Campanini, Capodaglio, 1988, 92).

Adopting the proposal referenced herein, the algebraic sum of the results of different periods would no longer correspond to the indirect change in net equity, thereby undermining the definition of income itself. Of no use in mitigating the criticism is the argument that there would be a dual violation of the matching principle by booking the retroactive effect of the change in valuation criteria to the period in which the change gets adopted. First, the effect of the change does not necessarily have to be retroactive, with the effects being able to be valid *ex nunc*; second, the allocation to one period of income components related to prior periods is rather common and gives rise to extraordinary components of income, which are used for reporting these types of phenomena. A violation of the matching principle could instead be represented in the tendency to eliminate the characteristic distinction between ordinary and extraordinary components of income, provided by the recent versions of IAS/IFRS.

The explicit affirmation of the principle of the prevalence of substance over form surely constitutes an aspect of greater clarity vis-à-vis the current situation, but it does not wipe away the problems inherent to the limits of such principle, in a legal system such as that in Italy which also bases its equilibrium on the rigorous respect of formal aspects. Article 2423-ter n 2 of the Italian Civil Code actually proposes the principle, “barring other provision of the law.” The assumption of implementation does not add anything else: thus, the doubt remains as to whether it needs to be interpreted in the sense that the principle is always
applied, unless there is a regulation that exists that explicitly provides that a fact must be indicated in the financial statements according to its formal aspect, even if contrary to the substance of the transactions, or whether the clause makes reference to all of those transactions for which the form is essentially important from a legal standpoint, such as the obligation for the written form in certain contracts, or the presence of reasons for the nullity or voidability of a deed, etc.

5. THE PROBABLE EXTENSION OF THE IAS/IFRS LOGIC TO FINANCIAL STATEMENTS FOR MOST COMPANIES: THE “IFRS FOR SMALL AND MEDIUM-SIZED ENTITIES”.

In February 2007, the IASB handed down an exposure draft for the adoption of new accounting principles to be used by smaller sized entities; compared with the initial orientation that was aimed at mere simplification or partial application of the IFRS, the prevailing opinion is that is it essential to come up with a set of specific Standards (stand-alone document) for small- and medium-sized entities (SMEs)\(^\text{12}\).

The document does not supply a quantitative definition of a SME, but in the presentation notes and request for comments, it acknowledges that the IASB has made reference to businesses with about 50 employees in the development of the Standards. The qualitative definition elected in paragraph 1.1 identifies a small/medium-sized business as one which does not have “public accountability”, meaning the presentation of financial statements to entities controlling the regulated financial markets. In addition, the SME can be distinguished in terms of the recipients of financial statement information: minority shareholders and creditors. We need to observe that in Italy the 99% of total number of firms has less than 50 employees, according to Italian Statistical Office (ISTAT).

At this point, one would expect a “distancing” from the IFRS, which, as already indicated, identify investors (especially future investors) as the recipients of financial statement information; instead, as we shall better specify hereunder, this does not happen.

It is interesting to note in this regard that the Framework has been substituted by pervasive principles; though being presented as an alternative to the Framework, such principles have preserved most of the basic characteristics thereof.

The financial-statement objectives that have been established include information regarding financial position, performance, and the cash flows of the business, all of which is useful for the economic decisions of anyone who is not in a condition to be able to request specific reports aimed at satisfying their needs for information. There is no specification of what is meant by “information useful for economic decisions”, but from the development of the Standards, it is inferred that this information does not correspond to the information useful for the protection of third-party creditors and useful for prudence in the estimation of distributable income, but is very similar to that contemplated by IFRS.

Turning to the pervasive principles, the financial-statement disclosures need to be capable of addressing the economic decisions of users (relevance), and they must be quantitatively significant (materiality) in that sense that, if omitted or erroneous, they can negatively influence the economic decisions. The principles of reliability, the prevalence of substance over form and prudence then follow, with the last of them understood as a certain degree of caution in judgments inherent to valuation; this concept is very different from that of the “disparity of treatment” set out in the Italian Civil Code. The other principles regard completeness, comparability, timeliness of the information, and finally, the “cost-benefit” comparison in the preparation of the information. This last point is perhaps the only that effectively differs from the IFRS Framework, it having been expressly introduced in order to “simplify” the adoption of the Standards by small businesses and to reduce the costs of the necessary administrative compliance.

Particularly significant is the chapter inherent to the conditions for the recognition of the elements of financial statements: with regard to the assets, the concept in the IFRS is
repeated, whereby the condition sufficient for booking assets to the balance sheet is that it is probable that the benefits connected with the assets will be acquired by the business and that their value is measurable in a reliable manner. It is also specified that positive components of income related to the assets may be booked to the financial statements on the basis of the same criteria.

As far as the valuation criteria are concerned, the basic orientation is also that of the IFRS, with fair value being an option for certain items, and mandatory for others.

All in all, the Standards proposed for the SMEs adopt almost entirely the same principles as the current IFRS, but they offer a simplified and reduced version thereof contained in a volume of just under 200 pages.


In responding to a special IASB questionnaire in February 2007, the O.I.C. stated that the so-called “small enterprises” in Italy, when compared with businesses in the most important Member States of the European Union, are more often “micro businesses”, whereas the definition of the “average” enterprises in such countries would likewise be identified in Italy as medium/large-sized companies.

Several very important considerations emerge from reading the responses to the questionnaire:
- Though the O.I.C. was not able to supply reliable quantitative data, it has reasonable certainty that small enterprises represent the large majority of businesses operating on the Italian market;
- The users of the financial statements of the SMEs are generally shareholders/owners of the companies, lenders and creditors, tax authorities, and employees.

The O.I.C.’s concluding note is fundamental: “in our opinion, the IASB’s exposure draft in relation to Accounting Standards for SMEs does not currently appear to be a solution that can be shared for representing, from an accounting standpoint, the problems typical of the small businesses in Italy. The Standard proposed is too "close" to the IAS/IFRS overall; it presents few examples that guide the drafters of the financial statements; and it continues to be focused mainly on the benefit of the investor (in the meaning other than that of a business owner), whereas the group of users is different for the majority of small businesses.” Of course we agree with this idea, even in the light of the final draft of IFRS for SMEs.

An other recent proposal of the Commission of the European Union would be the introduction of the concept of “micro-entity”, in order to simplify the accounting system (inside the “small business act” and the idea of “think small first”). After defining the micro-entity as firm in which we have less than 10 employees, total revenues less than 1 million euro, and total assets less than 500,000 euro, one of the proposal of this project is to abolish the financial accounting to be kept mandatory; we think that this idea will get worse and worse in terms of knowing the performance of the single entity and of the whole economy, particularly in a moment of strong economic and financial crisis.

7. CONCLUDING OBSERVATIONS

As a conclusion, the recent broad financial crisis make many economic operators wondering the possibility that some assumption previously considered “non changeable” can be reconsidered. We refer to the opinion, very well known in Europe and North America, that
the engine of the development in developed countries is the finance and the increasing or entities’ dimension is considered the main success’s element.

The consideration that some national system, such as Italian, have faced the great crisis in a less dangerous way can suggest that the interpretation believed as true maybe were not be so true. In this perspective we can understand the difficult adoption of some Standards, such as IAS 32 and IAS 39: their impact on financial statement has made vaster the effects of some facts that characterized these last years: the speculative bubbles and consequently the enormous falling of all the values.

Everybody knows the strong intervention the European Union has to make on the IASB in order to obtain the change of some consideration contained in the Standards and the subsequent difficulties that still make their application very difficult.

\textit{The issue has been addressed by most authors; among the explanations that are clearest and most rigorous, we suggest GIOVANNI FERRERO, La valutazione del capitale di bilancio, Giuffrè, 1995, page 179 and the pages thereafter.}

\textit{It is interesting to note how the change of the name attributed to the standards (from IAS to IFRS) is symptomatic of a developmental process that tends to separate the objectives of the financial statements from the needs for the "statement" of the general accounting and the perspective financial-reporting needs.}

Company which, in actual Italian Civil Code, are entitled to deliver abbreviated accounts to the Register of Company are those who, in the first year or for two consecutive year, do not superate two out of three of these limits:
- total assets, euro 4.400.000
- total sales euro 8.800.000
- people occupied in the year: 50

2 It is interesting to note how the change of the name attributed to the standards (from IAS to IFRS) is symptomatic of a developmental process that tends to separate the objectives of the financial statements from the needs for the "statement" of the general accounting and the perspective financial-reporting needs.

\textit{Giovanni Campodaglio, Introduzione alla economia aziendale, CLUEB, Bologna, 1988, page 92.}


12 It is important to note that this part of the paper was referred to the Exposure Draft of the IFRS for SMEs. Having a brief look at the final version we can observe that many changes have been put in the new document, maybe following the observations made by O.I.C. Even the European Union has decided to postpone the implementation of the directive which will reform the subject, after a new consultation period.

13 "An entity shall recognise an asset in the balance sheet when it is probable that future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably".

14 A recent article appearing in Il Sole-24 Ore stated that only 2,5 of every 1.000 Italian companies have revenues of more than EUR 50 million.

\textbf{References}


S obzirom na to da se talijanska vlada sprema revidirati poreznu i civilnu financijsku regulativu, ovaj rad želi sažeti promišljanja talijanske računovodstvene znanosti i o uvоđenju Međunarodnih računovodstvenih standarda u državni sustav. Promjene u računovodstvu koje vidimo posljednjih godina značajno utječu na financijske izvještaje europskih tvrtki: s jedne strane, tvrtke kotirane na burzi uvode Međunarodne računovodstvene standarde, dok su s druge, mala i srednja poduzeća suočena s novom regulativom koju se talijanska Vlada sprema preispitati.

**Ključne riječi:** IFRS, Malo i srednje poduzetništvo, mikro entiteti, direktive EU