



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



24 August 2020

The Chairman  
Financial Reporting Standard Committee  
Hong Kong Institute of Certified Public Accountants  
37th Floor, Wu Chung House  
213 Queen's Road East  
Wanchai  
Hong Kong

Dear Sir,

Invitation to comment on IASB request for information:  
Comprehensive Review of The IFRS for SMEs Standard

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We, The Society of Chinese Accountants and Auditors ('SCAA') and Accountancy Caring Alliance ('ACA'), would like to provide our views on the captioned subject which are based on the feedbacks of questionnaires from participants of a forum that was jointly held by us on 12 August 2020 as follows:

Q1 Whether the IFRS for SMEs (HKFRS for Private Entities) commonly used by your companies or your clients?

We received around 62% (805 out of 1304) of the responded feedback that they are not commonly using the IFRS for SMEs.

Q2 If Q1. is yes, do you aware the reasons why those companies choose to use the IFRS for SMEs (HKFRS for Private Entities) instead of the SME-FRS or the IFRSs/HKFRSs?

Regarding these reasons, please refer to the questionnaire summary as attached in Appendix 1. .



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Q3 In your view, should the IFRS for SMEs Standard be aligned with full IFRS Standards?

(Refer to Question G1A, Part A of IASB Request for Information)

We received around 74% (969 out of 1302) of the responded feedback on disagreeing that the IFRS for SMEs Standard should be aligned with full IFRS Standards.

Q4 What extent of alignment of the IFRS for SMEs Standard with full IFRS Standards do you consider most useful?

(Refer to Question G1B, Part A of IASB Request for Information)

We received around 45% (576 out of 1283) of the responded feedback on considering that the alignment of principles only should be most useful while around 41% (521 out of 1283) of the feedback considering that the alignment of both principles and important definition as most useful.

Q5 As mentioned in paragraphs 32 to 37 of the Request For Information, three alignment principles would be applied: (a) relevance to SMEs; (b) simplicity; and (c) faithfully representation. In your view, do these principles provide a framework to assist in determining whether and how the IFRS for SMEs Standard should be aligned with IFRS Standards?

(Refer to Question G2, Part A of IASB Request for Information)

We received around 76% (983 out of 1289) of the responded feedback on agreeing that the above principles are useful.

Q6 Three possible dates for when to consider alignment are discussed in the Request for Information (paragraphs 38 to 40). Which, if any, of these possible dates do you prefer? Those IFRS Standards, amendments to IFRS Standards or IFRIC interpretations.

(Refer to Question G3, Part A of IASB Request for Information)



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We received around 56% (723 out of 1292) of the responded feedback on preferring the date, “Effective and on which the post-implementation review was completed before the publication date of the Request for Information”.

Q7 Section 2 of the IFRS for SMEs includes the concept of “Undue cost or effort”. Should the existing concept of “Undue cost or effort” be retained?  
(Refer to Question S1(c), Part B of IASB Request for Information)

We received around 89% (1156 out of 1299) of responded feedback on agreeing that this concept should be retained.

Q8 Aligning Section 23 Revenue of the IFRS for SMEs Standard with IFRS 15 Revenue from Contracts with Customers – B73 to B74 of Appendix B of IASB Request for Information, IASB is seeking views on the merits of three possible approaches to aligning Section 23 with IFRS 15. Which one do you prefer?  
(Refer to Question S7, Part B of IASB Request for Information)

We received around 45% (581 out of 1291) of the responded feedback on preferring, “Modifying Section 23 only to remove the clear differences in outcome from applying Section 23 or IFRS 15, without wholly reworking Section 23” while around 42% (545 out of 1291) of the feedbacks deciding not to make amendments to Section 23 as part of this comprehensive review.

Q9 Aligning Section 20 Leases of the IFRS for SMEs Standard with IFRS 16 Leases - B67 to B72 of Appendix B of IASB Request for information, IASB is seeking views on aligning Section with IFRS 16 with simplifications. Do you agree with the alignment simplification?  
(Refer to Question 6, Part B of IASB Request for Information)

We received over 64% (814 out of 1265) of the responded feedback on agreeing with the alignment simplifications. However, we have received many instant comments during our forum that IFRS 16 Lease should not be aligned with the IFRS for SMEs Standard. Please refer also to the written comments from our participants as stated in Q9 of Appendix 1.



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Q10 Aligning Section 11 Basic Financial Instruments and Section 12 Other Financial Instrument issues of the IFRS for SMEs Standard with IFRS 9 Financial Instruments – B27 to B49 of Appendix B of IASB Request for Information.

### **Classification and measurement of financial assets**

(Refer to Question S3 & S3A, Part B of IASB Request for Information)

- Simplifying the classification and measurement of financial assets
- Supplementing list of examples in Section 11

Do you agree with the above proposals?

We received around 79% (1015 out of 1285) of the responded feedback on agreeing with the above proposals.

### **Impairment of financial assets**

(Refer to Question S3B, Part B of IASB Request for Information)

Replacing the incurred loss model in Section 11 for the impairment of financial assets with the simplified approach in IFRS 9.

Do you agree with the above proposal?

We received around 79% (1028 out of 1288) of the responded feedback on agreeing with the above proposal.

### **Using recognition and measurement requirements in the IFRS Standards for financial instruments**

(Refer to Question S3D, Part B of IASB Request for Information)

The existing IFRS for SMEs Standard allows entities to have two options.

1. Are you aware of these options?

We received around 65% (840 out of 1288) of the responded feedback on being aware of these options.



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2. Do you agree with the changing the reference to IAS 39 to permit an entity to apply the recognition and measurement requirements of IFRS 9 and the disclosure requirement of Sections 11 and 12?

We received around 76% (966 out of 1279) of the responded feedback on agreeing with the changing.

A detailed summary of the feedback on questionnaires of the forum participants is attached in Appendix 1 for your kind reference.

SCAA is an incorporated body of professional accountants in Hong Kong established since 1913. There were less than a hundred members 50 years ago and about half thousand members 10 years ago. Nowadays, SCAA has over 1,000 ordinary members who are practicing accountants and representing a significant number of practicing firms of accountants, most of which are small and medium sized, in Hong Kong.

ACA has been launched by ADF during the Coronavirus outbreak and has got supports from over 100 accountants and accountancy entities, including The Society of Chinese Accountants and Auditors, Hong Kong Business Accountants Association, and Finance and Accounting Professional Committee of The Hong Kong Chinese Enterprise Association. ACA works together with the accounting profession and aims at projecting positive attitude and energy into the profession and the community through various activities and voluntary work, and actively supporting and voicing out for the basic level and disadvantaged groups.

Should you wish to further discuss the issues in more details, please do not hesitate to contact SCAA at 2869 6680 or ACA at 2811 8776.

Yours faithfully,

Lam Chi Yuen, Nelson  
Executive Chairman  
Accountancy Caring Alliance

Wong Chun Sek, Edmund  
President  
The Society of Chinese Accountants & Auditors