



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

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## Financial Reporting, Auditing and Ethics

### Technical Learning and Support

#### 1. New Technical Learning and Support Programme in October 2015

The Institute will run a series of technical update evenings ("TUE"), workshops and seminars on accounting and auditing in October 2015:

- **Annual Auditing Update 2015 'Embracing Changes'**
- **Industry Update Relating to Licensed Corporations**
- **TUE – Application of new and revised HKFRS/IFRS for 2015**
- **TUE – IPO Property Valuation Exercise in the Hong Kong Stock Exchange and Common Financial Instruments Valuation during an IPO**

To secure a seat, please register early by completing the registration forms (accessible by clicking on the above event titles).

### Members' Handbook

#### 2. Handbook Updates No. 173 - 175

- (i) **Update No. 173** contains PN 730 (Revised) *Guidance for Auditors Regarding Preliminary Announcements of Annual Results* and PN 852 (Revised) *Review of Lottery Accounts*.
- (ii) **Update No. 174** contains the amendments to HKFRS 15 *Revenue from Contracts with Customers* follows from the IASB's decision in July to defer the effective date of IFRS 15 *Revenue from Contracts with Customers* from 1 January 2017 to 1 January 2018. Companies applying HKFRS continue to have the option to apply the Standard early.

- (iii) **Update No. 175** contains 2015 *Amendments to the Hong Kong Financial Reporting Standard for Private Entities* ("HKFRS for Private Entities") in response to the IASB's issuance of the 2015 limited amendments to the *International Financial Reporting Standards for Small and Medium-sized Entities* ("IFRS for SMEs").

The key changes to the *HKFRS for Private Entities* are:

- Allowing an option to use the revaluation model for property, plant and equipment; and
- Replacing the modified text in section 29 Income Tax of *HKFRS for Private Entities* with the revised section 29 of the amendments to the *IFRS for SMEs*. As a result of this change, the recognition and measurement requirements for deferred income taxes of *HKFRS for Private Entities*, *IFRS for SMEs* and International Accounting Standard 12 *Income Taxes* are now aligned.

Entities reporting using the *HKFRS for Private Entities* are required to apply the amendments for annual periods beginning on or after 1 January 2017. Earlier application is permitted provided all amendments are applied at the same time.

### Financial Reporting

#### 3. The Institute's Financial Reporting Standards Committee Meeting Minutes

The **minutes** for the FRSC meeting held on 7 July 2015 is now available and covers the following key items:

- IASB's narrow-scope proposal on pension accounting;
- IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*;

- Report from Business Combinations under Common Control Working Group; and
- Report from Companies Ordinance Application Issues Working Group.

## Audit & Assurance

### 4. The Institute's Auditing and Assurance Standards Committee Meeting Minutes

The [minutes](#) for the AASC meeting held on 21 July 2015 is now available and covers the following key items:

- AATB 1 (Revised) *Assistance Options to New Applicants and Sponsors in Connection with Due Diligence Obligations, including Internal Controls over Financial Reporting*;
- Proposed Circular on Reporting to Grantees of the Language Fund;
- Proposed Description of Auditor's Responsibilities; and
- Proposed HKSA 720 (Revised) *The Auditor's Responsibilities Relating to Other Information*.

## Ethics

### 5. Institute Comments on IESBA ED

The Institute [commented](#) on IESBA Exposure Draft ("ED") on Responding to Non-Compliance with Laws and Regulations ("NOCLAR").

The Institute supports the principle that professional accountants have a responsibility to act in the public interest and recognizes that the aim of the ED is to guide professional accountants in assessing the implications of suspected or identified NOCLAR and to determine an appropriate response.

The Institute welcomes the alignment of the scope of laws and regulations with that of ISA 250 *Consideration of Laws and Regulations in an Audit of Financial Statements* under the new proposals. The Institute also supports the differential approach for the four categories of

professional accountants when responding to suspected or identified NOCLAR.

The current proposals extend the professional accountant's current role in responding to suspected or identified NOCLAR that are deemed potentially substantially harmful to the wider public, in particular, to consider whether to disclose the matter to an appropriate authority even if disclosure is not required by law or regulation. Although the proposals have set out various subjective criteria and have introduced the third party test for assessing the need for, and the nature and extent of, further action, the lack of precise criteria and how various factors interrelate may still create an expectation that professional accountants are obliged to disclose NOCLAR to an appropriate authority. Accordingly, the Institute suggests that further guidance or clarification on the level of threshold for taking further action would be helpful in order to facilitate consistent application of the proposed requirements.

## International Meetings

### 6. International Accounting Standards Board

The IASB met on 21-24 September 2015 and discussed the following topics:

- Insurance Contracts
- Disclosure Initiative
- Revenue from Contracts with Customers
- Research Programme
- Conceptual Framework
- IFRS Implementation Issues
- Business Combinations
- Financial Instruments with Characteristics of Equity
- Discount Rates

Click to view the [IASB Update](#) for this meeting. The IASB next meets on 19-23 October 2015.

## 7. IFRS Interpretations Committee

The IFRS Interpretations Committee met on 8-9 September 2015 and discussed issues related to the following standards:

- IFRS 9 *Financial Instruments*
- IAS 28 *Investments in Associates and Joint Ventures*
- IFRS 11 *Joint Arrangements*
- IAS 16 *Property, Plant and Equipment*
- IAS 38 *Intangible Assets*
- IFRIC 12 *Service Concession Arrangements*
- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
- IAS 32 *Financial Instruments: Presentation*
- IAS 39 *Financial Instruments: Recognition and Measurement*
- 2015 Agenda Consultation

Click to view the [IFRIC Update](#) for this meeting. The IFRS Interpretations Committee next meets on 10-11 November 2015.

## 8. IASB Accounting Standards Advisory Forum

The IASB ASAF met on 1-2 October 2015 and discussed the following key topics:

- 2015 Agenda Consultation
- Conceptual Framework
- Clarifications to IFRS 15 *Revenue from Contracts with Customers*
- Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value
- Pollutant Pricing Mechanisms

- Equity Method of Accounting

The Asian-Oceanian Standard-Setters Group (represented by the Institute) is a member of the IASB ASAF. The views and concerns of Hong Kong Stakeholders on most of the key topics above were sought and represented at the ASAF meeting.

The IASB ASAF next meets on 7-8 December 2015. Click [here](#) for details of the December meeting and the meeting summary for the October 2015 meeting.

## 9. International Auditing and Assurance Standards Board

The IAASB met on 21-25 September 2015 and discussed the following key topics:

- ISA 800 *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks / ISA 805 Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*
- Integrated Reporting
- Enhancing Audit Quality
- Professional Skepticism
- Audit Data Analytics
- IFRS 9 Presentation
- Special Audit Considerations Relevant to Financial Institutions
- Innovation

Click to view the [meeting summary](#) for this meeting. The IAASB next meets on 7-11 December 2015.

## 10. International Ethics Standards Board for Accountants

The IESBA met on 15-16 September 2015 and discussed the following key topics:

- Structure of the Code of Ethics for Professional Accountants
- Safeguards
- Part C of the Code Addressing Presentation of Information and Pressure to Breach the Fundamental Principles
- Ethical Considerations Relating to Audit Fee Setting in the Context of Downward Fee Pressure

Click to view the [meeting summary](#) for this meeting. The IESBA next meets on 30 November – 4 December 2015.

## Useful Resources

### 11. Publications

EY published a [summary](#) of items discussed by members of the Joint Transition Resource Group for revenue recognition.

EY published an [illustrative IFRS consolidated financial statements](#) and a [disclosure checklist](#) for 2015 year ends.

The IAASB published a [staff alert](#) on auditor's responsibilities when the engagement partner is not located where the majority of the audit work is performed.

The IASB published a [speech](#) by its Chairman Hans Hoogervorst on impairment requirement under IFRS 9 *Financial Instruments*.

## Comment Due Dates

Comments to the Institute on the following consultation document is due by:

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

## Advocacy and Practice Development/ Member Support

### Small & Medium Practitioners

#### 12. 2015 IFAC Global SMP Survey

Small and Medium Practitioners ("SMPs") are encouraged to participate in the [2015 IFAC Global SMP Survey](#), which should take less than 10 minutes to complete and will be closed on 30 November 2015.

The survey is IFAC's seminal annual initiative that helps it and its member bodies better understand and serve SMP constituents, raises awareness of SMPs' needs and challenges and the role and value of SMPs globally. Responses will contribute to global insights for the profession, which will help the Institute and IFAC better direct resources to support SMPs and their clients.

The [2014 survey](#) generated over 5,000 responses from SMPs around the world. Findings include general optimism about the year ahead, and evidence that advisory is increasingly important to SMPs' revenue growth.

#### 13. Guide to Compilation Engagements

IFAC has issued a [new guidance](#) to help SMPs apply the International Auditing and Assurance Standard Board's revised International Standards on Related Services ("ISRS") 4410 *Compilation Engagements*.

Practitioners can use the Guide as an introduction to compilation engagements, to deepen their prior understanding and knowledge, as a day-to-day reference guide, or as the basis for training modules. It includes practical guidance on the application of the ISRS 4410 requirements and "Consider Points" which offer suggestions to facilitate efficiency and address areas where practitioners often encounter difficulties. Featuring illustrative

examples alongside relevant extracts from the standard, the Guide also includes appendices with key checklists and forms that practitioners can use or modify to meet the requirements of their particular jurisdiction.

#### 14. IFAC Global Knowledge Gateway – Video Series

The following video series that are recent additions to the [IFAC Global Knowledge Gateway](#) may be relevant and of interest to SMPs.

- (i) In parts eight and nine of this nine-part video series [Perspectives on Strengthening Small- and Medium-Sized Practices](#), IFAC SMP Committee chair Giancarlo Attolini discusses an approach to managing client relationships that involves profiling clients according to four categories and identifies key practice management metrics.

The earlier parts of this series cover Giancarlo's discussion on the importance of small- and medium-sized entities ("SMEs") to the global economy and the [IFAC Guide to Practice Management for SMPs](#), his insights on new service that firms can provide to their SME clients, the importance of networking in building and cultivating relationships between SMPs and SMEs and his ideas on staff development and technological awareness.

- (ii) In the first part of a new video series [Doing the Right Thing, Even when No One Is Looking: Thinking beyond Ethics](#), Mats Olsson, a member of the IFAC SMP Committee, discusses how doing the right thing for your clients and practice is much broader than only behaving ethically – and making changes in your behavior and activities can improve your client's business and enhance your role as a trusted advisor.

### Corporate Finance

#### 15. Proposal for Weighted Voting Rights Structure Put on Hold

The Listing Committee of the Stock Exchange of Hong Kong has decided, after considering the views of the board of the Securities and Futures Commission ("SFC"), that it will not proceed with finalizing its draft proposal on weighted voting rights for discussions with stakeholders nor seek to put forward a proposal for a formal consultation, as [originally proposed](#).

The Listing Committee's views on the acceptability of primary and/or secondary listings by companies with weighted voting rights structures are summarized in the [press release](#).

### Taxation

#### 16. 2016 Annual Meeting with Inland Revenue Department – Call for Agenda Items

The next annual meeting between the Institute and Inland Revenue Department ("IRD") will be held in early 2016 to discuss matters of common interest or concern in relation to tax practice and procedure.

Members who would like to suggest items for the Institute to raise at the meeting, should use [this form](#) to provide a brief and clear explanation of the issue, and return the form to the Institute via e-mail to [tf@hkicpa.org.hk](mailto:tf@hkicpa.org.hk), by **30 October 2015**.

Members will note that the annual meeting considers matters of general interest or concern rather than discussing specific cases. Questions addressed at past annual meetings can be found in the [minutes of the previous meetings](#).

## 17. Announcements by the IRD

Members may wish to be aware of the following matters:

- **The business registration notice** issued by the IRD.
- The gazette of **the orders on tax information exchange agreements with Nordic jurisdictions, i.e. Denmark, the Faroes, Greenland, Iceland, Norway and Sweden, and protocol regarding avoidance of double taxation arrangement with the Mainland.**

### Legislation & Other Initiatives

## 18. Anti-Money Laundering Notices

Members may wish to note the following notices and publications in relation to anti-money laundering/ combating the financing of terrorism ("AML"):

- **Government notice 6440:** An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **Government notice 6853:** An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **Government notice 7002:** 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:

- Updated guidance on conditions for waivers from strict compliance with Main Board rule 4.04(1) and Growth Enterprise Market rules 7.03(1) and 11.10 (**HKEx-GL25-11**)
- **Addition of frequently asked questions on disclosure of financial information with reference to New Companies Ordinance** (FAQ series 31)
- **New Country Guide – The State of Nevada, USA**
- **Report** on initial public offering applications, delisting and suspensions (as at 30 September)

(ii) SFC has published:

- **Financial Review of the Securities Industry for the half year ended 30 June 2015**
- **Takeovers Bulletin (issue no. 34)** clarifies that both the whitewash waiver and the underlying transactions that will trigger the general offer obligation under Rule 26.1 must be approved by an independent vote. There is also an update on post-publication review of the Schedule disclosure requirement regime, and reminders to market practitioners to submit advanced drafts of documents to

the Executive for vetting, and to consult the Executive in relation to employee benefit trusts

(iii) Other publications:

- **Hong Kong drives to become a corporate treasury hub with new policies and incentives** by PwC
- **CFOs – Vanguard or Villains** by Analytics-Based Performance Management LLC
- **Audit Committee Brief** by Deloitte
- **Businesses need moral courage in the digital age** by Economia
- **Capturing Southeast Asia's financial-system opportunity** by McKinsey & Company