



Dear Assignment/News/Business Editor,

## **Private Companies Need Simplified Financial Reporting**

*Institute seeks comments from professionals, businesses, on best route*

(Hong Kong, 4 June 2008) — The Hong Kong Institute of Certified Public Accountants today called for comments on a structure for financial reporting for private companies.

In the consultation paper, the Institute notes that it has converged with international standards which need to remain in place for public companies. Small companies (fitting the description under section 141D of the Companies Ordinance) also have their own financial reporting standards.

That leaves private companies with the choice of either full Hong Kong standards or small company standards, neither of which may be appropriate. “Private businesses in Hong Kong have complained that international standards are too complex and unnecessarily weigh them down with burdensome accounting and disclosures that are aimed for the global capital market,” says Paul F. Winkelmann, vice president of the Institute.

Hong Kong companies currently use Hong Kong Financial Reporting Standards across the board, but Winkelmann says the Council of the Hong Kong Institute of CPAs has decided that given the views of the business community, the right course of action would be to review the territory’s requirements for non-public companies.

The Institute is now seeking a solution.

The Council is open to all suggestions, says Winnie Cheung, chief executive and registrar of the Institute. “The point is to arrive at a sensible solution to balance the needs of preparers of financial statements and the users of that information. One-size-fits-all does not make sense.”

The International Accounting Standards Board, which is based in London, developed the International Financial Reporting Standards and Hong Kong adopted those in 2005 for all Hong Kong preparers. The mainland announced it would converge in December 2007 for listed companies. Most other territories adopted these standards only for public companies and there is now a gap in Hong Kong for private companies. The IASB is now working on standards for private companies, but most regard these as onerous for very small companies.

“Should we adopt IFRS for private companies or develop a home-grown system? Do we need different standards that apply to small and large private companies? These are questions we are taking up with the city’s businesses, professionals, bankers and regulators, such as Inland Revenue Department.” says Winkelmann.

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## **About the Hong Kong Institute of CPAs**

The Hong Kong Institute of CPAs is the only body authorized by law to register and grant practising certificates to certified public accountants in Hong Kong. The Institute has more than 27,000 members and 12,000 registered students. Members of the Institute are entitled to the description *certified public accountant* and to the designatory letters *CPA*.

The Hong Kong Institute of CPAs evolved from the Hong Kong Society of Accountants, which was established on 1 January 1973.

The Institute operates under the Professional Accountants Ordinance and works in the public interest. The Institute has wide-ranging responsibilities, including assuring the quality of entry into the profession through its postgraduate CPA qualification programme and promulgating financial reporting, auditing and ethical standards in Hong Kong. The Institute has responsibility for regulating and promoting efficient accounting practices in Hong Kong to safeguard its leadership as an international financial centre.

The Hong Kong Institute of CPAs is a member of The Global Accounting Alliance - an alliance of the world's leading professional accountancy bodies, which was formed in 2005. The GAA promotes quality services, collaborates on important international issues and works with national regulators, governments and stakeholders.

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