

Comments on HKICPA Consultation Paper FINANCIAL REPORTING BY PRIVATE COMPANIES

Question 1

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

Comments: Yes. The numbers of stakeholders are much smaller and there is no public interest involved.

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.

Comments: Yes. The SME-FRR &FRS is a simplified version as most SMEs seldom deal with derivatives.

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.

Comments: Yes. The numbers of stakeholders are much smaller and there is no public interest involved.

Question 4

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

Comments: I agree with the Council that (a) the SME-FRF&FRS does not meet the reporting needs of the users of the financial statements of large private companies; and (b) the SME-FRF&FRS should not be expanded to meet those needs.

I agree with the Council that if we expand the SME-FRS to accommodate them then the purpose of setting up the SME-FRS is lost and the real SMEs are unfairly treated.

Question 5

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

Comments: I agree with the Institute to adopt a large private company financial reporting framework. This should not be a separate framework but a reduced framework from the HKFRS. I am against too many frameworks as it is getting too confusing for the public to comprehend and understand the meaning of the financial statements. I am against making things complicated for very soon we will be out of touch with the public that we serve. Secondly one more framework will render company comparisons difficult and meaningless as companies may grow big or small and such transition among different frameworks will make financial statements losing transparency to users like investors and financial institutions. This works against the interests of the enterprises themselves. I am against enriching the SME-FRS to accommodate the large private companies as there will be more work than necessary. The working down by specific exemptions from the HKFRS is the most logical choice

Eric Fok

Member of Professional Accountants in Business Committee