



TechWatch

News at a glance

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TechWatch updates you on technical developments in financial reporting, auditing, regulation and business. The Institute welcomes your comment, emailed to < commentletters@hki CPA.org.hk >. Click [here](#) for past issues.

Contents

Spotlight

1. [Handbook Update No. 53](#)
2. [Re-run of Popular TUE Topics](#)

Financial Reporting

3. Institute Issues New Hong Kong (IFRIC) Interpretations (Handbook Update No. 53)
 - (i) [HK\(IFRIC\) Interpretation 15 Agreements for the Construction of Real Estate](#)
 - (ii) [HK\(IFRIC\) Interpretation 16 Hedges of a Net Investment in a Foreign Operation](#)

Audit & Assurance

4. [Chinese Translation on Reporting](#)

Insolvency

5. [Restructuring and Insolvency Faculty](#)

Legislation & Other Initiatives

6. [Government Notices Relating to Anti-money Laundering/Combating Terrorism Financing](#)
7. [Companies Registry's Sample Form](#)

International Meetings

8. [International Accounting Standards Board](#)
9. [International Financial Reporting Interpretations Committee](#)
10. [International Auditing and Assurance Standards Board](#)
11. [International Ethics Standards Board for Accountants](#)

For Information

12. [Invitation to Join Professional Interest Groups](#)

For New Publications

13. [New Books in the Library](#)
14. [Other Publications](#)

Comment Due Dates

TechWatch is prepared by the Hong Kong Institute of CPAs and is intended for general guidance only. Professional advice should be taken before applying the content of this publication to your particular circumstances. While the Institute endeavours to ensure that the information in this publication is correct, no responsibility for loss to any person acting or refraining from action as a result of using any such information can be accepted by the Institute.

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Spotlight

1. Handbook Update No. 53

Update No. 53 encloses HK(IFRIC) Interpretation 15 *Agreements for the Construction of Real Estate* and HK(IFRIC) Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*. Consequential amendments to HKAS 18 *Revenue* are also enclosed. Further details are set out in the “Financial Reporting” section below.

2. Re-run of Popular TUE Topics

The **TUE programme** covering the period from September to November 2008 features a number of re-runs of the important and popular financial reporting and auditing topics, which include:

- Issues in Implementing HKFRSs
- Points to Note for Auditors
- HKAS 27 (Revised) *Consolidated and Separate Financial Statements*
- HKFRS 3 (Revised) *Business Combinations*
- HKAS 1 (Revised) *Presentation of Financial Statements*

To secure your seats, please register early by completing the [registration form](#) and returning it to the Institute.

Financial Reporting

3. Institute Issues New Hong Kong (IFRIC) Interpretations (Handbook Update No. 53)

- (i) HK(IFRIC) Interpretation 15 *Agreements for the Construction of Real Estate*

HK(IFRIC)–Int 15 is effective for annual periods beginning on or after 1 January 2009, and it shall be applied retrospectively. Earlier application is permitted.

The Interpretation provides guidance on the following two issues:

- determining whether an agreement for the construction of real estate is within the scope of IAS 11 or IAS 18; and
- when revenue from the construction of real estate should be recognised.

This Interpretation will, on 1 January 2009, supersede HK Interpretation 3 *Revenue – Pre-completion Contracts for the Sale of Development Properties* issued in 2005.

- (ii) HK(IFRIC) Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*

HK(IFRIC)–Int 16 is effective for annual periods beginning on or after 1 October 2008. Earlier application is permitted.

If an entity has designated a hedging instrument as a hedge of a net investment but the hedge does not meet the conditions for hedge accounting in this Interpretation, the entity shall apply HKAS 39 *Financial Instruments: Recognition and Measurement* to discontinue that hedge accounting prospectively.

The Interpretation provides guidance on the following three issues:

- identifying the foreign currency risks that qualify as a hedged risk in the hedge of a net investment in a foreign operation;
- where, within a group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting; and
- how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.

Staff Summary of Financial Reporting Standards prepared by the Standard Setting Department provides more details on the new HK(IFRIC) Interpretations.

Audit & Assurance

4. Chinese Translation on Reporting

Suggested **Chinese translation** of reporting on general charitable fund-raising activities covered by the Social Welfare Department's public subscription permits (other than flag days) is now available.

Insolvency

5. Restructuring and Insolvency Faculty

On 15 August 2008, the Restructuring and Insolvency Faculty ("RIF") issued its first e-newsletter, "The IP's Voice". The e-newsletter, containing news and articles of interest to the restructuring and insolvency profession in Hong Kong, was issued exclusively to RIF members.

Legislation & Other Initiatives

6. Government Notices Relating to Anti-money Laundering/Combating Terrorism Financing

Members may wish to note that the following updated lists have been published in the government gazette or other publications:

- **Government notice 4982:** Terrorists and terrorist associates specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **US Executive Order 13224:** Adds names of individuals and entities to the 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 anti-money laundering, see the Institute's **Legal Bulletin 1**, "Requirements on Anti-money laundering, Anti-terrorist financing and Related Matters".

7. Companies Registry's Sample Form

Subsequent to the introduction of new incorporation forms with effect from 11 July 2008 (see **TechWatch No. 68**), the Companies Registry has prepared a **sample** Form NC1 - Incorporation Form (Company limited by shares) to assist applicants in completing the form.

International Meetings

8. International Accounting Standards Board

The IASB will meet in London on 15 – 19 September 2008. Click [here](#) for the forthcoming meeting papers.

9. International Financial Reporting Interpretations Committee

The IFRIC will meet in London on 4 – 5 September 2008. Click [here](#) for the meeting papers.

10. International Auditing and Assurance Standards Board

The IAASB will meet in Miami, United States, from 15 – 19 September 2008. Click [here](#) for registration and the background papers.

11. International Ethics Standards Board for Accountants

The IESBA will meet in London, United Kingdom from 10 – 12 December 2008. Click [here](#) for the background papers and meeting summary of the June 2008 meeting in Belgium.

For Information

12. Invitation to Join Professional Interest Groups

Members are invited to join the **Corporate Finance Interest Group ("CFIG")** and the **Taxation Interest Group ("TIG")**. These professional interest groups provide forums for CPAs and other professionals working in the same sector to network and exchange views and discuss matters of interest and concern.

They also provide professional development on areas specific to the interest group members through various discussion forums and seminars.

New membership year for these two interest groups runs from July 2008 to June 2009. Join now by completing the membership application forms for **CFIG** and **TIG** and return them to the Institute.

Please send comments to
< commentletters@hkicpa.org.hk >

New Publications

13. New Books in the Library

New books of high reference value for members are now available in the library. Please click [here](#) to view a full list of reference books.

14. Other Publications

Ernst & Young and PricewaterhouseCoopers have issued illustrative interim financial statement prepared in accordance with IAS 34 *Interim Financial Reporting*, entitled, “**Good Group (International) Limited – Illustrative interim condensed consolidated financial statements**” and “**Illustrative interim financial information for existing IFRS preparers**”, respectively.

Comment Due Dates

10 September 2008: IFAC Exposure Draft on Code of Ethics for Professional Accountants – Proposals to Clarify

10 September 2008: Exposure drafts on internal controls issued by mainland financial regulators in relation to guidance on **auditing**, **assessment** and **application** to the **enterprise internal control framework** effective for mainland listed companies from 1 July 2009.

30 September 2008: HKICPA Discussion Paper on Financial Reporting by Private Companies

30 September 2008: HKICPA Exposure Draft on Proposed Amendments to SME-FRF and Proposed Sections of SME-FRS