



# TechWatch News at a glance

**Issue 80 • June 2009**

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

## Contents

### Financial Reporting, Auditing and Ethics

#### New!

1. Financial Reporting Forum – IASB Exposure Draft on Income Tax
2. New TUE Programme – June to August 2009
3. Financial Reporting and Auditing Alert – Issue 3

#### Members' Handbook

4. Handbook Update No. 64

#### Financial Reporting

5. HKFRS Insights on Revised Presentation of Financial Statements
6. FRSC Meeting Summary/Minutes

#### Audit & Assurance

7. AASC Meeting Summary

#### International Meetings

8. IASB
9. IFRIC
10. IAASB
11. IESBA

### Useful Resources

12. Publications

### Comment Due Dates

### Specialist Practices, Business Members and Advocacy

#### Taxation

13. FAQ on 2009/10 Provisional Salaries Tax

#### Legislation & Other Initiatives

14. Consultation on the Deposit Protection Scheme
15. Companies Registry Updates

### Useful Resources

16. New Books in the Library
17. Other Publications

*Financial Reporting, Auditing and Ethics by:*  
 Steve Ong (Editor), Selene Ho, Winnie Chan, Katherine Leung, Ben Lo

*Specialist Practices, Business Members and Advocacy by:*  
 Elena Chai (Editor), Peter Tisman, Mary Lam, Sharon Yeung

TechWatch is prepared by the Hong Kong Institute of CPAs and is intended for general guidance only. Professional advice should be taken before applying the content of this publication to your particular circumstances. While the Institute endeavours to ensure that the information in this publication is correct, no responsibility for loss to any person acting or refraining from action as a result of using any such information can be accepted by the Institute.

## Financial Reporting, Auditing and Ethics

### New!

#### 1. Financial Reporting Forum – IASB Exposure Draft on Income Tax

The Institute will hold a Financial Reporting Forum – IASB Exposure Draft (“ED”) on Income Tax on 7 July 2009 for the preparers and auditors of financial statements and others interested in financial reporting.

The ED proposes to replace IAS 12 *Income Tax* with a new standard on income tax, but retain the temporary difference approach for deferred taxes. The IASB proposes to remove most of the exceptions in IAS 12, to simplify the accounting and strengthen the principle in the standard. Click [here](#) for more details on the ED.

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

#### 2. New TUE Programme – June to August 2009

A new **TUE programme** for the period from June to August 2009 will feature important and popular financial reporting and auditing topics, including:

- HKFRSs update
- Annual improvements to HKFRSs 2008
- Challenges in auditing fair value accounting estimates - HKSA 545 *Auditing Fair Value Measurements and Disclosures*
- HKFRS 3 (Revised) *Business Combinations*
- HKFRS 7 *Financial Instruments: Disclosures*
- Alert on going concern and liquidity risk - HKSA 570 *Going Concern*

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

#### 3. Financial Reporting and Auditing Alert – Issue 3

The Institute issued **Financial Reporting and Auditing Alert – Issue 3**. This issue relates to the audit of solicitors’ accounts under The Solicitors’ Accounts Rules and The Accountant’s Report Rules on client money, to remind practising members to be vigilant in their audit of solicitors’ accounts given that the handling of client money is a matter of public interest and a sensitive matter under the current economic conditions.

### Members’ Handbook

#### 4. Handbook Update No. 64

In **Update No. 64** the Institute issues *Improvements to Hong Kong Financial Reporting Standards 2009*, which shall be effective for annual periods beginning on or after 1 January 2010 (unless otherwise specified). Earlier application is permitted.

It sets out necessary, but non-urgent, amendments to HKFRSs. The objective is to ease the burden for all concerned by presenting the amendments in a single document rather than as a series of piecemeal changes.

### Financial Reporting

#### 5. HKFRS Insights on Revised Presentation of Financial Statements

HKAS 1 (Revised) *Presentation of Financial Statements* is effective for annual periods beginning on or after 1 January 2009. The main objective of the HKAS 1 (Revised) is to aggregate information in the financial statements on the basis of shared characteristics and to separate owner and non-owner changes in equity. The principal changes are below:

- New titles of financial statements
- All changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity
- Comprehensive income to be presented in either a single statement (a statement of comprehensive income) or in two statements (an income statement and a statement of comprehensive income)

- Dividends and related amounts per share to be presented in the statement of changes in equity or in the notes
- Reclassification adjustments and the related income tax to be disclosed in the comprehensive income
- A statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements

For practical guidance on the presentation of financial statements, members may refer to:

- **Revised standard on presentation of financial statements** by Deloitte
- **IAS 1 Presentation of Financial Statements** by Ernst & Young
- **Revised standard IAS 1 Presentation of Financial Statements** by KPMG
- **Amendments to IAS 1** by PwC

## 6. FRSC Meeting Summary/Minutes

- (i) FRSC Meeting Summary – 3 March 2009

This **FRSC meeting summary** covers:

- IASB ED of Proposed Amendments to IAS 24 – *Relationship with the State*
- IASC Foundation Discussion Document *Review of the Constitution Identifying Issues for Part 2 of the Review*
- IASB ED of Post-Implementation Revision to IFRIC Interpretation – Proposed Amendments to IFRIC 9 and IFRIC 16
- Dual compliance with IFRSs and HKFRSs
- IASB Director, Wayne Upton's trip to Hong Kong on 23-24 April

- (ii) FRSC Minutes – 5 May 2009

In order to enable interested parties to follow FRSC activities on a timely and transparent basis, FRSC minutes will be published on the Institute's website commencing from May 2009.

This **FRSC minutes** covers:

- Proposed amendments to HKFRSs arising from IASB Annual Improvements Project
- Consideration of IASB Discussion Documents
- Report on the National Standard Setters Meeting
- Report on the IFRS Regional Policy Forum and Asian-Oceanian Accounting Standards Setters Group Preparatory Meeting
- Report on meeting with IASB Director, Wayne Upton
- Report on Standards and Quality Accountability Board
- Referral from the Professional Standards Monitoring Committee- Functional Currency

## Audit & Assurance

## 7. AASC Meeting Summary

This **AASC meeting summary** on 24 March 2009 covers:

- Adoption of new IAASB Pronouncements
- Endorsement of new revised and redrafted HKSQC and HKSAAs
- Draft Chinese report of circular on reporting related to rule 2.1(b) of the Rules for the Capital Investment Entrant Scheme of the Hong Kong Immigration Department
- Letter from Hong Kong Accreditation Service on procurement of consultancy and certification services

## International Meetings

### 8. International Accounting Standards Board

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

- Global financial crisis
- Conceptual framework
- Financial instruments with characteristics of equity
- First-time adoption of IFRSs
- Insurance contracts
- Joint ventures
- Leases
- Post-employment benefits
- Rate-regulated activities
- Revenue recognition
- Annual improvements

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

### 9. International Financial Reporting Interpretations Committee

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

### 10. International Auditing and Assurance Standards Board

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

### 11. International Ethics Standards Board for Accountants

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

## Useful Resources

### 12. Publications

The following are publications on various topics:

- (i) Improvements to IFRSs:
  - [IAS plus](#) by the Deloitte
  - [Supplement to IFRS outlook](#) by Ernst & Young
  - [IFRS briefing sheet](#) by KPMG
- (ii) HKICPA's staff summaries of newly issued HKFRSs:
  - [HK\(IFRIC\) – Int 18 Transfers of Assets from Customers](#)
  - [Amendments to HKFRS 7 – Improving Disclosures about Financial Instruments](#)
  - [Amendments to HK\(IFRIC\) – Int 9 and HKAS 39 – Embedded Derivatives](#)
  - [Improvements to HKFRSs 2009](#)
  - [HKFRS update](#) (20 May 2009)
- (iii) Illustrative financial statements:
  - [Interim condensed consolidated financial statements](#) by Ernst & Young
  - [Impact of amendments to IFRS 7](#) by Ernst & Young
- (iv) Summaries of IFRSs
  - [IFRSs in your pocket](#) by Deloitte
- (v) Differences between the US GAAP and IFRSs
  - [US GAAP vs. IFRS: The basics](#) by Ernst & Young

(vi) Financial instrument standard

- [Press release](#) by IASB, to announce a timetable to replace its financial instruments standard, and conclusions of the consultation on the US FASB staff positions

(vii) Updates by IASB:

- [IASB update](#) (April 2009)
- [IFRIC update](#) (May 2009)
- [Update on comprehensive review of financial instrument accounting](#)

### Comment Due Dates

**3 July 2009:** IASB Discussion Paper on *Preliminary Views on Leases*

**10 July 2009:** IASB Exposure Draft of *Income Tax*

**10 July 2009:** IASB Exposure Draft of *Proposed Amendments to IAS 39 and IFRS 7 – Derecognition*

## Specialist Practices, Business Members, and Advocacy

### Taxation

#### 13. FAQ on 2009/10 Provisional Salaries Tax

The Inland Revenue Department has issued a list of frequently asked questions on “Expected income reduction and provisional salaries tax for the year of assessment 2009/10”. Click [here](#) to view the questions and answers.

### Legislation & Other Initiatives

#### 14. Consultation on the Deposit Protection Scheme

The Hong Kong Deposit Protection Board published a consultation paper on "[Enhancing deposit protection under the Deposit Protection Scheme](#)", which carries recommendations to enhance the Deposit Protection Scheme (“DPS”) for better protection of depositors in Hong Kong. The key recommendations include:

- Raise the protection limit of the DPS from the current HK\$100,000 to HK\$500,000
- Expand the product coverage of the DPS to cover secured deposits referable to the provision of banking and financial services
- Reduce by half the rates for charging contributions on banks to neutralize the cost impact of raising the protection limit
- No changes to the basis for calculating deposit compensation, types of institutions covered by the DPS and the current arrangement of excluding structured deposits from protection

The consultation closes on 26 June 2009. To submit views to the Institute on the consultation paper, please e-mail, under heading “Review of the DPS”, to [commentletters@hkicpa.org.hk](mailto:commentletters@hkicpa.org.hk), no later than **15 June 2009**.

## 15. Companies Registry Updates

The following are new updates on the Companies Registry's website:

- External circular no. 2/2009 on **registration of charges with the Companies Registry**
- Sub-section on **common reasons for returning documents to presentors for correction**

### Useful Resources

## 16. New Books in the Library

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

## 17. Other Publications

The following publications on current topics may be of interest to members:

- (i) Corporate finance:
  - **Due diligence in uncertain times** by KPMG, explores how due diligence practices are changing in Asia Pacific region and highlights some important points for those planning to enter the M&A market in 2009.
- (ii) Tips on e-commerce websites and the use of keywords:
  - Articles on setting up an **e-commerce website** and the importance of **keywords** on a website from ICAEW may be of interest to members, particularly those working in SMEs.