



18 April 2011

To: **Members of the Hong Kong Institute of CPAs**
All other interested parties

INVITATION TO COMMENT ON SME IMPLEMENTATION GROUP DRAFT QUESTION AND ANSWERS

Comments to be received by 27 May 2011

The Hong Kong Institute of Certified Public Accountants' (Institute) Financial Reporting Standards Committee (FRSC) is seeking comments on the draft non-mandatory guidance in the form of Question and Answers (Q&As) (2011/02, 2011/03 and 2011/04) published by the SME Implementation Group (SMEIG), which have been posted on the Institute's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/financial-reporting/exposure-drafts/>.

The SMEIG is responsible for assisting the IASB on matters related to the implementation of the IFRS for SMEs.

The new Q&As cover the following topics:

- Draft Q&A Issue 2 (2011/02) – Capital insurance subsidiaries

A parent company that is not otherwise publicly accountable sets up a captive insurance subsidiary. The parent prepares consolidated financial statements that include the captive insurance subsidiary.

Does the capital insurance subsidiary cause the group to be publicly accountable and hence not permitted to produce consolidated financial statements in accordance with IFRS for SMEs?

Is the captive insurance company itself a publicly accountable entity and hence not permitted to produce individual financial statements in accordance with the IFRS for SMEs?

- Draft Q&A Issue 3 (2011/03) – Interpretation of "traded in a public market"

An entity has public accountability "if its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market" (paragraph 1.3). How broadly should "traded in a public market" be interpreted in the definition of public accountability?

- Draft Q&A Issue 4 (2011/04) – Investment funds with only a few participants

An entity is publicly accountable if it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks (paragraph 1.3(b)). Does the criterion "broad group of outsiders" mean that investment funds or similar entities that restrict their ownership to only a few participants are not publicly accountable under paragraph 1.3(b)?

Comments should be supported by specific reasoning and should be submitted in written form.



To allow your comments on the SMEIG Draft Q&As to be considered, they are requested to be received by the Institute on or before **27 May 2011**.

Comments may be sent by mail, fax or e-mail to:

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Comments will be acknowledged and may be made available for public review unless otherwise requested by the contributor.