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本署檔號 Our Ref. : (42) in UG/ASN/HKI/0 VOL. 2

來函檔號 Your Ref. :

12 September 2008

Mr. Steve Ong,  
Deputy Director, Standard Setting,  
Hong Kong Institute of Certified  
Public Accountants,  
37th Floor, Wu Chung House,  
213 Queen's Road East,  
Wanchai, Hong Kong

Dear Mr Ong,

**HKICPA Exposure Draft of Proposed Amendments to Small  
and Medium-sized Entity Financial Reporting Framework  
and Standards (SME-FRF & SME-FRS)  
to cover Group Accounts and Cash Flow Statements**

Thank you for your letter of 12 June 2008. I have read the Exposure Draft with interest.

I support the introduction of group accounts as this will enhance the transparency of the information relating to associates or jointly controlled entities. I also welcome the requirement for the presentation of cash flow statements which will provide users of financial statements with useful information concerning the liquidity and viability of an entity.

Besides, I would like to respond to the questions in the Invitation to Comment dated 30 May 2008, as follows:

Question 1

I agree that the SME-FRF and SME-FRS should be amended to cover groups.

Question 3

I agree that at the company level, investments in associates and interests in jointly controlled entities should be accounted for using the cost method. I also agree that when an investor/a venturer presents consolidated financial statements, investments in associates and interests in jointly controlled entities should be accounted for using the equity method.

Question 4

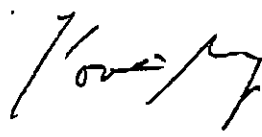
I consider that a complete set of financial statements prepared under the SME-FRS should be required to include a cash flow statement.

Question 5

If a cash flow statement is required, I agree that either the direct method or indirect method can be used for reporting cash flows from operating activities, as set out in paragraph 22.7 of the SME-FRS.

Regarding Questions 2 and 6, I have no comments to offer.

Yours sincerely,



(S C Poon)  
for Director of Audit