



Dear members,

Updates on auditors' reporting on financial statements on periods ended before 3 March 2014 (commencement date of the new Companies Ordinance, Cap. 622) and technical resources on SME-FRF & SME-FRS (Revised)

Reference to predecessor Companies Ordinance (Cap. 32) in auditor's reports for financial statements for periods ended before 3 March 2014

The Institute has received enquiries as to how auditors should make reference to the predecessor Companies Ordinance (Cap. 32) in their auditor's reports on financial statements for periods ended before 3 March 2014 (For example: the financial year ended 31 December 2013, 31 January 2014 and 28 February 2014), when the auditor's reports are dated after that date.

The Institute's Standard Setting Department noted that the transitional and savings provisions set out in paragraph 80 of Schedule 11 to the new ordinance (Cap. 622) apply to financial years which both begin before 3 March 2014 and end on or after 3 March 2014. Given this, the Standard Setting Department considers that it is acceptable for auditors' reports dated after 3 March 2014 on financial statements for periods ended before 3 March 2014 (For example: the financial year ended 31 December 2013, 31 January 2014 and 28 February 2014) to make no reference to the new companies ordinance and to continue to refer to Cap. 32, as was in force throughout the financial year in question, as the "Hong Kong Companies Ordinance" for audit reports issued under HKSA 700 (Clarified) and refer to "section 141D of the Hong Kong Companies Ordinance" for reports issued under PN900 (Clarified), rather than as the "predecessor Ordinance".

Auditors may alternatively choose to refer in their reports to the "predecessor Hong Kong Companies Ordinance, Cap. 32", for the avoidance of doubt. The working group considers this alternative practice as equally acceptable when the date of the auditor's report itself is after the commencement date of new ordinance (i.e. 3 March 2014).

Consequently, the opinion paragraph in Illustration 1 of HKSA 700 (Clarified) *Forming an Opinion and Reporting on Financial Statements* can be read as follows:

"In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 20X1, and of its [profit][loss] and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the [Hong Kong Companies Ordinance/predecessor Hong Kong Companies Ordinance, Cap. 32]."

The Institute is in the process of developing further FAQs, which will contain guidance on auditor's report wording for financial statements, which cover periods beginning before 3 March 2014 but ending after that date (For example: the financial year ending 31 March 2014, 30 June 2014 and 31 December 2014).

Applicability of Practice Note 600.1 and Practice Note 900

Under paragraphs 77 and 80 of Schedule 11 "Transitional and Saving Provisions" of the new ordinance, sections 141(1), (2), (3), (4), (5) and (6) and 141D of the predecessor ordinance, as in force immediately before their repeal, continue to apply in relation to a financial year beginning before 3 March 2014 and ending on or after that date.

Accordingly, Practice Note 600.1 *Reports by the Auditor under the Hong Kong Companies Ordinance* revised in December 2011 and Practice Note 900 (Clarified) *Audit of Financial Statements Prepared in Accordance with the Small and Medium-sized Entity Financial Reporting Standard* issued in June 2010 continue to apply for an audit of annual financial statements until a company prepares its first set of annual financial statements under the new ordinance for a period beginning on or after 3 March 2014.

The Auditing and Assurance Standards Committee is in the process of revising the illustrations of auditor's reports in the Hong Kong Standards on Auditing, PN 600.1 and PN 900 and will issue the revised pronouncements in due course.

FAQs on SME-FRF & SME-FRS (Revised)

The Institute is developing the FAQs on SME-FRF & SME-FRS (Revised), which was issued on 3 March 2014 and is effective for a qualifying entity's financial statements which cover a period beginning on or after 3 March 2014.

Members are welcome to provide the proposed questions on adoption of the standard to facilitate development of the guidance. Please send them to commentletters@hkiipa.org.hk by 17 April 2014 for consideration by the Institute's SME-FRF & SME-FRS working group.

Learning sessions and resources on SME-FRF & SME-FRS (Revised)

The Institute notes the demand from practitioners for education sessions on SME-FRF & SME-FRS (Revised). As such, an e-seminar will be developed based on the 13 May 2014 education session. The Institute's Technical Learning and Support Team will arrange re-runs of the session, which will be advertised through the usual channels as the schedule is developed.

The Institute has prepared various resources on the revised standard, including track changes version of the revised standard, Microsoft word-format illustrative financial statements and summary of main changes in the revised standard comparing to the extant SME-FRF & SME-FRS and the 2008 exposure draft.

Please visit the Institute's [SME-FRF & SME-FRS](#) website for more details.

We look forward to seeing you at these events.

Best regards,

Hong Kong Institute of CPAs
Enquiries: commentletters@hkiipa.org.hk

The Institute intends to use the personal data of your name, email address and correspondence address to inform you of CPD activities, members' benefits, goods, services, facilities and events organized or provided by the Institute or other organizations. For member and registered student you may opt out from receiving such materials at any time by clicking [here](#). For non-member you may opt out from receiving such materials at any time by sending an email to the Institute at privacyofficer@hkiipa.org.hk or a letter to the Institute's privacy officer.