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## Glossary of terms and abbreviations

AB	Accounting Bulletin
AcSB	Accounting Standards Board of Canada
AC	Acquiring company
AFS	Available-for-sale (classification of financial assets)
AG	Accounting Guideline
AGM	Annual general meeting
App	Appendix to the Listing Rules
ARC	Accounting Regulatory Committee which advises the European Commission on endorsement of IFRSs
ASBE	Accounting System for Business Enterprises
BAC	Japan's Business Accounting Council
CAS(s)	Chinese Accounting Standards
CESR	The Committee of European Securities Regulators
CGU	Cash-generating unit
Council	The Council of the Hong Kong Institute of Certified Public Accountants
CU	Currency Units (fictitious currency)
DP	Discussion Paper
EBT	Employee benefit trust
EC	European Commission
ED	Exposure Draft
EEA	European Economic Area (i.e. the EU plus Norway, Iceland and Liechtenstein)
EFRAG	European Financial Reporting Advisory Group, a private sector body which makes recommendations to the European Commission's Accounting Regulatory Committee
EIR	Effective interest rate
EITF	Emerging Issues Task Force
EPS	Earnings per share
ESOP	Employee share ownership plan
EU	European Union
FASB	Financial Accounting Standards Board (USA)
FC	Foreign Currency
FIFO	First in, first out
FR	The Framework for the Preparation and Presentation of Financial Statements (the Framework)
FRC	Financial Reporting Council
FRSC	Financial Reporting Standards Committee
FSTB	Financial Services and the Treasury Bureau
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss (classification of financial instruments)
G4 + 1	A group comprising members of the standard-setting bodies of the UK, USA, Australia, Canada and New Zealand. The group was disbanded in February 2001. Representatives of the IASC attended as observers
GAAP	Generally accepted accounting practice/principles
GEM	Growth Enterprise Market of SEHK
GN	Guidance Note, issued by the Institute and Faculty of Actuaries
GR	Rules Governing the listing of securities on the GEM (the GEM rules)

The specialised issues facing insurance companies are beyond the scope of this manual but the requirements of HKFRS 4 *Insurance Contracts* are discussed in **chapter 46**. Those requirements are of wider application, because they specify how all entities should determine whether certain arrangements are within the scope of HKFRS 4 or of other Standards such as HKAS 39.

## 4.2 Appendices

- Appendix 1 – A summary of HKFRS 9 *Financial Instruments*
- Appendix 2 – Business Combinations (HKFRS 3 (2004))
- Appendix 3 – A list of HKFRSs and related guidance issued by the HKICPA in issue at 31 December 2009
- Appendix 4 – A comparison between HKFRSs and IFRSs at 31 December 2009
- Appendix 5 – A glossary of terms, which provides definitions for expressions used throughout this manual and in Hong Kong and international accounting literature
- Appendix 6 – IFRS for SMEs

# 1 Financial Reporting in Hong Kong

## 1 Introduction

This chapter provides a brief introduction to the Hong Kong financial reporting environment, in the following sections:

- Section 2 Forms of business organisation
- Section 3 Preparation, filing and publishing of financial statements
- Section 4 Financial reporting regime
- Section 5 International Financial Reporting Standards
- Section 6 Use of IFRSs around the world

## 2 Forms of business organisation

### 2.1 Introduction

The principal forms of business organisation in Hong Kong are companies (both public and private), branches, partnerships and sole proprietorships. Companies are generally formed as limited liability companies and, less commonly, as unlimited companies or companies limited by guarantee.

### 2.2 Limited liability companies

The most common form of business organisation is the limited liability company, which can be either public or private. A private company is one that restricts the right to transfer its shares, limits the number of members to fifty, and prohibits any offers to the public of its shares or debentures. [s 29] Companies that do not have these restrictions are referred to as public companies.

#### 2.2.1 Formation

Incorporation of a limited liability company in Hong Kong is governed by the *Companies Ordinance*. Since the abolition of the name reservation system, one may proceed to incorporate a company if its name is not the same as a name already on the index maintained by the Registrar of Companies at the Companies Registry. However, the Registrar has the power within twelve months of the registration to direct the company to change its name if the name is the same as or, in the Registrar's opinion, is too similar to a name that appears or should have appeared in the Registrar's index, or if its name is the same as that of a body corporate incorporated or established under any ordinance at the time of registration. Such issues will normally be brought to the Registrar's attention by objections filed by persons who believe that the name adopted is the same as, or too similar to, that of previously registered companies.