



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

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## Highlights

### 1. Consultation on Regulatory Framework for Listed Company Audits

The Institute has issued an [Information Paper and Request for Comment](#) in relation to the regulatory framework for listed company audits in Hong Kong, following extensive discussion with the HKSAR Government and the Financial Reporting Council. Comments are requested to be sent to [regulation@hki CPA.org.hk](mailto:regulation@hki CPA.org.hk) by **10 January 2014**.

The overall aim of the reform is to establish an independent body to exercise oversight over or assume direct responsibility for certain auditor regulation functions so that the Hong Kong system meets international benchmarks. A proposed framework for a revised regulatory system has been developed by the three parties. The Institute has prepared an information paper, setting out the views of Council on the framework of key reform proposals, including preferred options and explaining the reasons why Council has reached these views.

In order to fully engage members in this important consultation for the profession, the Institute has organized meetings with primary stakeholders, including firms that audit listed companies and practising certificate holders. The Institute also holds forums with specific member groups and with the general membership.

Visit the Institute's [Regulatory framework for listed company audits](#) webpage for details.

### 2. HKICPA Sixth Long Range Plan

The Institute's [Sixth Long Range Plan](#), which lays out the future direction for the profession, has been issued. The plan follows on seamlessly from the Fifth Long Range Plan, and is a result of collaborative efforts from Council and committee members, management and many members who participated in the series of monthly forums to give their views.

## Financial Reporting, Auditing and Ethics

### New!

### 3. New Workshops and Forums from November to December

The Institute will hold workshops and forums from November to December 2013 as follows:

- [Workshop on Internal Control](#)
- [Workshop on Quality Control](#)
- [Workshops for Group Accounting](#)
- [2013 SMP Symposium](#)

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.

### Financial Reporting

### 4. Invitation to Comment on IASB ED

The Institute has issued an [Invitation to Comment](#) on IASB Exposure Draft ("ED") of *IFRS for SMEs*, with comments requested by **20 January 2014**.

The IASB proposes to make limited amendments to the IFRS for SMEs to clarify existing requirements and add supporting guidance, rather than propose changes to the underlying requirements in the IFRS for SMEs. For most SMEs, the proposals are expected to improve understanding of the existing requirements, without having a significant effect on the entity's financial reporting practices and financial statements.

The Institute has developed the HKFRS for Private Entities based on the IFRS for SMEs. The revision to the IFRS for SMEs, upon finalization by the IASB, will be incorporated in

the HKFRS for SMEs in accordance with the Institute's convergence policy.

## 5. Institute Comments on IASB ED

The Institute sent a [comment letter](#) to the IASB on its ED of Agriculture: Bearer Plants.

The Institute supported the proposal to account for bearer plants as property, plant and equipment in accordance with the requirements in IAS 16 *Property, Plant and Equipment*, rather than in accordance with IAS 41 *Agriculture* and agreed with the observations that bearer plants in general after reaching maturity did not undergo further significant biological transformation. The Institute agreed that most bearer plants were used in a way that was very similar to the use of property, plant and equipment. It was believed that the accounting models of IAS 16 can be applied to bearer plants. However, given that the growing phase of different bearer plants may differ significantly, the Institute recommended that the maturity date (i.e. the cut-off date for accumulation of direct costs) should be defined to avoid divergence in practice.

### Audit & Assurance

## 6. HKICPA Auditing and Assurance Standards Committee

The [AASC minutes](#) of the meeting held on 16 July 2013 covered the following items:

- Work Plan Status Report and Update from Working Groups
- ED on revised PN 860.1 *The Audit of Retirement Schemes*
- Annual Auditing Update Conference 2013

### International Meetings

## 7. International Accounting Standards Board

The IASB met on 28 October-1 November 2013, and discussed the following topics:

- IFRS 10 *Consolidated Financial Statements* / IAS 27 *Separate Financial Statements*
- IFRS 11 *Joint Arrangements*
- IAS 28 *Investments in Associates and Joint Ventures*
- IAS 19 *Employee Benefits*
- IAS 1 *Presentation of Financial Statements* amendments
- IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*
- IFRS 2 *Share-based Payments*
- Annual Improvements
- IFRIC Update
- Financial Instruments: Impairment
- Revenue Recognition
- Financial Instruments: Classification and Measurement
- Accounting for Macro Hedging
- Separate Financial Statements (Equity Method)
- Rate-regulated Activities

Click [here](#) to view the IASB Update on the meeting of 28 October – 1 November. The IASB next meets in November 2013.

## 8. IFRS Interpretations Committee

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

## 9. IFRS Accounting Standards Advisory Forum

The IFRS ASAF next meets in December 2013. Click [here](#) for details and previous meeting summary.

## 10. International Auditing and Assurance Standards Board

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

## 11. International Ethics Standards Board for Accountants

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

### Useful Resources

## 12. Publications

- (i) KPMG [Update](#) on effective dates of IFRS
- (ii) [Training module](#) for IFRS for SMEs by IFRS Foundation on share-based payment
- (iii) EY [International GAAP Disclosure Checklist](#)
- (iv) BDO [Update](#) on ten common accounting issues overlooked by preparers
- (v) PwC [Update](#) on latest developments on IFRS
- (vi) IFAC [Position paper](#) on enhancing organizational reporting

### Comment Due Dates

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

**20 January 2014:** IASB ED of *IFRS for SMEs*

## Specialist Practices, Business Members and Advocacy

### Professional Accountants in Business

## 13. IFAC Discussion Paper on the Role and Expectations of a CFO

The Professional Accountants in Business Committee of International Federation of Accountants ("IFAC") has issued a discussion paper – "[The Role and Expectations of a CFO: A Global Debate on Preparing Accountants for Finance Leadership](#)". Comments are requested by **10 February 2014**.

The paper is designed to stimulate a global debate on preparing accountants for finance leadership roles, including chief financial officer ("CFO"). It features five principles that highlight the changing expectations, scope, and mandate of the CFO and finance leadership roles and recommends actions that professional accountancy organizations and employers can take to prepare professional accountants for career progression to finance leadership. These principles and recommended actions raise awareness of the implications for the education, training, and development of professional accountants.

The paper will be used as a basis to engage professional accountancy organizations, employers, and other stakeholders on sharing and enhancing approaches to preparing professional accountants for finance leadership. It is also important to the regulatory community, which strives for well-governed and managed organizations. (See also [IFAC press releases](#))

If you wish to submit views via the Institute, please send your comments to [<commentletters@hkiipa.org.hk>](mailto:commentletters@hkiipa.org.hk) by **10 January 2014**.

## Corporate Finance

### 14. SFC Publishes FAQs on the Enhanced Sponsor Regime

The Securities and Futures Commission ("SFC") has published over 50 **frequently asked questions** ("FAQs") on the enhanced sponsor regime, categorized under the following five areas:

- (i) General
- (ii) Eligibility to act as Principal
- (iii) Examinations
- (iv) Examination exemptions
- (v) Team Structure Chart

### 15. Publication of the Hong Kong Sponsor Due Diligence Guidelines

The Hong Kong Sponsor Due Diligence Guidelines ("Guidelines") have been developed as an initiative, and a collective and collaborative effort, of Hong Kong sponsors, for the purpose of promoting standards in the conduct of due diligence in respect of new Hong Kong listings of equity securities.

These Guidelines have been developed in the light of the new paragraph 17 of the *Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission*, which sets out the standards and certain procedures, taken together with the requirements of the Listing Rules, expected by the SFC of sponsors in the conduct of a due diligence to support the listing of equity securities in Hong Kong.

The underlying intention is that, as far as possible, the Guidelines set out practical steps to be considered at each stage of a due diligence.

Click [here](#) to read a detailed introduction about the Guidelines and [here](#) to the Guidelines (you need to register and log-in for a free download of or read all the content).

### 16. 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 **2012-13 report**. From the 58 cases reviewed, the PRP made observations and recommendations which the SFC will take forward as part of its evolving operational process.

## Taxation

### 17. Announcements by the Inland Revenue Department

Members may wish to note the following:

- Legislative Council questions about (i) **statistics on salaries tax** concerning details of taxpayers paying at progressive and standard rates, as well as tax revenue for the year of assessment 2011/12, and (ii) **arrangements for payment of salaries tax**, regarding the payment of provisional salaries tax by taxpayers who are under financial pressure.
- Latest developments on double taxation agreements ("DTAs"):
  - **DTA with Canada** is in force and applies to years of assessment starting on or after 1 April 2014
  - **The second protocol to the DTA with Austria** came into force on 3 July 2013
- **List of qualifying debt instruments** as at 30 September 2013

## Legislation & Other Initiatives

### 18. New Companies Ordinance to Commence on 3 March 2014

The Secretary for Financial Services and the Treasury has appointed 3 March 2014 as the commencement date of the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("the new CO") and the subsidiary legislation, except for certain provisions specified in the [Companies Ordinance \(Commencement\) Notice 2013](#), gazetted on 25 October.

Two other relevant notices were gazetted on the same date to bring the new CO into operation:

- (a) the [Companies Ordinance \(Amendment of Schedule 7\) Notice 2013](#) to update the list of compoundable offences; and
- (b) the [Companies Ordinance \(Amendment of Schedule 10\) Notice 2013](#) to update the list of consequential amendments to be made to other ordinances.

A set of 83 forms specified by the Registrar of Companies, for use under the new CO with effect from the commencement date, was published in the [Gazette](#) on 1 November. Specification of the second batch of nine forms for use under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32), which will be the new name for the current CO with effect from the commencement date of the new CO, will be gazetted on 8 November 2013.

Refer to [Companies Registry External Circular No. 2/2013](#) for details about the commencement of the new CO, the new forms and transitional arrangements in relation to the forms.

The provisions of the new CO, the subsidiary legislation and other useful reference materials including briefing notes on each part of the new CO and each subsidiary legislation, highlights of key changes in the new CO, FAQs and presentation materials, updated from time to time, are available at the [New Companies Ordinance](#) section of the Companies Registry's website.

A set of new electronic forms will be used for submission using the Third Party Software Interface ("TPSI") function at the e-Registry. Third party software developers and users' IT professionals can perform related tests of the TPSI functions in a new TPSI testing environment set up for the new e-forms. [Click here](#) for details.

### 19. Latest Anti-Money Laundering Notices

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

- [Financial action task force \(FATF\) public statement](#): Draws attention of its members (Hong Kong has been a member since 1990) on the risks of transactions involving Iran, Democratic People's Republic of Korea, Algeria, Ecuador, Ethiopia, Indonesia, Kenya, Myanmar, Pakistan, Syria, Tanzania, Turkey and Yemen.
- [FATF's document, Improving global AML/CFT compliance: on-going process](#): Draws the attention of FATF members to jurisdictions with deficiencies that pose money laundering/terrorist financing risks in the international financial system.
- [US executive order 13224](#): The latest list relating to "Blocking property and prohibiting transactions with persons who commit, threaten to commit or support terrorism".

For more background information on the current law in Hong Kong relating to AML, 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

### 20. 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.

## 21. Other Publications

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

(i) Hong Kong Exchanges and Clearing has published:

- An updated listing decision in relation to how a listing applicant's material non-compliant financing would affect its listing ([HKEx-LD19-2011](#), updated in Sep and Oct 2013)
- Webcasts of [listing compliance update](#) (together with [presentation materials](#)), [training on environmental, social and governance reporting guide](#), and [sustainable growth: environmental, social, governance and carbon disclosure makes business sense](#)
- [HKEx Securities and Derivatives Markets Quarterly Report – 3<sup>rd</sup> quarter 2013](#)
- [Report](#) on initial public offering applications, delisting and suspensions (as at 31 October)
- The [Companies Registry Trading Fund Annual Report 2012-13](#) and the relevant [press release](#) issued on 30 October 2013

(ii) Articles on corporate governance by Deloitte:

- [Are you a strategic CFO? Seven essential questions.](#)
- [CFO insights: Harnessing "the three rules"](#)
- [How to talk to the board about security](#)

- [Asia Pacific economic outlook – China, Japan, Malaysia, and Thailand](#)
  - [Global economic outlook – 4<sup>th</sup> quarter 2013](#)
- (iii) Publication by IFAC:
- [Roles and importance of professional accountants in business](#)