



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 comments, emailed to < commentletters@hkicpa.org.hk >. Click [here](#) for past issues.

Contents

Standard Setting Developments

Local Updates

1. Members' Handbook Update No. 227
2. Q&As on recognition of IPO sponsor fee income
3. HKSA and ISA Comparison
4. Invitations to Comment
5. Invitation to observe meetings of the Hong Kong Insurance Implementation Support Group
6. Minutes
7. Bilateral meeting between the HKICPA and the Accounting Standards Board of Japan

International Updates

8. International Updates

Useful Resources

9. Institute's Technical Resource Centres
10. [LinkedIn](#)

Advocacy and Practice Development/ Member Support

Professional Accountants in Business

11. HKEX Consultation Conclusions on Proposed Changes to Documentary Requirements and other Minor Rule Amendments
12. HKEX Review Results of Disclosure in Issuers' Annual Reports
13. COSO Guidance for Healthcare Providers

Small and Medium Practices

14. Ethical Awareness in Public Practice

Taxation

15. Announcements by the Inland Revenue Department ("IRD")
16. Budget Speech 2019-20

Legislation & Other Initiatives

17. Anti-Money Laundering Notices
18. AML/CFT Guidance

Useful Resources

19. Other Publications

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Standard Setting Developments

Local Updates

1. Members' Handbook Update No. 227

Update No. 227 relates to amendments to the Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard.

2. Q&As on recognition of IPO sponsor fee income

The Institute issued **Q&As** on applying HKFRS 15 *Revenue from Contracts with Customers* to the recognition of IPO sponsor fee income.

3. HKSA and ISA Comparison

Comparison between Hong Kong and International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements effective as at 31 December 2018.

4. Invitations to Comment

The Institute is seeking comments on:

- The IAASB's **Consultation Paper** on Proposed Strategy for 2020-2023 and Work Plan for 2020-2021 by **4 May 2019**.
- The IAASB's **Exposure Drafts** on Quality Management for Firms and Engagements by **24 May 2019**.

5. Invitation to observe meetings of the Hong Kong Insurance Implementation Support Group

Register to observe meetings of the HKIISG which discusses hot topics on HKFRS 17 *Insurance Contracts*. Meeting papers and summaries can be found **here**. The next HKIISG meeting will be held on 28 March 2019.

6. Minutes

Minutes of the 247th meeting of the Financial Reporting Standards Committee.

Minutes of the 372nd meeting of the Auditing and Assurance Standards Committee.

7. Bilateral meeting between the HKICPA and the Accounting Standards Board of Japan

Representatives of the Institute and the Accounting Standards Board of Japan met on 25-26 February 2019 in Hong Kong to provide updates on their respective activities. They also exchanged views on how to improve the accounting for goodwill, business combinations under common control and intangible assets, as well as observations on the quality of fair value measurement and the implementation of major new IFRS Standards in respective jurisdictions. In addition, the two bodies explored opportunities for future cooperation and agreed to continue holding bilateral meetings.

Further information is set out in the **press release**.

International Updates

8. International Updates

- **February 2019 IASB Update and Podcast**
- **IASB webcast for investors: IFRS 15 *Revenue from Contracts with Customers***
- **IASB articles:**
Changes in financing liabilities (IAS 7 *Statement of Cash Flows*)—what does good disclosure look like?

The Essentials—Issue No. 5 on analysing lessee financial statements and non-GAAP performance measures
- **IESBA webinar: Revised and restructured International Code of Ethics for Professional Accountants (including International Independence Standards)**



- **IAASB webcast series:**
 - [Introduction to the proposed Quality Management Standards and Deep Dive into the Firm's Risk Assessment Process](#)
 - [Overview of Quality Management at the Firm Level](#)
 - [Overview of Engagement Quality Reviews and Quality Management for Audit Engagements](#)

Useful Resources

9. Institute's Technical Resource Centres

Access the Institute's comprehensive resource centres:

- [New and Major Standards](#)
- [ICAEW's International Accounting, Audit and Ethics Content](#)
- [New Companies Ordinance](#)
- [HKFRS for Private Entities](#)
- [SMP and SME](#)

10. [LinkedIn](#)

Follow our [LinkedIn](#) for key developments in financial reporting, auditing and ethics.

Advocacy and Practice Development/Member Support

Professional Accountants in Business

11. HKEX Consultation Conclusions on Proposed Changes to Documentary Requirements and other Minor Rule Amendments

On 1 February, Hong Kong Exchanges and Clearing ("HKEX") published [conclusions](#) related to its [Consultation Paper on Proposed Changes to Documentary Requirements relating to Listed Issuers and Other Minor Rule Amendments](#) which sought comments on proposals to simplify and streamline the administrative procedures involved in submission and collection of documents to enhance procedural efficiency. It also proposed minor Listing Rule amendments and a number of housekeeping amendments that involve no change in policy direction. The responses were broadly in favour of the consultation proposals. A summary of the main changes is set out in the [press release](#).

The amendments come into effect on 1 March 2019. In respect of the amended rules relating to streamlining of listed issuers' filing requirements, they will be applied to issues of securities announced by listed issuers on or after 1 March 2019.

Existing directors and supervisors of listed issuers are also reminded to submit their contact details as required under the amended rules to HKEX no later than 31 March 2019.

12. HKEX Review Results of Disclosure in Issuers' Annual Reports

On 31 January, HKEX [published a report](#) on the findings and recommendations from its review of issuers' annual reports for the financial year ended between January and December 2017.

As part of its regulatory activities, HKEX undertakes two on-going review programmes on issuers' annual reports, namely, (i) Review

of Disclosure in Issuers' Annual Reports to Monitor Rule Compliance and (ii) Financial Statements Review Programme. Starting from 2019, the findings from both review programmes are consolidated into one review report to provide guidance on specific areas selected based on market trends, regulatory developments and HKEX's observations of issuers' compliance with regard to these areas.

Members, in particular preparers of listed company's annual reports, are encouraged to read the report and follow the guidance to improve their annual reports to enhance transparency to their shareholders and ensure they comply with the Listing Rules.

13. COSO Guidance for Healthcare Providers

Healthcare organizations experience issues with system access and integrity, clinical documentation, coding, and billing, all of which may result in potential non-compliance with relevant regulations – and costly mistakes.

The Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), in collaboration with Crowe LLP and CommonSpirit Health, has recently **published** a new guidance entitled **COSO Integrated Framework: An Implementation Guide for the Healthcare Provider Industry**. The guide introduces healthcare organizations to COSO's widely used "Internal Control – Integrated Framework," and provides a roadmap to implementation to help strengthen their overall governance and internal control structures.

Small and Medium Practices

14. Ethical Awareness in Public Practice

A distinguishing mark of the accountancy profession is its acceptance of responsibility to act in the public interest. To assist members in understanding and maintaining standards set out in the Code of Ethics for Professional Accountants, the Institute's Compliance Department has compiled a **list** of past cases which illustrate ethical issues encountered by the practitioners. Let this serve as a guide when you face challenging ethical issues.

Taxation

15. Announcements by the Inland Revenue Department ("IRD")

Members may wish to be aware of the following matters:

- **2019/20 Budget tax measures**
- **Passage of the Inland Revenue (Amendment) (No. 7) Bill 2018** (aligning the tax treatment of financial instruments with their accounting treatment and other changes)
- **Passage of the Inland Revenue (Profits Tax Exemption for Funds) (Amendment) Bill 2018**
- **Refinements to Legislative Framework for Automatic Exchange of Information come into force**
- **Filing deadline for voluntary Country-by-Country Reporting** (see item dated February 1, 2019)
- **List of Qualifying Debt Instruments (as at 31 December 2018)**
- **Stamp Duty statistics (January 2019)**
- **Taxpayer convicted** (for omitting rental income and incorrectly claiming deductions)

16. Budget Speech 2019-20

The financial secretary delivered the **2019-20 budget speech** on 27 February. Against the backdrop of a somewhat bearish economic environment, the financial secretary sought to adopt a fairly fiscal prudent approach, seeking, it would seem, to manage overall expenditure and meet the community's expectations in various areas. Among the key objectives of the budget are solidifying the Hong Kong's position as a financial service centre, strengthening its role in innovation and technology, and supporting diversification of the economy. See a **summary** of the budget tax measures, **the Institute's response** and its **budget proposals**.

The Institute hosted a lively budget forum in the evening of budget day. Panellists Prof. Ho Lok Sang, Legislative Councillor Kenneth Leung, shareholder activist, David M. Webb, and KK So, chair of the Taxation Faculty Executive Committee ("TFEC"), discussed their views on

the budget and on the government's fiscal and related policies. Curtis Ng, convenor of the TFEC's Budget Proposals Subcommittee, was the moderator.

Legislation & Other Initiatives

17. Anti-Money Laundering Notices

For the current lists of terrorists, terrorist associates and relevant persons/ entities under United Nations ("UN") sanctions, members should refer to [the Institute's AML webpage](#) which is updated regularly. The United Nations Sanctions webpage of the [Commerce and Economic Development Bureau](#) contains consolidated lists of UN sanctions currently in force in Hong Kong.

18. Anti-Money Laundering/ Counter-Terrorist Financing ("AML/CFT") Guidance

For mandatory guidance and information on the AML/CFT requirements for members, see the Institute's ["Guidelines on Anti-Money Laundering and Counter-Terrorist Financing for Professional Accountants"](#).

Members who are licensed to provide trust or company services should also see the [Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Trust or Company Service Providers](#), by Companies Registry.

Members should ensure that they are aware of the [Hong Kong Money Laundering and Terrorist Financing Risk Assessment Report](#) (in particular Chapter 6, covering designated non-financial businesses and professions), which indicates ML/TF risks and vulnerabilities in the Hong Kong market.

Useful Resources

19. Other Publications

- (i) HKEX [Report](#) on initial public offering applications, delisting and suspensions as at 28 February 2019
- (ii) [SFC Regulatory Bulletin: Listed Corporations](#) (Issue no. 3, Feb 2019)

provides guidance in relation to listed corporations and other listing matters

- (iii) Financial Services Development Council Paper No. 38 [Mandatory Provident Fund System – The Way Forward](#) and the corresponding [press release](#)
- (iv) The Standing Committee on Company Law Reform [2017-18 Annual Report \(34th Report\)](#) and the corresponding [press release](#)
- (v) Other publications:
 - [Navigating the Greater Bay Area – 2nd annual survey on key drivers for success](#) by KPMG, HSBC & HKGCC
 - [Re-inventing finance for a digital world](#) by CGMA
 - [How are big data and AI transforming accounting and finance?](#) by CPA Canada
 - [Derisking machine learning and artificial intelligence](#) by McKinsey & Company
 - [How SMPs Can Invest in Technology](#) by CPA.com
 - [What More Can the Accountancy Profession Do to Address the Audit Expectation Gap?](#) by ICAEW
 - [Audit Quality: Is It Time for a Different Approach?](#) by In the Black
 - [How to know when to take the leap from employee to entrepreneur](#) by CNBC