



Hong Kong Institute of
Certified Public Accountants
香港會計師公會



TechWatch

News at a glance

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

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Financial Reporting, Auditing and Ethics

New!

1. New Seminars and Forums from October to December

The Institute will run a series of seminars and forums for accounting, auditing and ethics from October to December 2012 as follows:

- [Annual Auditing Update 2012 "Developments in the Auditing Profession"](#)
- [Seminar on Proposed Amendment to the Code of Ethics – IESBA ED on Responding to a Suspected Illegal Act](#)
- [Financial Reporting Forum – HKFRS 8 Operating Segments: Application Issues](#)
- [ICAC Workshop on Ethical Decision Making](#)
- [Financial Reporting Seminar on Property Valuation](#)
- [Financial Reporting Seminar – Valuation for HKFRS 2 Share-based Payment](#)

Information on each course, including registration details, can be found by clicking on the above event titles.

Members' Handbook

2. Handbook Update No. 121

[Update No. 121](#) contains an update to the *Glossary of Terms* contained in HKFRSs in issue as at 31 December 2011.

Financial Reporting

3. FRSC Minutes

[FRSC minutes](#) on 3 July 2012 cover:

- IFRS Regional Policy Forum 2013 in Hong Kong

- IASB consultation documents
- Outreach activities for HKFRS 10 *Consolidated Financial Statements* for asset managers
- Annual Accounting Update Conference 2012
- Report on the visit of Vietnam MOF and plan for assisting developing countries in understanding IFRS
- Comparison between HKFRS and IFRS as at 30 June 2012

4. Institute Comments on Consultation Documents

- (i) IASB ED of *Proposed Improvements to IFRSs* (Fifth Set)

The Institute made a [submission](#) to the IASB on its ED of *Proposed Improvements to IFRSs* (Fifth Set).

The Institute appreciated the effort that the IFRS Interpretations Committee has made in addressing the issues covered in the ED. However, the Institute expressed concerns over a number of proposed amendments, including those to the following standards:

- IFRS 3 *Business Combinations*
- IFRS 8 *Operating Segments*
- IAS 1 *Presentation of Financial Statements*
- IAS 7 *Statement of Cash Flows*

Also, with regard to a number of proposed amendments (e.g., amendments to IFRS 3 and IFRS 8), the Institute expressed its belief that they should be addressed through the IASB's post-implementation review process. The Institute noted that the IASB has started the post-implementation review of IFRS 8; the IASB issued Request for Information regarding post-implementation review of IFRS 8 in July 2012. Also, the Institute noted from the

IASB's latest project update that the IASB will start the post-implementation review of IFRS 3 in early 2013.

(ii) IFRS Foundation Invitation to Comment on Foundation Due Process Handbook

The Institute made a [submission](#) to the IFRS Foundation on its Invitation to Comment on Foundation Due Process Handbook.

The Institute appreciated the efforts that the IFRS Foundation and its Due Process Oversight Committee have made to improve the due process of the IASB and the IFRS Interpretations Committee. The IFRSs are widely adopted internationally and proper adherence to due process is of paramount importance to maintain quality and credibility of the standards.

The Institute noted that the IFRS Foundation Trustees ("Trustees") has addressed some, but not all, issues that the Institute raised in the response to the Trustees' Strategy Review in 2011. The Institute took the opportunity to highlight the comments on those matters which it considers remain unresolved and which relate to this consultation for further consideration by the Trustees.

(iii) IFRS Interpretations Committee ED of *Levies Charged by Public Authorities on Entities that Operate in a Specific Market*

The Institute made a [submission](#) to the IFRS Interpretations Committee on its ED of *Levies Charged by Public Authorities on Entities that Operate in a Specific Market*.

The Institute supported the IFRS Interpretations Committee in providing guidance on the accounting for levies in financial statements, to address diverse practices in how entities account for the obligation to pay such a levy. The Institute agreed with the consensus in the draft interpretation, which is consistent with the principles in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. However,

the Institute considered that the scope of the draft interpretation should be clarified, and the accounting for levies due only if a minimum revenue threshold is achieved should also be addressed.

International Meetings

5. International Accounting Standards Board

The IASB met on 20-28 September 2012, and discussed the following topics:

- Leases
- Insurance Contracts
- Rate-regulated Activities
- IFRS 9: Accounting for macro hedges
- IFRS 9: Classification and measurement
- IFRS 9: Impairment
- Bearer biological assets (limited-scope project on IAS 41 *Agriculture*)
- Annual Improvements - IFRS 13 *Fair Value Measurement*: scope of paragraph 52 (portfolio exception)
- Investment Entities
- Revenue Recognition
- IFRIC Update
- Acquisition of an interest in a joint operation (proposed amendments to IFRS 11)
- Sales or contributions of assets between investor and its associate/joint venture (proposed amendments to IFRS 10 and IAS 28)
- Conceptual Framework

Click to view the IASB Update on the meeting on [20-28 September](#). The IASB next meets in October 2012.

6. IFRS Interpretations Committee

The IFRS Interpretations Committee met on 18-19 September 2012 and discussed the following topics:

- IAS 16 *Property, Plant and Equipment*, IAS 38 *Intangible Assets* and IFRIC 12 *Service Concession Arrangements - Variable payments for the separate acquisition of PPE and intangible assets*
- IAS 19 *Employee Benefits - Accounting for contribution based promises - Reconsideration of Draft Interpretation D9 Employee Benefit Plans with a Promised Return on Contributions or Notional Contributions*
- Interpretations Committee agenda decisions
- Interpretations Committee tentative agenda decisions
- Interpretations Committee work in progress

Click to view the IFRIC Update on the meeting on [18-19 September](#). The IFRS Interpretations Committee next meets in November 2012.

7. International Auditing and Assurance Standards Board

The IAASB next meets in December 2012. Click [here](#) for the next meeting's details and previous meeting summary.

8. International Ethics Standards Board for Accountants

The IESBA next meets in October 2012. Click [here](#) for the next meeting's details and previous meeting summary.

Useful Resources

9. Publications

The following reference materials have been published recently:

- (i) Financial reporting considerations in economic volatility and issues on interim reporting:
 - [IFRS Outlook](#) by Ernst & Young
- (ii) Guide for IFRS:
 - [IFRSs in your pocket 2012](#) by Deloitte
- (iii) Transition guidance amendments for HKFRSs 10, 11 and 12:
 - [Update](#) by BDO
- (iv) IFRS disclosure checklist:
 - [Checklist](#) by KPMG

Comment Due Dates

12 October 2012: IASB Request for Information on *Post-Implementation Review: IFRS 8 Operating Segments*

31 October 2012: IFAC's IESBA ED on Responding to a Suspected Illegal Act

Specialist Practices, Business Members and Advocacy

Corporate Finance

10. Report on SFC's Adherence to Operational Procedures

The Process Review Panel ("PRP") for the SFC is an independent, non-statutory body established by the Chief Executive of the HKSAR in November 2000 to review and advise the SFC on the adequacy of its internal operational procedures and decisions, and ensure that the SFC's regulatory powers are exercised in a fair and consistent manner.

The PRP has recently published its [2011-12 report](#). From the 55 cases reviewed, the PRP concluded that the SFC had generally adhered to established internal procedures in its decisions and actions. The PRP also made further observations and recommendations to the SFC for enhancement.

11. Institute Submits Views on Trading Halts Proposal

As reported in [TechWatch no.119](#) (item 11), Hong Kong Exchanges and Clearing ("HKEx") [consulted](#) the market on trading halts proposal.

In its [submission](#) to HKEx, the Institute indicates agreement, in principle, with the proposal, while noting that, in practice, it may not result in a significant reduction in the duration of suspensions. As the proposed changes to the current trading arrangements may have a bigger impact on retail investors, the Institute emphasizes the need for adequate investor education and publicity to alert retail investors, in particular, to the implications of the new arrangements.

Taxation

12. Tax Authority Reminds Taxpayers to Notify Change of Address

Salaries tax payers, property owners and sole proprietors are reminded by the Inland Revenue

Department ("IRD") of the legal obligation to inform the IRD of any change of address, within one month of the date of change. Click to view the [form](#).

Legislation & Other Initiatives

13. Phase One Consultation on Subsidiary Legislation for Implementation of the New Companies Ordinance

On 28 September, the government launched the first phase of a two-phase public consultation on the subsidiary legislation to be made for the implementation of the [new Companies Ordinance](#).

The [first phase consultation](#), with comments requested **by 9 November 2012**, covers the following seven pieces of subsidiary legislation:

- (i) Companies (Summary Financial Reports) Regulation
- (ii) Companies (Directors' Report) Regulation
- (iii) Companies (Specification of Names) Order
- (iv) Companies (Non-Hong Kong Companies) Regulation
- (v) Company Records (Inspection and Provision of Copies) Regulation
- (vi) Companies (Model Articles) Notice
- (vii) Companies (Accounting Standards (Prescribed Body)) Regulation

The second phase consultation, to be launched later this year, will cover the following subsidiary legislation:

- (viii) Companies (Trading Disclosures) Regulation
- (ix) Companies (Revision of Financial Statements and Reports) Regulation
- (x) Companies (Disclosure of Information about Benefits of Directors) Regulation
- (xi) Companies (Residential Addresses and Identification Numbers) Regulation

(xii) Companies (Unfair Prejudice Proceedings) Rules

Members who wish to reflect their views on the subsidiary legislation to the Institute, should email to < commentletters@hkicpa.org.hk >, under the heading "Consultation on Companies Ordinance subsidiary legislation", by **31 October 2012**. It is expected that the legislative process will be completed by July 2013, and the new Companies Ordinance and the subsidiary legislation will be brought into operation tentatively in 2014.

14. Latest Notices on AML/CFT

Members may wish to note that the following notices and publication in relation to combating money laundering/terrorist financing:

- **Government notice 5762**: An updated list of terrorists and terrorist associates specified under the United Nations (anti-terrorism measures) Ordinance.
- **Government notice 5763**: An updated list of relevant persons and entities specified under the United Nations Sanctions (Iran) Regulation.
- **Government notice 5764**: An updated list of relevant persons and entities specified under the United Nations Sanctions (Somalia) Regulation.
- **Government notice 5765**: An updated list of relevant persons and entities specified under the United Nations Sanctions (Eritrea) Regulation.
- **Government notice 5766**: An updated list of relevant persons and entities specified under the United Nations Sanctions (Afghanistan) Regulation 2012.
- **US executive order 13224**: The list relating to "Blocking property and prohibiting transactions with persons who commit, threaten to commit or support terrorism".

For more AML-related circulars from the office of the commissioner of insurance, click [here](#).

For more background information on the current law in Hong Kong relating to anti-money laundering, see the Institute's **Anti-money Laundering Bulletin 1**, "Requirements on anti-money laundering, anti-terrorist financing and related matters", and the **supplement** on suspicious transaction reporting.

Useful Resources

15. Library Resources

Featured titles and **new books** of high reference value for members are now available. In addition, members can **login** to the **e-Library** and access e-journals and e-books on a wide range of business subjects.

16. Other Publications

The following articles/publications on topical issues may be of interest to members:

- (i) HKEx has published:
 - one listing decision in relation to whether a GEM listing applicant's deteriorating financial performance and uncertain business prospects would render it unsuitable for listing (**HKEx-LD37-2012**)
 - **report** on IPO applications, delisting and suspensions (as at 28 September)
- (ii) The SFC has published:
 - September 2012 issue of **InvestEd Intelligence** explains financial planning; key risks and features of investment-linked assurance schemes; and the Investor Education Centre's role in financial consumer education in Hong Kong
- (iii) The Standing Committee on Company Law Reform **Twenty-Eighth Annual Report 2011/2012** issued on 25 September 2012.

- (iv) Guides/papers/research studies on sustainability:
 - **The ABC of CSR for small and medium enterprises** by the Association of Chartered Certified Accountants ("ACCA")
 - **Environmental aspects of sustainability: SMEs and the role of the accountant** by ACCA
 - **Integrating sustainability into business practices: A case study approach** by The Institute of Chartered Accountants in Australia ("ICAA")
 - **Business briefing series: 20 issues on building a sustainable business** by ICAA and KPMG

- (v) News reports on internal control:
 - **COSO proposals give real-world internal control examples**

- (vi) Articles on corporate governance by Deloitte:
 - **Audit committee brief: understanding the CFO's perspective**
 - **Asia Pacific economic outlook - Australia, China, India, South Korea**