

# Accounting for the Art of Success



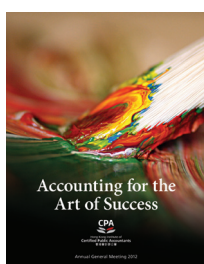
Hong Kong Institute of  
**Certified Public Accountants**  
香港會計師公會

Annual General Meeting 2012

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## **About the cover**

*The cover shows a paintbrush over a palette of paint during the process of making a work of art. This year the Hong Kong Institute of CPAs has chosen art as the theme of its annual report, drawing parallels between the success stories of Hong Kong's booming art scene and the accounting profession. Short vignettes are also featured about our members' ties to the art world. Please refer to the annual report for details. You can view it online on the Institute's website [www.hkicpa.org.hk](http://www.hkicpa.org.hk) or write to us to request a hardcopy.*





# President's report

*Looking ahead, the Institute's Council will continue to strengthen its seven pillars – constitution and governance; qualification and education; standards, ethics and regulation; member support and development; Mainland and international; communication and branding; and making a difference to society and thought leadership.*

Dear members,

It has been a very great honour for me to have served as your president and chaired the Institute's Council in 2012. When I began my term, my priority was to listen to a wider and more diverse range of voices from members. Whether junior or senior, in business or in practice, our members are the success ingredients of the Institute.

To achieve this, I resolved to participate in as many members' activities as I could, meeting you face to face and hearing what issues are important to you.

I also engaged in dialogue with the Institute's other stakeholders, especially the government, given its commitment to regulatory reform on auditing. While the introduction of clause 399 to the Companies' Ordinance – relating to the criminal liability of auditors – was not a desirable outcome for the profession, it was heartening to see a united front and strong lobbying from our members and other accounting bodies. It was a genuine moment of solidarity.

In December 2011, the Institute convened an extraordinary general meeting at which a resolution was voted upon about changing the way the Institute's president and vice presidents are elected. The proposal was voted down by 1,250 votes to 964. We will continue to evaluate the Institute's election processes through the governance review task force.

EGMs such as this are important platforms for debate, despite the time, cost and resources involved in convening

them. We encourage our members to voice their diverse opinions using the many channels available.

An important transition in the Institute's management took place this year. Winnie C.W. Cheung retired as chief executive and registrar on 30 June 2012 after 22 years of inspirational service. When she announced her plan to retire, we committed the Institute to a smooth transition using an open and independent recruitment process.

On 1 July, our new chief executive and registrar, Raphael Ding, took the helm. Raphael has been a Council member since 2007, has served on many committees – including as chairman of the ethics committee and the professional standards monitoring committee – and has shown his knowledge and understanding of the diverse and complex operations of the Institute.

Accounting is one of the city's most committed professions when it comes to public affairs. In February 2012, the Institute invited the candidates running to be Chief Executive of Hong Kong to present their election platforms and answer questions from our members and the 30 election committee members from the accountancy subsector. The Institute held another forum before the Legislative Council election in September 2012 for members to meet the four candidates standing for the accountancy functional constituency election.

Many of our resources this year have been devoted to furthering our qualification programme, especially in

the Mainland. The QP is one of the world's most rigorous programmes for training CPAs and the Institute believes that China offers great potential for the programme's growth. That, along with our profession's increasingly closer ties with the Mainland, is one of the reasons I have been practising my Mandarin hard this year: so I can better support the Institute's Mainland functions, delegations and presentations.

Our outreach activities go beyond China, of course. We continue to be deeply involved in the Global Accounting Alliance, the International Accounting Standards Board and the International Federation of Accountants and will continue contributing our voice to global standard setting and other issues that affect the profession worldwide. One of those issues is sustainability, which was the focus of our conference in late October 2012.

We continue to recognize the need for specialization within the profession, such as through our specialist accreditations in insolvency and taxation. There has been a range of reactions to specialization, including some that have spurred interesting and active debate. However, the Institute strongly believes that specialization is the right direction to take as it helps our members develop skills that add value to Hong Kong as a world financial market.

Another important segment of our profession is small- and medium-sized practitioners, whom we encourage to diversify in the services they provide. To support their efforts, we make sure their integrity, status and reputation are not compromised by the presence of CPA imposters, who claim to provide professional auditing services to the public despite not possessing the relevant qualifications and skills to do so. We are working with the Hong Kong Police and government departments, such as the Companies Registry and the Inland Revenue Department, to crack down on such illegal behaviour.

Our young members – who never fail to impress their more senior colleagues with their engagement, commitment and enthusiasm – best represent the confident future of our profession. With the 25.35 group, we have established a network of young members to share experiences, discuss common issues and be involved in projects to cultivate a sense of belonging to the Institute. We intend to keep providing effective channels of communication among them and between them and the Institute, offering mentorship and nurturing young members to become future leaders.

One way we can help develop young members is to inculcate our code of ethics, which provides guidance on identifying, evaluating and managing conflicts of interest

for accountants in business and in public practice. For the benefit of all members, we will closely monitor proposed changes to the code by the International Ethics Standards Board for Accountants.

We maintain our commitment to meet our corporate social responsibility and in August 2012 we published the third book in the May Moon series for children. *May Moon's Book of Choices* helps children learn about ethics and money morals, and is part of the Institute's "Rich Kid, Poor Kid" programme. It involves more than 200 CPA volunteers visiting primary and secondary schools to teach children why money is important – but not too important. The programme is a real benefit we can bring to Hong Kong families as CPAs.

Looking ahead, the Institute's Council will continue to strengthen its seven pillars – constitution and governance; qualification and education; standards, ethics and regulation; member support and development; Mainland and international; communication and branding; and making a difference to society and thought leadership. The Institute's Council and management discussed these pillars as set out in the Sixth Long Range Plan at an annual away day in Shenzhen, charting the direction of the Institute and reviewing the budget for the years ahead.

The long range plan is especially crucial, given continuing global economic uncertainty and volatility, coupled with the inevitable easing of growth in the Mainland as its market matures. It will help us firmly position ourselves and create new opportunities.

Finally, let me offer my very heartfelt thanks to the Institute's staff, committee members, vice presidents and Council members for their unceasing commitment to achieving our goals, as well as to all those tireless members who volunteer their time, energy and expertise to our ever-expanding activities.

Sincere regards,

**Keith Pogson**

President



# Chief Executive and Registrar's review

*I feel honoured to be in the position and I am committed to serve the Institute and the accounting profession with my best skill and ability.*

Dear members,

First of all, let me express my delight to be appointed as the new chief executive and registrar of the Institute. I feel honoured to be in the position and I am committed to serve the Institute and the accounting profession with my best skill and ability.

This year, audit regulation has attracted significant attention, not only within the Institute, but also in the government, the Legislative Council and Hong Kong society at large, triggered by the introduction of the controversial clause 399 to the Companies Ordinance.

Clause 399 significantly exposes auditors to civil claims as a disgruntled shareholder may “piggyback” a civil claim on a criminal sanction in relation to an auditor’s “recklessness,” a legal concept that is largely untested as to how it applies to auditing. Clause 399 makes auditor liability reform in Hong Kong more pressing. Our main task ahead is to continue our discussions with the government and other stakeholders to put through this reform. Meanwhile, the Institute’s auditing and assurance standards committee is tasked to develop guidance for our members in relation to clause 399.

For years, the Institute has been working with Mainland authorities to ease restrictions for members doing business there. Supplement IX of the Mainland and Hong Kong Closer Economic Partnership Arrangement introduces a pilot

scheme to allow Hong Kong CPAs who have obtained the CICPA qualification and the necessary practical experience to become partners of Mainland accounting firms in Qianhai Bay, a financial hub under development near Shenzhen. This adds to existing opportunities the Institute has created for Hong Kong accountants on the Mainland, such as mutual examination paper exemptions with the CICPA.

The Institute remains committed to maintain convergence between Hong Kong and Mainland standards. In addition to the convergence of accounting and auditing standards already achieved, in November 2011, we signed another declaration with the CICPA, this time on the convergence of our respective *Code of Ethics for Professional Accountants*.

The Institute’s strong participation in global accounting and standard setting bodies, such as the IASB, IFAC and GAA, ensures our voices are heard internationally. Upon nomination by the Institute, Professor Judy Tsui, vice president (international and executive education) of The Hong Kong Polytechnic University, was appointed as a member of the influential IFAC Nominating Committee in January 2012.

Our qualification programme continues to grow, both in terms of the number of new students and the extent of mutual recognition with international accounting institutes. On 24 October 2011, the Institute signed a mutual recognition agreement with the International Qualifications Appraisal



Board in the United States. The agreement, which is in force until 23 October 2016, means CPAs in Hong Kong and the U.S. will be able to gain designation in each other's jurisdictions without going through the entire qualification process.

Making strides to develop QP in the Mainland, we set up our first resources centre in Zhuhai to provide on-site support to students from our accredited universities for QP enrolments and examinations. We are also taking steps to establish another resources centre in Shanghai. Together with our office in Beijing, we have established a good base to promote the Institute's brand, of which QP is a significant element, in the Mainland and to serve QP students from the 13 universities located in key Mainland cities that we have accredited to date.

We continue our efforts to promote specialization as it is important for the future of our profession. This year, we started the enrolment for the new advanced diploma in specialist taxation and in early July 2012, we set up the taxation faculty. The tax programme follows the Institute's success with the diploma in insolvency, which was given specialist qualification status in June 2010, and the introduction of Institute's first specialist designation in insolvency in December 2010.

The Institute recorded a deficit – of HK\$8 million – in this financial year. The deficit is the result of the expansion of activities to enhance QP, promote our QP in Mainland and expand membership support, and accumulated cost inflation over the last five years during which we have maintained the same fee levels. With the anticipated depletion of the Institute's reserves if we continue with the same level of activities and fees, the Council sees it necessary to take steps to prevent the Institute from falling into a structural deficit situation. The Council at its September 2012 meeting therefore decided to make small fee increases to ensure adequate financial resources are available to support the Institute's statutory and membership functions. Management is also conducting an organization review to ensure the Institute has the right structure and the right mix of talents to efficiently implement the tactical action plans under the Sixth Long Range Plan that is under development.

The Hong Kong Institute of Accredited Accounting Technicians is experiencing a continuous fall in number of students and members in recent years due to the changing education landscape in Hong Kong. The HKIAAT's deficit this year was HK\$3.3 million, and we are rigorously reviewing its future operation model and its organization and funding structures.

For members working in business, we held regular forums including several industry-specific focus group discussions for public sector accountants and those working in the retail and catering sectors. We kept professional accountants in business up to date with recent developments via our dedicated e-newsletters and played an active role in the international arena through our representation on the IFAC PAIB committee.

We stepped up efforts to protect our small- and medium-sized practices by working with the Hong Kong Police, the Companies Registry, the Inland Revenue Department and our LegCo representative to crack down on CPA imposters.

This year, we particularly looked to engage our younger members. The 25.35 group Facebook was formed and has since become very popular, with more than 1,000 members having signed up. Throughout this year, we organized a number of events for our young members, including the networking party in June and the Guangzhou study tour this summer.

Social activities are important for providing networking opportunities to our members and maintaining their work-life balance. Our sports and recreation club continues to thrive as do the many interest groups started by our members.

Meanwhile, our care for community is unwavering. Our third children's book, *May Moon's Book of Choices*, applies the expertise and experience of CPAs to help young readers learn ethics and money morals.

This year, the 2011 annual report won several accolades at the International ARC Awards, while *A Plus* won an award for business reporting at the Society of Publishers in Asia editorial competition.

I encourage you to read the body of the annual report, which is available on the Institute's website, to gain a deeper insight into the many accomplishments of the Institute this year.

All the accomplishments of the Institute are the work of many people. Our profession prospers because of the dedication of members of our Council, our committees and working groups, our staff and, of course, the support of all our members. Thank you all for making 2012 a vigorous and special year for the Institute and Hong Kong's accounting profession.

Last but not least, I wish to thank my predecessor, Winnie Cheung, for all the achievements under her eight-year tenure as chief executive of the Institute.

Sincere regards,

**Raphael Ding**

Chief Executive and Registrar

# Notice of the 40th annual general meeting

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NOTICE IS HEREBY GIVEN that the 40th annual general meeting of the Hong Kong Institute of Certified Public Accountants will be held in the Auditorium, 27th floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong on Friday, 14 December 2012 at 5:30 p.m. for the following purposes:

1. To receive the President's address.
2. To receive the annual report of the Institute and approve the statement of accounts.
3. To appoint an auditor of the Institute under Professional Accountants by-law 42.
4. To elect seven Council members in accordance with sections 12 and 13 of the Professional Accountants Ordinance.
5. To transact any other ordinary business.

By order of the Council

**Raphael DING**

Registrar

Hong Kong Institute of Certified Public Accountants

Dated this 2nd day of November 2012

# Election of Council members at the 40th annual general meeting

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## Composition of the Council – section 10, Professional Accountants Ordinance

The Council shall consist of the following members: two ex-officio members, 14 elected members, the immediate past President of the Institute, up to two co-opted members and four lay persons appointed by the Chief Executive of the Hong Kong Special Administrative Region.

The two ex-officio members are:

- a. The Financial Secretary or a person appointed by him as his representative; and
- b. The Director of Accounting Services or a person appointed by him as his representative.

The immediate past President of the Institute is Tsai Wing Chung, Philip (蔡永忠), who is also an elected member. He shall hold office as a member of the Council until the conclusion of the 40th annual general meeting.

The four lay persons appointed by the Chief Executive of the Hong Kong Special Administrative Region are:

Ambrose Cheung Wing Sum (張永森)

Andrew Fung (馮孝忠)

Catherine K.C. Leung (梁嘉彰)

Edith Shih (施熙德)

A lay person shall not be appointed for a term exceeding two years but shall be eligible for re-appointment for a further term or terms of not exceeding two years each.

The 14 elected members shall be certified public accountants registered under section 24(1) of the Professional Accountants Ordinance, each of whom shall on the day of the annual general meeting be ordinarily resident in Hong Kong and of whom at the time of election:

- i. not less than six shall be certified public accountants in full time practice as certified public accountants (practising); and
- ii. not less than six shall be certified public accountants otherwise than in full time practice as certified public accountants (practising).

In other words, the 14 elected Council members may be made up as follows:

- i. six certified public accountants who are in full time practice as certified public accountants (practising) (hereafter represented by the letter “P”);
- ii. six certified public accountants who are not in full time practice as certified public accountants (practising), who may or may not hold a practising certificate (hereafter represented by the letter “N”); and
- iii. two certified public accountants of whom either one or both can be of category P or of category N as mentioned above.

*Note: It is pertinent to note that under section 10(4) of the Professional Accountants Ordinance, the Council may co-opt not more than two certified public accountants, each of whom should then be ordinarily resident in Hong Kong, as members of the Council. The current incumbents are Cheung Wing Han, Ivy (張穎嫻) (category P) and Gary Poon Tsun Wah (潘俊華) (category P). Under section 12(4), they shall hold office until immediately before the conclusion of the 40th annual general meeting and they shall be eligible to be co-opted again (subject to Council rules on continuous terms of co-option) or elected as members of the Council.*



## Retiring Council members

As prescribed by section 12 of the Professional Accountants Ordinance, the seven elected members who have been longest in office since their last election (at the 38th annual general meeting held on 17 December 2010) shall retire from office at the 40th annual general meeting, but shall be eligible for re-election.

These seven retiring members are:

Clement Chan (陳錦榮)	(Category P)
Raymond Cheng (鄭中正)	(Category P)
Cho Lung Pui Lan, Stella (左龍佩蘭)	(Category N)
Jack S.L. Chow (鄒小磊)	(Category N)
Dennis Ho Chiu Ping (何超平)	(Category P)
Doug Oxley (岳思理)	(Category N)
Tsai Wing Chung, Philip (蔡永忠)	(Category P)

The following seven Council members will hold office for one more year until the 41st annual general meeting:

Mabel M.B. Chan (陳美寶)	(Category P)
Susanna Chiu (趙麗娟)	(Category N)
Ronald Kung (龔耀輝)	(Category N)
Lam Chi Yuen, Nelson (林智遠)	(Category P)
Stephen Law (羅卓堅)	(Category N)
Keith Pogson (包凱)	(Category P)
Kim Man Wong (黃劍文)*	(Category N)

\* *Ding Wai Chuen, Raphael (丁偉銓), an elected member, retired with effect from 31 May 2012. The Council has appointed Kim Man Wong (黃劍文) under section 11(1) to fill the vacancy from 27 June 2012 and to hold office until the conclusion of the 41st annual general meeting.*

## Procedures for nomination

By-law 2(1A) states that “Only a certified public accountant, who shall on the day of the annual general meeting of the Institute be ordinarily resident in Hong Kong, shall become a candidate for election as an elected member of the Council.” For the purpose of this by-law, a person shall be treated as ordinarily resident if he or she has been present in Hong Kong for not less than 180 days in the preceding 12 months.

By-law 2(1) states that “A certified public accountant who is a candidate for election as an elected member of the Council shall be nominated by 2 certified public accountants.”

All nominations in writing, signed by the proposer and the seconder, together with a notice signed by the candidate giving his or her consent to stand for election, must reach the Registrar on or before 20 November 2012 at 5:30 p.m. A nomination form is enclosed for your convenience.

## Ballot for elected members of the Council – section 13(1)(b) and by-law 3

If the number of certified public accountants nominated as candidates for election to the Council exceeds the number of vacancies for elected members, the election shall be determined by ballot. In such a case, the Registrar shall, not less than 17 days before the annual general meeting (i.e. before 5:30 p.m. on 27 November 2012), send a ballot paper to each certified public accountant who shall be entitled to cast one vote in respect of each of the vacancies according to the prescribed ratios of category P and N members as illustrated below:

Elected Council members	Category P	Category N	Total
Present composition	7	7	14
Composition of retiring members at the 40th A.G.M.	4	3	7
Composition of remaining members at the 40th A.G.M.	3	4	7
Minimum – maximum number permissible	6 – 8	6 – 8	14
Minimum – maximum number of vacancies to be filled	3 – 5	2 – 4	7

Completed ballot papers must be returned to the Registrar not less than 72 hours before the date and time fixed for the annual general meeting (i.e. before 5:30 p.m. on 11 December 2012).

If equal votes have been cast between any candidates, the President shall have a casting vote to determine which one or more of these candidates shall be elected.

*Notes: 1. The above paragraphs are purely explanatory and members should always refer to the Professional Accountants Ordinance and By-laws for formal guidance on the election procedures.*

*2. Starting from 2005, members may choose to cast their votes online at the Institute's website. Details for voting online will be sent to members together with the ballot papers not less than 17 days before the 40th annual general meeting (i.e. before 5:30 p.m. on 27 November 2012).*

## Timetable

The following is a timetable governing the various stages of the election to be conducted in accordance with the Professional Accountants Ordinance and By-laws.

Procedures	Deadline	Authority
Nomination of Council members	20 November 2012 5:30 p.m.	By-law 2(3) (to be lodged with the Registrar not less than 24 days prior to A.G.M.)
Posting of nominations of Council members to members	27 November 2012 5:30 p.m.	By-law 2(5) (not less than 17 days prior to A.G.M.)
* Issue of ballot paper to members	27 November 2012 5:30 p.m.	By-law 3(1) (not less than 17 days prior to A.G.M.)
* Return of completed ballot paper to the Institute	11 December 2012 5:30 p.m.	By-law 3(4) (to be returned to the Registrar not less than 72 hours prior to A.G.M.)

\* According to section 13(1)(b), these procedures will become operative if the number of nominations exceeds the number of vacancies for elected members.

## Disclosure of election results

The results of the election will be disclosed to members on the Institute's website, [www.hkicpa.org.hk](http://www.hkicpa.org.hk), after the Council meeting at which the result is delivered by the auditor under by-law 3(5), and will be formally announced at the 40th annual general meeting at which the election is to be held.

# Hong Kong Institute of CPAs

## Nomination form for election to Council at the 40th A.G.M.

To nominate one certified public accountant to the Council of the Hong Kong Institute of Certified Public Accountants under Professional Accountants by-law 2.

(Please fill in using BLOCK LETTERS)

Name of candidate	Category (please refer to note A)	Name of proposer	Name of seconder
Membership no.:		Membership no.:	Membership no.:

### Explanatory notes

- The candidate, proposer and seconder please sign below.
- Signature by a candidate on this form will be accepted by the Registrar as sufficient notice that he or she is willing to offer himself or herself for election to the Council under by-law 2(2)(c). The signature also serves as a declaration by the candidate that he or she is ordinarily resident in Hong Kong under by-law 2(1A).
- Signature by a candidate on this form will constitute agreement on his or her part to abide by the disclosure practice of the Council, if he or she is elected to the Council.

**Under Professional Accountants by-law 2(1) and (2), we, the above-named certified public accountants propose and second the nomination contained herein.**

Candidate's signature	Category (please refer to note A)	Proposer's signature	Secunder's signature

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2012

### Notes

#### A. Please signify:

- by the letter "P" for the candidate who is in full time practice as a certified public accountant (practising);
- by the letter "N" for the candidate who is not in full time practice as a certified public accountant (practising), who may or may not hold a practising certificate.

A certified public accountant shall be regarded as being in full time practice as a certified public accountant (practising) if he –

- holds a practising certificate;
- is free to devote substantially the whole of his time during normal office hours to provide his services as a certified public accountant (practising); and
- has not entered into and there is not subsisting a contract of employment between him and an employer (other than an employer who is a certified public accountant (practising) or a firm of certified public accountants (practising) or a corporate practice) under which he is bound to devote the whole or substantially the whole of his time during normal office hours to his employment.

A certified public accountant holding a practising certificate shall not be treated as not being in full time practice as a certified public accountant (practising) by reason only of the fact that he is in the employment of a certified public accountant (practising) or a firm of certified public accountants (practising) or a corporate practice.

Normal office hours shall mean those hours at which banks are generally open for business in Hong Kong.

- In accordance with by-law 2(3), this nomination form must be duly signed and lodged with the Registrar before 5:30 p.m. on 20 November 2012 under confidential cover marked "Nomination."
- In accordance with the resolution made by the Council in January 1994, the number of votes received by individual candidates of the Institute's Council election should be disclosed. This practice has applied since the 22nd A.G.M.
- Please refer to the section "Election of Council members at the 40th annual general meeting," pages 8 to 10.



# Report of the Independent Auditor on the Summary Financial Statements

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## **To the members of Hong Kong Institute of Certified Public Accountants**

*(Incorporated in Hong Kong under the Professional Accountants Ordinance)*

The summary financial statements of the Hong Kong Institute of Certified Public Accountants (the “Institute”) set out on pages 13 to 19, which comprise the statements of financial position of the Institute and its subsidiaries (collectively referred to as the “Group”) and the Institute at 30 June 2012, and the statements of comprehensive income, the statements of changes in members’ equity and the statements of cash flows of the Group and the Institute for the year then ended, and related notes, are derived from the audited financial statements of the Group and the Institute for the year ended 30 June 2012. We expressed an unmodified audit opinion on those financial statements in our report dated 18 September 2012.

The summary financial statements do not contain all the disclosures required by Hong Kong Financial Reporting Standards issued by the Institute. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Group and the Institute.

## **Council’s responsibility for the summary financial statements**

The Council of the Institute is responsible for the preparation of a summary of the audited financial statements in accordance with section 16(4A) of the Professional Accountants Ordinance and on the basis described in note 1 to the summary financial statements.

## **Auditor’s responsibility**

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Hong Kong Standard on Auditing 810 *Engagements to Report on Summary Financial Statements* issued by the Institute. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **Opinion**

In our opinion, the summary financial statements derived from the audited financial statements of the Group and the Institute for the year ended 30 June 2012 are consistent, in all material respects, with those financial statements, on the basis described in note 1 to the summary financial statements.

### **Mazars CPA Limited**

Certified Public Accountants

42nd floor, Central Plaza

18 Harbour Road, Wanchai, Hong Kong

18 September 2012

### **Yip Ngai Shing**

Practising Certificate number: P05163

# Statements of Financial Position

At 30 June 2012

	Group		Institute	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>Non-current assets</b>				
Fixed assets	199,561	207,286	199,189	207,109
Investments in subsidiaries	-	-	-	-
Deferred tax assets	-	65	-	-
	<b>199,561</b>	<b>207,351</b>	<b>199,189</b>	<b>207,109</b>
<b>Current assets</b>				
Inventories	993	799	984	786
Receivables	1,580	2,563	3,272	3,790
Deposits and prepayments	5,381	4,744	5,178	4,489
Tax recoverable	12	52	12	-
Time deposits with original maturities over three months	-	47,803	-	30,133
Cash and cash equivalents	208,658	164,601	161,178	132,546
	<b>216,624</b>	<b>220,562</b>	<b>170,624</b>	<b>171,744</b>
<b>Current liabilities</b>				
Subscriptions and fees received in advance	(62,892)	(60,124)	(60,198)	(58,539)
Payables and accruals	(34,663)	(45,539)	(32,173)	(42,630)
Current tax liabilities	-	(2,990)	-	(2,972)
	<b>(97,555)</b>	<b>(108,653)</b>	<b>(92,371)</b>	<b>(104,141)</b>
<b>Net current assets</b>	<b>119,069</b>	<b>111,909</b>	<b>78,253</b>	<b>67,603</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	-	(36)	-	(36)
	<b>318,630</b>	<b>319,224</b>	<b>277,442</b>	<b>274,676</b>
<b>Members' equity</b>				
General fund	187,250	198,753	151,956	160,098
Capital fund	131,496	120,588	125,486	114,578
Exchange reserve	(116)	(117)	-	-
	<b>318,630</b>	<b>319,224</b>	<b>277,442</b>	<b>274,676</b>

Approved by the Council on 18 September 2012

**Keith Pogson**  
President

**Ding Wai Chuen, Raphael**  
Chief Executive and Registrar

# Statements of Comprehensive Income

For the year ended 30 June 2012

	Note	Group		Institute	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Subscriptions and fees	2	<b>122,414</b>	116,951	<b>118,762</b>	112,917
Other revenue	3	<b>90,701</b>	89,649	<b>84,442</b>	82,732
Total revenue		<b>213,115</b>	206,600	<b>203,204</b>	195,649
Other income	4	<b>14,446</b>	17,907	<b>16,039</b>	19,527
Expenses		<b>(239,274)</b>	(219,655)	<b>(227,708)</b>	(209,211)
<b>(Deficit)/Surplus before tax</b>	5	<b>(11,713)</b>	4,852	<b>(8,465)</b>	5,965
Income tax credit/(charge)		<b>210</b>	(2,078)	<b>323</b>	(1,987)
<b>(Deficit)/Surplus</b>		<b>(11,503)</b>	2,774	<b>(8,142)</b>	3,978
<b>Other comprehensive income</b>					
Item that may be reclassified subsequently to surplus or deficit: Exchange gain on translating the financial statements of HKICPA Beijing		<b>1</b>	13	-	-
<b>Comprehensive income</b>		<b>(11,502)</b>	2,787	<b>(8,142)</b>	3,978

Approved by the Council on 18 September 2012

**Keith Pogson**  
President

**Ding Wai Chuen, Raphael**  
Chief Executive and Registrar



# Statements of Changes in Members' Equity

For the year ended 30 June 2012

	2012						
	Group				Institute		
	General fund HK\$'000	Capital fund HK\$'000	Exchange reserve HK\$'000	Total HK\$'000	General fund HK\$'000	Capital fund HK\$'000	Total HK\$'000
At the beginning of the reporting period	198,753	120,588	(117)	319,224	160,098	114,578	274,676
Deficit	(11,503)	-	-	(11,503)	(8,142)	-	(8,142)
Other comprehensive income	-	-	1	1	-	-	-
Comprehensive income	(11,503)	-	1	(11,502)	(8,142)	-	(8,142)
Capital levy from members and students	-	10,908	-	10,908	-	10,908	10,908
<b>At the end of the reporting period</b>	<b>187,250</b>	<b>131,496</b>	<b>(116)</b>	<b>318,630</b>	<b>151,956</b>	<b>125,486</b>	<b>277,442</b>
	2011						
	Group				Institute		
	General fund HK\$'000	Capital fund HK\$'000	Exchange reserve HK\$'000	Total HK\$'000	General fund HK\$'000	Capital fund HK\$'000	Total HK\$'000
At the beginning of the reporting period	195,979	110,232	(130)	306,081	156,120	104,222	260,342
Surplus	2,774	-	-	2,774	3,978	-	3,978
Other comprehensive income	-	-	13	13	-	-	-
Comprehensive income	2,774	-	13	2,787	3,978	-	3,978
Capital levy from members and students	-	10,356	-	10,356	-	10,356	10,356
At the end of the reporting period	198,753	120,588	(117)	319,224	160,098	114,578	274,676

# Statements of Cash Flows

For the year ended 30 June 2012

	Group		Institute	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>Cash flows from operating activities</b>				
(Deficit)/Surplus before tax	(11,713)	4,852	(8,465)	5,965
Adjustments for:				
Allowance for obsolete inventories	833	-	833	-
Depreciation	11,589	11,545	11,472	11,448
Impairment of receivables	66	59	66	59
Loss on disposal of fixed assets	-	36	-	36
Obsolete inventories written off	57	29	57	9
Uncollectible amounts written off	92	-	55	-
<b>Operating cash flows before working capital changes</b>	<b>924</b>	<b>16,521</b>	<b>4,018</b>	<b>17,517</b>
Increase in inventories	(1,084)	(197)	(1,088)	(213)
Decrease/(Increase) in receivables	825	(1,424)	397	(1,850)
Increase in deposits and prepayments	(637)	(366)	(689)	(281)
Decrease in time deposits with original maturities over three months	47,803	28,942	30,133	28,886
Increase/(Decrease) in subscriptions and fees received in advance	2,768	(4,002)	1,659	(4,046)
(Decrease)/Increase in payables and accruals	(10,876)	11,435	(10,457)	12,131
<b>Cash generated from operations</b>	<b>39,723</b>	<b>50,909</b>	<b>23,973</b>	<b>52,144</b>
Tax (paid)/refunded	(2,711)	(595)	(2,697)	69
<b>Net cash generated from operating activities</b>	<b>37,012</b>	<b>50,314</b>	<b>21,276</b>	<b>52,213</b>
<b>Cash flows from investing activities</b>				
Purchase of fixed assets	(3,864)	(1,828)	(3,552)	(1,809)
Sales proceeds from disposal of fixed assets	-	3	-	3
<b>Net cash utilized in investing activities</b>	<b>(3,864)</b>	<b>(1,825)</b>	<b>(3,552)</b>	<b>(1,806)</b>
<b>Cash flows from financing activities</b>				
Capital levy received	10,908	10,356	10,908	10,356
<b>Net increase in cash and cash equivalents</b>	<b>44,056</b>	<b>58,845</b>	<b>28,632</b>	<b>60,763</b>
Cash and cash equivalents at the beginning of the reporting period	164,601	105,738	132,546	71,783
Exchange difference in respect of cash and cash equivalents	1	18	-	-
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>208,658</b>	<b>164,601</b>	<b>161,178</b>	<b>132,546</b>

# Notes to the Summary Financial Statements

For the year ended 30 June 2012

## 1. General information

The Group refers to the Hong Kong Institute of Certified Public Accountants (the “Institute”) and its subsidiaries: HKICPA (Beijing) Consulting Co., Ltd., The HKICPA Trust Fund, The HKICPA Charitable Fund and Hong Kong Institute of Accredited Accounting Technicians Limited (“HKIAAT”) and its subsidiary, The HKIAAT Trust Fund.

These summary financial statements, as approved by the Council, have been derived from the audited financial statements of the Group and the Institute for the year ended 30 June 2012 and contain the statements of financial position, the statements of comprehensive income, the statements of changes in members’ equity and the statements of cash flows as presented therein. In addition, these summary financial statements contain notes, as derived from the audited financial statements, in relation to significant revenue and income generated from and expenses incurred for the principal activities of the Group and the Institute. Therefore, these summary financial statements do not contain sufficient information to allow a full understanding of the results, the state of affairs and the cash flows of the Group and the Institute as would be provided by the audited financial statements. A copy of the audited financial statements in electronic form is available on the Institute’s website.

## 2. Subscriptions and fees

	Group		Institute	
	2012 HK\$’000	2011 HK\$’000	2012 HK\$’000	2011 HK\$’000
<b>Annual subscription fees</b>				
Members	68,145	65,044	68,145	65,044
Practising certificates	18,859	18,420	18,859	18,420
Students	8,395	8,192	6,645	6,163
Firms	9,790	9,845	9,790	9,845
Corporate practices	4,890	4,628	4,890	4,628
Others	1,294	1,040	292	107
<b>First registration fees</b>				
Members	5,558	5,564	5,558	5,564
Practising certificates	544	409	544	409
Students	2,448	2,104	1,890	1,180
Firms	122	141	122	141
Corporate practices	149	206	149	206
Others	611	154	269	6
<b>Other fees</b>				
Advancement to fellowship	217	267	217	267
Assessment for overseas students	1,392	937	1,392	937
	<b>122,414</b>	<b>116,951</b>	<b>118,762</b>	<b>112,917</b>



### 3. Other revenue

	Group		Institute	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Income from examinations	69,440	68,101	64,199	61,775
Income from seminars and courses	18,268	19,124	17,515	18,646
Income from member and student activities	2,248	1,864	2,248	1,861
Accreditation income	745	560	480	450
	<b>90,701</b>	<b>89,649</b>	<b>84,442</b>	<b>82,732</b>

### 4. Other income

	Group		Institute	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>Qualification</b>				
Royalty income	89	128	-	-
<b>Conduct</b>				
Disciplinary fines and costs recovery	956	2,951	956	2,951
Financial Reporting Council special levy	4,410	4,210	4,410	4,210
Litigation costs recovery (a)	710	1,150	710	1,150
<b>Corporate functions</b>				
Commission from affinity credit card programme	86	668	86	668
Commission from professional indemnity insurance master policy	478	392	478	392
Income from advertisements placed in the journals	1,028	1,362	868	1,153
Interest income	957	603	727	482
Income from hardcopy surcharge	587	552	587	552
Operating lease income	102	133	102	133
Recovery of impaired receivables	80	77	80	65
Sales of goods	2,921	1,488	2,818	1,402
Service fees from HKIAAT	-	-	2,308	2,308
<b>Others</b>				
Donations	34	46	4	25
Events sponsorship	1,805	1,873	1,805	1,873
Project sponsorship	-	1,566	-	1,566
Miscellaneous	203	708	100	597
	<b>14,446</b>	<b>17,907</b>	<b>16,039</b>	<b>19,527</b>

a. Litigation costs recovery

During the current year, an amount of HK\$710,000 (2011: HK\$1,150,000) was received from a firm and certain individuals as a whole (the “Applicants”), one of whom is a Council member, for recovery of legal costs incurred in a judicial review proceeding against the Institute. Total legal costs incurred by the Institute during the year were HK\$1,566,000 (2011: HK\$1,632,000). An appeal was sought by the Applicants in respect of this judicial review on 7 September 2010. The appeal was dismissed by the Court of Appeal on 1 August 2011. An application for leave to appeal to the Court of Final Appeal was filed to the Court of Appeal by the Applicants on 26 August 2011. The application for leave was refused by the Court of Appeal but was subsequently allowed by the Appeal Committee of the Court of Final Appeal on 28 March 2012. The appeal is scheduled to be heard on 17 June 2013.

## 5. (Deficit)/Surplus before tax

	Group		Institute	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
(Deficit)/Surplus before tax has been arrived at after charging/(crediting):				
Employee benefits	121,758	108,215	113,685	101,058
Depreciation	11,589	11,545	11,472	11,448
Contribution to Financial Reporting Council	4,410	4,200	4,410	4,200
Auditor’s remuneration	444	351	362	276
Allowance for obsolete inventories (a)	833	-	833	-
Cost of goods sold	812	521	802	483
Donations (b)	88	261	75	561
Exchange (gain)/loss	(158)	184	(127)	233
Impairment of receivables	66	59	66	59
Loss on disposal of fixed assets (c)	-	36	-	36
Obsolete inventories written off	57	29	57	9
Operating lease expenses	903	852	453	414
Recovery of obsolete inventories written off	(5)	(3)	(5)	(3)
Recovery of impaired receivables	(80)	(77)	(80)	(65)
Uncollectible amounts written off	92	-	55	-

- a. The allowance for obsolete inventories was mainly provided for the examination learning packs which were outdated due to update of relevant course materials.
- b. During the current year, the Institute donated HK\$50,000 (2011: HK\$550,000) to The HKICPA Charitable Fund.
- c. During the year ended 30 June 2011, a memorandum of understanding was signed between the Institute and Caritas Hong Kong for a computer donation programme “Computer Provisioning Aid” for school children. The loss on disposal of fixed assets in the year ended 30 June 2011 mainly represented the carrying amount of the computers donated to Caritas Hong Kong for that programme.

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