

Jenny Ng

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Subject: FW: Limited invitation to comment on consultation draft of SME-FRF and SME-FRS

-----Original Message-----

From: Michael Chan [mailto: ]

Sent: Wednesday, August 28, 2013 10:21 AM

To: P.T. Comment Letter

Subject: Limited invitation to comment on consultation draft of SME-FRF and SME-FRS

Dear Simon,

I think it is appropriate to include in the SME-FRF & SME-FRS an option to relieve a group from consolidating one or more subsidiary undertakings if the company's directors are of the opinion that their inclusion would involve expense or delay out of proportion to the value to members of the company

The reasons are:

1. The accountants employed in the reporting entity are usually not equipped with the skills to consolidate the accounts of the reporting entity with the accounts of its subsidiaries. These tasks are usually handled by auditors which increase the self-review risk and increase the audit time in audit process.
2. Inland Revenue Department ("IRD") only needs the separate financial statements ("FS") of the reporting entity for the purpose of Profits Tax return submission. Consolidated FS are not accepted by IRD.
3. The major FS users - the shareholders are usually interested to know the result of the reporting entity only for management purpose (for the clients I have encountered). The shareholders will separately inquire for financial statements of the subsidiaries of the reporting entity if they wanted to know the results of the subsidiaries.

Therefore I really appreciate if there are more ways to exempt a reporting entity from preparing consolidated financial statements for its subsidiaries.

Thank you for your kind attention.

Best regards,  
Chan Chun Yin