



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



# TechWatch

News at a glance

Issue 131 • September 2013

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](mailto:commentletters@hkicpa.org.hk) >. Click [here](#) for past issues.

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## Financial Reporting, Auditing and Ethics

### New!

#### 1. New Workshops from October to December

The Institute will hold workshops from October to December 2013 as follows:

- [Workshop on issues in Auditing PRC companies](#)
- [HKFRS for Private Entities Workshop](#)
- [Workshop for Audit Manager](#)
- [Workshop for Audit Staff](#)
- [Audit Practice Manual Application Workshop](#)
- [Workshop on Quality Control](#)
- [Workshop on Internal Control](#)

To secure seats, please register early by completing the registration forms by clicking on the above event titles.

Click [here](#) for an indicative list of topics to be included in the technical learning and support programme from July 2013 to June 2014.

### Members' Handbook

#### 2. Handbook Update No. 132

[Update No. 132](#) contains revisions to the Code of Ethics for Professional Accountants (Revised).

The Institute's Ethics Committee considered the wording of paragraph 290.26 of the Institute's Code of Ethics for Professional Accountants ("HKICPA Code") and was of a view that the determination of an entity being a public interest entity is a public policy matter. Firms should not be imposed with a requirement to make such a determination over and above that required in

the Code of Ethics for Professional Accountants issued by the IESBA ("IESBA Code").

Accordingly, the HKICPA Code was revised by restoring the "encouraged to determine" wording, as in the IESBA Code, in paragraph 290.26 of the HKICPA Code. This amendment to the HKICPA Code is effective immediately upon release.

### Financial Reporting

#### 3. HKICPA Financial Reporting Standards Committee

The [FRSC minutes](#) of the meeting held on 7 May 2013 covered the following items:

- Draft submissions on IASB Exposure Drafts
- IASB Consultation Papers
- Update on IFRS Regional Policy Forum in 2013 in Hong Kong
- Report on the IFRS Advisory Council meeting
- Report on other international meetings
- Guidance for the formation of a Working Group and composition of Working Groups
- Revision of the SME-FRF and SME-FRS
- Companies Ordinance Financial Reporting Issues

#### 4. Limited Invitation to Comment on Consultation Draft

The Institute has issued a [Limited Invitation to Comment](#) on Consultation Draft of Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard ("SME-FRF and SME-FRS") (Revised), with comments requested by **25 October 2013**.

The Consultation Draft is not seeking further comments on matters in the SME-FRF or SME-FRS addressed previously in the 2008 exposure draft or other consequential changes made as a

result of developments in full HKFRS and the requirements of the new Companies Ordinance. However, it consults on a limited scope with constituents on whether it is appropriate to include in the SME-FRF and SME-FRS an option to relieve a group from consolidating one or more subsidiary undertakings if the company's directors are of the opinion that their inclusion would involve expense or delay out of proportion to the value to members of the company.

## Ethics

### 5. Ethics Committee Minutes

The **EC minutes** of the meeting held on 11 March 2013 covered the following items:

- Statement 1.500 "Continuing Professional Development" (Redraft)
- IESBA survey on project priorities
- Submission on the identification of public interest entities by HKICPA Small and Medium Practitioners Leadership Panel
- Presentation to IESBA

## International Meetings

### 6. International Accounting Standards Board

The IASB next meets in **board meeting** and **Accounting Standards Advisory Forum** in September 2013.

### 7. IFRS Interpretations Committee

The IFRS Interpretations Committee next meets in September 2013. Click [here](#) for details.

### 8. International Auditing and Assurance Standards Board

The IAASB next meets in September 2013. Click [here](#) for details and previous meeting summary.

### 9. International Ethics Standards Board for Accountants

The IESBA next meets in September 2013. Click [here](#) for details and previous meeting summary.

## Useful Resources

### 10. Publications

- (i) Deloitte **IFRS in your pocket 2013**
- (ii) PwC **illustrative interim financial statements**
- (iii) BDO Updates on **novation of derivatives and continuation of hedge accounting** and **recoverable amount disclosures for non-financial assets**
- (iv) PwC **Q&A** on new consolidation standards
- (v) HKICPA staff summaries of HKFRS on **HK(IFRIC) Int 21 – Levies** and **list of new and amended Standards and Interpretations issued that are applicable to December 2013 year-end and beyond**

## Comment Due Dates

**23 September 2013:** ED Revised PN 860.1 *The Audit of Retirement Schemes*

**25 September 2013:** IASB ED of *Insurance Contracts*

**30 September 2013:** IASB ED of *Agriculture: Bearer Plants (Proposed Amendments to IAS 16 and IAS 41)*

**25 October 2013:** Consultation Draft of Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard (Revised)

**29 October 2013:** IAASB ED *Reporting on Audited Financial Statements: Proposed New and Revised ISAs*

**16 December 2013:** IASB DP of *Conceptual Framework*

## Specialist Practices, Business Members and Advocacy

### Professional Accountants in Business

#### 11. IFAC Guidance on Project and Investment Appraisal for Sustainable Value Creation

The Professional Accountants in Business Committee of International Federation of Accountants ("IFAC PAIBC") has issued an international good practice guidance, [Project and investment appraisal for sustainable value creation](#). It is written for all organizations, regardless of their size or structure, private or public, to support the accountancy profession's facilitation of sustainable organizations, financial markets, and economies. It provides guiding principles to manage the complexities of performing a robust project and investment appraisal. Greater rigour in the appraisal and decision process can be achieved by using the principles as a benchmark.

An [executive summary](#) of this guidance is also available.

### Corporate Finance

#### 12. Premature Selling of Placing Shares May Constitute Illegal Short Selling

The Securities and Futures Commission ("SFC") has warned investors and intermediaries that they could face criminal prosecution for illegal short selling if they sell placing shares before completion of a placement.

In general, a placement would be subject to various conditions which might or might not be fulfilled. As such, the SFC takes the view that placing shares would remain conditional until completion of a placement. Therefore, anyone who has sold conditional placing shares, before completion of a placement, would run the risk of committing illegal short selling, which is a criminal offence under the Securities and Futures Ordinance ("SFO").

Read the [SFC news release](#) for detail.

#### 13. SFC Outlines Regulation of Collective Investment Schemes

In response to recent enquiries concerning the regulation of collective investment schemes ("CIS"), the SFC has [outlined](#) the relevant provisions in the SFO governing the offer and promotion of CIS. It has also reminded those intending to market a CIS that breaching the provisions may constitute a criminal offence.

#### 14. SFC Issues Guidelines on CPSS-IOSCO Principles for Financial Market Infrastructures

The SFC has issued a set of [guidelines](#) for recognized clearing houses concerning the application of the "Principles for financial market infrastructures" ("PFMIs") published jointly by the Committee on Payment and Settlement Systems ("CPSS") of the Bank for International Settlements and the International Organization of Securities Commissions ("IOSCO"). The PFMIs are designed to ensure that financial market infrastructures supporting global financial markets are robust and well placed to withstand financial shocks. The principles apply to all systemically important financial market infrastructures.

The SFC expects recognized clearing houses to observe the PFMIs. It will take into account such observance in assessing whether recognized clearing houses have discharged their duties under the SFO.

Read the [press release](#) for more information.

### Taxation

#### 15. Tax Evasion Case

The Inland Revenue Department reports a recent conviction of a taxpayer for tax evasion relating to rental income and home loan interest deductions. Click [here](#) for more details.

## Legislation & Other Initiatives

### 16. Latest Anti-Money Laundering Notices

Members may wish to note that the following notices and publications in relation to combating money laundering/terrorist financing ("AML"):

- **Legal notice 136:** The United Nations Sanctions (Eritrea) (Amendment) Regulation 2013 has been published in the Gazette.
- **Legal notice 137:** The United Nations Sanctions (Somalia) (Amendment) Regulation 2013 has been published in the Gazette.
- **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

### 17. Library Resources

**Featured titles** and **new books** of reference value to 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.

### 18. Other Publications

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

(i) HKEx has published:

- an updated guidance letter on pre-conditions for a waiver from the financial standards requirements for new applicant mineral companies under main board rule 18.04 ([HKEx-GL22-10](#))
  - **Report** on initial public offering applications, delisting and suspensions (as at 31 August)
- (ii) SFC has published:
- a **quarterly report** which summarizes its key regulatory developments in April to June 2013
  - a **statement** on its prosecutorial responsibility
- (iii) **A global governance framework for company directors** from The International Comparative Legal Guide by Global Legal Group<sup>1</sup>
- (iv) **What are the overarching principles of corporate governance?** by ICAEW
- (v) **The Sustainability Content of Integrated Reports – A Survey of Pioneers** by Global Reporting Initiative
- (vi) Articles on corporate governance by Deloitte:
- **Bridging the gap: M&A – are CFOs and boards aligned?**
  - **Global risk management survey – setting a higher bar**
  - **Audit committee brief – the era of sustainability disclosure**
  - **Cybersecurity... continued in the boardroom**
  - **Global economic outlook – 3rd quarter 2013**

<sup>1</sup> This Chapter was first published by Global Legal Group in The International Comparative Legal Guide to: Corporate Governance 2013 (6th Edition) [www.iclg.co.uk](http://www.iclg.co.uk)