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**IFAC Small and Medium Practices Forum 2012**  
**Co-hosted by the Institute of Certified Public Accountants of**  
**Singapore (ICPAS)**  
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**Setting the Scene: SME and SMP Landscape**

First, thank you to our very gracious co-host, the Institute of Certified Public Accountants of Singapore (ICPAS). Second, I bring you kind wishes from the IFAC President Göran Tidström who was not able to join us today.

This is a very important event for IFAC. Today there are representatives here from about 40 of IFAC's 167 member bodies, which is really quite remarkable. In addition to our esteemed speakers, I want to thank everyone in our audience for being here today. This annual event is critical to IFAC and the strategy development of our SMP committee. The feedback we get here today will inform the committee's work plan; we believe that it is critical that the work we do aligns with the areas you, our members, see as priorities.

Thank you also, to the representatives of business associations and small- and medium-sized entities (SMEs) for being here today. We look forward to hearing what you have to say about your experiences with smaller businesses and what the business needs of SMEs are in the face of many changes, both regulatory and economic.

We are so happy to be here in Singapore, a city that has long enjoyed the distinction of having one of the fastest growing economies in Southeast Asia with a thriving business community. Just recently, Singapore was ranked as the most competitive city in Asia by an Economist Intelligence Unit report. On the world stage, Singapore ranked third after New York and London out of 120 cities. The index takes into consideration a number of economic, demographic, and social variables, including economic strength, global appeal, and environmental governance.

And of course, we can't ignore that the foundation of this economy is a strong financial reporting framework and globally recognized standards of accounting and auditing. Through the dedication and support of the Institute, Singapore is poised to become a significant leader for the accountancy profession.

In the past couple of years, especially, the development of the profession in Singapore has been astounding. The Pro-Tem Singapore Accountancy Council (SAC), formed in 2010, set a goal of



transforming Singapore into a leading global accountancy hub for the Asia-Pacific region by 2020. It's only 2012, and I would say that you are already well on your way. At the end of last year, a panel was formed to develop a globally recognized, Singapore-branded post-university professional accountancy qualification also known as the QP. Designations such as this ensure the quality and consistency of a high level of training and skills among professional accountants. IFAC applauds this initiative as it will strengthen the recognition and reputation of accountants locally and their mobility globally. As a former chair of the International Accounting Education Standards Board, I personally applaud ICPAS for this remarkable accomplishment.

IFAC is committed to developing the accountancy profession and has long been a champion of small practices. IFAC's SMP Committee, which is devoted to representing the interests of SMPs, has been in operation for nearly a decade, including its early years as a permanent task force.

IFAC believes in the value of SMPs for a number of reasons. For one, SMPs bring choice and competition to the market for professional services, thereby improving price and quality. And, SMPs typically serve SMEs. As the engines of economic growth and development, SMEs are a public interest issue. According to statistics from the OECD, SMEs account for the majority of businesses and employment globally. Therefore, they are crucial to the health and stability of the global economy, and may hold the key to recovery from the current global economic downturn.

And, Singapore is no different. SMEs' value here is self evident. SMEs and small components of multinational corporations (such as subsidiaries, branches, or joint ventures) contribute up to half of Singapore's Gross Domestic Product.

There's no denying the importance of the small business sector and the accountants that serve them. Our member bodies agree. Many of the presidents and chief executives of your professional accountancy organizations completed our recent [\*IFAC Global Leadership Survey of the Accountancy Profession\*](#). The results of this survey, issued earlier this year, showed that the needs of SMPs and SMEs are more critical now than ever before.

One of the most significant findings related to SMPs was that the SMP Committee ranked as the second highest priority activity area for IFAC in 2012 (after the International Auditing and Assurance Standards Board). Respondents were asked to choose the three service areas (out of 11) that they consider to be IFAC's highest priority activity areas; nearly 50% of respondents chose the SMP Committee.

In another question, respondents were asked to identify the top five issues of particular concern to the profession in 2012; addressing the needs of SMPs came out as one of the top three issues. It was right up there along with the difficult global financial climate and enhancing the reputation and credibility of the profession. As you can see, these three were nearly tied for the top spot with more than 50% of respondents choosing each.



In addition, the needs of SMPs and SMEs also ranked highly when respondents were asked to identify the public policy areas that they believe IFAC should take a position on and speak out on in 2012. The needs of SMPs and SMPs ranked second, after reputation and credibility of the profession. The detailed results of the Global Leadership Survey are available on [IFAC's website](#).

The results of the [SMP Quick Poll](#), which Giancarlo shared with you earlier, are further testimony of the importance of the SMP and SME sector. The SMP Quick poll was only launched in January of last year and it received 425 responses. By the fourth issue of the poll in December, it received nearly 2,500 responses with the help and support of our member bodies who offered to translate or distribute it. This high level of participation and collaboration speaks volumes.

The call to action is clear. And these are the reasons why IFAC is speaking out to ensure that world leaders recognize that the small business sector is a public interest issue, and that policy, regulation, and standards are developed in a way that will facilitate the growth of this sector.

Of course, IFAC had already focused additional energy and resources on SMPs in response to the recommendations that came out of the SMP Committee Review in June 2010. The standard-setting boards supported by IFAC have also increased their focus on SMPs as well: for example, the International Ethics Standards Board for Accountants (IESBA) created the IESBA SME/SMP Working Group to ensure that standards developed take into account this sector's needs. In order to ensure the applicability of the International Standards on Auditing (ISAs) to SMEs, the International Auditing and Assurance Standards Board (IAASB) considers input from the SMP Committee and a representative from the SMP Committee attends all [IAASB](#) and [IESBA Consultative Advisory Group meetings](#).

And, earlier this month, IFAC released a [revised policy position paper](#) on auditing standards that emphasizes IFAC's support for a single set of auditing standards that are applicable to all entities, regardless of size, so that small businesses are not excluded or held to a modified set of standards that may not hold the same weight with investors, lenders, and others.

While the Global Leadership Survey and SMP Quick poll found that there was global consensus on some issues, they also showed that different regions have different priorities. Perhaps this is because the impact of the global economic and sovereign debt crises has varied considerably from region to region. Here in Singapore, for instance, the economy overall has been relatively resilient compared to the US, Europe, and other regions.

However, as the global economy slowly starts to creep upward, there will be emerging opportunities for SMEs and SMPs. So how can SMPs best overcome the current economic uncertainty and be ready to take advantage of these opportunities? Our SMP Quick Poll found that most practitioners expect growth to be driven primarily by winning business from new clients. So SMPs should think about improving the effectiveness of promotion and marketing efforts. These campaigns should focus on what distinguishes the practice from its competitors, including specialized knowledge and understanding of small



businesses, geographical proximity and responsiveness, and reputation for competency, trust, and highest ethical values.

SMPs also need to be ready to adapt to the new global marketplace and changes in regulatory requirements. In some places, audit requirements are being reduced or removed for small businesses. Here in Singapore, there are no mandatory audit requirements for the smallest companies. So, SMPs will need to go beyond the traditional, compliance-based services such as audit to maintain and grow their businesses.

One area that some SMPs are seeing as a huge potential area for growth is business advisory. By building the capacity to provide business advisory services to clients, SMPs can add value to the services they provide to their existing clients (where ethical rules permit) and gain new clients as well. Professional advisory services can range from tax consulting and financial management to wealth management and advice on sustainable business practices.

In addition, with advances in transportation, IT, and communications infrastructure, more and more small businesses are going global and taking advantage of cross-border trade in goods and services and investment. SMPs will need to be able to keep pace with and serve these small businesses. A good place for SMPs to start is by having a new strategy, which may include joining an international network or association of practices, or possibly to affiliate with a national firm with international connections. An international network or association capitalizes on the local knowledge that member firms can offer to clients. In this way, a small practice can help a client go global and, therefore, retain clients that might otherwise choose another firm.

Another way that SMPs can position themselves to adapt and grow is by exploiting emerging technologies, such as cloud computing, which can help SMPs both increase their practice's service offerings and, generally, do more with less. From a remote location, SMPs can now provide SMEs with a full range of services, from basic book-keeping and payroll to virtual CFO, in a way that is safe, secure, and more cost effective than traditional face-to-face delivery. SMEs, on the other hand, can afford access to a professional accountant and enjoy many of the same benefits of having an in-house professional accountant that larger entities enjoy.

As you can see, SMPs face great challenges and also great opportunities. They are vital to the health of the global economy and that is why we are here today. Throughout the rest of today, my hope is that we'll be able to collaborate and share ideas with one another on how to further coordinate the efforts of our individual organizations to influence regulators and policy makers and how to best support the needs of SMPs and their SME clients.

Thank you.