



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

## Contents

### Financial Reporting, Auditing and Ethics

#### Technical Learning and Support

1. [New TUEs in September 2015](#)

#### Members' Handbook

2. [Handbook Update No. 172](#)

#### Financial Reporting

3. [Invitations to Comment on IASB Consultation Documents](#)

#### Audit & Assurance

4. [Invitation to Comment on IAASB ED](#)
5. [Circular on Reporting to Grantees of the Language Fund](#)

#### International Meetings

6. [IASB](#)
7. [IFRS Interpretations Committee](#)
8. [IASB ASAF](#)
9. [IAASB](#)
10. [IESBA](#)

#### Useful Resources

11. [Publications](#)

#### Comment Due Dates

### Advocacy and Practice Development/ Member Support

#### Professional Accountants in Business

12. [IFAC Global Knowledge Gateway](#)

#### Restructuring and Insolvency

13. [ORO Tender Notice](#)

#### Taxation

14. [Announcements by the Inland Revenue Department](#)
15. [Australian Tax Office's Announcement on Residential Real Estate and Agricultural Land](#)
16. [Update on Base Erosion and Profit Shifting Initiative](#)

#### Legislation & Other Initiatives

17. [Electronic Land Registry News No. 40](#)
18. [Anti-Money Laundering Notices](#)

#### Useful Resources

19. [Library Resources](#)
20. [Other Publications](#)

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# Financial Reporting, Auditing and Ethics

## Technical Learning and Support

### 1. New TUEs in September 2015

The Institute will run a series of technical update evenings ("TUE") on the **New Companies Ordinance** in September 2015. However, due to high demand, all TUEs on this series have been fully booked.

Please revisit the Institute's **CPD learning resource centre** for future training events on the New Companies Ordinance and other topics.

## Members' Handbook

### 2. Handbook Update No. 172

**Update No. 172** contains new and revised Hong Kong Standards on Auditing which (i) enhance auditor's reports for investors and other users of financial statements; and (ii) clarify and increase the auditor's involvement with 'other information'.

The standards will be effective for audits of financial statements for periods ending on or after 15 December 2016.

## Financial Reporting

### 3. Invitations to Comment on IASB Consultation Documents

#### (i) IASB ED/2015/6 *Clarifications to IFRS 15*

The Institute has issued an **Invitation to Comment** on IASB Exposure Draft ("ED") ED/2015/6 and requested for comments to the Institute by **21 September 2015**.

The ED contains proposed clarifications to and transition reliefs for IFRS 15 *Revenue from Contracts with Customers*.

The proposed targeted amendments aim to address implementation issues that were

raised at the IASB and the US Financial Accounting Standards Board's Transition Resource Group for revenue recognition since IFRS 15 was issued in May 2014.

The ED proposes to clarify:

- how to identify the performance obligations in a contract;
- how to determine whether a party involved in a transaction is the principal (responsible for providing the goods or services) or the agent (responsible for arranging for the goods or services to be provided to the customer); and
- how to determine whether a licence provides the customer with a right to access or a right to use the entity's intellectual property.

#### (ii) IASB ED/2015/7 *Effective Date of Amendments to IFRS 10 and IAS 28*

The Institute has issued an **Invitation to Comment** on IASB ED/2015/7 and requested for comments to the Institute by **11 September 2015**.

The ED contains a proposal to postpone the date when entities must change some aspects of how they account for transactions between investors and associates or joint ventures.

Those changes relate to amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, which was issued by the IASB in September 2014. Those changes affect how an entity should determine any gain or loss it recognizes when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures.

The proposed postponement would remove the current requirement to make these particular changes by 2016. Instead, entities could wait until after the IASB has carried out a planned broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

(iii) IASB Request for Views 2015 Agenda Consultation

The Institute has issued an [Invitation to Comment](#) on IASB Request for Views and requested for comments to the Institute by **30 November 2015**.

This consultation document requests the views of all those interested in financial reporting on (i) the strategic direction and balance of the work plan of the IASB; and (ii) whether three years is the appropriate period between future Agenda Consultations.

## Audit & Assurance

### 4. Invitation to Comment on IAASB ED

The Institute has issued an [Invitation to Comment](#) on IAASB ED *Proposed ISA 810 (Revised) Engagements to Report on Summary Financial Statements* and requested for comments to the Institute by **2 October 2015**.

The IAASB is proposing limited conforming amendments to ISA 810 as a result of the issuance of its new and revised Auditor Reporting standards, which address auditor reporting on general purpose financial statements.

In light of its overall efforts to enhance auditor reporting, the IAASB believes it is also in the public interest to provide users of summary financial statements with greater transparency in circumstances when additional information, such as key audit matters, are communicated in the related auditor's report on the audited financial statements.

The proposed changes to ISA 810 represent a balanced approach considering the objective of an engagement to report on summary financial statements and the report that is required to be issued.

The IAASB's approach also recognizes that the manner in which summary financial statements are prepared and presented may vary on a national basis depending on the criteria used, and therefore national auditing standard setters may further tailor ISA 810 in their jurisdictions.

The IAASB is therefore particularly interested in hearing from stakeholders in those jurisdictions where ISA 810 reports are frequently issued to understand whether its proposed changes will be capable of being implemented and would be expected to benefit users of these reports.

### 5. Circular on Reporting to Grantees of the Language Fund

[Circular on Reporting to Grantees of the Language Fund](#) provides guidance to practicing members when undertaking engagements to express an audit opinion on whether the project accounts are prepared, in all material respects, in accordance with the Language Fund financial reporting requirements as set out in the 'Language Fund Accounting Policies'; and to issue a report of factual findings in connection with the internal controls established by the Grantee.

## International Meetings

### 6. International Accounting Standards Board

The IASB next meets on **21-25 September 2015**.

### 7. IFRS Interpretations Committee

The IFRS Interpretations Committee next meets on **8-9 September 2015**.

### 8. IASB Accounting Standards Advisory Forum

The IASB ASAF next meets on **1-2 October 2015**.



## 9. International Auditing and Assurance Standards Board

The IAASB next meets on **21-25 September 2015**.

## 10. International Ethics Standards Board for Accountants

The IESBA next meets on **15 -16 September 2015**.

### Useful Resources

## 11. Publications

EY published a **guide** to provide an overview of upcoming changes in IFRS.

PwC published **illustrative condensed interim financial statements** for the six months ended 30 June 2015 and **illustrative IFRS consolidated financial statements** for 2015 year ends.

Zhonghui Anda published an **update** to discuss the classification and measurement of financial assets and liabilities under HKFRS 9 *Financial Instruments*.

### Comment Due Dates

Comments to the Institute on the following EDs are due by:

**11 September 2015:** IASB ED/2015/7 *Effective Date of Amendments to IFRS 10 and IAS 28*

**14 September 2015:** IASB ED/2015/3 *Conceptual Framework for Financial Reporting* and IASB ED/2015/4 *Updating References to the Conceptual Framework*

**21 September 2015:** IASB ED/2015/5 *Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan* (Proposed amendments to IAS 19 and IFRIC 14)

**21 September 2015:** IAASB ED *Proposed Amendments to the IAASB's International Standards – Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations*

**21 September 2015:** IASB ED/2015/6 *Clarifications to IFRS 15*

**30 November 2015:** IASB Request for Views *2015 Agenda Consultation*

## Advocacy and Practice Development/ Member Support

### Professional Accountants in Business

#### 12. IFAC Global Knowledge Gateway

The [Global Knowledge Gateway](#) brings together news, views, resources, and thought leadership for the worldwide accountancy profession. It showcases key accountancy materials and provides a forum to explore thought-provoking issues, participate in discussions, and be part of the global community of accountants that the International Federation of Accountants ("IFAC") represents.

The Gateway content is currently divided among ten topics:

- Audit & Assurance
- Business Reporting
- Ethics
- Finance Leadership & Development
- Governance
- Islamic Finance
- Performance & Financial Management
- Practice Management
- Risk Management & Internal Control
- Sustainability

### Restructuring and Insolvency

#### 13. ORO Tender Notice

The Official Receiver's Office ("ORO") invites interested parties to submit tender for taking up of appointment to complete preliminary examination in bankruptcy cases (Tender Ref: OR/B/2015). The contract period will last for two

years, ending on 31 December 2017. The deadline for submission will be on 29 September 2015, at 12:00 noon. Parties interested in tendering should refer to the relevant documents for the tendering process and requirements.

The tender forms and relevant documents are obtainable from the ORO or on the [ORO's website](#).

### Taxation

#### 14. Announcements by the Inland Revenue Department

Members may wish to be aware of the following matters:

- [The tax treaty](#) between Hong Kong and Italy has come in force
- [A notice](#) on the Inland Revenue Department ("IRD")'s letters and post office boxes, addressing the concern of any fake "Tax Returns – Individuals" pretended to be issued by the IRD
- Notices for the public to be aware of fraudulent [emails](#) and [messages](#) purportedly issued by the IRD

#### 15. Australian Tax Office's Announcement on Residential Real Estate and Agricultural Land

Australian Tax Office ("ATO") tells foreign investors that they have 3 months to notify any breach of Australia's foreign investment rules for residential real estate and 4 months to declare foreign interests in Australian agricultural land. The ATO has taken over the enforcement of legislation which requires foreign buyers to seek permission to acquire Australian residential land (limited exceptions apply). Substantial penalties apply for breach of these rules, but a reduced penalty period is still available for voluntary disclosure. The ATO also has responsibility for developing a register of foreign owned agricultural land. Owners have a short period to come forward and register. Click [here](#) for further details.

## 16. Update on Base Erosion and Profit Shifting Initiative

The Organisation for Economic Co-operation and Development has issued 3 reports to help governments and financial institutions implement the global standard on automatic exchange of information. Click [here](#) for details.

### Legislation & Other Initiatives

## 17. Electronic Land Registry News No. 40

The 40<sup>th</sup> issue of the Land Registry News has been released. Click [here](#) to read the News and get the latest development of the Land Registry.

## 18. Anti-Money Laundering Notices

Members may wish to note the following notices and publications in relation to AML/CFT:

- **Government notice 5804:** An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **Government notice 6052:** An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **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 AML/CFT, 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

## 19. Library Resources

**Featured titles** and **new books** for members’ reference 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.

## 20. Other Publications

(i) HKEx has published:

- New guidance on disclosure of unaudited quarterly/ interim financial information in the listing document where the new listing applicant or any of its subsidiaries is listed on another exchange ([HKEx-GL82-15](#))
- Updated guidance on:
  - chapter 21 companies (investment companies) ([HKEx-GL17-10](#))
  - [country guide on Germany](#)
  - [country guide on Republic of Korea](#)
  - Mixed Media Offer disclosure requirements in application forms and “How to Apply for Hong Kong Offer Shares” section in a prospectus ([HKEx-GL64-13](#))
  - disclosure requirements for substantially complete Application Proofs; and publication of Application Proofs and Post Hearing Information Packs on the HKEx website ([HKEx-GL56-13](#))
  - listed issuers using contractual arrangements for their businesses ([HKEx-GL77-14](#))
- An updated listing decision in relation to whether a listing applicant, which was a party to a number of contract-based structures between or among itself, its PRC subsidiaries, its controlled companies and the registered owners of its controlled companies, would render the listing applicant unsuitable for listing, due to legal questions associated with these arrangements ([HKEx-LD43-3](#))

- **Report** on initial public offering applications, delisting and suspensions (as at 31 August)
  
- (ii) SFC has published:
  - **Quarterly report** summarizing the SFC's key developments from April to June 2015
  
- (iii) Other publications:
  - **How to be one of the world's most inspiring accountants** by Founder and Head of Research, AVN
  - **Governance for all – including SMEs** by Head of SME Policy, ACCA
  - **From private to public** by KPMG
  - **Project Blue 2.0: Redefining financial services** by PwC
  - **Accountants threatened by technology** by Economia
  - **Mapping the value of diversification** by McKinsey & Company