



TechWatch

News at a glance

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TechWatch updates you on technical developments in financial reporting, auditing, regulation and business. The Institute welcomes your comment, emailed to < commentletters@hkicpa.org.hk >. Click [here](#) for past issues.

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Spotlight

1. Financial Reporting Forum – IASB Discussion Paper on Preliminary Views on Financial Statement Presentation (Re-run) – 11 March 2009

The Institute's President, Paul F. Winkelmann will present the re-run of Financial Reporting Forum on IASB Discussion Paper on *Preliminary Views on Financial Statement Presentation* on 11 March 2009.

This forum is a good opportunity for members to present their views and understand more about the IASB's proposals on financial statement presentation.

To secure seats, please register early by completing the [registration form](#).

2. Financial Reporting and Auditing Alerts

The Institute's Standards and Quality division is launching a series of alerts to draw members' attention to topical financial reporting and auditing issues.

In view of the global financial crisis, **Issue No. 1** will deal with financial statement disclosures for financial instruments.

The focus of the alerts will change according to the prevailing circumstances. The Institute believes that this channel of communication is an important element of both its regulatory and member support functions.

3. SMP and SME Resource Centre

SMP and SME Resource Centre is now available on the Institute's website. This is to provide members in the SMP and SME sector with easy access to technical publications and knowledge.

Please e-mail comments and suggestions on how to enhance this resource centre to <commentletters@hkicpa.org.hk>.

Members' Handbook

4. Handbook Update No. 61

In **Update No. 61**, the Institute issues **HK(IFRIC) Interpretation 18** ("Int 18") *Transfers of Assets from Customers*.

Int 18 is relevant for the utility sector. It clarifies the requirements of HKFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

In some cases, the entity receives cash from a customer, which must be used only to acquire or construct the item of property, plant and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

HKFRSs, in particular the principles in HKAS 18 *Revenue*, have been interpreted differently and Int 18 is issued to provide additional guidance on the accounting for those transfers of assets from customers. Int 18 clarifies:

- the circumstances in which the definition of an asset is met;
- the recognition of the asset and the measurement of its cost on initial recognition;
- the identification of the separately identifiable services (one or more services in exchange for the transferred asset);
- the recognition of revenue;
- the accounting for transfers of cash from customers.

Int 18 requires entities to apply it prospectively to transfers of assets from customers received on or after 1 July 2009. Earlier application is permitted provided the valuations and other information needed to apply to Int 18 to past transfers were obtained at the time those transfers were made.

Financial Reporting

5. FRSC Meeting Summary – 6 January 2009

This [FRSC meeting summary](#) covers:

- Proposed work plan for 2009
- Proposed meeting schedule for 2009
- Invitations to comment on IASB/IASCF discussion documents
- IASB Exposure Drafts (“ED”) of Proposed Amendments to IFRS 5 – *Discontinued Operations* and Proposed Amendments to IFRS 1 - *Additional Exemptions for First-time Adopters*
- IASB ED of Proposed Amendments to IFRS 7 – *Investments in Debt Instruments*
- IASB ED of Proposed Amendments to IFRIC 9 and IAS 39 – *Embedded Derivatives*
- Tokyo round table meeting on the global financial crisis
- Updated comparison between HKFRSs and IFRSs as at 1 January 2009

Audit & Assurance

6. Institute Comments on IAASB Consultation Paper

The Institute made a [submission](#) to IAASB consultation paper “Matters to Consider in a Revision of International Standard on Review Engagements (ISRE) 2400, *Engagements to Review Financial Statements*”.

The Institute is of the view that if the existing ISRE is to be revised to respond to and meet the objective of being an alternative to an audit of financial statements, the review engagement standards need to be complete in themselves. As the level of assurance given in a review engagement is different from an audit, there should be clear and distinct standards providing guidance on how such engagements should be performed.

7. AASC Meeting Summary – 16 December 2008

This [AASC meeting summary](#) covers:

- Endorsement of new revised and redrafted HKSAs
- Draft submission to the IAASB consultation paper “Matters to Consider in a Revision of International Standard on Review Engagements (ISRE) 2400, *Engagements to Review Financial Statements*”
- Progress report on immigration department capital investment entrant scheme project
- Referral from SMPC on proposed example of qualified auditor’s report under Practice Note 900
- Proposed Chinese translation of example unqualified auditor’s report on financial statements prepared in accordance with SME-FRS

Corporate Finance

8. “Black Out” Period Extension Modified

Hong Kong Exchanges and Clearing Limited (“HKEx”) recently [announced](#) that, on 24 February 2009, it received approval from the SFC Board to amend the main board and Growth Enterprise Market listing rules to implement a modification of the extension of the “black out” period (during which directors may not deal in their company’s shares). The revised [rule amendment](#) will come into effect on 1 April 2009 (replacing the rule amendment announced on 28 November 2008).

Earlier, on 12 February 2009, HKEx had **announced** that its Listing Committee had proposed a modification of the rule extending the “black out” period.

Under the changes made to the listing rules announced in November 2008, the black out period would have been extended from the commencement of the financial period end date up to the publication of the relevant results announcement. However, following strong opposition from some quarters to the length of the extension, implementation was deferred from 1 January 2009 to 1 April 2009.

Now, under the modified proposal, the black out period applicable to the publication of a listed company's annual financial results will be extended to 60 days only. The black out periods for half-year and other interim periods will be 30 days. This compares with the current requirement of one month applicable to both annual and interim results.

To assist HKEx in monitoring the revised black out arrangements, listed companies will be required to give prior notification to the Listing Division of the imminent commencement of any black out period relating to the publication of financial results.

The HKEx announcement made on 12 February 2009 also included proposals to enhance the current disclosure regime applicable to Hong Kong listed companies.

Professional Accountants in Business

9. Accountants Promote Sustainability

(i) The Institute has been discussing sustainability with international partners including Global Accounting Alliance and the U.K. Prince of Wales' **Accounting for Sustainability Project**. The project aims to establish an international network of accounting bodies that will regularly communicate on developments in accounting for sustainability.

(ii) IFAC's Professional Accountants in Business (“PAIB”) Committee has recently launched a web-based sustainability tool. The **IFAC Sustainability Framework**:

- helps PAIBs support their organisations integrate sustainable development into the business model;
- recognises three dimensions of sustainability for organisations, being:
 - economic viability;
 - social responsibility;
 - environmental responsibility.
- addresses four different perspectives in bringing together all the critical areas required to successfully manage a sustainable organisation:
 - business strategy;
 - internal management;
 - financial investors;
 - other stakeholders.

Taxation

10. 2009 Annual Meeting with the Inland Revenue Department

The annual meeting between representatives of the Institute's Taxation Committee and the Inland Revenue Department (“IRD”) took place on 6 February 2009. The minutes will be published in due course. **Tax Bulletins** containing the minutes of past annual meetings can be accessed at the Institute's website.

At the meeting, the IRD confirmed the following due dates for lodging profits tax returns for the year of assessment 2008/09:

- “N” Code – 4 May 2009 (no extension)
- “D” Code – 15 August 2009 (no change)
- “M” Code – 16 November 2009 (as 15 November falls on a Sunday, the deadline is the next working day)
- “M” Code (current year loss cases) – 1 February 2010 (no change)

11. Government Delivers 2009/10 Budget

Responding to the 2009/10 budget announced by the financial secretary ("FS") on 25 February 2009, the Institute held the following events:

- **media briefing** hosted by taxation committee chair, Ayesha Macpherson
- members' forum attended by the Secretary for Financial Services and the Treasury, Prof K.C. Chan, Legislative Councillor Member (Accountancy), Paul M.P. Chan, and the Taxation Committee chair and deputy, Ayesha Macpherson and Florence Chan, respectively.

Overall, in the Institute's view, while the principles on which the budget was based, namely job creation, international competitiveness and sustainable development, were to be welcomed, in terms of specific proposals, the budget did not go far enough to boost confidence and soften the impact of the current financial crisis and economic downturn.

The Institute supports the initiatives to reinforce Hong Kong's status as an international financial and business centre, including expanding the exchange of information to enable more double taxation agreements to be negotiated, and developing the market for Islamic products.

However, in order to improve its competitive position given the challenges it faces, Hong Kong should seriously consider the introduction of group relief and loss carry-back, which are concessions provided in many overseas jurisdictions. In addition to making Hong Kong more attractive for investment, these measures, which the Institute has been advocating for a long time, can also help companies with their cash flow problems during these difficult times.

The limited tax rebates and rates concessions in the budget also fell short of the Institute's proposals in this regard:

- The budget proposed rebates of salaries tax and tax under personal assessment of up to 50%, with a ceiling of \$6,000, compared with the Institute's proposal of a 75% tax rebate with a ceiling of \$25,000,

also including profits tax and property tax.

- Under the budget, rates will be waived for the first two quarters of 2009/10, subject to a ceiling of \$1,500 per quarter per rateable tenement, whereas the Institute suggested a full-year waiver, subject to a ceiling of \$5,000 per quarter.
- The Institute also proposed changes to the progressive rates under salaries tax, which would have benefited middle- and lower-income taxpayers, as well as increases in the allowances for dependants.
- Other measures proposed by the Institute would have helped those made jobless:
 - Allowing deductions for monies spent on self-education, up to the annual limit of \$60,000, to be carried forward for one year where they cannot be used in the year in question.
 - Doubling the current statutory limits for redundancy and severance payments that are automatically treated as non-taxable.

As regards the economic and fiscal performance for 2008, the FS announced GDP growth of 2.5% in real terms, and a small estimated deficit of \$4.9 billion in the consolidated account for 2008/09. Fiscal reserves are expected to be \$488 billion at the end of March 2009 (equivalent to 19 months of government expenditure). In 2009, GDP growth is forecast to fall to between -2% and -3%, and a budget deficit of \$39.9 billion is projected. For the period 2010-13, the FS estimated an annual average real growth rate of 3.5%.

More information can be found through the following links:

- [Budget highlights](#)
- [Budget speech](#)
- [Economic performance 2008](#)
- [Economic prospects 2009](#)
- [Institute's budget proposals](#)

Legislation & Other Initiatives

12. Companies Registry's Sample Forms

The Companies Registry has prepared the following sample forms to assist companies in completing the relevant forms:

- AR1: Annual Return (**Company having a share capital**) / (**Company not having a share capital**)
- AR2: Annual Return - **Certificate of no change (Company having a share capital and not being a private company)**
- AR3: Annual Return - **Certificate of no change (Private company having a share capital)**
- D2B: **Notification of change of particulars of secretary and director**
- D4: **Notification of resignation of secretary and director**
- R1: **Notification of change of address of registered office**
- N6: **Notification of change of secretary and director of a non-Hong Kong company (Appointment/ Cessation)**
- N7: **Notification of change of particulars of secretary and director of a non-Hong Kong company**
- N8: **Notification of change of authorised representative of a non-Hong Kong company**
- N9: **Notification of change of address of a non-Hong Kong company**

13. Combating Money Laundering/ Terrorist Financing

In February 2009, the Narcotics Division, Hong Kong SAR Government and the Institute jointly organised seminars on combating money laundering/ terrorist financing for Institute members.

The seminars explained the role of accountants in preventing money laundering/ terrorist financing, including:

- International regulatory standards and the way forward. Click for the presentation in **English** and **Chinese**.
- Legal obligations in relation to reporting suspicious transaction. Click for the presentation in **English** and **Chinese**.

For more background information on the current anti-money laundering law and requirements in Hong Kong, see the Institute's **Legal Bulletin 1**, "Requirements on Anti-money laundering, Anti-terrorist Financing and Related Matters".

14. Liability Reform Back in the Spotlight

The Institute brought the debate on liability reform back into the spotlight by bringing an established accountancy leader in United Kingdom to meet local regulators, government policy makers, firms, members and the media. Peter Wyman, global leader for public policy and regulation of PwC, and a past president of the ICAEW, is acclaimed for his work on liability reform in United Kingdom and internationally. He also talked about the profession's role in the financial crisis.

For more information on the liability reform, please refer to TechWatch **No. 32** and **No. 42**.

International Meetings

15. International Accounting Standards Board

The IASB met in February 2009 and discussed the following topics:

- Global financial crisis
- IFRS for non-publicly accountable entities
- Interim financial reporting
- Insurance contracts
- Post-employment benefits

- Rate-regulated activities
- Annual improvements

Click [here](#) to view the February IASB Update. The IASB next meets in March 2009.

16. International Financial Reporting Interpretations Committee

The IFRIC next meets in March 2009. Click [here](#) for the next meeting's details.

17. International Auditing and Assurance Standards Board

The IAASB next meets in March 2009. Click [here](#) for the next meeting's details and previous meeting summary.

18. International Ethics Standards Board for Accountants

The IESBA next meets in April 2009. Click [here](#) for the next meeting's details and the previous meeting summary.

19. IFAC PAIB in Hong Kong

The IFAC PAIB committee will meet in Hong Kong from 22 to 24 April 2009.

The committee serves IFAC member bodies and more than one million professional accountants worldwide in commerce, industry, public sector, education and not-for-profit sector.

A forum and cocktail will be held on 23 April 2009 for Institute members to meet the IFAC PAIB committee members. Details will be announced soon.

Click [here](#) for previous meeting's highlights.

New Publications

20. New Books in the Library

Featured titles and **new books** of high reference value for members are now available in the library.

21. Other Publications

The following are publications on various topics:

- (i) Transfers of assets from customers:
 - [IAS plus update](#) by Deloitte
 - [IFRS briefing sheet](#) by KPMG
 - [Supplement to IFRS outlook](#) by Ernst & Young
- (ii) Year-end statements preparation:
 - [Presentation and disclosure checklist 2008](#) by Deloitte
- (iii) Share-based payments:
 - [HKFRS news](#) by PricewaterhouseCoopers
- (iv) Employee benefits:
 - [An IFRS publication](#) by PricewaterhouseCoopers
- (v) Goodwill disclosures and financial reporting developments:
 - [IFRS outlook](#) by Ernst & Young
- (vi) Going concern:
 - [The importance of a "going concern"](#) on BBC News
- (vii) Corporate governance:
 - Corporate governance alert by Deloitte
 - [Issues and questions for 2007/2008 financial reporting](#)
 - [Price sensitive information – Troubled, but navigable waters](#)
 - [Financial Reporting Council of Hong Kong – A new regulatory watchdog patrolling the street](#)

- [Evaluating and improving governance in organisations](#) by IFAC PAIB Committee
- [Developments in the financial reporting supply chain – Results from a global study among IFAC member bodies](#) by IFAC

22 May 2009: IASB Discussion Paper on *Preliminary Views on Revenue Recognition in Contracts with Customers*

Please send comments to
< commentletters@hkicpa.org.hk >

(viii) Topical articles for SMEs:

[Small Business Update](#) by ICAEW,
including:

- [Plan your recession survival](#)
- [Action list: E-commerce on a budget](#)
- [I need to cut my staffing costs](#)

(ix) Articles by PAIBs:

- [Articles of merit 2008](#) selected by IFAC PAIB Committee

Financial Crisis

22. Financial Crisis Resources

The following are websites that focus on the financial crisis:

- Institute's [financial crisis database](#)
- [The global financial crisis](#) by IFAC
- [Economic crisis resource centre](#) by AICPA

Comment Due Dates

13 March 2009:

- IASB Discussion Paper on *Financial Statement Presentation*
- IASCF Discussion Document of *Review of the Constitution: Identifying Issues for Part 2 of the Review*