



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

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*Financial Reporting, Auditing and Ethics by:*  
Steve Ong (Editor), Ben Lo, Selene Ho, Winnie Chan, Katherine Leung

*Specialist Practices, Business Members and Advocacy by:*  
Peter Tisman (Editor), Elena Chai, Mary Lam, Sharon Yeung

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# Financial Reporting, Auditing and Ethics

**New!**

## 1. Annual Auditing Update Conference 2011

Prominent speakers from major accounting firms will talk about the latest standards and requirements at the coming annual auditing update conference on 24 September 2011. Here are the highlights:

- Proposed HKSIR 400 (Revised) "Comfort Letters and Due Diligence Meetings"
- HKSA 705 (Clarified) "Modifications to the Opinion in the Independent Auditor's Report"
- Revised Hong Kong Code of Ethics for Professional Accountants from an SMP perspective
- Experience sharing on the Clarified HKSAs

Register early to secure your seats. Click [here](#) for more information and enrolment details.

## 2. New Technical Training and Support Programme

The New Technical Training and Support Programme covering the period from October to December 2011 has continuously been developed to focus on three major areas of expertise – accounting, auditing and ethics.

- New standards on consolidation, joint ventures and disclosure – HKFRS 10, 11 and 12
- Accounting Bulletin 4 "Guidance on the Determination of Realized Profits and Losses in the Context of Distributions Under the Hong Kong Companies Ordinance"
- New and Revised Accounting Standards/Guidance for the year ending 31 December 2011

- New standard on fair value measurement - HKFRS 13
- Practical Application on HKFRS 3 and HKAS 27 on business combinations and consolidation
- HKFRS 9 *Financial instruments* and latest updates
- Training for Audit Staff
- Training for Audit Manager
- Audit Practice Manual Application Workshop
- The Revised Code of Ethics
- HKFRS for Private Entities Workshop

To secure seats, please register early by completing the [registration form](#).

## 3. Financial Reporting and Auditing Alert – Issue 15

The Institute issued [Financial Reporting and Auditing Alert – Issue 15](#) to give an update on the Institute's actions in addressing SMPs concerns on implementing the revised code of ethics, including

- setting up a special task force;
- IESBA's approval for the formation of the IESBA SME/SMP working group to help address the unique and challenging issues face by SMPs in complying with the IESBA Code of Ethics; and
- providing guidance on the definition of "public interest entities".

## 4. New IASB Chairman Visits Hong Kong

On 29 July 2011, more than 240 members met with the new IASB chairman Hans Hoogervorst, board member Dr. Zhang Weiguo and IFRS experts at the forum and discussed:

- global convergence

- exposure drafts on revenue recognition and leases
- the challenges posed by the insurance standard
- the newly released standards on consolidation and fair value measurement

At the roundtable with representatives from the Institute's financial reporting standards committee and listed companies, the group talked about making the conceptual framework the priority, reducing the complexity of the standards and using plain English language in the drafting of accounting standards. Hoogervorst visited China before coming to Hong Kong and [here](#) is the text of his speech in Beijing.

## Financial Reporting

### 5. Invitations to Comment on IASB EDs

- (i) IASB ED of *Mandatory Effective Date of IFRS 9*

The Institute has issued an [Invitation to Comment](#) on IASB ED of *Mandatory Effective Date of IFRS 9*, with comments requested by **30 September 2011**.

In this ED, the IASB proposes to adjust the mandatory effective date of IFRS 9 *Financial Instruments* so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2015 rather than being required to apply for annual periods beginning on or after 1 January 2013. Early application would continue to be permitted.

The ED does not propose extending the limited relief from restatement of comparatives beyond 2011 but asks for comments on this matter.

- (ii) IASB ED of *Investment Entities*

The Institute has issued an [Invitation to Comment](#) on IASB ED of *Investment*

*Entities*, with comments requested by **15 December 2011**.

Investment entities are commonly understood to be entities that pool investments from a wide range of investors for investment purposes only. Currently, IFRS 10 *Consolidated Financial Statements* would require consolidation if an investment entity controls an entity it is investing in. However, when developing IFRS 10, investors commented that this would not provide them with the information they need to assess the value of their investments. To address this issue, this ED proposes criteria that would have to be met by an entity in order to qualify as an investment entity. These entities would be exempt from the consolidation requirements and instead would be required to account for all their investments at fair value through profit or loss. The ED also includes disclosure requirements about the nature and type of these investments.

This project is being undertaken jointly by the IASB and the US Financial Accounting Standards Board ("FASB"). Both boards' proposals are broadly aligned. However, the FASB is considering proposing that the exemption would extend to cases in which the investment entity is owned by a larger group that is not itself an investment entity. The FASB will publish its ED in due course.

A summary prepared by the IASB on the ED is set out in the Appendix to the Invitation to Comment.

## Ethics

### 6. Ethics Committee Minutes

This [EC minutes](#) on 30 March 2011 cover:

- Welcome to new members and Committee composition for 2011
- Guidance note on general confidentiality rules

- Proposed meeting schedule for 2011
- Terms of Reference and Proposed Work Plan for 2011
- Practical details for the implementation of the HKICPA Code for pre-IPO applicants

## International Meetings

### 7. International Accounting Standards Board

The IASB met on 28 July 2011 and discussed the following topics:

- Asset and liability offsetting
- Effective date of IFRS 9 – sweep issues
- IFRS 9: Financial instruments: hedge accounting
- Revenue recognition

Click to view the [IASB Update](#) on the meeting. The IASB next meets in September 2011.

### 8. IFRS Interpretations Committee

The IFRS Interpretations Committee next meets in September 2011. Click [here](#) for the next meeting's details.

### 9. International Auditing and Assurance Standards Board

The IAASB next meets in September 2011. Click [here](#) for the next meeting's details and previous meeting summary.

### 10. International Ethics Standards Board for Accountants

The IESBA next meets in October 2011. Click [here](#) for the next meeting's details and previous meeting summary.

## Useful Resources

### 11. Publications

The following are publications on various topics:

- HKAS 19 (2011) *Employee Benefits*:
  - [Financial reporting update](#) by KPMG
- Amendments to HKAS 1 *Presentation of items of other comprehensive income*:
  - [Update](#) by BDO
  - [Financial reporting update](#) by KPMG
- Disclosure checklist:
  - [IFRS disclosure checklist](#) by KPMG
- Importance of true and fair view:
  - [Paper on True and Fair](#) by UK FRC
- Effect analysis on joint arrangements:
  - [Effect analysis](#) by the IASB
- Update on IAS 39 replacement:
  - [Update](#) by Deloitte
- Testing for impairment:
  - [Comparison](#) by Ernst & Young

## Comment Due Dates

**30 September 2011:** IASB ED of *Proposed Improvements to IFRSs* (Fourth set)

**30 September 2011:** IASB ED of *Mandatory Effective Date of IFRS 9*

**9 November 2011:** IASB Request for Views on Agenda Consultation 2011

**15 December 2011:** IASB ED of *Investment Entities*

## Specialist Practices, Business Members and Advocacy

### Professional Accountants in Business

#### 12. IFAC PAIBC Paper on How PAIBs Drive Sustainable Organizational Success

The Professional Accountants in Business Committee of the International Federation of Accountants ("IFAC PAIBC") has recently published [Competent and Versatile: How Professional Accountants in Business Drive Sustainable Organizational Success](#). This paper analyses and promotes the benefits that PAIBs can offer in building sustainable businesses and organizations, and looks at the skills that PAIBs will need to meet the needs of employers in the future.

Click to view the [press release](#) and [employer-focused brochure](#).

### Corporate Finance

#### 13. SFC Consultation on Amendments to Takeovers Codes

On 24 August, Securities and Futures Commission ("SFC") released a [consultation paper](#) on the following proposed amendments to the Takeovers Code, with comments requested by 26 September 2011.

- Property valuation: Amend the property valuation requirement so that it will be applicable only to related-party transactions or offers which involve special deals that require shareholder approval.
- Confirmations of independence of places: Clarify that it is the responsibility of financial advisers, placing agents and acquirers of the voting rights to confirm the independence of places in a placement.

- Timing of payment for acceptances: Change from 10 days to seven business days to allow share registrars and receiving agents a more manageable timeframe to process payments, without compromising the interests of accepting shareholders.

### Insolvency and Corporate Restructuring

#### 14. ORO Tender Notice

The Official Receiver's Office ("ORO") is inviting practitioners to submit tenders for conducting preliminary examinations in bankruptcy cases (Tender Ref: OR/B/2011), and for taking up of appointment as provisional trustees under section 12(1A) of the Bankruptcy Ordinance (Tender Ref: OR/C/2011). The contract period for both tenders will be two years ending in December 2013. The deadlines for submission are at 12:00 noon on 6 October 2011 and 10 October 2011, respectively.

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

### Taxation

#### 15. 2011 IRD Annual Meeting Minutes

The [minutes](#) providing a detailed record of the discussion at the 2011 annual meeting between the Inland Revenue Department ("IRD") and Institute are now available.

#### 16. Double Taxation Agreements/Protocol

The following double taxation agreements and protocol have come into effect:

- [The agreement with Liechtenstein became effective on 8 July 2011](#)
- [The agreement with Japan became effective on 14 August 2011](#)
- [The protocol to the agreement with Luxembourg became effective on 17 August 2011](#)

## 17. Electronic Filing of Employers' Returns

Employers can file their returns (IR56E/ IR56F/ IR56G) under **eTAX** through the Internet from 23 August 2011 onwards. Please click [here](#) for more details.

### Legislation & Other Initiatives

## 18. Companies Registry Update

The Companies Registry has updated the data specification; the XML data file samples and the e-Form templates of e-Forms NC1, NC1G and NC2 for the **Third Party Software Interface** ("TPSI"). In addition, the opening hours of the testing environment have been extended to facilitate third party software developers and customers' IT staff to perform the related tests to the TPSI Functions. Refer to the section "**Third Party Software Interface Testing Environment**" for details.

## 19. Latest Anti-Money Laundering Notices

Members may wish to note the following notice in relation to anti-money laundering/ terrorist financing ("AML"):

- **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, see the Institute's **Legal Bulletin 1**, "Requirements on anti-money laundering, anti-terrorist financing and related matters".

### Useful Resources

## 20. Library Resources

**Featured titles** and **new books** of high reference value for members 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.

## 21. Other Publications

The following articles/publications on topical issues may be of interest to members:

- (i) HKEx published:
  - **Report** on initial public offering ("IPO") applications, delisting and suspensions (as at 31 August)
- (ii) SFC published:
  - **Dual filing Update** (Issue no. 5), a newsletter that highlights key dual filing issues identified by the SFC
  - **Quarterly Report** for the period of April to June 2011, which highlights key regulatory enhancements made for Hong Kong's securities market in the reporting period
- (iii) Articles on corporate governance by Deloitte:
  - **The Dodd-Frank Act's impact on public companies: After one year**
  - **Audit committee brief – Fraud, corruption and the audit committee: Protecting reputation and value**
  - **Creating the board your company deserves: The art – and science – to choosing directors**
  - **Asia Pacific economic outlook: China, Japan, Malaysia, Taiwan, Vietnam**
- (iv) **Governance of listed companies in China – Self-assessment by the China Securities Regulatory Commission**, jointly by the CSRC and the OECD