



To: Assignment/Business Section Editor,
(FOR IMMEDIATE RELEASE)

Hong Kong Institute of CPAs Announces Progress on Financial Reporting for Small and Medium-sized Entities

(HONG KONG, 8 December 2004) – After a second round of consultation the Hong Kong Institute of CPAs announced today that, by mid-2005, it would announce its final financial reporting framework and standards for small and medium-sized entities.

Commonly referred to as “Small GAAP” – GAAP standing for generally accepted accounting principles – the framework is proposed for Hong Kong companies that prepare financial statements in accordance with section 141D of the Companies Ordinance, and to several other types of entities.

The framework is being developed by the Institute’s GAAP for Small Businesses Working Group. The group will send out a paper for comment in January 2005 to gather final comments from the business community. According to Mr. Paul M.P. Chan, Vice President of the Institute and Chairman of the Working Group, the small GAAP standards are favoured by businesses because the reporting is based on a historical cost model and thus less cumbersome.

The Hong Kong Institute of CPAs is planning to release the final standards by the middle of 2005, and these standards will apply to qualifying entities’ financial statements covering reporting periods that begin on or after 1 January 2005.

Commenting on the proposed framework, Mr. Chan says, “Many smaller businesses see ‘small GAAP’ as an appropriate means of redressing the balance between the financial reporting compliance cost borne by small business and the benefit derived by the often limited user group for the financial statements.”

Mr. Chan commented on international initiatives for small business financial reporting standards, which are in the making. He says that at the moment, each country is dealing with this in its own way and the final consensus is yet to emerge, “but what’s important now is making sure the many tens of thousands of Hong Kong small businesses have a financial reporting framework that is relevant to their needs and to those who use their financial statements.”

“We want smaller businesses to know that financial reporting relief is on the way,” he adds, “and that, with the introduction of small GAAP, much of the newly-introduced complexity in the convergence with international financial reporting standards will not be applicable to companies that prepare financial statements under section 141D.”

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Editor's Notes

About Hong Kong Institute of Certified Public Accountants

The Hong Kong Institute of CPAs is Hong Kong's only statutory licensing body for accountants with more than 22,000 members and nearly 10,000 registered students. Members of the Institute are entitled to the description *Certified Public Accountant* and to the designatory letters *CPA*.

The Hong Kong Institute of CPAs evolved from the Hong Kong Society of Accountants, which was established on 1 January 1973.

The Institute operates under the Professional Accountants Ordinance, working in the public interest. The Institute has wide-ranging responsibilities, including assuring the quality of entry into the profession through its postgraduate CPA Qualification Programme and promulgating financial reporting, auditing and ethical standards in Hong Kong. The Institute has responsibility for regulating and promoting efficient accounting practices in Hong Kong to safeguard its leadership as an international financial centre.

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