

From: [The Society of Chinese Accountants & Auditors](#)
To: [P.T. Comment Letter](#)
Cc: ["Chan Lok Hei, Xavier"](#)
Subject: (Reply form) SCAA: Comment on the exposure draft third edition of the IFRS for SMES Accounting Standard
Date: 2023年2月1日 15:58:04
Attachments: [SCAA Comment on the exposure draft third edition of the IFRS for SMES Accounting Standard \(2023.01.10\) \(1\).pdf](#)

Dear Sir/Madam,
Please find the attached Reply form for your record.
Should you have any queries, feel free to contact me at 2869 6700.

Best regards,
Rosalind Wong
The Society of Chinese Accountants & Auditors
Tel: (852) 2869 6700 | Fax: (852) 2526 6434 | Website: www.scaacpa.org.hk
Address: 6/F, 88 Lockhart Road, Wanchai, Hong Kong



創於 1913 年
Founded in 1913

香港華人會計師公會 The Society of Chinese Accountants & Auditors

(在香港註冊成立之有限公司)

(Incorporated in Hong Kong as a company limited by guarantee)

10 January 2023

Standard Setting Department
Hong Kong Institute of Certified Public Accountants,
37th Floor, Wu Chung House,
213 Queen's Road East,
Wanchai, Hong Kong

E-mail : commentletters@hkiacpa.org.hk

Dear Sir/Madam,

RE: COMMENT OF THE EXPOSURE DRAFT THIRD EDITION OF THE IFRS FOR SMEs ACCOUNTING STANDARD

We are writing on behalf of the Society of Chinese Accountants & Auditors (“SCAA”) in response to the exposure draft third edition of the IFRS for SMEs Accounting Standard.

SCAA has been supporting Hong Kong since 1913, we are an incorporated body of professional accountants, most of our members are practising accountants and representing a significant number of practising firms of accountants, which are small, medium and large sized, in Hong Kong.

We aim to provide a professional development channel for all practising accountants and subsequently cater to the care and needs of the community in Hong Kong. To maintain high standards of professional conduct, SCAA fosters communication among its members, assisting them to advance the theory and practice of accountancy. SCAA also initiates discussions of hot issues in accounting industry and is committed to look for suggestions and solutions for our fellow accountants.

With regard to the exposure draft third edition of the IFRS for SMEs Accounting Standard, we understand that the objective of the request for Information was to seek views on whether and, if so, how aligning the HKFRS for PE with new and amended full IFRS Accounting Standards in the scope of the review could better serve users of financial statements prepared applying the Standard without causing undue cost or effort for SMEs. We propose the following recommendations.

Relaxation of qualifying criteria for the companies incorporated under the Hong Kong Companies Ordinance reporting under SME-FRS

We have arranged a forum for our members' opinions. In our survey, there is less than 10% of the participants having clients prepared financial statements in accordance with the HKFRS for PE. In view of this, instead of opposing to this exposure draft, one of our key

P. 1



創於 1913 年
Founded in 1913

香港華人會計師公會 The Society of Chinese Accountants & Auditors

(在香港註冊成立之有限公司)

(Incorporated in Hong Kong as a company limited by guarantee)

recommendations is to seek for relaxation of qualifying criteria for the companies incorporated under the Hong Kong Companies Ordinance reporting under SME-FRS. Accordingly, the coverage of companies in Hong Kong satisfying the qualifying criteria reporting under SME-FRS will be larger and more companies, which are reporting under HKFRS for PE, may choose to report under SME-FRS. As a result, the negative impact of this amendment to practising firms is minimized.

Clear and comprehensive guidelines and alignment with other standards

The term “Undue cost or effort” in section 2 – Concepts and Pervasive Principles is unclear and too board, which may create conflicts between preparers and auditors. To avoid such situation, clear and detailed guidance is necessary that the auditor could have a better reference for alignment with materiality level under audit assurance.

Regarding to the proposal for inclusion of expected credit loss model to all financial assets measured at amortized cost under section 11 & 12 – Basic Financial Instruments and Others, no members support this proposal in our survey. The reason why there will be different sets of accounting standards for SMEs and non-SMEs is to cater the needs of different types of financial statement users. Inclusion of expected credit loss model creates a complexity to the financial statement users for SMEs, which defeats the purpose of two different sets of standards.

Similar situation applies to section 19 – Business combinations, instructions of “subsequent settlement”, “step acquisition” and “loss of control” for recognizing contingent consideration create complexities to the financial statement users for SMEs, which defeats the purpose of two different sets of standards.

Standing at the viewpoint of our members, we strongly propose SMEs should be exempted for the above changes under section 11, 12 and 19.

Above are our recommendations to the exposure draft third edition of the IFRS for SMEs Accounting Standard.

We will be happy to answer any further questions that you may have. Should you require more information, please do not hesitate to contact Mr. Xavier Chan, Chairman of Members Forum and Commercial Relationship.



創於 1913 年
Founded in 1913

香港華人會計師公會 The Society of Chinese Accountants & Auditors

(在香港註冊成立之有限公司)

(Incorporated in Hong Kong as a company limited by guarantee)

Yours faithfully,

PARCO WU

WU Chun Sing, Parco
President of The Society of Chinese
Accountants & Auditors

AV

CHAN Lok Hei, Xavier
Chairman of Members Forum and
Commercial Relationship
The Society of Chinese Accountants &
Auditors