



Dear Assignment / News / Business Section Editor

Hong Kong Institute of Certified Public Accountants takes regulatory action against a certified public accountant (practising) and a firm

(Hong Kong, 23 August 2016) - The Hong Kong Institute of Certified Public Accountants has undertaken regulatory action against Chan Kam Fuk, a certified public accountant (practising) (membership number A20032) and Dominic K.F. Chan & Co. (firm number 1777) (collectively the "Respondents"), for their failure or neglect to observe, maintain or otherwise apply a professional standard issued by the Institute.

Chan was the sole proprietor of Dominic K.F. Chan & Co. The firm issued an unqualified Accountants' Report on the unaudited pro forma financial information set out in a major transaction circular of a listed entity relating to an acquisition of the equity interest in an associate.

The complaint concerned the Respondents' incorrect concurrence with the company's non-recognition of deferred tax liabilities arising from the acquisition, which led to a significant understatement of goodwill. The non-recognition of deferred tax liabilities was inconsistent with the company's accounting policy and the applicable financial reporting framework. The Institute concluded that the Respondents were in breach of paragraphs 21, 22 and 26 of HKSAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a Prospectus*.

Regulatory action

Based on the foregoing and in lieu of further proceedings, the Council concluded that the following should resolve the complaint:

1. The Respondents acknowledge the facts of the case and their non-compliance with the relevant professional standard;
2. The Respondents be reprimanded; and
3. The Respondents jointly pay an administrative penalty of HK\$30,000 and costs of HK\$10,000.

In accordance with Council powers outlined in the Professional Accountants Ordinance and as a part of the regulatory process to handle complaints, a Resolution by Agreement (RBA) may be offered to respondents in cases considered to be moderate after taking into account factors including, but not limited to, the nature and seriousness of a complaint, past disciplinary records of the respondents and any aggravating or mitigating circumstances. An RBA will not be offered in cases involving complaints of dishonesty.

Information on the Institute's complaint handling process and guidelines for Resolution is available at the Institute website under the "Compliance" section at www.hkicpa.org.hk.

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About the Hong Kong Institute of Certified Public Accountants

The Hong Kong Institute of CPAs is the only body authorized by law to register and grant practising certificates to certified public accountants in Hong Kong. The Institute has more than 40,000 members and more than 18,000 registered students. Members of the Institute are entitled to the description *certified public accountant* and to the designation CPA.

The Hong Kong Institute of CPAs evolved from the Hong Kong Society of Accountants, which was established on 1 January 1973.

The Institute operates under the Professional Accountants Ordinance and works in the public interest. The Institute has wide-ranging responsibilities, including assuring the quality of entry into the profession through its postgraduate qualification programme and promulgating financial reporting, auditing and ethical standards in Hong Kong. The Institute has responsibility for regulating and promoting efficient accounting practices in Hong Kong to safeguard its leadership as an international financial centre.

The Hong Kong Institute of CPAs is a member of the Global Accounting Alliance – an alliance of the world's leading professional accountancy bodies, which was formed in 2005. The GAA promotes quality services, collaborates on important international issues and works with national regulators, governments and stakeholders.

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