



Our Ref.: C/FRSC

Sent electronically via email (commentletters@ifrs.org)

4 April 2011

SME Implementation Group
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sirs,

SME Implementation Group Question and Answer on Use of IFRS for SMEs in Parent's Separate Financial Statements

The Hong Kong Institute of Certified Public Accountants ("the Institute") is the only body authorised by law to promulgate financial reporting, auditing and ethical standards for professional accountants in Hong Kong. We welcome the opportunity to provide you with our comments on the captioned paper.

We understand that the draft Question and Answer (Q&A) intends to address the question that whether the parent entity can present its separate financial statements in accordance with the IFRS for SMEs if it is required to present consolidated financial statements in accordance with full IFRSs. Assuming the parent entity itself is eligible to use IFRS for SMEs under Section 1 of the standard, we, while agreeing in principle with the response set out in the draft Q&A, would like to bring the following to your attention:

- **Potential confusion in presenting the separate financial statements of the parent entity together with the consolidated financial statements**

We have concerns on the potential confusion that may arise in situations where the presentation of the separate financial statements of the parent entity prepared using the IFRS for SMEs cannot be differentiated sufficiently from the consolidated financial statements prepared using full IFRSs when the two financial statements are presented together. This might also create an issue to the auditor if they are required to issue a separate opinion on each of the financial statements. Accordingly, we suggest the SME Implementation Group give due consideration on this and, where appropriate, give further guidance as to whether and, if so, how the two financial statements presented could influence the choice of the Standard to be used.

- **Replacing the word "group" in Paragraph 2 of the draft Q&A**

We note that Paragraph 2 of the draft Q&A raises the question "If a group is required to present consolidated financial statements in accordance with full IFRSs, can the parent entity present its separate financial statements in accordance with the IFRS for SMEs?" We are of the view that the word "group" in the above sentence may not be appropriate as a "group" usually refers to a combination of the parent and its subsidiaries which is not a separate legal entity. We consider the



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SME Implementation Group (SMEIG) may consider replacing the word "group" with "parent entity" which we consider to be more appropriate.

If you have any questions on our comments, please do not hesitate to contact me at ong@hki CPA.org.hk.

Yours faithfully,

Steve Ong, FCPA, FCA
Director, Standard Setting Department

SO/AW/jn