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○ 18 September 2008

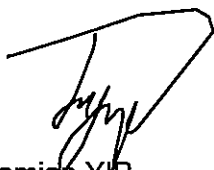
Dear Sirs

Re: Consultation Paper on Financial Reporting by Private Companies

In response to the above, please find enclosed CIMA Hong Kong Division's responses to your questionnaire.

Thank you.

Yours faithfully,

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Damian YIP
Divisional Director
CIMA Hong Kong Division

RECEIVED
19 SEP 2008

BY:.....

**HKICPA CONSULTATION PAPER ON
FINANCIAL REPORTING BY PRIVATE COMPANIES**

Comments by CIMA Consultation Group

Question 1

Do you agree that relief from applying full HKFRSs should be permitted for private companies? Please explain your reasons.

Answer:

We agree that relief should be permitted for private companies.

HKFRSs appear to be overly complicated for application among private companies, especially for the small and medium-sized ones. First of all, the application of HKFRs for private companies could be costly to the small private companies given the work associated with financial reporting and annual audit. Furthermore, the extensive disclosure requirements under HKFRSs may not necessarily benefit the stakeholders of private companies since the user requirements on accounting information are lesser in comparison with the publicly listed companies. There are also relatively limited numbers of stakeholders among the private companies. We therefore concur to the Council's view to relieve private companies from applying full HKFRs.

Question 2

Do you agree that the SME-FRF&FRS is an appropriate reporting option for small private companies and groups? Please explain your reasons.

Answer:

We agree that the SME-FRF&FRS is an appropriate reporting option for small private companies and groups.

We basically share the view of the Council that the SME-FRF&FRS is able to meet the reporting requirements of most small private groups of companies.

Question 3

Do you agree that large private companies should be provided with an option to choose a simpler reporting framework than HKFRSs? Please explain the reasons for your view.

Answer:

We concur that large private companies should be provided with an option to choose a simpler reporting framework than HKFRSs.

While we share the view that a choice of a simpler reporting option, we are concerned about the potential evolution of another framework that could further complicate the existing system. In particular, we feel that the particular option(s) for large private companies should be contingent to the development of the proposed IFRS for SMEs, which may provide an alternative solution to financial reporting of large private companies. We are also of the view that the option(s) to certain extent should be integrative with the existing framework, for instance, through particular "add-on" components that would accommodate the specific needs of large private companies.

Question 4

Do you agree with the view of Council stated in paragraph 34 above? If not, why not?

Answer:

We agree to part (a) of paragraph 34 that the SME-FRF&FRS does not meet the reporting needs of the users of the financial statements of large private companies; however, we do not concur to part (b) that the SME-FRF&FRS should not be expanded to meet those needs.

Our view is that it would be beneficial to the users in general if we maintain two basic financial reporting frameworks. SME-FRF&FRS could be expanded to include conditions that would accommodate the specific needs of large private companies in areas such as group accounts and cash flow statements, subject to stakeholders' needs and consents.

Question 5

Do you agree that the Institute should adopt or develop a large private financial reporting framework? Do you have a preliminary view as to the above options is appropriate? Please explain your views.

Answer:

We do not agree that the Institute should now proceed to adopting or developing a large private financial reporting framework.

With reference to our answers to Question 4 and 5 above, we believe that the Institute may attempt to review the emerging IFRS for SMEs which could provide further suggestions to the development of standards for large private companies. Subsequently, other potential ways could be found to harmonize between such emerging IFRS for SMEs and the existing ones within the two frameworks.

Question 6

Please identify whether you use financial statements as a preparer, auditor and/or user and the effect on you in all of these cases of the proposed introduction of a large private company framework.

Answer:

Please note that we are members of the CIMA Consultation Group which in turn represent members CIMA Hong Kong. Members of CIMA Hong Kong contain a group of professional accountants, including practitioners in the industry, consultants, academia, financial executives as well as various types of users of financial information in Hong Kong.

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