

Our Ref.: C/SGAAP, M/NC

25 June 2004

Dear HKSA Members and other interested parties,

**IASB Discussion Paper,  
“Preliminary Views on Accounting Standards  
for Small and Medium-sized Entities”**

The International Accounting Standards Board (IASB) has published a Discussion Paper on its proposal to develop a separate set of international accounting standards for small and medium-sized entities (SMEs). The Discussion Paper sets out the IASB’s preliminary views on aspects of the proposal and invites comments on them by 24 September 2004.

Issues raised in the IASB’s Discussion Paper include the following:

- Should the IASB develop special financial reporting standards for SMEs?
- What should be the objectives of a set of financial reporting standards for SMEs?
- For which entities would IASB Standards for SMEs be intended?
- If IASB Standards for SMEs do not address a particular accounting recognition or measurement issue confronting an entity, how should that entity resolve the issue?
- May an entity using IASB Standards for SMEs elect to follow a treatment permitted in an International Financial Reporting Standard (IFRS) that differs from the treatment in the related IASB Standard for SMEs?
- How should the IASB approach the development of IASB Standards for SMEs? To what extent should the foundation of SME standards be the concepts and principles and related mandatory guidance in IFRSs?
- If IASB Standards for SMEs are built on the concepts and principles and related mandatory guidance in full IFRSs, what should be the basis for modifying those concepts and principles for SMEs?
- In what format should IASB Standards for SMEs be published?

Subscribers to the IASB website can obtain copies of the Discussion Paper now. The IASB will release free public copies of the Discussion Paper on 5 July 2004 and, at that time, a copy of the Paper will be available both from the IASB’s website (at: <http://www.iasb.org>) and from the HKSA’s financial reporting exposure draft web page (<http://www.hksa.org.hk/professionaltechnical/accounting/exposedraft>).

On 16 May 2004, the HKSA issued a Consultation Paper on a proposed implementation of a Small and Medium-Sized Entity Financial Reporting Framework and Financial Reporting Standard in Hong Kong. A copy of that Consultation Paper can found on-line at: [http://www.hksa.org.hk/professionaltechnical/accounting/exposedraft/SME-GAAP\\_CP-IIcl.pdf](http://www.hksa.org.hk/professionaltechnical/accounting/exposedraft/SME-GAAP_CP-IIcl.pdf) and comments on that Paper are requested to be received by 31 August 2004.

Commentators in Hong Kong may note that the HKSA's Consultation Paper (at paragraph 4.1.4) makes reference to the IASB's Standards for SMEs project. The IASB's Discussion Paper is the first public consultation issued by the IASB in this regard. The Society will be preparing a comment letter on the IASB's Discussion Paper and, accordingly, we invite comments from all interested parties on the HKSA's Consultation Paper and/or the IASB's Discussion Paper.

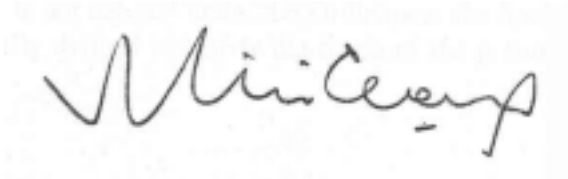
Comments should be supported by specific reasoning, should be submitted in written form, and are requested to be received by **31 August 2004** and may be sent by mail, fax or e-mail to:

Technical Director (Financial Reporting)  
Hong Kong Society of Accountants  
4<sup>th</sup> floor Tower Two, Lippo Centre  
89 Queensway  
Hong Kong

Fax number (+852) 2865 6776

E-mail: [commentletters@hksa.org.hk](mailto:commentletters@hksa.org.hk)

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Winnie Cheung', is centered on the page. The signature is fluid and cursive.

WINNIE C.W. CHEUNG  
CHIEF EXECUTIVE & REGISTRAR  
HONG KONG SOCIETY OF ACCOUNTANTS

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