Hong Kong Financial Reporting Standard for Private Entities vs Hong Kong Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard (Revised)

High Level Comparison

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

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This comparison was developed by the Institute's Standard Setting Department, in consultation with the SME-FRF & SME-FRS Working Group. It is intended to be a high level comparison between the Hong Kong Financial Reporting Standard for Private Entities and Hong Kong Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard ("HK SME-FRF & SME-FRS") and generally does not cover differences in disclosure requirements in both standards. It has not been approved by the FRSC and the Council of the Hong Kong Institute of Certified Public Accountants.

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<tr><th></th><th>HKFRS for Private Entities as issued on 30 April 2010</th><th>SME-FRF & SME-FRS (Revised)</th></tr>
<tr><td colspan="3">Section 1 Scope and application</td></tr>
<tr><td>Qualifying entities</td><td><u>Criteria</u>
● An entity can use HKFRS for Private Entities if it has no public accountability and publish general purpose financial statements for external users.
● Consent from shareholders is not required under the HKFRS for Private Entities.
● HKFRS for Private Entities does not impose size criteria for the companies to use the standard.

(HKFRS for Private Entities 1.1-1.2)

<u>Definition of public accountability</u>
● An entity does not have public accountability if:
- The entity's debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or
- The entity holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary business (typically the case for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks).
(HKFRS for Private Entities 1.3)</td><td><u>Eligible entities without size criteria</u>
● A private company which do not have a subsidiary and is not a subsidiary of another company. (SME-FRF Para 43)

<u>Eligible entities with size criteria but do not require shareholders' consent</u>
● A small private company (SME-FRF Para 36); or
● A group of small private companies (SME-FRF Paras 36-37); or
● A small guarantee company (SME-FRF Para 34); or
● A group of small guarantee companies (SME-FRF Paras 34-35).

<u>Eligible entities with size criteria and require shareholders' approval</u>
● A larger "eligible" private company (SME-FRF Paras 38 & 42); or
● A group of "eligible" companies (SME-FRF Paras 38-39 & 42).

<u>Prohibited entities</u>
● The entity is an institution authorised</td></tr>
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		under the Banking Ordinance to carry out banking business; or ● The entity accepts, by way of trade or business (other than banking business) loans of money at interest or repayable at a premium, other than on terms involving the issue of debentures or other securities; or ● The entity is licensed under Part V of the SFO to carry on a regulated business; or ● The entity carries on any insurance business, other than solely as an agent. *(SME-FRF Para 27)*

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Section 3 Financial Statement Presentation		
Results of application of the standard	• The application of HKFRS for Private Entities, with additional disclosure when necessary, is presumed to result in financial statements that achieve a true and fair view of the financial position, financial performance and cash flows of Private Entities. *(HKFRS for Private Entities 3.2(a))*	• For an entity that qualifies for reporting under SME-FRF, the appropriate application of the SME-FRS, with additional disclosure when necessary, would result in financial statements that achieve a proper presentation appropriate for SMEs (i.e. the application of SME-FRF & SME-FRS will not result in financial statements that achieve a true and fair view of the financial position, performance and cash flows of the entity). *(SME-FRS Para 1.2)*
Complete set of financial statements	• Cash flow statement is required • Statement of changes in equity is required, however, under limited circumstances; it may be combined with statement of comprehensive income by presenting a statement of income and retained earnings *(HKFRS for Private Entities 3.17&3.18)*	• Cash flow statement is optional. The entity needs to follow the requirements of section 22 if it voluntarily includes a cash flow statement in its financial statements. • Changes in equity can either be disclosed in the notes to the financial statements or as a separate component of the financial statements. *(SME-FRS Para 1.1,1.32)*

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Section 8 Notes to the Financial Statements		
Additional disclosure	• An entity shall disclose the judgments, apart from those involving estimates, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. • An entity shall disclose the key assumptions concerning the future, and other key source of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year. *(HKFRS for Private Entities 8.6 & 8.7)*	• No specific requirement on the disclosure of information about judgments and key sources of estimation uncertainty.

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Section 9 Consolidated and Separate Financial Statements		
Application to group accounts	● A parent entity shall present consolidated financial statements with all of its subsidiaries. ● A parent need not present consolidated financial statements if: - The parent is itself a subsidiary and its ultimate parent (or any intermediate parent) produces consolidated general purpose financial statements that comply with full HKFRSs, IFRSs, HKFRS for Private Entities or IFRS for SMEs; or - It has no subsidiaries other than one that was acquired with the intention of selling or disposing of it within one year. *(HKFRS for Private Entities 9.2 & 9.3)*	● An entity which is a parent at the end of the financial year is required to present consolidated financial statements in accordance with the SME-FRS except when: (a) It is a wholly-owned subsidiary of another entity; or (b) Meets all of the following conditions: - It is a partially-owned subsidiary of another entity; and - At least 6 months before the end of the financial year, the directors notify the members in writing of the directors' intention not to prepare consolidated financial statements for the financial year, and the notification does not relate to any other financial year; and

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Application to group accounts (Continued)		- As at a date falling 3 months before the end of the financial year, no member has responded to the notification by giving the directors a written request for the preparation of consolidated financial statements for the financial year; or (c) All of its subsidiaries qualify for exclusion from consolidation when: - Their exclusion measured on an aggregate basis is not material to the group as a whole; or - Their inclusion would involve expense and delay out of proportion to the value to members of the company (members of the company must have been informed in writing about, and do not object to, this exclusion) *(SME-FRS 19.1-19.3)*

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Exclusion of certain subsidiaries from consolidation	• Consolidated financial statements shall include all subsidiaries of the parent. *(HKFRS for Private Entities 9.2)*	• One or more subsidiaries may be excluded from consolidation when: - Their exclusion measured on an aggregate basis is not material to the group as a whole; or - Their inclusion would involve expense and delay out of proportion to the value to members of the company (members of the company must have been informed in writing about, and do not object to, this exclusion) • Companies are required to disclose specific details of each subsidiary that has been excluded from consolidation in accordance with SME-FRS 19.16(g). *(SME-FRS 19.2-19.3, 19.16(g))*
Subsidiary and control	• A subsidiary is an entity controlled by the parent. Control is the power to govern the operating and financing policies of an entity so as to obtain benefits from its activities. *(HKFRS for Private Entities 9.4-9.9)*	• The definitions of subsidiary and control are similar to HKFRS for Private Entities. *(SME-FRS 19.4-19.5)*

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Goodwill	• Refer to comparison for Section 19 *Business Combinations and Goodwill*	

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Section 10 Accounting Policies, Estimates and Errors		
Retrospective application	● Comparative information presented for a particular prior period need not be restated if the period-specific effect on comparative information for one or more prior periods presented is impracticable to determine. *(HKFRS for Private Entities 10.12 & 10.22)*	● Comparative information presented for a particular prior period need not be restated if restating the information would require undue cost or effort. *(SME-FRS 2.8 & 2.13)*
Absence of specific guidance	● In the absence of specific guidance in HKFRS for Private Entities, an entity should follow the following hierarchy when developing accounting policies: - Requirements of the HKFRS for Private Entities dealing with similar and related issues; - Definition, recognition and measurement concepts and pervasive principles set out in Section 2. ● An entity may also consider the guidance in full HKFRS dealing with similar issues. ● There is no mandatory fallback to full HKFRS *(HKFRS for Private Entities 10.4-10.6)*	● In the event that the SME-FRS does not cover an event or a transaction undertaken by an entity, management may consider the SME-FRF for guidance on developing an appropriate accounting policy, consistent with the historical cost convention, for that particular event or transaction. ● No fallback or cross-reference to full HKFRS or HKFRS for Private Entities. *(SME-FRF 1.2)*

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Section 11 Basic Financial Instruments		
Scope	• Basic financial instruments are: cash; simple debt instruments (such as loan payable or receivable), a commitment to receive a loan, and an investment in non-convertible preference shares and non-puttable ordinary and preference shares. • A debt instrument qualifies as basic if it satisfies the following conditions: - Unleveraged return to holders that are easily determined; - No contractual provision that could, by its term, result in the holder losing the principal amount or interest attributable to the current or prior periods; - Contractual terms that permit early repayment are not contingent on future events; and - No conditional returns or repayment provisions other than those listed above. *(HKFRS for Private Entities 11.7 - 11.11)*	• There is no separate section on financial assets and financial liability. Investments in securities are generally covered in section 6 *Investments* and forward contracts are addressed in section 15 *The Effects of Changes in Foreign Exchange Rates*. *(SME-FRS 15.11 – 15.13)*

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Initial and subsequent measurement	● Optional to apply HKAS 39 *Financial Instruments: Recognition and Measurement* and the disclosure requirements of Section 11 and 12 of HKFRS for Private Entities ● On initial recognition, a basic financial instrument is measured at transaction price, unless the arrangement is in effect a financing transaction. In this case, it is the present value of the future payment discounted using a market rate. ● At the end of each reporting period basic financial instruments are measured as follows: - Debt instruments at amortised cost using the effective interest rate method. - Commitments to receive a loan at cost (which could be nil) less impairment. - Investment in non-convertible or non-puttable shares at fair value if the shares are publicly traded or fair value can be measured reliably, otherwise at cost less impairment. *(HKFRS for Private Entities 11.2, 11.13-11.14)*	

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Definition of fair value	• Fair value is the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction. *(HKFRS for Private Entities Glossary of Terms)*	• Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction. *(SME-FRS Definitions)*
Section 12 Other Financial Instruments Issues		
Scope	• More complex financial instruments and transactions that are not basic financial instruments as defined in Section 11.	• There is no separate section on financial assets and financial liability. Investments in securities are generally covered in section 6 *Investments* and forward contracts are addressed in section 15 *The Effects of Changes in Foreign Exchange Rates*. *(SME-FRS 15.11 – 15.13)*

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Initial and subsequent measurement	• All financial instruments in the scope of section 12 are measured at fair value both on initial recognition and at each reporting date except for situations where there is no longer a reliable measure of fair value. In this case, an entity continues to carry that instrument at its last available fair value, which is treated as cost, subject to impairment, until the instrument is derecognised or its fair value becomes available. *(HKFRS for Private Entities 12.7 – 12.9)*	
Hedging	• Hedge accounting permitted only for the following risks: - Interest rate risk of a debt instrument measured at amortised cost; - Foreign exchange or interest rate risk in a firm commitment or a highly probable forecast transaction; - Price risk of a commodity or in a firm commitment or highly probable forecast transaction to purchase or sell a commodity; or - Foreign exchange risk in a net investment in a foreign operation. *(HKFRS for Private Entities 12.17)*	• Hedging is limited to forward contracts *(SME-FRS 15.11 – 15.13)*

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Section 14 Investments in Associates		
Measurement after initial recognition	● Optional to choose one of the following models: - cost model (i.e. cost less accumulated impairment losses). An investor shall measure its investments in associates for which there is a published price quotation using the fair value model; - equity method; or - fair value model. An investor using the fair value model shall use the cost model for any investment in an associate for which it is impracticable to measure fair value reliably without undue cost or effort *(HKFRS for Private Entities 14.4-14.10)*	● There is an accounting policy choice between the benchmark treatment and the allowed alternative treatment: - Benchmark treatment: account for the investments in associates using the cost model irrespective of whether the investor is presenting company-level financial statements or consolidated financial statements. - Allowed alternative treatment: account for the investments in associates in the consolidated financial statements using the equity method. In all other cases, the investor should use the cost method. *(SME-FRS 20.3-20.5)*

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Section 15 Investments in Joint Ventures		
Measurement after initial recognition	● Optional to choose one of the following models: - cost model (i.e. cost less accumulated impairment losses). A venturer shall measure its investments in jointly controlled entities for which there is a published price quotation using the fair value model; - equity method; or - fair value model. A venturer using the fair value model shall use the cost model for any investment in a jointly controlled entity for which it is impracticable to measure fair value reliably without undue cost or effort *(HKFRS for Private Entities 15.9-15.15)*	● There is an accounting policy choice between the benchmark treatment and the allowed alternative treatment: - Benchmark treatment: account for the investments in associates using the cost model irrespective of whether the investor is presenting company-level financial statements or consolidated financial statements. - Allowed alternative treatment: account for the investments in associates in the consolidated financial statements using the equity method. In all other cases, the investor should use the cost method. *(SME-FRS 21.4-21.6)*

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Section 16 Investment property		
Measurement after initial recognition	● Investment property whose fair value can be measured reliably without undue cost or effort shall be measured at fair value at each reporting date with changes in fair value recognised in profit or loss. ● An entity shall account for all other investment property as property, plant and equipment using the cost-depreciation-impairment model in Section 17 *(HKFRS for Private Entities 16.7, BC133)*	● Covered in Section 3 *Property, Plant and Equipment*. There is no separate section on investment property. ● The definition of property, plant and equipment includes property held for rental and/or for investment potential. ● Investment property should be carried at its cost less any accumulated depreciation and any accumulated impairment losses. *(SME-FRS 3.1 & 3.10)*
Section 17 Property, Plant and Equipment		
Measurement after initial recognition	● All items of PPE after initial recognition are measured at cost less any accumulated depreciation and any accumulated impairment losses. *(HKFRS for Private Entities 17.15)*	● PPE should be carried at its cost less any accumulated depreciation and any accumulated impairment losses. *(SME-FRS 3.10)*

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Section 18 Intangible Assets other than Goodwill		
Recognition of costs incurred in development activities	● An entity shall recognise expenditure incurred internally on an intangible item, including all expenditure for both research and development activities, as an expense when it is incurred unless it forms part of the cost of another asset that meets the recognition criteria in HKFRS for Private Entities. *(HKFRS for Private Entities 18.14)*	● No intangible asset arising from research (or from the research phase of an internal project) should be recognised. ● An intangible asset arising from development should be recognised only if certain specified criteria are met. *(SME-FRS 4.6-4.7)*
Measurement after initial recognition	● Intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. *(HKFRS for Private Entities 18.18)*	● Intangible assets should be carried at its cost less any accumulated amortisation and any accumulated impairment losses *(SME-FRS 4.13)*
Useful life and amortisation period	● All intangible assets shall be considered to have a finite useful life. ● If an entity is unable to make a reliable estimate of the useful life of an intangible asset, the life shall be presumed to be ten years. *(HKFRS for Private Entities 18.19-18.20)*	● There is a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. *(SME-FRS 4.14)*

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Section 19 Business Combinations and Goodwill		
Key recognition requirements	• All business combinations are accounted for by applying the purchase method. *(HKFRS for Private Entities 19.6)*	• All business combinations should be accounted for by applying the purchase method. (SME-FRS 18.3)
Contingent consideration	• Contingent consideration is included in the cost if it is probable and can be measured reliably. However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination. *(HKFRS for Private Entities 19.12-19.13)*	• An adjustment to contingent consideration should be included in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. • After the acquisition date, changes to the estimated amount of contingent consideration should only be treated as an adjustment to the cost of the combination when the changes arise as a result of new information about the facts and circumstances that existed at the date of acquisition which becomes known within twelve months after the acquisition date or to correct an error. (SME-FRS 18.10-18.11)

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Other cost attributable to business combination	● Any costs directly attributable to the business combination form part of the total cost of a business combination. *(HKFRS for Private Entities 19.11(b))*	● Other costs attributable to effecting the business combination (such as finder's fees, advisory, legal, accounting or other professional fees or general administrative costs) do not form part of the cost of business combination. These costs should instead be recognised as expenses in the income statement in the periods in which the costs are incurred and the services are received. (SME-FRS 18.9)
Goodwill	● After initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. If a reliable estimate of the useful life of goodwill cannot be made, it is presumed to be ten years. *(HKFRS for Private Entities 19.22-19.23)*	● After initial recognition, the acquirer should measure goodwill acquired in a business combination at cost less any accumulated amortisation and any accumulated impairment losses. ● There is a rebuttable presumption that the useful life of goodwill will not exceed five years from initial recognition. The amortisation period and the amortisation method should be reviewed at least at the end of each financial year if the useful life of goodwill exceeds five years. (SME-FRS 18.19-21)

Excess of acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities over cost	● The acquirer shall: - Reassess the identification and measurement of the acquiree's assets, liabilities and provisions for contingent liabilities and the measurement of the cost of the combination; and - Recognise immediately in profit or loss any excess remaining after that reassessment. *(HKFRS for Private Entities 19.24)*	● The acquirer shall: - Reassess the identification and measurement of the acquiree's identifiable assets and liabilities and the measurement of the cost of the combination; and - Recognise immediately in profit or loss any excess remaining after that reassessment. - (SME-FRS 18.23)

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Section 20 Leases		
Financial statement of lessors	• The lessor records an asset leased under a finance lease at an amount equal to the net investment in the lease. This is the gross investment in the lease, discounted at the interest rate implicit in the lease. • The lessor records operating lease assets according to the nature of the assets and depreciates them on a basis consistent with the normal depreciation policy for similar owned assets. Rental income is recognised on a straight-line basis over the lease term unless either another systematic basis is more representative of the time pattern over which the benefit of the leased asset is diminished or the payments are structured to increase with expected general inflation. *(HKFRS for Private Entities 20.17-20.19, 20.24-20.29)*	• Does not address accounting for lessors. (Note)

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Section 22 Liabilities and Equity		
Recognition and measurement	• If shares are issued before the consideration is received, then the receivable is offset against equity. If the consideration is received before shares are issued, then equity is increased only if there is no obligation to repay the amount received. If shares are subscribed for but no consideration has been received, then there is no increase in equity. • When an entity declares a distribution of non-cash assets and has an obligation to distribute such assets to its owners, it recognises a liability, which is measured at the fair value of the assets to be distributed. At the end of each reporting period and at the date of settlement, the entity reviews and adjusts the carrying amount of the dividend payable to reflect changes in the fair value of the assets to be distributed, with any changes recognised in equity as adjustments to the amount of the distribution. *(HKFRS for Private Entities 22.7-22.12, 22.18)*	• Does not specifically address in SME-FRS. (Note)

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Section 23 Revenue		
Exchanges of goods or services	• An entity shall not recognise revenue when goods or services are exchanged for goods or services that are of a similar nature or value, or when goods or services are exchanged for dissimilar goods or services but the transaction lacks commercial substance. *(HKFRS for Private Entities 23.6)*	• SME-FRS 11 *Revenue* does not mention the accounting treatment for exchange of goods or services. (Note)
Interest, royalties and dividends	• Interest shall be recognised using the effective interest method. • Royalties shall be recognised on an accrual basis in accordance with the substance of the relevant agreement. • Dividends shall be recognised when the shareholder's right to receive payment is established. *(HKFRS for Private Entities 23.29)*	• Interest should be recognised on a time proportion basis. • Royalties should be recognised on an accrual basis in accordance with the substance of the relevant agreement. • Dividends should be recognised when the shareholder's right to receive payment is established. *(SME-FRS 11.9)*

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Section 24 Government Grants		
Recognition and measurement	● A grant that does not impose specified future performance conditions on the recipient is recognised in income when the grant proceeds are receivable. ● A grant that imposes specified future performance conditions on the recipient is recognised in income only when the performance conditions are met. ● Grants received before the revenue recognition criteria are satisfied are recognised as a liability. *(HKFRS for Private Entities 24.4-24.5)*	● Government grants should be recognised as income over the periods necessary to match them with related costs they are intended to compensate, on a systematic basis. *(SME-FRS 12.2)*
Section 25 Borrowing Costs		
Recognition	● All borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred. *(HKFRS for Private Entities 25.2)*	● There is an accounting policy choice between the benchmark treatment and the allowed alternative treatment: - Benchmark treatment: recognise borrowing costs as an expense in the period in which they are incurred - Allowed alternative treatment: Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. (*SME-FRS 13.3-13.6)*

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Section 26 Share-based Payment		
Recognition and measurement	• Management recognises the goods or services received in a share-based payment transaction when it obtains the goods or as the services are received. Share-based payments granted to employees are recognised over the period of service that must be completed before they have become unconditionally entitled to the award. • For initial measurement, equity-settled share-based payment transactions are measured by reference to the fair value of the goods or services received, unless the fair value cannot be estimated reliably, or they are transactions with employees. In the latter case, their value is measured, and the corresponding increase in equity, by reference to the fair value of the equity instruments granted. • Cash-settled share-based payments are measured at the fair value of the liability. • For subsequent measurement, equity-settled share-based payments are not re-measured except to incorporate the effect of non-market vesting conditions. The liability arising from cash-settled share-based payments is re-measured at the end of each reporting period and at the date of settlement, with changes in fair value recognised in profit or loss.	• No corresponding section (Note)

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
	• Where obtaining fair value is impracticable, the directors use their judgment to apply the most appropriate valuation method to obtain fair value. *(HKFRS for Private Entities 26.3, 26.7 & 26.14)*	
Section 27 Impairment of Assets		
Impairment of assets other than inventories	• An entity shall assess at each reporting date whether there is an indication of impairment. If impairment is not indicated, there is no need to calculate recoverable amount. • If recoverable amount is lower than the carrying amount, the difference is recognised in profit or loss as an impairment loss. • Recoverable amount is the higher of fair value less costs to sell and value in use (discounted basis). • An impairment loss recognised for a cash generating unit (CGU) is allocated first to goodwill within the CGU and then pro-rata to the other assets based on their carrying amounts. • Reversal of prior impairment losses is permitted in certain instances. *(HKFRS for Private Entities 27.5, 27.7, 27.11, 27.21, 27.28 & 27.29)*	• An entity should estimate the recoverable amount of an asset at the end of each reporting period if there exists any indications of impairment. • An impairment loss should not be reserved unless its fair value is readily apparent or the asset's recoverable amount can otherwise be measured reliably without undue cost. *(SME-FRS 9.1 & 9.5)*

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Impairment of goodwill	● Goodwill acquired in a business combination is allocated to each CGU expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units. ● Reversal of an impairment loss recognised for goodwill is not permitted. *(HKFRS for Private Entities 27.24 – 27.28)*	● Goodwill should be allocated to the component(s) of the entity that benefit from the goodwill (generally the lowest level within the entity at which the goodwill is monitored for internal management purposes) so that the recoverable amount of goodwill can be derived from measurement of the recoverable amount of the larger group of assets of which the goodwill is a part. ● An impairment loss recognised for goodwill should not be reversed in a subsequent period. *(SME-FRS 9.9 & 9.13)*
Section 28 Employee Benefits		
Scope and general recognition principle	● This section covers: - Short-term benefits; - Post-employment benefits; - Other long-term benefits; and - Termination benefits. ● The cost of providing employee benefits is recognised in the period in which employees become entitled to the benefits.	● No corresponding section (Note) to address this specifically. Covered by the accrual principles.

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
	● Short-term employee benefits: - Recognised at the undiscounted amount of benefits expected to be paid in exchange for services; - Costs of accumulated compensated absences are recognised when employees render service that increases their entitlement to future compensated absences; - Costs of non-accumulating compensated absences are recognised when they occur; and - Profit-sharing and bonus payments are recognised only when the entity has a legal or constructive obligation to pay them and the costs can be reliably estimated. ● Post-employment benefits plans are classified as either defined contribution or defined benefit plans. ● For defined contribution plans, expenses are recognised in the period in which the contribution is payable. ● Defined benefit plans: - Defined benefit liability is recognised as the net total of the present value obligations under the plans minus the fair value of plan assets at the reporting date;	

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
	- The projected unit credit method is applied to measure the defined benefit obligation if it can be done without undue cost or effort. Otherwise, the calculation may be simplified by ignoring estimated future salary increases, future service of current employees and possible in-service mortality of current employees; - Curtailments or settlements that will result in changes to or elimination of the defined benefit obligation and any resulting gain or loss should be recognised in profit or loss; - Plan assets include assets held by a long-term employee benefit fund and qualifying insurance policies; - Actuarial gains and losses must be recognised immediately either in profit or loss or in other comprehensive income; and - All past service costs are recognised immediately in profit or loss. ● Other long-term employee benefits are recognised and measured in the same way as post-employment benefits under a defined benefit plan.	

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
	● Termination benefits are recognised when the entity is demonstrably committed either to terminate the employment of employees before normal retirement date or as a result of an offer to encourage voluntary redundancy. *(HKFRS for Private Entities 28.1 – 28.44)*	
Section 29 Income Tax		
Deferred tax – key recognition and measurement requirements	● The recognition and measurement principles mirror those contained in HKAS 12 *Income Taxes*, while retaining the simplified disclosures contained in the IFRS for SMEs. ● The measurement of deferred tax liabilities associated with an investment property measured at fair value in accordance with Paragraph 16.7 shall not exceed the amount of tax that would be payable on its sale to an unrelated market participant at fair value at the end of the reporting period. *(HKFRS for Private Entities 29.51)*	● Deferred tax assets and liabilities should not be recognised – tax payable basis applied. *(SME-FRS 14.1-14.6)*

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Section 30 Foreign Currency Translation		
Functional currency and presentation currency	● Each entity shall identify its functional currency. ● An entity may present its financial statements in any currency (or currencies). If the presentation currency differs from the entity's functional currency, the entity shall translate its results and financial position into the presentation currency. *(HKFRS for Private Entities 30.2 & 30.17)*	● Each entity should identify its reporting currency. An entity's reporting currency is the currency of the primary economic environment in which the entity operates (which is based on the concept of functional currency in full HKFRS). ● No distinction between reporting currency and presentation currency. ● Where the foreign operation report in a currency which is different from the reporting currency of the entity, the results and financial position of the foreign operation should be translated into the reporting currency of the entity. *(SME-FRS 15.1-15.4)*

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Section 31 Hyperinflation		
Preparation and presentation of financial statements	● Where an entity's function currency is the currency of a hyperinflationary economy, the financial statements are stated in terms of the presentation currency at the end of the reporting period. The corresponding figures for the previous period are also stated in terms of the measuring unit current at the end of the reporting period. The gain or loss on the net monetary position is included in profit or loss and separately disclosed. *(HKFRS for Private Entities 31.3-31.4, 31.13)*	● No corresponding section – designed for companies operating in Hong Kong.

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Section 34 Specialised Activities		
Agriculture	• Biological assets, for which fair value is readily determinable without undue cost or effort, are measured at fair value less cost to sell. Changes in fair value less costs to sell are recognised in profit or loss. • All other biological assets are measured at cost less accumulated depreciation and impairment loss. • At point of harvest, agricultural produce is measured at fair value less costs to sell and accounted for as inventories. *(HKFRS for Private Entities 34.2-34.6, 34.8-34.9)*	• No corresponding section (Note).
Extractive industries	• Expenditure incurred for the acquisition or development of assets for use in extractive activities is accounted for in accordance with Section 27 on PPE and/or Section 18 on intangible assets. • Obligations for the dismantling or removal of items are accounted for in accordance with Section 17 on PPE and Section 21 on provisions and contingencies. *(HKFRS for Private Entities 34.11)*	• No corresponding section (Note).

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Service concession arrangements	• A financial asset is recognised to the extent that the operator has an unconditional contractual right to receive cash or another financial asset from the grantor for the construction services. The financial is measured at fair value and accounted for in accordance with Section 11 and Section 12 on financial instruments. • An intangible asset is recognised to the extent that the operator receives a right to charge users for the public service. The intangible asset is recognised at fair value and accounted for in accordance with Section 18 on intangible assets. • Revenue is recognised and measured in accordance with Section 23 on revenue. *(HKFRS for Private Entities 34.12 – 34.13)*	• No corresponding section (Note).

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Section 35 Transition to the HKFRS for Private Entities		
Exemptions on transition	● Non-mandatory exemptions are granted on the areas below when preparing the first financial statements that conform to HKFRS for Private Entities: - Business combinations - Shared-based payment transactions - Fair value or revaluation as deemed cost - Cumulative translation differences - Separate financial statements - Compound financial instruments - Deferred income taxes - Service concession arrangements - Extractive activities - Arrangements containing a lease - Decommissioning liabilities included in the cost of property, plant and equipment. ● An entity shall not retrospectively change the accounting that it followed under previously financial reporting framework for any of the following transactions: - Derecognition of financial assets and financial liabilities - Hedge accounting - Accounting estimates	● No exemption is granted. Entity is required to follow the transition provisions set out in SME-FRF, paragraph 44, which effectively dealt with as a change in accounting policy set out in section 2 of SME-FRS *Accounting Policies, Changes in Accounting Estimates and Errors*. *(SME-FRF 44)*

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
	- Discontinued operations - Measuring non-controlling interests *(HKFRS for Private Entities 35.9 – 35.10)*	
Disclosures	● An entity shall explain how the transition from its previous financial reporting framework to HKFRS for Private Entities affected its reported financial position, financial performance and cash flows. ● The first financial statements prepared using HKFRS for Private Entities shall include: - A description of the nature of each change in accounting policy; - Reconciliations of its equity reported under its previous financial reporting framework to its equity under HKFRS for Private Entities for both (a) the date of transition and (b) the end of the latest period presented in the entity's most recent annual financial statements under its previous financial reporting framework; and - A reconciliation of the profit or loss reported under its previous financial reporting framework for the latest period in the entity's most recent annual financial statements to its profit or loss under this standard for the same period. *(HKFRS for Private Entities 35.12 – 35.13)*	● The entity should disclose the following in the year of transition: - The fact that this is the first year that the entity has adopted the SME-FRF & SME-FRS; - The previous accounting framework adopted by the entity in its annual financial statements; - A reconciliation of net assets as reported in the previous financial statements and net assets reported as of the same date under the SME-FRF & SME-FRS, showing: ➢ Any items derecognised because they do not meet the recognition criteria under the SME-FRF & SME-FRS;

	HKFRS for Private Entities as issued on 30 April 2010	SME-FRF & SME-FRS (Revised)
Disclosures (continued)		➢ Any items recognised for the first time because they meet the recognition criteria under the SME-FRF & SME-FRS but where not recognised under the previous accounting framework; and ➢ The amount by which any items have been re-measured as a result of adopting the measurement requirements of the SME-FRF & SME-FRS. This reconciliation should be presented (i) for the opening balances of the current period and any comparative period presented which have been restated as a result of transitioning to the SME-FRF & SME-FRS and (ii) if any opening balances have not been restated because it would require undue cost or effort to do so, this fact *(SME-FRF 45)*