



Our Ref.: C/FRSC

By e-mail uitf@frc-asb.org.uk and by post

22 June 2006

Mr. Hans Nailor
UITF Technical Director
Accounting Standards Board
5th Floor, Aldwych House
71-91 Aldwych
London WC 2B 4 HN

Dear Mr. Nailor,

Proposed UITF Abstract “The interpretation of equivalence for the purposes of section 228A of the Companies Act 1985”

With reference to the captioned proposed UITF Abstract, the Hong Kong Institute of Certified Public Accountants would like to provide you with our comments on the aspect of the proposals that are relevant to Hong Kong.

Paragraph 11 of the proposed UITF Abstract has a bracket reference to Australia, Hong Kong and South Africa GAAPs as GAAPs that are based on IFRSs but do not correspond with IFRSs in all respects. We believe that this reference might be out-of-date, as these jurisdictions, including Hong Kong, have put in a lot of effort in recent years to achieve convergence with IFRSs.

For example, Hong Kong Financial Reporting Standards (HKFRSs) have achieved full convergence with IFRSs with effect for accounting periods beginning on or after 1 January 2005 by adopting the IFRSs text in full, word for word, paragraph by paragraph, with the only exceptions being certain transitional provisions and, for 2005 only, an exception for companies incorporated under the Hong Kong Companies Ordinance concerning the scope of consolidation.¹

With the implementation of the Companies (Amendment) Ordinance 2005, effective for accounting periods beginning on or after 1 January 2006, the exception concerning the scope of consolidation has been removed. Accordingly, except for the transitional provisions, HKFRSs are verbatim with IFRSs with effect from 1 January 2006.

In the light of the above, instead of making the bracket reference to those jurisdictions, we consider it more appropriate to give examples of how a GAAP might differ from IFRSs similar to the example of the elimination of choices under Australian GAAP in that paragraph. Accordingly, we request that the reference to Hong Kong GAAP in paragraph 11 of the proposed UITF be removed in order to avoid any misunderstanding.

¹ This exception arose due to the legal constraints imposed by the Companies Ordinance on consolidating entities which did not meet the legal definition of a subsidiary. Even in this regard, HKFRSs sought to minimise the impact of this difference from IFRSs by requiring additional information to be disclosed in the notes to the financial statements, in the case where complying with the Ordinance had resulted in a controlled entity, as defined in IAS 27, being excluded from consolidation.



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

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

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Patricia McBride'. The signature is fluid and cursive, with a large loop at the end.

Patricia McBride
Director, Standard Setting

PM/EH/al