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6 March 2015

By email: commentletters@hki CPA.org.hk and by post

Ms. Christina Ng
Head of Financial Reporting, Standard Setting
Hong Kong Institute of Certified Public Accountants
37th Floor, Wu Chung House
213 Queen's Road East, Wanchai
Hong Kong

Dear Ms. Ng

Invitation to comment on IESBA Exposure Draft – Proposed Changes to Part C of the Code Addressing Presentation of Information and Pressure to Breach the Fundamental Principles

Thank you for the letter dated 8 December 2014 from Mr. Simon Riley inviting the Association's comments on the IESBA Exposure Draft – *Proposed Changes to Part C of the Code Addressing Presentation of Information and Pressure to Breach the Fundamental Principles*. Our comments on the specific questions raised in the exposure draft are set out in the enclosed annex.

We hope you would find our comments useful. Should you have any questions, please do not hesitate to contact Ms. Emily Ngan of the Secretariat at 2526 6080.

Yours sincerely


Henry Chan
Secretary

Enc.

Chairman The Hongkong and Shanghai Banking Corporation Ltd
Vice Chairmen Bank of China (Hong Kong) Ltd
Standard Chartered Bank (Hong Kong) Ltd
Secretary Henry Chan

主席 香港上海匯豐銀行有限公司
副主席 中國銀行（香港）有限公司
渣打銀行（香港）有限公司
秘書 陳崇禧

**Response of the Hong Kong Association of Banks to the IESBA Exposure Draft –
Proposed Changes to Part C of the Code Addressing Presentation of Information
and Pressure to Breach the Fundamental Principles**

1. We consider that the proposed guidance should clearly acknowledge that there are many circumstances where honest differences of opinion can arise over what is the most appropriate manner in which to present financial information. In such circumstances, it is not appropriate for the professional accountant to apply the guidance just because he/she has lost the argument.

2. Paragraph 320.3 states:

“...Preparing or presenting such information fairly and honestly requires the professional accountant not to exercise such discretion in a manner that is intended to mislead, including when:...Selecting a particular accounting method among two or more alternatives permitted under the applicable financial reporting framework. For example, selection of one method from among alternative revenue recognition methods in order to manipulate income...”

While we acknowledge that the focus of paragraph 320.3 is on deliberately presenting misleading information, we do not consider that the example quoted above is a good one. When accounting policy choices are permitted under the applicable financial reporting framework, the presumption is that any of the choices permitted is acceptable in terms of fair presentation of information.

3. Paragraph 320.7 suggests that the accountant should consider consulting the relevant professional body where he/she believes that information is misleading. We have concerns that, in many jurisdictions, professional bodies may not have the expertise to deal with such issues and that the accountant could be in breach of his/her duty of confidentiality. We also consider that it may be more helpful to suggest that the accountant should consider consulting a professional expert (e.g. a reputable audit firm), under conditions of confidentiality, normally after seeking legal advice.

4. Paragraph 370.5 states that the professional accountant may “...wish to consult with...relevant professional bodies, regulators or industry associations.” This paragraph gives us concerns similar to those described above, and we doubt that it would ever be appropriate, or wise for a professional accountant to take the suggested action without first seeking legal advice.