



Dear Assignment/News/Business Section Editor

## **Hong Kong Institute of Certified Public Accountants takes regulatory action against a certified public accountant (practising) and a corporate practice**

(Hong Kong, 3 July 2015) - The Hong Kong Institute of Certified Public Accountants has undertaken regulatory action against a certified public accountant (practising), So Kwok Keung, Keith and a Corporate Practice, East Asia Sentinel Limited, a corporate practice ("Respondents"), for their failure or neglect to observe, maintain or otherwise apply a professional standard issued by the Institute.

So was the engagement director of the corporate practice which issued an unqualified opinion on the unaudited pro forma financial information ("UPFI") contained in a circular issued by a listed company for the purpose of an acquisition of the entire remaining interest of a subsidiary.

The Institute received information from The Stock Exchange of Hong Kong Limited which concerned So's concurrence with the company's decision to treat the excess investment costs over the company's share of the remaining interest arising from the acquisition as goodwill under non-current assets in the UPFI. This accounting treatment was incorrect under the Hong Kong Accounting Standard 27 (Revised) *Consolidated and Separate Financial Statements* as the transaction should be accounted for as an equity transaction.

Therefore, the Institute concluded that the Respondents were in breach of Hong Kong Standard on Investment Circular Reporting Engagements 300 *Accountants' Reports on Pro Forma Financial Information in Investment Circulars* which requires that reporting accountants must provide reasonable assurance that adjustments made in the UPFI are appropriate.

### **Regulatory action**

Based on the foregoing and in lieu of further proceedings, the Council concluded that the following Resolution should resolve the complaint:

1. The Respondents acknowledge the facts of the case and their non-compliance with the relevant professional standard;
2. The Respondents be reprimanded; and
3. The Respondents pay an administrative penalty of HK\$30,000 and costs of HK\$10,000.

In accordance with Council powers outlined in the Professional Accountants Ordinance and as a part of the regulatory process to handle complaints, a Resolution by Agreement (RBA) may be offered to respondents in cases considered to be moderate after taking into account factors including, but not limited to, the nature and seriousness of a complaint,

past disciplinary records of the respondents and any aggravating or mitigating circumstances. An RBA will not be offered in cases involving complaints of dishonesty.

Information on the Institute's complaint handling process and guidelines for Resolution is available at the Institute website under the "Compliance" section at [www.hkicpa.org.hk](http://www.hkicpa.org.hk).

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### **About the Hong Kong Institute of Certified Public Accountants**

The Hong Kong Institute of CPAs is the only body authorized by law to register and grant practising certificates to certified public accountants in Hong Kong. The Institute has more than 38,000 members and more than 18,000 registered students. Members of the Institute are entitled to the description *certified public accountant* and to the designation CPA.

The Hong Kong Institute of CPAs evolved from the Hong Kong Society of Accountants, which was established on 1 January 1973.

The Institute operates under the Professional Accountants Ordinance and works in the public interest. The Institute has wide-ranging responsibilities, including assuring the quality of entry into the profession through its postgraduate qualification programme and promulgating financial reporting, auditing and ethical standards in Hong Kong. The Institute has responsibility for regulating and promoting efficient accounting practices in Hong Kong to safeguard its leadership as an international financial centre.

The Hong Kong Institute of CPAs is a member of the Global Accounting Alliance – an alliance of the world's leading professional accountancy bodies, which was formed in 2005. The GAA promotes quality services, collaborates on important international issues and works with national regulators, governments and stakeholders.

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