



Financial Reporting Lunch Forum
– HKFRS for Private Entities as a Financial Reporting Option

Thank you for completing the self assessment questions.

The suggested answers to the self assessment questions in relation to the Financial Reporting Lunch Forum – HKFRS for Private Entities as a Financial Reporting Option webcast are set out below for your reference. For further enquiry in relation to CPD credit hours arrangement, please contact the Institute's Professional Development Department at cpd@hki CPA.org.hk. For technical enquiries, please contact the Institute's Standard Setting Department at commentletters@hki CPA.org.hk.

Question 1

Will the scope and applicability of the existing full Hong Kong Financial Reporting Standards (HKFRSs) and the Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard (SME-FRF&FRS) be changed upon the adoption of Hong Kong Financial Reporting Standard for Private Entities (HKFRS for Private Entities) as a reporting option?

Answer

- () Yes, the scope and applicability of HKFRSs and SME-FRF&FRS will be changed upon the adoption of HKFRS for Private Entities as a reporting option
- () **No, the scope and applicability of HKFRSs and SME-FRF&FRS will remain unchanged upon the adoption of HKFRS for Private Entities as a reporting option**

The correct answer is No.

As stated in Powerpoint slide #7, the scope and applicability of the existing HKFRSs and SME-FRF&FRS remain unchanged upon the adoption of HKFRS for Private Entities as a reporting option.



Question 2

Which of the following entities are the intended users of HKFRS for Private Entities?

- (1) Listed entities
- (2) Banks and insurance companies
- (3) Companies with publicly traded debt
- (4) Entities that hold assets in a fiduciary capacity for a broad group of outsiders as one of their primary businesses
- (5) Entities with no public accountability that publish general purpose financial statements for external users

Answer

(A) (1) only

(B) (5) only

(C) (1) and (2) only

(D) (4) and (5) only

(E) (1), (2) and (3) only

The correct answer is (B).

As stated in Powerpoint slide #6, the Council of HKICPA intends to issue the modified IFRS for SMEs, in the form of HKFRS for Private Entities, as a reporting option for companies in Hong Kong which have no public accountability on 30 April 2010 to be effective immediately upon release.

Powerpoint slide #10 further elaborated that an entity has public accountability if:

- (a) its debt or equity instruments are trading in a public market or it is in the process of issuing such instruments for trading in a public market, or*
- (b) it holds assets in a fiduciary capacity for a board group of outsiders as one of its primary businesses. This is typically the cases for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks.*



Question 3

Which of the following are the main simplifications made to full HKFRSs to produce HKFRS for Private Entities as explained in the presentation?

- (1) removing topics and disclosure requirements that are not generally relevant to Private Entities
- (2) eliminating some accounting treatments permitted under full HKFRSs
- (3) simplifying requirements for recognition and measurement

Answer

- A. (1) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1) and (2) only
- E. All of them**

The correct answer is E.

Please refer to Powerpoint slide #13 for further information.



Question 4

Which of the followings are advantages of adopting HKFRS for Private Entities as a reporting option?

- (1) Instant relief for eligible entities – Council of HKICPA can approve adoption of HKFRS for Private Entities as a reporting option providing instant relief for eligible entities which wish to take up the option, as 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 the entities and therefore continue to meet the requirements of the Hong Kong Companies Ordinance
- (2) HKFRS for Private Entities is to be introduced as reporting option only
- (3) HKFRS for Private Entities provides an option to eligible entities to provide additional information to users of the financial statements
- (4) HKFRS for Private Entities permits users to apply HKAS 39 *Financial Instruments: Recognition and Measurement* but without disclosures of HKFRS 7 *Financial Instruments: Disclosures*
- (5) There will be less frequent amendments to HKFRS for Private Entities than that to full HKFRSs

Answer

- A (1) only
- B (1) and (3) only
- C (2) and (3) only
- D (1), (2) and (3) only
- E All of them**

The correct answer is E.

Please refer to Powerpoint Slide #22 and Para.24 of the Institute's Statement of Intent for information.



Question 5

Which of the following statements are true in relation to HKFRS for Private Entities?

- (1) The objective of the Council of HKICPA's intention to issue HKFRS for Private Entities as a reporting option for eligible entities in Hong Kong is to ease the reporting burden of eligible entities by relieving them of the requirement to apply full HKFRSs
- (2) IASB is of the view that the requirements for recognising and measuring assets, liabilities, income and expenses in IFRS for SMEs are based on the pervasive principles that are derived from the IASB *Framework for the Preparation and Presentation of Financial Statements* and from the full IFRSs. IFRS for SMEs (hence HKFRS for Private Entities) therefore share the same framework as full IFRS (and HKFRSs)
- (3) Compliance with HKFRS for Private Entities will meet the Companies Ordinance requirement for financial statements to present a true and fair view
- (4) Banks and insurance companies are generally not permitted to use HKFRS for Private Entities to prepare their general purpose financial statements as they hold assets in fiduciary capacities for a broad group of outsiders as one of their primary business
- (5) Entities with its shares traded in a public market or it is in the process of issuing such instruments for trading in a public market are not permitted to use HKFRS for Private Entities to prepare their general purpose financial statements

Answer

- A (1) only
- B (1) and (3) only
- C (2) and (3) only
- D (1), (2) and (3) only
- E All of them**

The correct answer is E.

For (1), please refer to Powerpoint slide #6 for further information.

For (2), please refer to Powerpoint slide #12 for further information.

For (3), please refer to Powerpoint slide #19 for further information.