



November 2017

Financial Reporting Framework for Small- and Medium-Sized Entities

Tips for Presenting FRF for SMEs™ to Financial Statement Users



Are you looking for a way to develop better relationships with bankers and other financial statement users? Giving presentations on the benefits of the Financial Reporting Framework for Small- and Medium- Sized Entities (FRF for SMEs TM) can help you take advantage of local networking opportunities, expand your reputation as a trusted business advisor and broaden your market reach among small businesses. You may even see an increase in referrals. Nevertheless, your efforts with the local banking community will be the key to gaining acceptance of the framework on behalf of your clients. Use these practical insights, provided by practitioners from across the country, to help you prepare for meetings with bankers and other financial statement users.

1. *Schedule about an hour with your banking contacts. Take them to lunch or out for coffee.*
2. *Contact the lending department at the local banks where you have relationships, or reach out to your state banking association to arrange a presentation. Group presentations, which CPAs have been leading across the country, are an effective method for educating bankers and raising your firm's profile in the marketplace.*
3. *Consider your client list. Do you have a particular client you think is a good candidate for using the framework? If so, time the meeting with your client's banker either shortly before or shortly after you discuss converting to the FRF for SMEs with that client. Bankers don't want to be caught off guard by questions from clients if they haven't yet been informed about the framework. If you speak with a client first, follow up with their banker as soon as you can.*
4. *Take advantage of the resources in the AICPA's [FRF for SMEs Toolkit for Financial Statement Users](#) and [Toolkits for CPAs](#) in preparing for your meetings. Some of the tools you may want to use and bring to your meetings include:*
 - A [case study](#) explains how one banker learned about the FRF for SMEs™ outlines the steps she will take to help gain acceptance of the framework at her institution.
 - The [sample financial statement/comparison spreadsheet](#), which demonstrates the differences between the FRF for SMEs, income tax and U.S. GAAP.
 - An [Introduction to the Financial Reporting Framework for Small- and Medium-Sized Entities](#), which provides a primer on the FRF for SMEs reporting option tailored to financial statement users.
 - An [article](#) from the American Bankers Association *Banking Journal* provides a banker's view of the benefits of the framework.
 - A [backgrounder](#) or [flyer](#) you can customize with your contact information and/or firm's logo to promote your practice.
 - Many other tools are available. Decide which resources will be most meaningful to your audience.
5. *Be prepared to answer questions. Here are some of the common ones:*
 - a. *How will the financials change?* Present the client's prior year end financials as they were given to the bank along with converted FRF for SMEs financials at the same date. If a banker is initially hesitant, actually seeing the numbers under the FRF for SMEs can help. You'll find an [example you can modify](#) for your client's financials in the FRF for SMEs Toolkit resources.

- b. *What level of service can you provide? Will I get a statement of cash flows?* Let the banker know that you can produce a complete set of financial statements and you will continue to maintain the level of service with the client, whether that is a compilation, review or audit.
 - c. *What will footnote disclosures look like?* Discuss with the banker how lending decisions are made. You can tailor financial statement disclosures to the bank's needs.
 - d. *How will this impact loan covenants?* Banks may need to modify their loan covenants to allow for the framework, so be sure to discuss the topic with the banker. Conversion to the FRF for SMEs may need to be timed to coincide with the next loan renewal and provide a smooth process for your client.
 - e. *What do regulators say about the framework?* A key point in responding to this question is to explain that the FRF for SMEs is another OCBOA. Chances are, the bank is currently accepting financial statements prepared on a tax basis or other non-GAAP framework; the FRF for SME provides another option in non-GAAP reporting. Refer banks to the [article](#) from the American Bankers Association *Banking Journal*.
6. *Highlight key characteristics of the framework that may be of particular interest to financial statement users. (Refer to page 6 in the [Introduction to the Financial Reporting Framework for small- and Medium-Sized Entities](#), for more information.)*
- a. The FRF for SMEs is stable and isn't expected to change frequently.
 - b. The framework only includes relevant principles and accounting is simplified. As an example, variable interest entities aren't part of the framework so parent-only financial statements are allowed.
 - c. Accounting policy options within the framework, like the ability to choose the current taxes payable method or the deferred tax method, will allow management to select what is best for their purposes and those of their financial statements users.
 - d. There are generally fewer differences between financials prepared using the FRF for SMEs and tax returns. Bankers who receive GAAP financials often comment on differences from the tax returns (i.e. fair value and deferred taxes), and those differences are reduced when the framework is used.

CPAs have made headway convincing small local banks and large national banks to accept the FRF for SMEs. There are benefits for all stakeholders: financial statement users can get the information they need to make a credit or business decision, while the small business entity prepares financial statements that clearly and concisely report what it owns, what it owes and its cash flow. To hear more about what other firms are doing to help financial statement users accept financial statements prepared using the FRF for SMEs, participate in the AICPA's user group conference calls. If you'd like to receive information about these calls, email pcps@aicpa.org

DISCLAIMER: The contents of this publication do not necessarily reflect the position or opinion of the American Institute of CPAs, its divisions and its committees. This publication is designed to provide accurate and authoritative information on the subject covered. It is distributed with the understanding that the authors are not engaged in rendering legal, accounting or other professional services. If legal advice or other expert assistance is required, the services of a competent professional should be sought.

For more information about the procedure for requesting permission to make copies of any part of this work, please email copyright@aicpa.org with your request. Otherwise, requests should be written and mailed to the Permissions Department, AICPA, 220 Leigh Farm Road, Durham, NC 27707-8110.



© 2017 Association of International Certified Professional Accountants. All rights reserved. AICPA and American Institute of CPAs are trademarks of the American Institute of Certified Public Accountants and are registered in the United States, European Union and other countries. The Globe Design is a trademark owned by the Association of International Certified Professional Accountants and licensed to the AICPA. 232/9-386