

Let's get technical

This column is dedicated to answering questions submitted by members regarding Institute standards

Q. My company qualifies to be an SME under the Institute's Small and Medium-sized Entity Financial Reporting Framework (SME-FRF) for the financial year ending 31 December 2006, but is no longer an SME starting from the financial year ending 31 December 2007. When does my company cease to be qualified for reporting under the SME-FRF?

A. You can refer to the SME-FRF in volume II of the members' handbook, available at www.hkicpa.org.hk/ebook/main.php. Pursuant to paragraph 21 of the SME-FRF, when an entity has previously qualified for reporting under the SME-FRF in terms of paragraph 17 of the SME-FRF, the entity will no longer qualify for reporting under the SME-FRF in terms of paragraph 17(b) of the SME-FRF once the entity no longer qualifies as an SME for two consecutive reporting periods.

In your case, your firm still qualifies for reporting under the SME-FRF for the financial years ending 31 December 2007 and 2008.

Your firm has to transit to the HKFRS for its financial statements starting from the year ending 31 December 2009, unless it again qualifies as an SME before that time.

For your information, the SME Financial Reporting Framework sub-committee issued 14 questions and answers regarding the SME-FRF in July 2006 and this document can be viewed at www.hkicpa.org.hk/professionaltechnical/accounting/rm/sme-frf&sme-frsq&a.pdf.

Members helping members

Do you want to help your fellow members? Try answering this question from a member and send an email to hkicpa@hkicpa.org.hk. Answers received by 19 November will be considered for inclusion in the December issue of A Plus.

Q. My firm intends to grant shares or share options to employees, as they are now a common feature of remuneration for directors, senior executives and employees. I understand that the applicable financial reporting standard is HKFRS 2 *Share-based Payment*, which is applicable for annual periods beginning on or after 1 January 2005. Has the Institute issued any implementation guidance?

Here is the answer to the question we asked members to help with in the September edition of A Plus:

Q. Given the recent issuance by the Institute of a number of

auditing standards on different reporting typically undertaken by professional accountants in public practice, I understand that the Institute has agreed with the Social Welfare Department on a particular auditing standard to be applied when conducting an engagement on reporting on general charitable fundraising activities (other than flag days). What has been agreed and where can I get more information?

A. The Institute's Auditing and Assurance Standards committee has over the last few months developed a draft circular on reporting on general

charitable fundraising activities covered by public subscription permits issued by the Social Welfare Department (other than flag days). The draft circular is under consideration by the Social Welfare Department.

The Institute will make an announcement of this reporting engagement once the details are finalized.

You can submit questions on technical issues by sending an email to hkicpa@hkicpa.org.hk. The standard setting team will answer these questions in accordance with the policy on handling members' technical questions which is posted on the Institute's website.