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

High level comparison between the draft Hong Kong Financial Reporting Standard for Private Entities (HKFRS for Private Entities) intended to be issued on 30 April 2010 and full Hong Kong Financial Reporting Standards (HKFRSs)

<table>
<tr><th>Topic</th><th>Requirements in HKFRS for Private Entities</th><th>Requirements in full HKFRSs as effective for 2009</th></tr>
<tr><td>Private Entities
(Section 1)</td><td>The HKFRS for Private Entities is intended for use by Private Entities.

Private Entities are entities that:
• do not have public accountability, and
• publish general purpose financial statements for external users.

A subsidiary whose parent uses full IFRSs, or that is part of a consolidated group that uses full IFRSs, is not prohibited from using HKFRS for Private Entities in its own financial statements if that subsidiary by itself does not have public accountability.
[HKFRS for Private Entities 1.1 – 1.2 and 1.6]

Listed companies are not entitled to use HKFRS for Private Entities no matter how small it is. If a publicly accountable entity use HKFRS for Private Entities, its financial statements shall not be described as conforming to the HKFRS for Private Entities.
[HKFRS for Private Entities 1.5]</td><td>HKFRSs apply to all general purpose financial statements. [Preface to HKFRS, paragraph 9]</td></tr>
<tr><td>Concepts and Pervasive Principles
(Section 2)</td><td colspan="2">The requirements for recognising and measuring assets, liabilities, income and expenses in the HKFRS for Private Entities are based on pervasive principles that are required from the Framework for the Preparations and Presentations of Financial Statements and from full HKFRSs.</td></tr>
<tr><td>Financial Statement Presentation
(Section 3)</td><td>A complete set of financial statements of an entity shall include all of the following:

• a statement of financial position as at the reporting date
• a single statement of comprehensive income (including items of other comprehensive income), or a separate income statement and a separate statement of comprehensive income
• a statement of changes in equity for the reporting period
• a statement of cash flows for the reporting period
• notes, comprising a summary of significant accounting policies and other explanatory information.
[HKFRS for Private Entities 3.17]</td><td>In addition, management shall include a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement or when it reclassifies items in its financial statements.
[HKAS 1(Revised), paragraph 39]</td></tr>
</table>

Topic	Requirements in HKFRS for Private Entities	Requirements in full HKFRSs as effective for 2009
	If the only changes to equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy, the entity may present a single statement of income and retained earnings in place of the statement of comprehensive income and statement of changes in equity [HKFRS for Private Entities 3.18]	HKAS 1 does not include a similar exemption from presenting a separate statement of changes in equity.
Statement of Financial Position (Section 4)	As a minimum, the statement of financial position shall include line items that present the following amounts: (a) cash and cash equivalents (b) trade and other receivables (c) financial assets (d) inventories (e) property, plant and equipment (f) investment property carried at fair value through profit or loss (g) intangible assets (h) biological assets carried at cost less accumulated depreciation and impairment (i) biological assets carried at fair value through profit or loss (j) investments in associates (k) investments in jointly controlled entities (l) trade and other payables (m) financial liabilities (n) liabilities and assets for current tax (o) deferred tax liabilities and deferred tax assets (these shall always be classified as non-current) (p) provisions (q) non-controlling interest, presented within equity separately from the equity attributable to the owners of the parent (r) equity attributable to the owners of the parent. [HKFRS for Private Entities 4.2]	In addition, HKAS 1(Revised) requires the statement of financial position to include the total of assets classified as held for sale and assets included in disposal groups classified as held for sale and liabilities included in disposal groups classified as held for sale [HKAS 1(Revised), paragraph 54(j) and (p)]

Topic	Requirements in HKFRS for Private Entities	Requirements in full HKFRSs as effective for 2009
Statement of Comprehensive Income and Income Statement (Section 5)	The accounting principles for this topic in HKFRS for Private Entities are based on full HKFRSs but simplified to suit Private Entities.	
Statement of Changes in Equity and Statement of Income and Retained Earnings (Section 6)	The accounting principles for this topic in HKFRS for Private Entities are based on full HKFRSs but simplified to suit Private Entities. HKFRS for Private Entities permits an entity to present a statement of income and retained earnings in place of a statement of comprehensive income and a statement of changes in equity if the only changes to its equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy, whereas full HKFRSs does not contain such provision. [HKFRS for Private Entities 6.4]	
Statement of Cash Flows (Section 7)	The accounting principles for this topic in HKFRS for Private Entities are based on full HKFRSs but simplified to suit Private Entities.	
Notes to the Financial Statements (Section 8)	The accounting principles for this topic in HKFRS for Private Entities are based on full HKFRSs but simplified to suit Private Entities.	
Consolidated and Separate Financial Statements (Section 9)	A Private Entity that is a parent need not present consolidated financial statements if: • the parent is itself a subsidiary, and its ultimate (or any intermediate parent) produces consolidated general purpose financial statements that comply with full HKFRSs, IFRSs, HKFRS for Private Entities or the IFRS for SMEs issued by the IASB; 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 9.3] The financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements shall be prepared as of the same reporting date unless it is impracticable to do so. [HKFRS for Private Entities 9.16]	The requirements in HKAS 27(Revised) *Consolidated and Separate Financial Statements* to qualify for the exemption from presenting consolidated financial statements are more restrictive than those contained in HKFRS for Private Entities. When the financial statements of a subsidiary used in the preparation of consolidated financial statements are prepared as of a date different from that of the parent's financial statements, adjustments shall be made for the

Topic	Requirements in HKFRS for Private Entities	Requirements in full HKFRSs as effective for 2009
	Combined financial statements are a single set of financial statements of two or more entities controlled by a single investor. HKFRS for Private Entities does not require combined financial statements to be prepared. If the investor prepares combined financial statements and describes them as conforming to the HKFRS for Private Entities, those statements shall comply with all of the requirements of HKFRS for Private Entities. [HKFRS for Private Entities 9.28 – 9.29]	effects of significant transactions or events that occur between that date and the date of the parent's financial statements. In any case, the difference between the end of the reporting period of the subsidiary and that of the parent shall be no more than three months. [HKAS 27(Revised), paragraph 23] Combined financial statements is not covered in full HKFRSs.
Accounting Policies, Estimates and Errors (Section 10)	If HKFRS for Private Entities does not specifically address a transaction, other event or condition, an entity's management shall use its judgement in developing and applying an accounting policy that results in information that is relevant to the economic decision-making needs of users and reliable. In making this judgement, management shall refer to, and consider the applicability of, the following sources in descending order: (a) the requirements and guidance in HKFRS for Private Entities dealing with similar and related issues, and (b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses and the pervasive principles in Section 2. In making this judgement, management may also consider the requirements and guidance in full HKFRSs dealing with similar and related issues. [HKFRS for Private Entities 10.4 – 10.6]	Management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices to the extent that these do not conflict with the concepts contained in HKFRSs. [HKAS 8, paragraph 12]
Basic Financial Instruments (Section 11)	*Accounting policy choice* An entity shall choose to apply either: (a) the provisions of both Section 11 and Section 12 in full, or (b) the recognition and measurement provisions of HKAS 39 *Financial Instruments: Recognition and Measurement* and the disclosure requirements of Sections 11 and 12	Such accounting policy choice is not available in full HKFRSs and the reporting entity is required to comply with HKAS 39 and HKFRS 7 *Financial Instruments: Disclosures* in full.

Topic	Requirements in HKFRS for Private Entities	Requirements in full HKFRSs as effective for 2009
	to account for all of its financial instruments. An entity's choice of (a) or (b) is an accounting policy choice. [HKFRS for Private Entities 11.2] *Initial measurement* When a financial asset or financial liability is recognised initially, an entity shall measure it at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction. A financing transaction may take place in connection with the sale of goods or services, for example, if payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate. If the arrangement constitutes a financing transaction, the entity shall measure the financial asset or financial liability at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. [HKFRS for Private Entities 11.13] *Subsequent measurement* At the end of each reporting period, an entity shall measure financial instruments as follows, without any deduction for transaction costs the entity may incur on sale or other disposal: (a) debt instruments shall be measured at amortised cost using the effective interest method. (b) commitments to receive a loan shall be measured at cost less impairment. (c) investments in non-convertible preference shares and non-puttable ordinary or preference shares shall be measured at fair value with changes in fair value recognised in profit or loss or otherwise at cost less impairment. [HKFRS for Private Entities 11.14] *Derecognition of financial assets* An entity shall derecognise a financial asset only when: (a) the contractual rights to the cash flows from the financial asset expire or are settled, or (b) the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or	 When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. [HKAS 39, paragraph 43] For the purpose of measuring a financial asset subsequent to initial recognition, HKAS 39 classifies financial assets into four categories: (a) loans and receivables not held for trading (b) held-to-maturity investments (c) financial assets measured at fair value through profit or loss, which includes those held for trading and any other financial asset that the entity designates; and (d) available-for-sale financial assets. [HKAS 39, paragraph 9] An entity shall derecognise a financial asset when, and only when: (a) the contractual rights to the cash flows from the financial asset expire; or (b) it transfers the financial asset and the transfer qualifies for derecognition.

Topic	Requirements in HKFRS for Private Entities	Requirements in full HKFRSs as effective for 2009
	(c) the entity has retained some significant risks and rewards of ownership but has transferred control of the asset to another party. [HKFRS for Private Entities 11.33]	The decision whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. [HKAS 39, paragraphs 17 - 37]
Other Financial Instruments Issues (Section 12)	*Hedge accounting – Types of risk eligible for hedge accounting* HKFRS for Private Entities permits hedge accounting only for: • 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 that it holds or in a firm commitment or highly probable forecast transaction to purchase or sell a commodity • foreign exchange risk in a net investment in a foreign operation. [HKFRS for Private Entities 12.17]	HKAS 39 is not as restrictive in respect of the risks that can be hedged as the HKFRS for Private Entities. To be eligible for hedge accounting, the designated risks and portions must be separately identifiable components of the financial instrument, and changes in the cash flows or fair value of the entire financial instrument arising from changes in the designated risks and portions must be reliably measurable. [HKAS 39, paragraph AG99F]
	Hedge accounting – Hedging instruments HKFRS for Private Entities permits hedge accounting only if the hedging instrument has all of following terms and conditions: (a) it is an interest rate swap, a foreign currency swap, a foreign currency forward exchange contract or a commodity forward exchange contract that is expected to be highly effective in offsetting the hedged risk; (b) it involves a party external to the reporting entity; (c) its notional amount is equal to the designated amount of the principal or notional amount of the hedged item; (d) it has a specified maturity date not later than (i) the maturity of the financial instrument being hedged, (ii) the expected settlement of the commodity purchase or sale commitment, or (iii) the occurrence of the highly probable forecast foreign currency or commodity transaction being hedged. (e) it has no prepayment, early termination or extension features. [HKFRS for Private Entities 12.18]	A hedging instrument is a designated derivative or (for a hedge of the risk of changes in foreign currency exchange rates only) a designated non-derivative financial asset or non-derivative financial liability whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item. HKAS 39 allows a broader array of hedging instruments to be used. A written option does not qualify as a hedging instrument unless it is designated as an offset to a purchased option, including one that is embedded in another financial instrument. [HKAS 39, paragraphs 9 and AG94]
Inventories (Section 13)	The accounting principles for this topic in HKFRS for Private Entities are based on full HKFRSs but simplified to suit Private Entities.	

Topic	Requirements in HKFRS for Private Entities	Requirements in full HKFRSs as effective for 2009
Investments in Associates (Sections 14)	An investor shall account for all of its investments in associates using one of the following: (a) the cost model (b) the equity method (c) the fair value model. [HKFRS for Private Entities 14.4] An investor shall measure its investments in associates for which there is a published price quotation using the fair value model [HKFRS for Private Entities 14.7]	HKAS 28 *Investments in Associates* requires, with certain exceptions, equity method to be used for investments in associates over which the entity has significant influence. [HKAS 28, paragraph 13]
Investments in Joint Ventures (Sections 15)	An investor shall account for all of its interests in jointly controlled entities using one of the following: (d) the cost model (e) the equity method (f) the fair value model. [HKFRS for Private Entities 15.9] A venturer shall measure its investment in jointly controlled entities for which there is a published price quotation using the fair value model. [HKFRS for Private Entities 15.12]	HKAS 31 *Interests in Joint Ventures* requires, with certain exceptions, proportionate consolidation or equity method to be used for jointly controlled entities. [HKAS 31, paragraphs 30 and 38]
Investment Property (Section 16)	Investment properties are initially measured at cost. For subsequent measurement, investment properties whose fair values 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 whereas cost-depreciation-impairment model is used for other investment properties. The accounting policy is driven by the ability to determine the fair value of investment properties and hence there is no accounting policy choice. If a reliable measure of fair value is no longer available without undue cost or effort for an item of investment property measured using the fair value model, the entity shall thereafter account for that item as property, plant and equipment until a reliable measure of fair value becomes available. The carrying amount of the investment property on that date becomes its cost. [HKFRS for Private Entities 16.5 – 16.8]	HKAS 40 *Investment Property* permits entities to choose either a fair value model or a cost model. [HKAS 40, paragraphs 33 and 56]

Topic	Requirements in HKFRS for Private Entities	Requirements in full HKFRSs as effective for 2009
	If an investment property is being accounted for as property, plant and equipment, then there is no requirement to disclose the fair value of that property.	An entity that applies the cost model shall disclose the fair value of investment property, except when an entity cannot determine the fair value of the investment property reliably. [HKAS 40, paragraph 79(e)]
Property, Plant and Equipment (Section 17)	An entity shall measure an item of property, plant and equipment at initial recognition at its cost. An entity shall measure all items of property, plant and equipment after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. [HKFRS for Private Entities 17.9 and 17.15] The residual values, useful lives and depreciation methods of items of property, plant and equipment are reviewed only when there are indications that they have changed. [HKFRS for Private Entities 17.19 and 17.23]	An entity shall choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of property, plant and equipment. [HKAS 16, paragraphs 30 and 31] The residual values, useful lives and depreciation methods shall be reviewed at least at each financial year-end. [HKAS 16, paragraphs 51 and 61]
Intangible Assets other than Goodwill (Section 18)	*Internally generated intangible assets* 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 contained in HKFRS for Private Entities. [HKFRS for Private Entities 18.14] *Measurement after recognition* An entity shall measure intangible assets at cost less any accumulated amortisation and any accumulated impairment losses. [HKFRS for Private Entities 18.18]	Expenditure on research or on the research phase of an internal project shall be recognised as an expense when it is incurred. An intangible asset arising from development or from the development phase of an internal project shall be recognised only if certain criteria are met. [HKAS 38, paragraphs 54 and 57] An entity shall choose either the cost model or the revaluation model as its accounting policy. If an intangible asset is accounted for using the revaluation model, all the other assets in its class shall also be accounted for using the same model, unless there is no active market for those assets. [HKAS 38, paragraph 72]

Topic	Requirements in HKFRS for Private Entities	Requirements in full HKFRSs as effective for 2009
	Useful life All intangible assets shall be considered to have a finite useful life. The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of the contractual or other legal rights, but may be shorter depending on the period over which the entity expects to use the asset. 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]	Intangible assets may be determined to have indefinite useful lives when appropriate; intangible assets with indefinite useful lives are not amortised. [HKAS 38, paragraphs 88 and 107]
	Review of amortisation period and amortisation method The amortisation period and method shall be reviewed if there is an indication of change since the last reporting date. The entity shall account for the change in residual value, amortisation method or useful life as a change in an accounting estimate. [HKFRS for Private Entities 18.24]	The amortisation period and the amortisation method for an intangible asset with a finite useful life shall be reviewed at least at each financial year-end. [HKAS 38, paragraph 104]
Business Combinations and Goodwill (Section 19)	*Treatment of transaction costs* The acquirer shall measure the cost of a business combination including any costs directly attributable to the business combination. [HKFRS for Private Entities 19.11(b)]	The acquirer shall account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received. [HKFRS 3(Revised), paragraph 53]
	Contingent consideration When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the acquirer shall include the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment 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]	The acquirer shall recognise the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree. The acquirer shall account for changes in the fair value of contingent consideration that are not measurement period adjustments as follows: (a) contingent consideration classified as equity shall not be remeasured and its subsequent settlement shall be accounted for within equity (b) contingent consideration classified as an asset or a liability that is a financial instrument and is within the scope of HKAS 39 shall be measured at fair value, with any resulting gain or loss recognised either in profit or loss or in other comprehensive

Topic	Requirements in HKFRS for Private Entities	Requirements in full HKFRSs as effective for 2009
	Calculation of goodwill The acquirer shall, at the acquisition date, initially measure that goodwill at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. [HKFRS for Private Entities 19.22] *Subsequent measurement of goodwill* After initial recognition, the acquirer shall measure goodwill acquired in a business combination at cost less accumulated amortisation and accumulated impairment losses. If an entity is unable to make a reliable estimate of the useful life of goodwill, the life shall be presumed to be ten years. At each reporting date an entity assesses whether there is any indication that goodwill is impaired but only tests for impairment when there is such an indication. [HKFRS for Private Entities 19.23]	income in accordance with that HKFRS; or shall be accounted for in accordance with HKAS 37 or other HKFRSs as appropriate if such asset or liability is not within the scope of HKAS 39. [HKFRS 3(Revised), paragraphs 39 and 58] For each business combination, the acquirer shall measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The option provided by full HKFRS to measure the non-controlling interest either at fair value or proportionate share method may result in a different goodwill amount. [HKFRS 3(Revised), paragraphs 19 and 32] The acquirer shall measure goodwill at the amount recognised at the acquisition date less any accumulated impairment losses, and it is tested for impairment annually, regardless of there being an indication of impairment. [HKFRS 3(Revised), paragraph B63(a)] There are significant disclosure reliefs for SMEs compared with the disclosures required under full HKFRS.
Leases (Section 20)	A lessee (lessor) shall recognise lease payments (income) under operating leases as an expense (income) on a straight-line basis unless either (a) another systematic basis is representative of the time pattern of the user's benefit, even if the payments (receipts) are not on that basis, or (b) the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. [HKFRS for Private Entities 20.15 and 20.25]	Lease expenditure (income) in an operating lease is recognised on a straight-line basis. [HKAS 17, paragraphs 33 and 50]

Topic	Requirements in HKFRS for Private Entities	Requirements in full HKFRSs as effective for 2009
Provisions and Contingencies (Section 21)	The accounting principles for this topic in HKFRS for Private Entities are based on full HKFRSs but simplified to suit Private Entities.	
Liabilities and Equity (Section 22)	An entity shall recognise the issue of shares or other equity instruments as equity when it issues those instruments and another party is obliged to provide cash or other resources to the entity in exchange for the instruments. (a) if the equity instruments are issued before the entity receives the cash or other resources, the entity shall present the amount receivable as an offset to equity in its statement of financial position, not as an asset. (b) if the entity receives the cash or other resources before the equity instruments are issued, and the entity cannot be required to repay the cash or other resources received, the entity shall recognise the corresponding increase in equity to the extent of consideration received. (c) to the extent that the equity instruments have been subscribed for but not issued, and the entity has not yet received the cash or other resources, the entity shall not recognise an increase in equity. [HKFRS for Private Entities 22.7]	The HKFRS for Private Entities specific guidance is not contained in full IFRSs.
Revenue (Section 23)	The accounting principles for this topic in HKFRS for Private Entities are based on full HKFRSs but simplified to suit Private Entities.	
Government Grants (Section 24)	An entity shall recognise government grants as follows: (a) a grant that does not impose specified future performance conditions on the recipient is recognised in income when the grant proceeds are receivable (b) a grant that imposes specified future performance conditions on the recipient is recognised in income only when the performance conditions are met. (c) grants received before the revenue recognition criteria are satisfied are recognised as a liability. An entity shall measure grants at the fair value of the asset received or receivable. [HKFRS for Private Entities 24.4 – 24.5]	Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that: (a) the entity will comply with the conditions attaching to them; and (b) the grants will be received. Government grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expense the related costs for which the grants are intended to compensate. They shall not be credited directly to shareholders' interests. [HKAS 20, paragraphs 7 and 12]

Topic	Requirements in HKFRS for Private Entities	Requirements in full HKFRSs as effective for 2009
Borrowing Costs (Section 25)	An entity shall recognise all borrowing costs as an expense in profit or loss in the period in which they are incurred. [HKFRS for Private Entities 25.2]	An entity shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. An entity shall recognise other borrowing costs as an expense in the period in which it incurs them. [HKAS 23, paragraph 8]
Share-based Payment (Section 26)	An entity shall measure the fair value of shares, share options and equity-settled share appreciation rights (and the related goods or services received) using the following three-tier measurement hierarchy: (a) if an observable market price is available for the equity instruments granted, use that price (b) if an observable market price is not available, measure the fair value of equity instruments granted using entity-specific observable market data (c) if an observable market price is not available and obtaining a reliable measurement of fair value under (b) is impracticable, indirectly measure the fair value of the shares or share appreciation rights using a valuation method that uses market data to the greatest extent practicable. The entity's directors should use their judgement to apply the most appropriate valuation method to determine fair value. [HKFRS for Private Entities 26.10 – 26.11] If a share-based payment award is granted by a parent entity to the employees of one or more subsidiaries in the group, and the parent presents consolidated financial statements using either the *HKFRS for Private Entities* or full IFRSs, such subsidiaries are permitted to recognise and measure share-based payment expense (and the related capital contribution by the parent) on the basis of a reasonable allocation of the expense recognised for the group. [HKFRS for Private Entities 26.16]	For transactions measured by reference to the fair value of the equity instruments granted, an entity shall measure the fair value of equity instruments granted at the measurement date, based on market prices if available, taking into account the terms and conditions upon which those equity instruments were granted. If market prices are not available, the entity shall estimate the fair value of the equity instruments granted using a valuation technique. [HKFRS 2, paragraphs 16 - 17] For share-based payment transactions among group entities, in its separate or individual financial statements, the entity receiving the goods or services shall measure the goods or services received as either an equity-settled or a cash-settled share-based payment transaction by assessing the nature of the awards granted, and its own rights and obligations. The amount recognised by the entity receiving the goods or services may differ from the amount recognised by the consolidated group or by another group entity settling the share-based payment transaction. The entity receiving the goods or services shall measure the goods or services received as an equity-settled share-based

Topic	Requirements in HKFRS for Private Entities	Requirements in full HKFRSs as effective for 2009
		payment transaction when the awards granted are its own equity instruments, or the entity has no obligation to settle the share-based payment transaction. The entity shall subsequently remeasure such an equity-settled share-based payment transaction only for changes in non-market vesting conditions. In all other circumstances, the entity receiving the goods or services shall measure the goods or services received as a cash-settled share-based payment transaction. The entity settling a share-based payment transaction when another entity in the group receives the goods or services shall recognise the transaction as an equity-settled share-based payment transaction only if it is settled in the entity's own equity instruments. Otherwise, the transaction shall be recognised as a cash-settled share-based payment transaction. Intragroup repayment arrangements will not affect the application of the principles described above for the classification of group-settled share-based payment transactions. [HKFRS 2, paragraphs 43A – 43D]
Impairment of Assets (Section 27)	*Identifying an asset that may be impaired* An entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. If there is no indication of impairment, it is not necessary to estimate the recoverable amount. [HKFRS for Private Entities 27.7] *Allocation of goodwill* If goodwill cannot be allocated to individual cash-generating units (or groups of cash-generating units) on a non-arbitrary basis, then for the purposes of testing goodwill the entity shall test the impairment of goodwill by determining the recoverable amount of either (a) or (b):	Irrespective of whether there is any indication of impairment, an entity shall test an intangible asset with an indefinite useful life, an intangible asset not yet available for use and goodwill acquired in a business combination for impairment annually. [HKAS 36, paragraph 10] For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit

Topic	Requirements in HKFRS for Private Entities	Requirements in full HKFRSs as effective for 2009
	(a) the acquired entity in its entirety, if the goodwill relates to an acquired entity that has not been integrated (b) the entire group of entities, excluding any entities that have not been integrated, if the goodwill relates to an entity that has been integrated. [HKFRS for Private Entities 27.27]	from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes; and not be larger than an operating segment determined in accordance with HKFRS 8 *Operating Segments*. [HKAS 36, paragraph 80] There are significant disclosure reliefs for SMEs compared with the disclosures required under full HKFRSs.
Employee Benefits (Section 28)	*Actuarial valuation method* If an entity is not able, without undue cost or effort, to use the projected unit credit method to measure its obligation and cost under defined benefit plans, the entity is permitted to make the following simplifications in measuring its defined benefit obligation with respect to current employees by ignoring estimated future salary increases; future service of current employees; and possible in-service mortality of current employees between the reporting date and the date employees are expected to begin receiving post-employment benefits. However, mortality after service (ie life expectancy) will still need to be considered. [HKFRS for Private Entities 28.19] *Recognition – accounting policy election* If a defined benefit plan has been introduced or changed in the current period, the entity shall increase or decrease its defined benefit liability to reflect the change, and shall recognise the increase (decrease) as an expense (income) in measuring profit or loss in the current period. An entity is required to recognise all actuarial gains and losses in the period in which they occur. An entity shall: (a) recognise all actuarial gains and losses in profit or loss, or (b) recognise all actuarial gains and losses in other comprehensive income as an accounting policy election. The entity shall apply its chosen accounting policy consistently to all of its defined benefit plans and all of its actuarial gains and losses. Actuarial gains and losses recognised in other comprehensive income	An entity is required to use the Projected Unit Credit Method to determine the present value of its defined benefit obligations, which sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. HKAS 19 *Employee Benefits* does not permit the simplified approach allowed by the HKFRS for Private Entities. [HKAS 19, paragraphs 64 -65] Actuarial gains and losses may be: (a) recognised immediately in profit or loss, (b) deferred up to a maximum, with any excess amortised in profit or loss (the "corridor approach"), or (c) recognised immediately in other comprehensive income. Past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. [HKAS 19, paragraphs 92 -93B and 96]

Topic	Requirements in HKFRS for Private Entities	Requirements in full HKFRSs as effective for 2009
	shall be presented in the statement of comprehensive income. [HKFRS for Private Entities 28.21 and 24] *Group plans* If a parent entity provides benefits to the employees of one or more subsidiaries in the group, and the parent presents consolidated financial statements using either the HKFRS for Private Entities or full IFRSs, such subsidiaries are permitted to recognise and measure employee benefit expense on the basis of a reasonable allocation of the expense recognised for the group. [HKFRS for Private Entities 28.38]	An entity participating in such a plan shall obtain information about the plan as a whole measured in accordance with HKAS 19 on the basis of assumptions that apply to the plan as a whole. If there is a contractual agreement or stated policy for charging the net defined benefit cost for the plan as a whole measured in accordance with HKAS 19 to individual group entities, the entity shall, in its separate or individual financial statements, recognise the net defined benefit cost so charged. If there is no such agreement or policy, the net defined benefit cost shall be recognised in the separate or individual financial statements of the group entity that is legally the sponsoring employer for the plan. The other group entities shall, in their separate or individual financial statements, recognise a cost equal to their contribution payable for the period. [HKAS 19, paragraph 34A]
Income Taxes (Section 29)	The recognition and measurement principles contained in HKFRS for Private Entities mirror those contained in the extant revision of HKAS 12 *Income Taxes*, while retaining the simplified disclosures contained in the IFRS for SMEs. No provision of deferred taxation is required in relation to revaluation gains of investment properties where such tax is never paid in Hong Kong. [HKFRS for Private Entities 29.51]	
Foreign Currency Translation (Section 30)	In the financial statements that include the foreign operation and the reporting entity, exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation shall be recognised initially in other comprehensive income and reported as a component of equity. They shall not again be recognised in profit or loss on disposal of the net investment. [HKFRS for Private Entities 30.13]	On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity, shall be reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised. [HKAS 21, paragraph 48]

Topic	Requirements in HKFRS for Private Entities	Requirements in full HKFRSs as effective for 2009
Hyperinflation (Section 31)	The accounting principles for this topic in HKFRS for Private Entities are based on full HKFRSs but simplified to suit Private Entities.	
Events after the End of the Reporting Period (Section 32)	The accounting principles for this topic in HKFRS for Private Entities are based on full HKFRSs but simplified to suit Private Entities.	
Related Party Disclosures (Section 33)	The proposed amendments to IAS 24 *Related Party Disclosures* have been incorporated into the HKFRS for Private Entities; the standard includes a definition of related parties consistent with the exposure drafts and an entity is exempt from the disclosure requirements contained in this section in relation to: (a) a state that has control, joint control or significant influence over the reporting entity, and (b) another entity that is a related party because the same state has control, joint control or significant influence over both the reporting entity and the other entity. [HKFRS for Private Entities 33.11] Disclosure of key management personnel compensation in aggregate only, and not by category or type of benefit. [HKFRS for Private Entities 33.16]	No such exemption and disclosure relief is given in HKAS 24. An entity shall disclose key management personnel compensation in total and for each of the following categories: (a) short-term employee benefits; (b) post-employment benefits; (c) other long-term benefits; (d) termination benefits; and (e) share-based payment. [HKAS 24, paragraph 16]

Topic	Requirements in HKFRS for Private Entities	Requirements in full HKFRSs as effective for 2009
Specialised Activities (Section 34)	The entity shall use the fair value model for those biological assets for which fair value is readily determinable without undue cost or effort. Otherwise, the cost model is used for all other biological assets. [HKFRS for Private Entities 34.2]	There is a presumption that fair value can be measured reliably for a biological asset. However, that presumption can be rebutted only on initial recognition for a biological asset for which market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such a case, that biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses. [HKAS 41, paragraph 30]
	An entity using HKFRS for Private Entities that is engaged in the exploration for, evaluation or extraction of mineral resources (extractive activities) shall account for expenditure on the acquisition or development of tangible or intangible assets for use in extractive activities by applying Section 17 *Property, Plant and Equipment* and Section 18 *Intangible Assets other than Goodwill*, respectively. (that is, no specific accounting standard addressing extractive activities) [HKFRS for Private Entities 34.11]	An entity shall determine an accounting policy specifying which expenditures are recognised as exploration and evaluation assets and apply the policy consistently. [HKFRS 6, paragraph 9]
	HKFRS for Private Entities contains no special accounting requirements for assets held for sale. Plans to dispose of an asset before the previously expected date is considered as an indicator of impairment. [HKFRS for Private Entities 27.9]	An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. An entity shall measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. [HKFRS 5, paragraphs 6 and 15]
Transition to the HKFRS for Private Entities (Section 35)	The optional exemptions for SMEs using the HKFRS for Private Entities for the first time are similar to those available in HKFRS 1 *First-time Adoption of HKFRSs*. An entity shall not retrospectively change the accounting that it followed under its previous financial reporting framework for discontinued operations since such concept does not exist in HKFRS for Private Entities.	No impracticability exemption is applicable to full HKFRSs.

Topic	Requirements in HKFRS for Private Entities	Requirements in full HKFRSs as effective for 2009
	Moreover, if it is impracticable (that is, the entity cannot apply a requirement if after making every reasonable effort to do so) for an entity to restate the opening statement of financial position at the date of transition, the entity shall apply the requirements contained in Section 35 in the earliest period for which it is practicable to do so, and shall disclose the date of transition and the fact that data presented in prior periods are not comparable. If is impracticable for an entity to provide any disclosures required by HKFRS for Private Entities for any period before the period in which it prepares its first financial statements that conform to HKFRS for Private Entities, the omission shall be disclosed. [HKFRS for Private Entities 35.9 – 35.10 and 35.11]	

This comparison, which is prepared by the Institute's Standard Setting Department, contains only key differences between the draft HKFRS for Private Entities intended to be adopted on 30 April 2010 and full HKFRSs as effective for 2009 on major topics and is not intended to be a complete summary. Readers are advised to refer to the original pronouncement of HKFRS for Private Entities for further information and guidance.