

# MEMBERS' HANDBOOK

## Update No. 41

(Issued June 2007)

<u>Document Reference and Title</u>	<u>Instructions</u>	<u>Explanations</u>
<b><u>VOLUME I</u></b>		
<a href="#">Contents of Volume I</a>	Discard the existing pages i and ii and replace with new pages i and ii.	Revised contents pages
<b>PROFESSIONAL ACCOUNTANTS ORDINANCE, BY-LAWS, RULES, GUIDELINES</b>		
<a href="#">CAP. 50 Professional Accountants Ordinance (PAO)</a>	Discard the existing PAO and replace with the amended PAO.	Updated PAO – Note 1
<a href="#">CAP. 50A Professional Accountants By-laws (By-laws)</a>	Discard the existing By-laws and replace with the amended By-laws.	Updated By-laws – Note 2
<b><u>VOLUME II</u></b>		
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<b>HONG KONG ACCOUNTING STANDARDS (HKAS)</b>		
<a href="#">HKAS 23 <i>Borrowing Costs</i></a>	Discard the existing page 1 and replace with new page 1	Note 3
<a href="#">HKAS 23 <i>Borrowing Costs</i> (Revised)</a>	Insert these pages after HKAS 23 <i>Borrowing Costs</i>	Revised Standard – Note 3

Notes:

1. Amendments relate to the establishment of the Financial Reporting Council.
2. Amendments relate to the conduct of general meetings.
3. HKSA 23 (Revised) is applicable for annual periods beginning on or after 1 January 2009 and supersedes HKAS 23 issued in 2004.



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Long title

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To establish the Hong Kong Institute of Certified Public Accountants and to provide for the registration and control of the accountancy profession, and for matters ancillary to or connected with the purposes aforesaid.

(Amended 23 of 2004 s. 2)

[1 January 1973] L.N. 267 of 1972

(Originally 68 of 1972)

Section Num:	1	Version Date	30/06/1997
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Heading Short title

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PART I

PRELIMINARY

This Ordinance may be cited as the Professional Accountants Ordinance.

Section Num:	2	Version Date	01/12/2006
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Heading Interpretation

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(1) In this Ordinance, unless the context otherwise requires-  
(Amended 10 of 2005 s. 48)

\*\*\*"appointed day" (指定日期) means the day appointed by the Secretary for

Financial Services and the Treasury under section 1(3) of the Professional Accountants (Amendment) Ordinance 2004 (23 of 2004); (Added 23 of 2004 s. 3)

"appointed member" (委任理事) means a member of the Council appointed by the Chief Executive under section 10(2)(e); (Added 23 of 2004 s. 3)

"certified public accountant" (會計師) means a person registered as a certified public accountant by virtue of section 22; (Replaced 23 of 2004 s. 3)

"certified public accountant (practising)" (執業會計師) means a certified public accountant holding a practising certificate; (Added 23 of 2004 s. 3)

"co-opted member" (增選理事) means a member of the Council co-opted under section 10(4); (Added 96 of 1994 s. 2)

"corporate practice" (執業法團) means a company which is for the time being registered under section 28E; (Added 85 of 1995 s. 2)

"Council" (理事會) means the Council of the Institute established under section 10; (Amended 23 of 2004 s. 54)

"Disciplinary Committee" (紀律委員會) means a Disciplinary Committee constituted under section 33(3); (Replaced 96 of 1994 s. 2)

"Disciplinary Committee Convenor" (紀律委員會召集人) means the Disciplinary Committee Convenor appointed under section 33(1)(a); (Added 23 of 2004 s. 3)

"Disciplinary Panels" (紀律小組) means the Disciplinary Panel A and Disciplinary Panel B constituted under section 33(1) and "Disciplinary Panel A" and "Disciplinary Panel B" shall be construed accordingly; (Added 23 of 2004 s. 3)

"elected member" (當選理事) means a member of the Council elected under section 10(2)(c);



"firm name" (事務所名稱) means, in relation to a certified public accountant (practising) practising on his own account, the name or style under which he practises if that name or style is otherwise than his own name without any addition as registered under section 22(2), and in relation to a certified public accountant (practising) practising in partnership, the name or style under which the partnership practises; (Added 96 of 1994 s. 2. Amended 23 of 2004 s. 3)

"FRC" (財務匯報局) means the Financial Reporting Council established by section 6(1) of the Financial Reporting Council Ordinance (Cap 588 ); (Added 18 of 2006 s. 68)

"Institute" (公會) means the Hong Kong Institute of Certified Public

Accountants (香港會計師公會) incorporated by section 3; (Added 23 of 2004 s. 3)

"Investigation Committee" (調查委員會) means the committee appointed under section 42C; (Added 96 of 1994 s. 2)

"Investigation Committee Convenor" (調查委員會召集人) means the Investigation Committee Convenor appointed under section 42B(1)(a); (Added 23 of 2004 s. 3)

"Investigation Panels" (調查小組) means the Investigation Panel A and Investigation Panel B constituted under section 42B(1) and "Investigation Panel A" and "Investigation Panel B" shall be construed accordingly; (Added 23 of 2004 s. 3)

"lay person" (業外人士) means a person who is not-

- (a) a certified public accountant; or
- (b) a member of an accountancy body which is a member of the International Federation of Accountants; (Added 23 of 2004 s. 3)

"practice review" (執業審核), in relation to a practice unit, means an examination or a review described in section 32B(1)(b);

"Practice Review Committee" (執業審核委員會) means the committee established

under section 32A; (Added 14 of 1992 s. 2)

"practice unit" (執業單位) means-

- (a) a firm of certified public accountants (practising) practising accountancy pursuant to this Ordinance; (Replaced 23 of 2004 s. 3)
- (b) a certified public accountant (practising) practising accountancy on his own account pursuant to this Ordinance; or (Added 14 of 1992 s. 2. Amended 85 of 1995 s. 2; 23 of 2004 s. 3)
- (c) a corporate practice; (Added 85 of 1995 s. 2)

"practising certificate" (執業證書) means a current practising certificate issued under section 30;

"President" (會長) means the President of the Institute elected under section 4 and any person acting as President; (Amended 23 of 2004 s. 54)

"professional accountant" (專業會計師) means a person registered as a professional accountant before the relevant day; (Replaced 23 of 2004 s. 3)

"professional indemnity insurance" (專業彌償保險) includes insurance indemnifying a certified public accountant, a firm of certified public accountants (practising) or a corporate practice against liability to compensate a third party who has sustained financial loss or any other damage or injury due to a breach of professional duty by or to professional negligence of such accountant, firm or practice (including such negligence by any director of the practice) or fraud or dishonesty; (Added 85 of 1995 s. 2. Amended 23 of 2004 s. 3)

"professional standards" (專業標準) means any-

- (a) statement of professional ethics; or
  - (b) standards of accounting, auditing and assurance practices,
- (Amended 23 of 2004 s. 3)

issue or specified or deemed to be issued or specified under section 18A; (Added 14 of 1992 s. 2)

"public accountant" (註冊核數師) means a person registered as a professional accountant by virtue of the repealed section 24(2) before the relevant

day; (Replaced 23 of 2004 s. 3)

"register" (註冊紀錄冊) means the register of certified public accountants kept under section 22; (Amended 23 of 2004 s. 54)

"registered address" (註冊地址) means any address of a certified public accountant which is entered in the register under section 22(2); (Amended 23 of 2004 s. 54)

"registered office" (註冊辦事處) means the registered office referred to in section 31;

"Registrar" (註冊主任) means the Registrar appointed under section 21;

"relevant day" (有關日期) means the day on which the Professional Accountants (Amendment) Ordinance 2004 (23 of 2004) comes into operation\* under section 1(2) of that Ordinance; (Added 23 of 2004 s. 3)

"repealed section 24(2)" (已廢除的第 24(2)條) means section 24(2) of this Ordinance repealed by the Professional Accountants (Amendment) Ordinance 2004 (23 of 2004); (Added 23 of 2004 s. 3)

"reviewer" (審核人員) means any person appointed or engaged by the Council under section 32B(1)(d); (Added 14 of 1992 s. 2)

"Vice-President" (副會長) means the Vice-President of the Institute elected under section 4 and any person acting as Vice-President. (Amended 23 of 2004 s. 54)

(2) For the purposes of sections 27(4)(b), 28D(10)(b)(i), 35(3) and 38(2), an appeal to the Court of Appeal shall be deemed to be finally determined when the earliest of the following events occurs, whichever is applicable in the circumstances-

- (a) when the appeal to the Court of Appeal is withdrawn or abandoned;
- (b) when the specified period expires without an application for leave to appeal having been made to the Court of Appeal;
- (c) if, before the expiry of the specified period, an application for leave to appeal is made to the Court of Appeal-

- (i) when the application is withdrawn or abandoned;
- (ii) if the application is refused, when the specified period expires without an application for leave to appeal having been made to the Court of Final Appeal; or
- (iii) if the application is granted, when the appeal to the Court of Final Appeal is withdrawn, abandoned or disposed of; or
- (d) if, before the expiry of the specified period, an application for leave to appeal is made to the Court of Final Appeal-
  - (i) when the application is withdrawn, abandoned or refused; or
  - (ii) if the application is granted, when the appeal to the Court of Final Appeal is withdrawn, abandoned or disposed of. (Added 10 of 2005 s. 48)
- (3) In subsection (2)-

"application for leave to appeal" (上訴許可申請) means an application made to the Court of Appeal or the Court of Final Appeal under section 24 of the Hong Kong Court of Final Appeal Ordinance (Cap 484) for leave to appeal to the Court of Final Appeal from a judgment of the Court of Appeal;

"specified period" (指明限期)-

- (a) in the case of an application for leave to appeal made to the Court of Appeal, means-
    - (i) subject to subparagraph (ii), the period of 28 days within which the notice of motion referred to in section 24(2) of the Hong Kong Court of Final Appeal Ordinance (Cap 484) is required to be filed; or
    - (ii) if, on an application made within the 28-day period referred to in subparagraph (i), the Court of Appeal extends that period, the period as so extended; or
  - (b) in the case of an application for leave to appeal made to the Court of Final Appeal, means-
    - (i) subject to subparagraph (ii), the period of 28 days within which the notice of motion referred to in section 24(4) of the Hong Kong Court of Final Appeal Ordinance (Cap 484) is required to be filed; or
    - (ii) if, on an application made within the 28-day period referred to in subparagraph (i), the Court of Final Appeal extends that period, the period as so extended. (Added 10 of 2005 s. 48)
- (Amended 8 of 1993 s. 8; 96 of 1994 s. 2; 23 of 2004 s. 3)

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Note:

\*\* appointed day : 26 November 2004.

\* The Professional Accountants (Amendment) Ordinance 2004 (23 of 2004) comes into operation on 8 September 2004.

<b>Section Num:</b>	<b>3</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading** **Incorporation of Institute**

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PART II

THE HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
(Amended 23 of 2004 s. 4)

The persons registered as certified public accountants under section 22 shall- (Amended 23 of 2004 s. 54)

- (a) be a body corporate with perpetual succession;
- (b) be known as the Hong Kong Society of Accountants (香港會計師公會)

before the relevant day, and the Hong Kong Institute of Certified Public

Accountants (香港會計師公會) with effect from the relevant day; and (Amended 23 of 2004 s. 5)

- (c) in that name be capable of suing and being sued and, subject to this Ordinance, of doing and suffering all such other acts as a body corporate may lawfully do and suffer.

<b>Section Num:</b>	<b>4</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading** **Appointment of President and Vice-President**

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- (1) There shall be a President and 2 Vice-Presidents of the Institute, who shall be elected by the Council from the elected members.  
(Amended 23 of 2004 s. 54)

- (2) The President and the Vice-Presidents shall, unless they-
- (a) resign their offices by notice in writing delivered to the Registrar; or
- (b) are deemed by virtue of section 15(1) to have vacated their offices as members of the Council, (Amended 23 of 2004 s. 6) hold office from the date of their election until the conclusion of the annual general meeting next occurring. (Replaced 22 of 1977 s. 2)
- (3) If a casual vacancy occurs in the office of President, the Council shall elect one of the Vice-Presidents to act as President.
- (4) If a casual vacancy occurs in any of the offices of Vice-President, the Council may elect an elected member to fill the vacancy.
- (5) For the purposes of this section and section 11, a casual vacancy shall be deemed to occur when a person is temporarily absent from Hong Kong or is temporarily unable to attend to the business of the Council.
- (6) Notwithstanding subsection (1), if only one elected member is proposed for election to fill a vacancy in the office of President, such elected member shall, without taking a vote upon the proposal, be deemed to have been elected at the conclusion of the meeting of the Council at which the vacancy is to be filled.
- (7) Notwithstanding subsection (1), if not more than 2 elected members are proposed to fill the vacancies in the offices of Vice-Presidents, such elected member or members shall, without taking a vote upon the proposal, be deemed to have been elected at the conclusion of the meeting of the Council at which the vacancies are to be filled.
- (Added 96 of 1994 s. 3)
- (Amended 96 of 1994 s. 3)
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<b>Section Num:</b>	<b>5</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading** Office of Institute

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Office of Institute

(Amended 23 of 2004 s. 54)

The Institute shall maintain an office the address of which shall be notified to the Registrar of Companies.

(Amended 8 of 1993 s. 4; 23 of 2004 s. 54)

<b>Section Num:</b>	<b>6</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading** Official seal and authentication thereof, and instruments executed thereunder

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(1) The Institute shall have and may use a common seal, the affixing of which shall be authenticated by the signature of the Registrar.

(2) Any instrument purporting to be executed under the seal of the Institute shall be received in evidence and shall, unless the contrary is proved, be deemed to be an instrument so executed.

(Amended 23 of 2004 s. 54)

<b>Section Num:</b>	<b>7</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading** Objects of the Institute

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The objects of the Institute shall be- (Amended 23 of 2004 s. 54)

(a) to maintain a register of certified public accountants, firms of certified public accountants (practising) and corporate practices;

(Amended 85 of 1995 s. 3; 23 of 2004 ss. 7 & 54)

- (b) to regulate the practice of the accountancy profession;
- (c) to conduct examinations and act in such other manner as may be necessary to ascertain whether persons are qualified to be admitted to the register;
- (d) to encourage the study of accountancy by accountants and students, and to give certificates, bursaries, scholarships and rewards on such terms and conditions as may be specified from time to time;
- (e) to maintain a library and reading rooms for the use of accountants and students;
- (f) to establish and assist in establishing and supporting associations, funds, trusts and schemes intended to benefit accountants or their dependents, and to grant pensions and allowances to any accountant or his dependents;
- (g) to represent the views of the profession and to preserve and maintain its reputation, integrity and status; (Amended 23 of 2004 s. 7)
- (h) to discourage dishonourable conduct and practices by certified public accountants, and for this purpose to hold inquiries into the conduct of certified public accountants, firms and corporate practices referred to in paragraph (a); (Amended 85 of 1995 s. 3; 23 of 2004 ss. 7 & 54)
- (i) to provide for the settlement of disputes within the accountancy profession; (Amended 85 of 1995 s. 3)
- (j) to take such action as the Institute considers necessary in any matter affecting the professional interests of the accountancy profession; (Amended 85 of 1995 s. 3; 23 of 2004 s. 54)
- (k) to do all such other things as are incidental or conducive to the attainment of the above objects.

<b>Section Num:</b>	<b>7A</b>	<b>Version Date</b>	<b>01/12/2006</b>
<b>Heading</b>	<b>Power of Institute to make contributions to FRC</b>	<b><a href="#">Back to Individual Section Format</a></b>	

The Institute may contribute to the FRC such amount, as the Institute thinks fit, of the costs and expenses reasonably incurred by the FRC for the performance of the FRC's functions.

(Added 18 of 2006 s. 69)



<b>Section Num:</b>	<b>8</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading Power of Institute to make by-laws**

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- (1) The Institute may, subject to the approval of the Chief Executive in Council, make by-laws- (Amended 31 of 1999 s. 3; 23 of 2004 s. 54)
- (a) regulating the practice of accountancy by professional accountants in Hong Kong;
- (b) (Repealed 22 of 1977 s. 3)
- (c) regulating meetings of the Institute and the Council; (Amended 23 of 2004 s. 54)
- (d) governing the registration, training and education of students; (Amended 22 of 1977 s. 3)
- (e) governing the discipline of students;
- (f) empowering the Council to make rules prescribing examinations of the Institute, the fees payable therefor and all matters incidental to the holding thereof including exemptions or concessions which may be granted in respect of the examinations; (Amended 22 of 1977 s. 3; 23 of 2004 s. 54)
- (g) regulating the conditions on which examiners shall be engaged;
- (h) regulating the appointment of an auditor;
- (i) providing for the use and custody of the common seal of the Institute; (Amended 23 of 2004 s. 54)
- (j) providing for the custody, investment and expenditure of the funds and the management of property of the Institute; (Amended 23 of 2004 s. 54)
- (k) (Repealed 14 of 1985 s. 2)
- (l) specifying the designations for certified public accountants and the initials by which certified public accountants may be known; (Amended 23 of 2004 s. 54)
- (la) providing for the admission of persons as affiliates of the Institute and specifying the designations for such affiliates and the initials by which such affiliates may be known; (Added 23 of 2004 s. 8)
- (m) (Repealed 22 of 1977 s. 3)

- (n) regulating the nomination and election of elected members of the Council;
- (o) conferring on members of the Council and employees and auditors of the Institute a right of indemnity against the Institute for actions brought against them for things done by them in the execution of the Ordinance; (Amended 23 of 2004 s. 54)
- (oa) providing for and regulating the provision and retention of information, the giving of any notice and communication, the election of any person, the voting on any matter, the signature of any person, under or pursuant to this Ordinance, by electronic means; (Added 23 of 2004 s. 8)
- (p) prescribing anything which is to be or may be prescribed by the Ordinance;
- (q) generally for the better carrying into effect of the purposes of this Ordinance and for the furtherance of the objects of the Institute. (Amended 23 of 2004 s. 54)
- (2) A copy of any by-laws made by the Institute shall, as soon as practicable after the making thereof, be duly certified by the President and transmitted by him for the approval of the Chief Executive in Council. (Amended L.N. 137 of 1981; 31 of 1999 s. 3; 23 of 2004 s. 54)
- (3) A by-law under subsection (1) may be made only by a majority of two-thirds of the certified public accountants present in person or by proxy and voting at a general meeting of the Institute convened for the purpose of making the by-laws. Notice of such meeting and of the by-laws to be proposed thereat shall be sent to every certified public accountant not less than 21 days before the date fixed for the meeting, but the non-receipt of such a notice by any certified public accountant shall not invalidate the proceedings thereat. (Amended 22 of 1977 s. 3; 23 of 2004 ss. 8 & 54)
- (4) (Repealed 32 of 2000 s. 48)

<b>Section Num:</b>	9	<b>Version Date</b>	08/09/2004
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**Heading**    **General meetings**

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- (1)        The first annual general meeting of the Institute shall be held within 9 months after the commencement of this Ordinance.
- (2)        An annual general meeting of the Institute shall be held not less than once in every calendar year, and not more than 15 months after the holding of the last preceding annual general meeting.
- (3)        General meetings of the Institute, other than the annual general meeting, shall be held as required by the by-laws.
- (4)        Any certified public accountant may, at any meeting of the Institute, move any resolution which is not inconsistent with the purposes and provisions of this Ordinance but may not move a resolution in respect of any act done in pursuance of the powers conferred by section 18B, 26, 27, 28A, 30, 32B, 32C, 32D, 32E, 32F, 34, 35, 36, 39, 42C, 42D, 42E or 42F. (Amended 23 of 2004 s. 9)  
(Amended 23 of 2004 s. 54)

<b>Section Num:</b>	10	<b>Version Date</b>	26/11/2004
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**Heading**    **Establishment and composition of the Council**

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### PART III

#### THE COUNCIL OF THE INSTITUTE

(Amended 23 of 2004 s. 54)

- (1)        There is hereby established the Council of the Hong Kong Institute of Certified Public Accountants.
- (2)        The Council shall, subject to subsection (4), consist of the following members- (Amended 23 of 2004 s. 10)
- (a)        the Financial Secretary, or a person appointed by him as his representative;

- (b) the Director of Accounting Services, or a person appointed by him as his representative; (Amended L.N. 16 of 1977)
- (c) 14 certified public accountants (not being persons entitled to be registered as a professional accountant by virtue of the repealed section 24(2) immediately before the relevant day) elected at an annual general meeting of the Institute, each of whom shall on the day of the meeting be ordinarily resident in Hong Kong and of whom at the time of election- (Amended 85 of 1995 s. 4; 23 of 2004 ss. 10 & 54)
- (i) not less than 6 shall be certified public accountants in full time practice as certified public accountants (practising); (Replaced 23 of 2004 s. 10)
- (ii) not less than 6 shall be certified public accountants otherwise than in full time practice as certified public accountants (practising); (Replaced 23 of 2004 s. 10)
- (d) the immediate past President of the Institute who shall, unless he is also an elected member, hold office as a member of the Council for a period from the time when he ceased to be President until the conclusion of the annual general meeting next occurring; and (Added 23 of 2004 s. 10)
- (e) 4 lay persons appointed by the Chief Executive. (Added 23 of 2004 s. 10)
- (2A) For the purpose of subsection (2)(c), a certified public accountant- (Amended 23 of 2004 s. 54)
- (a) shall be regarded as being in full time practice as a certified public accountant (practising) if he- (Amended 23 of 2004 s. 10)
- (i) holds a practising certificate;
- (ii) 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
- (iii) 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; and
- (b) 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,

and normal office hours shall mean those hours at which banks are generally open for business in Hong Kong. (Added 96 of 1994 s. 4)

(3) An appointed member shall not be appointed for a term exceeding 2 years but shall be eligible for reappointment for a further term or terms of not exceeding 2 years each. (Replaced 23 of 2004 s. 10)

(4) In addition to the members specified in subsection (2), the Council may, at the first meeting of the Council held after an annual general meeting, or as soon thereafter as is practicable, co-opt not more than 2 certified public accountants, each of whom should then be ordinarily resident in Hong Kong, as members of the Council. (Added 96 of 1994 s. 4. Amended 85 of 1995 s. 4; 23 of 2004 s. 54)

(5) In addition to applying for the purposes of section 29A, subsection (5)(b) of that section shall also apply for the purposes of this section. (Added 85 of 1995 s. 4)

(Amended 23 of 2004 s. 10)

<b>Section Num:</b>	11	<b>Version Date</b>	08/09/2004
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**Heading** Filling vacancies in Council

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(1) If a casual vacancy occurs under section 4(3) or (4), or a vacancy is deemed to arise under section 15(1), the Council may, in the case of a co-opted member, appoint a certified public accountant, and in the case of an elected member, appoint a certified public accountant of the class referred to in subparagraph (i) or (ii) of section 10(2)(c), as the vacancy may require, to fill the vacancy. (Amended 96 of 1994 s. 5; 23 of 2004 ss. 11 & 54)

(2) A certified public accountant appointed under subsection (1) to fill-

(Amended 23 of 2004 s. 54)

(a) a casual vacancy under section 4(3) or (4) shall hold office for so long as the member in whose place he is appointed would have held office or until the member resumes his office on the Council, whichever is the earlier; or

(b) a vacancy under section 15(1) shall hold office for so long as the member in whose place he is appointed would have held office.

(Amended 23 of 2004 s. 11)

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<b>Section Num:</b>	<b>12</b>	<b>Version Date</b>	<b>26/11/2004</b>
<b>Heading</b>	<b>Compulsory retirement of elected members</b>		<b><a href="#">Back to Individual Section Format</a></b>

(1) Subject to subsection (1A) and section 13(2), immediately before the conclusion of each annual general meeting of the Institute, the 7 elected members who have been longest in office since their last election shall retire from office. (Amended 96 of 1994 s. 6; 23 of 2004 ss. 12 & 54)

(1A) Subject to section 13(2), immediately before the conclusion of the first 2 annual general meetings of the Institute after the appointed day-

(a) in the case of the first such annual general meeting, 6 elected members who have been longest in office since their last election shall retire from office; and

(b) in the case of the second such annual general meeting, 6 elected members who have been longest in office since their last election, and one elected member from among the remaining 8 elected members who shall be selected by lot, shall retire from office. (Added 23 of 2004 s. 12)

(2) (Repealed 96 of 1994 s. 6)

(3) Every elected member who retires from office in accordance with this section shall be eligible for re-election.

(4) A co-opted member shall hold office until immediately before the conclusion of the next annual general meeting and he shall be eligible to be co-opted again or (except in the case of a person entitled to be registered as a professional accountant by virtue of the repealed section 24(2) immediately before the relevant day) elected as a member of the Council. (Added 96 of 1994 s. 6. Amended 23 of 2004 s. 12)

(Replaced 14 of 1985 s. 4)

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Section Num:	13	Version Date	08/09/2004
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Procedure for election of certified public accountants as elected members

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Procedure for election of certified public accountants as elected members  
(Amended 23 of 2004 s. 54)

- (1) If the number of certified public accountants nominated as candidates for election to the Council at an annual general meeting of the Institute- (Amended 23 of 2004 s. 54)
- (a) does not exceed the number of vacancies for elected members, the candidates shall be deemed to have been elected to the Council with effect from immediately before the conclusion of the annual general meeting at which the vacancies are to be filled;
- (b) exceeds the number of vacancies for elected members, the election shall be determined by ballot, and the candidates so elected shall hold office as elected members with effect from immediately before the conclusion of the annual general meeting; or
- (c) is less than the number of vacancies in respect of elected members, the Chief Executive may appoint a certified public accountant to fill any vacancy among the elected members of the Council remaining unfilled at the conclusion of the annual general meeting, (Amended 23 of 2004 s. 54)
- (2) A certified public accountant appointed by the Chief Executive under subsection (1)(c) shall hold office until the next annual general meeting. (Amended 23 of 2004 s. 54)
- (Amended 31 of 1999 s. 3)
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<b>Section Num:</b>	<b>14</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading** Chief Executive may appoint a certified public accountant to Council if Council fails to fill a vacancy

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Chief Executive may appoint a certified public accountant to Council if Council fails to fill a vacancy  
(Amended 23 of 2004 s. 54)

If a vacancy is not filled by the Council within 30 days by appointment under section 11(1), the Chief Executive may appoint a certified public accountant of the class referred to in sub-paragraph (i) or (ii) of section 10(2)(c) to fill the vacancy, as the vacancy may require.  
(Amended 31 of 1999 s. 3; 23 of 2004 s. 54)

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<b>Section Num:</b>	<b>15</b>	<b>Version Date</b>	<b>26/11/2004</b>
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**Heading** Vacation of office by Council members

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(1) An elected or co-opted member shall be deemed to have vacated his office as a member of the Council if- (Amended 96 of 1994 s. 7; 23 of 2004 s. 13)

- (a) he resigns his office, by notice in writing delivered to the Registrar;
- (b) he is absent without permission of the President from 3 consecutive meetings of the Council of which he has had notice to attend, and the Council resolves that his office shall be vacant;
- (c) he becomes bankrupt or makes an arrangement or composition with his creditors;
- (d) he ceases to be ordinarily resident in Hong Kong;
- (e) his name is removed from the register under section 27(1)(a) or section 35(1)(a); or (Amended 80 of 1997 s. 102; 23 of 2004 s. 13)
- (f) in the case of an elected member he ceases to belong to the



class of which he was a member under sub-paragraph (i) or (ii) of section 10(2)(c) and in the case of a co-opted member he ceases to be a certified public accountant: (Amended 96 of 1994 s. 7; 23 of 2004 s. 54)

Provided that this paragraph shall not apply if the remaining number of elected members of that class is not less than 6. (Amended 14 of 1985 s. 5; 23 of 2004 s. 13)

(2) Subsection (1)(a), (b), (c), (d) and (e) shall apply to the immediate past President of the Institute who becomes a member of the Council pursuant to section 10(2)(d) except that no vacancy is to arise upon his vacation of office in such circumstances. (Added 23 of 2004 s. 13)

(3) An appointed member shall be deemed to have vacated his office as a member of the Council if-

(a) he becomes bankrupt or makes an arrangement or composition with his creditors; or

(b) he ceases to be ordinarily resident in Hong Kong. (Added 23 of 2004 s. 13)

<b>Section Num:</b>	<b>16</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading Accounts**

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(1) The Council shall maintain proper accounts of all transactions of the Institute and shall prepare for every financial year a statement of the accounts of the Institute, containing an income and expenditure account and a balance sheet, both of which shall be signed by the President.

(2) The Institute in general meeting shall appoint an auditor who shall be entitled at any time to have access to all books of account, vouchers and other financial records of the Institute and to require such information and explanations thereon as he thinks fit.

(3) The auditor shall audit the statements drawn up under subsection (1) as soon as possible and shall make a report thereon to all the certified public accountants. (Amended 96 of 1994 s. 8)

(4) A copy of the signed and audited statement of accounts, together with the auditor's report made under subsection (3), shall be submitted for approval at the annual general meeting of the Institute next

following the end of the financial year to which they relate. (Replaced 23 of 2004 s. 14)

(4A) A summary of financial statements shall be sent to each certified public accountant with the notice of the annual general meeting. (Added 23 of 2004 s. 14)

(4B) A certified public accountant may inspect a copy of the signed and audited statement of accounts at all reasonable times at the office of the Institute and the Institute shall provide to a certified public accountant on application a copy of the signed and audited statement of accounts without charge. (Added 23 of 2004 s. 14)

(5) The auditor shall be entitled to attend the annual general meeting of the Institute at which the statement of accounts which have been reported on by him are to be submitted for approval and to make any statement or explanation he desires with respect to the accounts.

(6) The Council shall determine the period, which may be more or less than 12 months, in respect of which the accounts of the Institute shall be made up.

(7) In this section, "financial year" (財政年度) means the period determined by the Council under subsection (6) as the period in respect of which the accounts of the Institute shall be made up; and "summary of financial statements" (財務報表撮要) means a summary, approved by the Council, of the audited statement of accounts of the Institute required to be laid before the annual general meeting of the Institute. (Amended 23 of 2004 s. 14)

(Amended 23 of 2004 s. 54)

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Section Num:	17	Version Date	08/09/2004
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Heading [General powers of Council](#)

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(1) The management and control of the Institute and of its property shall be vested in the Council and all such powers, acts or things as may be exercised or done by the Institute which are not required by this Ordinance, or by a resolution passed by the Institute in general meeting,

to be exercised or done by the Institute may be exercised or done by the Council. (Amended 23 of 2004 s. 54)

(2) No such resolution of the Institute shall invalidate the exercise of any power or the doing of any act or thing by the Council before the date of the resolution. (Amended 23 of 2004 s. 54)

(3) Subject to this Ordinance, the Council may regulate its own procedure and that of any committee appointed under section 18(1)(m) relating to-

- (a) the holding of meetings;
- (b) the notice to be given of such meetings;
- (c) the proceedings at such meetings;
- (d) the keeping of minutes at such meetings; and
- (e) the custody, production and inspection of such minutes.

<b>Section Num:</b>	18	<b>Version Date</b>	01/12/2006
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**Heading Particular powers of Council**

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(1) Without derogating from the generality of the power conferred by section 17(1), the Council may-

- (a) do anything necessary for the better carrying out of the objects of the Institute; (Amended 23 of 2004 s. 54)
- (aa) fix registration and other fees, including those payable by the practice units, or a class of the practice units, to the Institute for the purpose of the contribution under section 7A; (Added 22 of 1977 s. 4. Amended 18 of 2006 s. 70)
- (b) appoint such employees and agents as it deems necessary;
- (c) appoint the bankers of the Institute; (Amended 23 of 2004 s. 54)
- (d) purchase, take on lease or in exchange, hire or otherwise acquire any movable or immovable property, and erect any buildings;
- (e) sell, lease, mortgage, dispose of or otherwise deal with any movable or immovable property of the Institute; (Amended 23 of 2004 s. 54)
- (f) invest moneys of the Institute; (Amended 23 of 2004 s. 54)
- (g) borrow moneys upon security or otherwise;
- (h) exchange information with similar bodies and with members of

the profession in places outside Hong Kong and arrange with such bodies for the reciprocal recognition of accountants; (Amended 31 of 1999 s. 3)

(i) establish and maintain branches of the Institute, whether in Hong Kong or elsewhere, and delegate the powers, duties and functions of the Institute to such branches; (Amended 23 of 1998 s. 2; 23 of 2004 s.

54)

(j) institute, conduct, defend, compound or abandon any legal proceedings by or against the Institute or its office or otherwise concerning the affairs of the Institute and compound or allow time for payment or satisfaction of any debts due or of any claims or demands made by or against the Institute; (Amended 23 of 2004 s. 54)

(k) refer any claim or demand by or against the Institute to arbitration and comply with any award made as a result of such arbitration; (Amended 23 of 2004 s. 54)

(l) make and give receipts, releases and other discharges for moneys payable to and for claims and demands of the Institute; (Amended 23 of 2004 s. 54)

(m) appoint committees to assist or advise the Council in the exercise of its powers and delegate to such committees such of its powers as it may from time to time determine; and

(n) publish periodicals, booklets or other written material, and produce or sponsor the production of documentary films or other audio-visual material, and distribute the same by sale, loan, hire or otherwise, with or without charge, as the Council thinks fit.

(1A) For the purposes of subsection (1)(aa), the Council may, in order to provide for particular circumstances or cases, fix different fees for the same matter, service or facility. (Added 18 of 2006 s. 70)

(2) A committee appointed under subsection (1)(m) may, subject to the by-laws of the Institute, include persons who are not certified public accountants. (Amended 23 of 2004 s. 54)

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<b>Section Num:</b>	<b>18A</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading**    **Council's power to specify professional standards**

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- (1)        The Council may, in relation to the practice of accountancy, issue or specify any-
- (a)        statement of professional ethics; or
- (b)        standards of accounting, auditing and assurance practices, (Amended 23 of 2004 s. 15)
- required to be observed, maintained or otherwise applied by any certified public accountant. (Amended 23 of 2004 s. 54)
- (2)        Any-
- (a)        statement of professional ethics; or
- (b)        standards of accounting, auditing and assurance practices, (Amended 23 of 2004 s. 15)
- issued or specified by the Council and which were in force immediately before the coming into operation of this section shall be deemed to have been issued or specified under subsection (1).
- (Added 14 of 1992 s. 3)

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<b>Section Num:</b>	<b>18B</b>	<b>Version Date</b>	<b>01/12/2006</b>
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**Heading**    **Council's power to give directions**

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- (1)        The Council may, in connection with the discharge of any of its functions or duties or the exercise of any of its powers, give directions either generally to certified public accountants or to any one or more certified public accountants-
- (a)        requiring the production or provision to the Institute by a certified public accountant of any document or information in connection with the registration of any certified public accountant or firm name, or the issue of a practising certificate;
- (b)        requiring a certified public accountant to deliver up to the Institute any certificate of registration or practising certificate in the

possession, custody or control of the certified public accountant if the registration to which the certificate relates has ceased or the practising certificate has been cancelled or ceased to be valid;

(c) requiring a certified public accountant to give to the Institute an explanation of any act or omission of the certified public accountant which appears to the Council to be conduct unbecoming of a certified public accountant, or conduct which may affect the reputation, integrity and status of the Institute or of the accountancy profession or conduct which may fall within section 34(1)(a)(iii) to (xii).

(1A) Without prejudice to the generality of subsection (1), the Council may, in connection with the payment by a practice unit of any fees fixed under section 18(1)(aa) for the purpose of the contribution under section 7A, give directions to practice units requiring the production or provision to the Institute by a practice unit of any document or information to enable the Institute to ascertain whether or not the practice unit falls within a particular class for the purpose of such payment. (Added 18 of 2006 s. 71)

(2) A direction given under this section shall be a direction lawfully given by the Council for the purpose of section 34(1)(a)(ix).

(3) The Council may prescribe penalties of an amount not exceeding \$50000 to be imposed for failure by a certified public accountant to comply with a direction given to him but no penalty shall be imposed on a certified public accountant unless he admits to the failure and agrees to the penalty and any penalty so imposed may be recovered by the Institute from the certified public accountant as a civil debt.

(4) Subsections (1), (2) and (3) apply mutatis mutandis in relation to a firm of certified public accountants (practising) and to a corporate practice as they apply to a certified public accountant.

(Added 23 of 2004 s. 16)

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<b>Section Num:</b>	19	<b>Version Date</b>	08/09/2004
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**Heading** Council may accept grants, gifts, etc.

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(1) The Council may, on behalf of the Institute, accept property, by way of grant, gift, testamentary disposition or otherwise, on such conditions as it may determine.

(2) A list shall be kept by the Registrar of all donations to the Institute and the name of the donor and any special conditions attached to the donation shall be entered in the list.

(3) Property donated to the Institute for a specific purpose shall be applied for that purpose.

(Amended 23 of 2004 s. 54)

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<b>Section Num:</b>	20	<b>Version Date</b>	08/09/2004
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**Heading** Reimbursement of expenses of Council members

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No fees shall be paid to any member of the Council for his services as a member, but a member may be repaid from the funds of the Institute any expenses incurred by him in relation to the affairs of the Institute.

(Amended 23 of 2004 s. 54)

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<b>Section Num:</b>	21	<b>Version Date</b>	08/09/2004
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**Heading** Appointment of Registrar and notification to Registrar of Companies

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#### PART IV

#### REGISTRATION OF CERTIFIED PUBLIC ACCOUNTANTS

(Amended 23 of 2004 s. 54)

(1) The Council shall appoint, on such terms and conditions as it thinks fit, a Registrar.

(1A) If a vacancy occurs in the office of the Registrar, or if the Registrar is ill or temporarily absent from Hong Kong, the Council may appoint another person to act in the office of the Registrar until the vacancy therein is filled or, as the case may be, until the Registrar resumes his duties. (Added 96 of 1994 s. 9)

(2) The Registrar shall be the secretary to the Institute and to the Council and shall, on the instruction of the President, convene any meeting of the Institute or of the Council. (Amended 23 of 2004 s. 54)

(3) The Council shall register the appointment of the Registrar or any appointment under subsection (1A) with the Registrar of Companies (Amended 8 of 1993 s. 4; 96 of 1994 s. 9)

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<b>Section Num:</b>	22	<b>Version Date</b>	08/09/2004
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**Heading** Register of certified public accountants

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(1) The Registrar shall keep a register for the purposes of this Ordinance and shall be responsible for the custody thereof. (Replaced 85 of 1995 s. 5)

(1A) The register shall be divided into 2 parts as follows-

(a) Part I which shall contain the following-

(i) all the entries and other particulars or matter which comprised



the register immediately before the commencement of this subsection; and

(ii) any particulars to be entered in the register pursuant to subsection (2) or section 28C; and

(b) Part II which shall contain such particulars as are required to be entered in that Part by section 28D(8)(a) or 28E(1). (Added 85 of 1995 s. 5)

(1B) Subject to subsection (1A), the register shall be in such form as may be specified by the Council. (Added 85 of 1995 s. 5)

(1C) The register may be maintained-

(a) in a documentary form; or

(b) by recording the information required under subsection (1A) otherwise than in a documentary form, so long as the information is capable of being reproduced in a legible form. (Added 23 of 2004 s. 17)

(2) Upon the making of an order for the registration of an applicant under section 26(1), the Registrar shall enter in the register the following particulars of the person to be registered-

(a) his name;

(b) his residential address and any business address or, if he holds a practising certificate, his residential address and his registered office under section 31; (Amended 85 of 1995 s. 5)

(c) the qualification by virtue of which he is registered; and

(d) such other particulars as the Council may direct.

(3) For the purposes of enabling any member of the public to ascertain whether he is dealing with a certified public accountant, a certified public accountant (practising), a firm of certified public accountants (practising) or a corporate practice and to ascertain the particulars of registration of such person, the register or (where the register is maintained otherwise than in a documentary form) a reproduction of the information or the relevant part of it in a legible form shall at all reasonable times be made available for public inspection without charge. (Replaced 23 of 2004 s. 17)

(4) Any person registered as a professional accountant immediately before the relevant day shall be deemed to be registered as a certified public accountant. (Added 23 of 2004 s. 17)

<b>Section Num:</b>	23	<b>Version Date</b>	30/06/1997
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**Heading** Certificate of registration

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When a person has been registered under section 22, the Registrar shall issue to him a certificate of registration in such form as the Council may determine.

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<b>Section Num:</b>	24	<b>Version Date</b>	08/09/2004
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**Heading** Qualifications for registration as certified public accountant

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- (1) A person shall be qualified to be registered under this Ordinance as a certified public accountant if he proves to the satisfaction of the Council that- (Amended 23 of 2004 s. 54)
- (a) he has attained the age of 21 years;
- (b) he is of good character and is a fit and proper person to be a certified public accountant; (Amended 22 of 1977 s. 5; 96 of 1994 s. 10; 23 of 2004 s. 54)
- (c) any one of the following applies to him-
- (i) as a student registered as such with the Institute, he has passed such examinations in accountancy and other subjects as may be prescribed by the Council;
- (ii) he is a member in good standing of an accountancy body with which there is in force an agreement of mutual or reciprocal recognition between the accountancy body and the Institute and he has complied with all conditions for the recognition as may be provided in the agreement;
- (iii) he is a member in good standing of an accountancy body for which members-
- (A) the Council has granted full exemption pursuant to subsection (1A) from all the requirements of subparagraph (i); or
- (B) the Council has granted partial exemption pursuant to subsection (1A) from some of the requirements of subparagraph (i) and he has complied with all other requirements of that subparagraph for which no

exemption was granted;

(iv) he was registered as a professional accountant at any time before the relevant day; and (Replaced 23 of 2004 s. 18)

(d) he has complied with such requirements relating to practical experience as may be prescribed by the Council. (Added 96 of 1994 s. 10)

(1A) The Council may grant exemptions in whole or in part from the requirements of subsection (1)(c)(i) including exemption from the requirement of registration as a student of the Institute to a person who is a member of an accountancy body accepted by the Council by resolution approved by two-thirds of its members as being of a standard similar to that of the Institute: (Amended 23 of 2004 ss. 18 &. 54)

Provided that-

(a) no exemption shall be granted to such a person in respect of any examinations prescribed under subsection (1)(c)(i) unless he has satisfied the Council that he has passed such examinations of that accountancy body as the Council considers to be of equivalent standard as the examinations for which exemption is granted; and (Replaced 23 of 2004 s. 18)

(b) the acceptance of that accountancy body may be revoked by the Council by resolution approved by two-thirds of its members. (Added 96 of 1994 s. 10)

(2) (Repealed 23 of 2004 s. 18)

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<b>Section Num:</b>	<b>25</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading Application for registration**

[Back to Individual Section Format](#)

(1) A person shall apply to the Council to be registered as a certified public accountant under this Ordinance, in such form as the Council may specify, and shall lodge with his application such registration fee as may be fixed by the Council. (Amended 23 of 2004 s. 54)

(2) The applicant shall, if so directed by the Council, attend in person before the Council.

<b>Section Num:</b>	26	<b>Version Date</b>	08/09/2004
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**Heading** Acceptance or refusal of registration

[Back to Individual Section Format](#)

- (1) The Council may order that an application for registration be approved or rejected.
- (2) If the Council orders the rejection of an application under subsection (1)-
- (a) the order of rejection, which shall state the reason for rejection, shall be served forthwith by the Registrar upon the applicant either personally or by post addressed to the address shown in the application; and (Amended 23 of 2004 s. 19)
- (b) the registration fee lodged with the application for registration shall be refunded to the applicant.

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<b>Section Num:</b>	27	<b>Version Date</b>	08/07/2005
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**Heading** Removal from register of certain persons

[Back to Individual Section Format](#)

- (1) The Council shall order a name to be removed from the register-
- (a) in case the name is that of a certified public accountant, if he- (Amended 23 of 2004 s. 54)
- (i) resigns;
- (ii) dies;
- (iii) has been registered by mistake or in consequence of any misleading, false or fraudulent statement, declaration or representation, either oral or in writing;
- (iv) has failed to renew his registration under section 28;
- (b) in case the name is that of a corporate practice, if-
- (i) the practice ceases to be qualified for such registration;
- (ii) the practice has been so registered by mistake or in consequence of any misleading, false or fraudulent statement, declaration or representation, either oral or in writing;
- (iii) the practice has failed to renew its registration under section 28E;

- (iv) a receiver has been appointed in respect of the practice or it is being wound up. (Replaced 85 of 1995 s. 6)
- (2) The name of a certified public accountant shall not be removed from the register under subsection (1)(a)(iv)- (Amended 85 of 1995 s. 6; 23 of 2004 s. 54)
- (a) unless notice is sent to him requiring him to renew his registration within 30 days from the date of the notice; or (Amended 23 of 2004 s. 20)
- (b) if and for so long as the Council may, pursuant to section 49(3), refuse to accept his resignation from the Institute. (Replaced 96 of 1994 s. 11. Amended 23 of 2004 s. 54)
- (3) The order of the Council to remove the name of any certified public accountant from the register under subsection (1)(a)(iii) shall be served forthwith by the Registrar upon the certified public accountant concerned either personally or by post addressed to his registered address. (Amended 85 of 1995 s. 6; 23 of 2004 ss. 20 & 54)
- (4) The Registrar shall not remove the name of a certified public accountant from the register- (Amended 23 of 2004 s. 54)
- (a) before the expiry of 30 days after the date of service of the order under subsection (3); or
- (b) in the case of an appeal made to the Court of Appeal against the order under section 41, before the appeal is finally determined. (Amended 10 of 2005 s. 49)
- (5) When the name of a certified public accountant is removed from the register, under subsection (1)(a)(iii), the Registrar shall, as soon as practicable thereafter, cause to be published in the Gazette a notice to that effect. (Amended 14 of 1985 s. 6; 85 of 1995 s. 6; 23 of 2004 s. 54)
- (6) If the name of a certified public accountant is removed from the register under this section or section 35- (Amended 23 of 2004 s. 54)
- (a) the certificate of registration and the practising certificate, if any, issued to the certified public accountant shall be deemed to be cancelled with effect from the date on which his name is so removed; and (Amended 23 of 2004 s. 54)
- (b) no refund of the registration fee or any part thereof shall be made.
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<b>Section Num:</b>	<b>28</b>	<b>Version Date</b>	<b>08/09/2004</b>
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### Heading Expiry of registration and renewal

[Back to Individual Section Format](#)

- (1) Registration of a person as a certified public accountant shall- (Amended 23 of 2004 s. 54)
- (a) remain in force until 1 January in the year following the year in which he was so registered; and
- (b) be renewable annually.
- (2) An application for renewal of registration as a certified public accountant- (Amended 23 of 2004 s. 54)
- (a) shall be made to the Registrar not later than 15 December in the year preceding the year of renewal (or such later day as the Council may approve either generally or in respect of any application) in such form as the Council may specify; (Amended 22 of 1977 s. 6; 23 of 2004 s. 21)
- (b) shall not be granted except on payment of the registration fee fixed by the Council; and (Amended 23 of 2004 s. 21)
- (c) shall not be granted unless the applicant has satisfied the Council that he has complied with the requirements for the time being prescribed by the Council for continuing professional development. (Added 23 of 2004 s. 21)

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<b>Section Num:</b>	<b>28A</b>	<b>Version Date</b>	<b>08/09/2004</b>
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### Heading Registration of firm name

[Back to Individual Section Format](#)

- (1) A certified public accountant (practising) practising on his own account under a firm name shall apply to the Council for registration of the firm name under this Ordinance. (Amended 23 of 2004 s. 22)
- (2) A firm of certified public accountants (practising) shall apply to the Council for registration of a firm name under this Ordinance. (Amended 23 of 2004 s. 22)
- (3) No person shall practise-
- (a) on his own account as a certified public accountant

(practising) under a firm name; or (Amended 23 of 2004 s. 22)

(b) in partnership as a firm of certified public accountants (practising), (Amended 23 of 2004 s. 22)

unless his firm name or, as the case may be, the firm in which he is a partner is registered under this Ordinance.

(4) The Council may reject an application under subsection (1) or (2) if the firm name proposed to be registered-

(a) is the same as a firm name already registered;

(b) so nearly resembles a firm name already registered as to be likely to cause confusion; or

(c) is, in the opinion of the Council, misleading, offensive or otherwise contrary to the public interest.

(5) A firm of certified public accountants (practising) shall not be qualified to be registered under subsection (2) unless all partners of the firm are certified public accountants and at least such proportion as the Council may from time to time prescribe of its partners is or are certified public accountant (practising) or certified public accountants (practising). (Amended 23 of 2004 s. 22)

(6) For the avoidance of doubt, it is hereby declared that a person other than the holder of a current practising certificate shall not be entitled to sign an audit report on behalf of a firm of certified public accountants (practising). (Added 23 of 2004 s. 22)

(Replaced 96 of 1994 s. 12)

<b>Section Num:</b>	<b>28B</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading**    [Application for registration of a firm](#)

[Back to Individual Section Format](#)

Application for registration of a firm of certified public accountants (practising) under this Ordinance shall be made to the Council in such form as the Council may specify and there shall be lodged with the application such registration fee as may be fixed by the Council.

(Added 22 of 1977 s. 7. Amended 23 of 2004 s. 23)

<b>Section Num:</b>	<b>28C</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading** Provisions of sections 22, 23, 26, 27, 28, 39 and 41 to apply to firms and firm names

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The provisions of sections 22, 23, 26, 27(1)(a)(iii) and (iv), (2), (3), (4), (5) and (6), 28, 39 and 41 (1)(a) and (b)(i) shall apply mutatis mutandis in relation to the registration of a firm and a firm name as they apply in relation to the registration of a certified public accountant. (Added 22 of 1977 s. 7. Amended 96 of 1994 s. 13; 85 of 1995 s. 7; 23 of 2004 ss. 24 & 54)

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<b>Section Num:</b>	<b>28D</b>	<b>Version Date</b>	<b>08/07/2005</b>
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**Heading** Qualification for registration of company as corporate practice

[Back to Individual Section Format](#)

(1) Subject to subsection (11)(b), a company limited by shares and formed and registered under the Companies Ordinance (Cap 32), and only such a company, shall be qualified for registration as a corporate practice and where such a company is so registered it shall be qualified to remain registered as a corporate practice if and only for so long as the requirements specified in subsection (2) are complied with in relation to it.

(2) (a) The requirements referred to in subsection (1) are that the company concerned is and continues to be a qualified company and that the requirements of paragraph (b) or, where appropriate, paragraph (c) are complied with in relation to it.

(b) Where a qualified company has for the time being 3 or more members-

(i) each of its members shall be both a director of the company and a certified public accountant and at least such proportion as the Council may from time to time prescribe of its members shall be a certified public accountant (practising) or certified public accountants (practising), and



only persons who are members of the company may be a director of the company; (Amended 23 of 2004 s. 25)

(ii) the requirements referred to in subparagraph (i) shall be complied with as regards the company at all times;

(iii) the company shall at all times be covered by professional indemnity insurance provided by an approved insurer on terms which are either specified in rules under section 51 or, if not so specified, have been approved of by the Council and that the scope of the indemnity which the insurance affords is, as regards any amount payable thereunder and in every other respect, at least as extensive as rules under section 51 require in that regard; and

(iv) the company's memorandum and articles of association shall comply with the requirements of rules (if any) made under section 51.

(c) Where a qualified company has for the time being only 2 members-

(i) 1 such member shall be a certified public accountant (practising) and the other such member shall be either- (Amended 23 of 2004 s. 25)

(A) a certified public accountant (practising); or (Amended 23 of 2004 s. 25)

(B) a person in relation to whom a permission under subsection (5) is for the time being in force,

and only persons who are members of the company may be a director of the company; and

(ii) the company shall comply at all times with both the requirements of subparagraph (i) as regards members and the requirements described in paragraph (b)(iii) and (iv).

(3) Subject to subsection (4), an application for registration under section 28E shall be allowed if, and only if, the Council is satisfied that-

(a) the applicant is a qualified company;

(b) if the application were allowed, the applicant would thenceforth be covered by insurance described in subsection (2)(b)(iii); and

(c) (i) in case the applicant is a company described in subsection (2)(b)-

(A) the requirements of the company's articles of association include requirements which are appropriate having regard to the requirements of subparagraph (i) of that subsection; and

(B) the requirements of subparagraph (iv) of that subsection are complied with as regards it; and

(ii) in case the applicant is a company described in subsection (2)(c)-

(A) the requirements of the company's articles of association include requirements which are appropriate having regard to the requirements of subparagraph (i) of that subsection; and

(B) the requirements described in subsection (2)(b)(iv) are complied with as regards it.

(4) An application for registration under section 28E shall be made to the Council and shall be in such form as the Council may specify and there shall be lodged with the application such registration fee as may be fixed by the Council.

(5) (a) Subject to paragraph (c), on an application's being made in that behalf by a qualified company described in subsection (2)(c) the Council may, if it thinks fit, grant as regards that company a permission for the purposes of this section and such a permission shall operate to permit, notwithstanding anything contained in the Companies Ordinance (Cap 32), an individual person who is not a certified public accountant (practising) and who is specified in the application to be a member and director of that company. (Amended 23 of 2004 s. 25)

(b) A permission for the purposes of this section may be withdrawn by the Council at any time.

(c) A permission for the purposes of this section shall be granted if, and only if, the Council is satisfied that-

(i) in respect of the shareholding of the applicant company, a legally enforceable arrangement exists whereby-

(A) a person who is a certified public accountant (practising) is to hold the entire issued share capital of that company except 1 issued share; (Amended 23 of 2004 s. 25)

(B) the person holding for the time being the remaining share holds it in trust for the holder referred to in sub-subparagraph (A);

(C) in case the person referred to in sub-subparagraph (B) resigns, dies, or due to mental or physical incapacity becomes unable to act as a director of the applicant company, or in case a permission for the purposes of this section and relating to him is withdrawn, his share will devolve to another person; and

(ii) the person specified in the application is a fit and proper

person to whom to give a permission for the purposes of this section; and

(iii) in respect of the management of the applicant company, its memorandum and articles of association contain provisions to the effect that-

(A) the holder referred to in subparagraph (i)(A) is to be the managing director having the day to day management of the company;

(B) such holder is to have a second or casting vote at meetings of the applicant company's board; and

(C) a person referred to in subparagraph (i)(B) is to cease to hold office as a director on his share's devolving to another person as described in subparagraph (i)(C).

(6) (a) Where-

(i) a share devolves to a person other than the holder of a practising certificate pursuant to an arrangement referred to in subsection (5)(c)(i);

(ii) a corporate practice at any time ceases to comply with any of the requirements described in subsection (2) and applying to it, the corporate practice concerned shall, within the period of 14 days beginning on such devolution or cesser, notify the Council in writing of such devolution or cesser.

(b) (i) A notice given pursuant to this subsection because of the devolution of a share may contain an application to the Council for a permission for the purposes of this section regarding a person named in the notice, and the Council may allow or refuse the application.

(ii) Where an application referred to in subparagraph (i) is refused, the Council may when refusing the application require the applicant to bring a further such application within a period specified in the refusal.

(c) Where notice of a cesser described in paragraph (a)(ii) is received by the Council, it may, for the purpose of requiring the relevant corporate practice to comply with any or all of the requirements referred to in that paragraph, attach one or more specified conditions to the practice's registration under section 28E and direct the Registrar to record the conditions in Part II of the register in such manner as he considers appropriate.

(7) In case a condition is attached pursuant to this section, the corporate practice concerned shall comply with it, and if the condition requires compliance within a specified period it shall be so complied with.

(8) Where-

(a) there is a failure to comply with a requirement of subsection (2)(b)(ii), (iii) or (iv) or subsection (2)(c)(ii);

(b) there is a failure to comply with a notification requirement of subsection (6)(a) or section 28H(1) or (2);

(c) a condition attached under subsection (6)(c) or (9)(c) is not complied with; or

(d) a requirement imposed under subsection (6)(b)(ii) is not complied with,

the Council may, if it thinks fit, give the Registrar a direction under this subsection.

(9) (a) A direction under subsection (8) shall, as shall be thereby specified, require the Registrar-

(i) to remove, either permanently or for a period specified in the direction, the name of the corporate practice concerned and any other relevant particulars from the register forthwith; or

(ii) to give forthwith to such practice a notice described in paragraph (b).

(b) A notice referred to in paragraph (a) shall be in writing and be signed by the Registrar and shall state that a direction under subsection (8) has been given by the Council as regards the corporate practice to which the notice is addressed and that such practice may, within the period of 21 days beginning on the date of the notice, make representations to the Council as to why the Registrar should not comply with the direction (which representations are hereby authorized to be made).

(c) (i) Where representations are made pursuant to paragraph (b), the Registrar shall refer the relevant matter to the Council together with such observations (if any) as he considers appropriate and the Council, having considered such observations (if any) and representations, may either-

(A) if it considers it appropriate, attach specified conditions to the relevant corporate practice's registration under section 28E and direct the Registrar to record the conditions in Part II of the register in such manner as he considers appropriate; or

(B) direct the Registrar to remove the name of such practice and any other relevant particulars from the register forthwith.

(ii) Where such representations are not made within the period

specified in paragraph (b), the Registrar shall remove the name of the

corporate practice concerned and any other relevant particulars from the register.

(d) Where pursuant to a direction under this section the name of a corporate practice is removed from Part II of the register-

(i) the Registrar shall as soon as is reasonably practicable give the practice written notice of the removal; and

(ii) the practice may, within the period of 21 days beginning on the date of the notice, or such longer period as the Court of Appeal may allow, appeal to that court against the removal.

(e) In determining an appeal under this subsection the Court of Appeal may-

(i) order the Registrar to restore to Part II of the register the name of the corporate practice concerned together with such other particulars as were removed by him pursuant to the relevant direction under this section;

(ii) grant such other remedy or relief, or make such other order, if any, as the court considers appropriate; or

(iii) confirm such direction.

(10) (a) Subject to paragraph (b), where the name of a corporate practice is removed from the register pursuant to a direction under this section (including a direction confirmed on appeal), the Council shall cause notice of the removal to be published in the Gazette.

(b) A notice referred to in paragraph (a) shall not be published in the Gazette before- (Amended 10 of 2005 s. 50)

(i) in case an appeal is made to the Court of Appeal as regards the removal under subsection (9)(d)(ii), the appeal is finally determined; or (Amended 10 of 2005 s. 50)

(ii) in any other case, the time for taking such an appeal has expired.

(11) (a) For the avoidance of doubt it is hereby declared that nothing in this section shall be construed as repealing by implication or otherwise affecting any provision of Part IVA of the Companies Ordinance (Cap 32) in its application to a director of a corporate practice.

(b) It is hereby declared that-

(i) a company of which a corporation is either a member or a

director is not qualified for being registered under this section;

(ii) a corporation is not qualified for being either a member or a director of a corporate practice; and

(iii) a person other than the holder of a current practising certificate shall not be entitled to sign an audit report on behalf of a corporate practice. (Amended 23 of 2004 s. 25)

(12) In this section-

"approved insurer" (認可保險人) means an insurer who is approved by the Council as regards the provision by him of professional indemnity insurance to any company registered under section 28E;

"qualified company" (合資格公司) means a company described in subsection (1).

(Added 85 of 1995 s. 8)

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Section Num:	28E	Version Date	08/09/2004
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Heading [Registration of corporate practices](#)

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(1) Where an application under section 28D(3) is allowed, the Registrar shall enter in Part II of the register the following particulars of the company to which the application related-

(a) its name;

(b) its registered office for the purposes of the Companies Ordinance (Cap 32); and

(c) such other particulars (if any) as are for the time being specified for the purposes of this section by the Council.

(2) A corporate practice shall for the purposes of section 27(2), (3), (4), (5) and (6) be deemed to be a certified public accountant.

(Amended 23 of 2004 s. 54)

(Added 85 of 1995 s. 8)

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<b>Section Num:</b>	<b>28F</b>	<b>Version Date</b>	<b>30/06/1997</b>
<b>Heading</b>	<b>Certificate of registration of corporate practice</b>	<b><a href="#">Back to Individual Section Format</a></b>	

When a company is registered in the register, the Registrar shall issue to the corporate practice concerned a certificate of such registration in such form as the Council shall determine.

(Added 85 of 1995 s. 8)

<b>Section Num:</b>	<b>28G</b>	<b>Version Date</b>	<b>26/11/2004</b>
<b>Heading</b>	<b>Provisions of sections to apply to a company</b>	<b><a href="#">Back to Individual Section Format</a></b>	

(1) The provisions of sections 26, 28, 28A(4), 33B, 35, 35B, 36(1A), 37, 38, 39, 40 and 41(1) shall apply mutatis mutandis in relation to a corporate practice as they apply in relation to a certified public accountant. (Amended 23 of 2004 s. 26)

(2) Subsection (1) shall not be construed as limiting or otherwise affecting in any manner any liability incurred by a certified public accountant in the course of practising accountancy.

(Added 85 of 1995 s. 8. Amended 23 of 2004 s. 54)

<b>Section Num:</b>	<b>28H</b>	<b>Version Date</b>	<b>30/06/1997</b>
<b>Heading</b>	<b>Articles of association of corporate practices</b>	<b><a href="#">Back to Individual Section Format</a></b>	

(1) Where it is proposed to alter or add to the articles of association of a corporate practice ("the amendment"), it shall send to the Registrar written notice of the proposal and such notice shall be so sent not later than the day on which notice is given to its members of the meeting of the practice at which the amendment is to be considered.

(2) Where a corporate practice alters or adds to its articles of association, the practice shall before the expiration of the period of 21 days beginning on the day on which the relevant special resolution is passed, notify the Registrar in writing of the alteration or addition.

(Added 85 of 1995 s. 8)

<b>Section Num:</b>	<b>29</b>	<b>Version Date</b>	<b>08/09/2004</b>
<b>Heading</b>	<b>Requirements to practise as certified public accountant (practising)</b>	<b><a href="#">Back to Individual Section Format</a></b>	

(1) No person, other than a corporate practice, shall practise as a certified public accountant (practising) unless he is registered as a certified public accountant and holds a practising certificate. (Amended 85 of 1995 s. 9; 23 of 2004 ss. 27 & 54)

(2) Unless he is either the holder of a practising certificate or a corporate practice, a person shall not hold any appointment or render any services, whether unpaid or otherwise- (Amended 85 of 1995 s. 9)

(a) as an auditor of a company within the meaning of the Companies Ordinance (Cap 32); or

(b) as an auditor of accounts for the purpose of any other Ordinance.

(3) Nothing in this Ordinance shall prevent-

(a) a person from

(i) practising publicly and describing himself as an accountant, secretary, book-keeper, tax-agent, tax-consultant or cost-consultant; or

(ii) describing himself by any other designation, initials or characters not conveying the impression that he is entitled to practise as a certified public accountant (practising); or (Amended 23 of 2004 s. 27)

(iii) acting as an auditor of a registered trade union with the approval of the Registrar of Trade Unions; or

(b) a member of a club, institution or association, which is not carried on with a view to profit, from acting as auditor of the club, institution or association; or

(c) the Council, upon application, from exempting any person from the provisions of subsection (2)(b).



<b>Section Num:</b>	29A	<b>Version Date</b>	08/09/2004
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**Heading** Requirements for issue of a practising certificate

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- (1) Subject to subsections (1A), (1B) and (2), a practising certificate shall not be issued to a certified public accountant unless the Council is satisfied that he- (Amended 96 of 1994 s. 14; 23 of 2004 ss. 28 & 54)
- (a) has, after becoming a member of an accountancy body with which there is in force an agreement of mutual or reciprocal recognition between the accountancy body and the Institute, or after becoming a member of an accountancy body accepted by the Council under section 24(1A), or after registration as a certified public accountant, had not less than a total of 30 months full time approved accounting experience in the office of- (Amended 96 of 1994 s. 14; 23 of 2004 ss. 28 & 54)
- (i) a certified public accountant holding a practising certificate issued under this Ordinance; or (Replaced 96 of 1994 s. 14. Amended 23 of 2004 s. 54)
- (ii) a person practising public accountancy under the jurisdiction of an accountancy body with which there is in force an agreement of mutual or reciprocal recognition between the accountancy body and the Institute, or an accountancy body accepted by the Council under section 24(1A); or (Replaced 96 of 1994 s. 14. Amended 23 of 2004 s. 28)
- (iii) (Repealed 96 of 1994 s. 14)
- (b) has had a period of not less than 4 years full time approved accounting experience in an office or offices referred to in subparagraph (i) or (ii) of paragraph (a) or any combination thereof of which at least 1 year shall have been acquired after he has become a member of an accountancy body with which there is in force an agreement of mutual or reciprocal recognition between the accountancy body and the Institute, or an accountancy body accepted by the Council under section 24(1A) or after his registration as a certified public accountant. (Replaced 96 of 1994 s. 14. Amended 23 of 2004 ss. 28 & 54)
- (1A) For the purpose of subsection (1) the Council may require the whole or any part of the 30 months of full time accounting experience under subsection (1)(a) or the 4 years of full time accounting experience

under subsection (1)(b) to have been acquired within such period preceding the application for a practising certificate as may from time to time be specified by the Council. (Added 96 of 1994 s. 14)

(1B) A practising certificate shall not be issued to an applicant if there is in force against him an order of the Disciplinary Committee under section 35(1)(db) to that effect. (Added 23 of 2004 s. 28)

(2) A practising certificate shall not be issued to an applicant unless he satisfies the Council that he-

- (a) is ordinarily resident in Hong Kong; and
- (b) possesses such local experience and knowledge of local law and practice as the Council may consider necessary.

(3) For the purposes of subsection (2)(b) the Council may require an applicant to sit such examinations as it may prescribe which shall include an examination in local law and taxation, and may require an applicant to have had not less than 1 year full time approved accounting experience in Hong Kong.

(4) If the Council considers that an applicant has acquired substantial experience in accountancy, either in Hong Kong or elsewhere over a considerable period of time the Council may dispense with the requirements of subsection (2).

(5) For the purposes of this section-

- (a) "approved accounting experience" (認可會計經驗) means such professional accountancy experience as the Council may approve from time to time as sufficient practical experience; and
- (b) a person shall be treated as ordinarily resident if he has been present in Hong Kong for not less than 180 days in the preceding 12 months. (Added 22 of 1977 s. 8. Amended 14 of 1985 s. 7)

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<b>Section Num:</b>	<b>29B</b>	<b>Version Date</b>	<b>30/06/1997</b>
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Heading (Repealed 96 of 1994 s. 15)

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Section Num:	30	Version Date	08/09/2004
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## Heading Practising certificates

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- (1) A certified public accountant may apply to the Registrar in the month of November in any year, for a practising certificate, in the form specified by the Council. (Amended 23 of 2004 s. 54)
- (2) If the Council is satisfied that the applicant has complied with the requirements for the time being of section 29A and intends to practise as a certified public accountant (practising), the Registrar shall, on payment of the fee fixed by the Council, issue to the certified public accountant a practising certificate in the form specified by the Council for the period of one calendar year from 1 January next following the date of the application. (Amended 22 of 1977 s. 9; 96 of 1994 s. 16; 23 of 2004 ss. 29 & 54)
- (3) The Council may permit the application for a practising certificate to be made under subsection (1) at any time and upon such application the Registrar may issue to the applicant a practising certificate for any period not exceeding one calendar year and ending on 31 December in any year.
- (4) Notwithstanding subsections (1) and (2), a person registered as a public accountant immediately before the relevant day is exempted from complying with the requirements of section 29A(1) and (2). (Replaced 23 of 2004 s. 29)
- (5) If the Council refuses an application under subsection (1), the Registrar shall forthwith inform the applicant by notice in writing, served either personally or by post, of the decision of the Council and of the reasons for refusing to issue the practising certificate. (Amended 23 of 2004 s. 29)
- (6) If a certified public accountant fails to commence practice within 6 months from the date of issue of the practising certificate the Council may cancel the practising certificate. (Added 22 of 1977 s. 9. Amended 23 of 2004 s. 54)
- (7) A practising certificate shall not be issued to, and the Council may cancel the practising certificate of, a certified public accountant who is or has become bankrupt or has entered into a voluntary arrangement with his creditors within the meaning of the Bankruptcy

Ordinance (Cap 6). (Added 23 of 2004 s. 29)

(8) Notwithstanding subsections (2) and (4), the Council may-

- (a) refuse to issue a practising certificate if the applicant has failed to satisfy the Council that he has complied with the Institute's requirements for continuing professional development; or
- (b) issue a practising certificate to an applicant subject to the condition that he shall comply with the Institute's requirements for continuing professional development within a specified period. (Added 23 of 2004 s. 29)

(9) Where the Council is of the opinion that a certified public accountant has failed to comply with any condition imposed under subsection (8) it may, after affording the certified public accountant the opportunity to make representations, suspend or cancel the practising certificate of the certified public accountant with or without refunding the fee paid for the certificate. (Added 23 of 2004 s. 29)

Section Num:	31	Version Date	08/09/2004
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Heading Registered office

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(1) Every certified public accountant (practising) shall have a registered office in Hong Kong to which all communications and notices may be addressed. (Amended 23 of 2004 s. 30)

(2) The address of the registered office shall be given in the application for a practising certificate.

(3) Any change in such address shall be notified to the Registrar within 14 days thereof and shall be entered in the register by the Registrar.

(4) Any certified public accountant (practising) who practises in contravention of this section shall be guilty of an offence and shall be liable on conviction to a fine of \$5000. (Amended 22 of 1977 s.10; 23 of 2004 s. 30)

(5) (a) The references in this section to a certified public accountant (practising) shall each be construed as including a reference to- (Amended 23 of 2004 ss. 30 & 54)

(i) a certified public accountant (practising) who practises under

a firm name;

- (ii) a firm of certified public accountants (practising); and
- (iii) a corporate practice. (Amended 23 of 2004 s. 30)
- (b) In the application of subsection (1) to a corporate practice-
  - (i) that subsection shall be construed as if the reference therein to a registered office were a reference to the registered office of the practice for the purposes of the Companies Ordinance (Cap 32); and
  - (ii) that subsection's requirements shall be regarded as being complied with by the practice for so long as it has an office for the purposes of that Ordinance. (Added 85 of 1995 s. 10)
- (c) In the application of subsection (2) to a certified public accountant (practising) who practises under a firm name, a firm of certified public accountants (practising) and a corporate practice, that subsection shall be construed as if the reference therein to a practising certificate were a reference to registration of the firm name, the firm and the corporate practice respectively. (Added 23 of 2004 s. 30)

Section Num:	32	Version Date	08/09/2004
Heading	Publication of list of certified public accountants holding practising certificates and list of firm names and evidence of same		<a href="#">Back to Individual Section Format</a>

Publication of list of certified public accountants holding practising certificates and list of firm names and evidence of same  
(Amended 23 of 2004 s. 31)

- (1) As soon as practicable after 1 January in every year, the Registrar shall cause to be published in the Gazette-
  - (a) a list of certified public accountants holding practising certificates for the period specified in such list and the addresses of their registered offices; (Amended 23 of 2004 s. 54)
  - (b) a list of firm names registered under the Ordinance and the addresses of their registered offices; and (Replaced 22 of 1977 s. 11. Amended 96 of 1994 s. 17)
  - (c) a list of the corporate practices for the time being, and the

addresses of their registered offices referred to in section 28E(1)(b).

(Added 85 of 1995 s. 11)

(2) As soon as practicable after 1 July in every year, the Registrar shall cause to be published in the Gazette a list of amendments to the lists referred to in subsection (1). (Amended 22 of 1977 s. 11)

(3) (a) The list of certified public accountants published under subsection (1)(a), and any amendments thereto under subsection (2), shall be evidence that any person whose name appears therein is a certified public accountant holding a practising certificate for the period specified therein. (Amended 22 of 1977 s. 11; 23 of 2004 s. 54)

(b) The list of corporate practices published under subsection (1)(c), and any amendments thereto under subsection (2), shall be evidence that any such practice whose name appears therein was registered in the register and remained so registered during any period specified in such list as regards that practice. (Added 85 of 1995 s. 11)

(4) A certificate purporting to be signed by the Registrar that the name of a person or firm has or has not been entered in or has been removed from the register, or that a person registered holds or does not hold a practising certificate or that a corporate practice has or has not been entered in or has been removed from the register, shall be evidence of the facts stated therein.

(Amended 85 of 1995 s. 11)

<b>Section Num:</b>	<b>32A</b>	<b>Version Date</b>	<b>08/09/2004</b>
<b>Heading</b>	<b>Establishment and appointment of members of Practice Review Committee</b>	<a href="#">Back to Individual Section Format</a>	

#### PART IVA

#### PRACTICE REVIEWS

(1) There shall be a body to be known as the Practice Review Committee.

(2) Subject to subsections (3) and (4), the Council shall from time to time appoint from among certified public accountants the members of the

Practice Review Committee and designate one of the members to be its chairman. (Amended 23 of 2004 s. 54)

- (3) (a) The Practice Review Committee shall consist of such number of members, being not less than 5, as the Council shall fix and of whom not more than 2 may also be members of the Council.
- (b) Of the members of the Practice Review Committee not less than 2/3rds shall each hold a practising certificate.
- (4) A person shall not be a member of the Practice Review Committee and the Disciplinary Committee at the same time.
- (5) The term of office of a member of the Practice Review Committee shall be specified by the Council in the instrument under which he is appointed.
- (6) Section 50(a) of the Interpretation and General Clauses Ordinance (Cap 1) shall not apply as regards the Practice Review Committee.
- (7) The quorum for any meeting of the Practice Review Committee shall be not less than half of the members of the Practice Review Committee for the time being.
- (8) The Practice Review Committee may appoint sub-committees of its members and may delegate to any such sub-committee, with or without restrictions, any of its functions or powers except the powers conferred on it by section 32D(5).
- (9) A delegation under subsection (8) shall not preclude the exercise or performance by the Practice Review Committee of any power or function to which the delegation relates.
- (10) Subject to this Part and any directions issued by the Council under section 32B, the Practice Review Committee or any sub-committee thereof may regulate its own procedure and business.
- (Part IVA added 14 of 1992 s. 4)

Section Num:	32B	Version Date	08/09/2004
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Heading Council's powers under this Part

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- (1) The Council may-
- (a) specify the particular professional standards in relation to which practice reviews are to be carried out;

- (b) issue directions to the Practice Review Committee requiring an examination or a review, to determine whether professional standards specified under paragraph (a) are being, or when so specified, have been observed, maintained or applied, to be carried out as regards-
- (i) every practice unit; or
  - (ii) such practice units as specified by it;
- (c) issue directions to the Practice Review Committee relating to the exercise of any power conferred under section 32D(1), (2), (3) or (5); and
- (d) without affecting the generality of section 18(1)(b), appoint or engage any certified public accountant- (Amended 23 of 2004 s. 54)
- (i) holding such qualifications; and
  - (ii) on such terms and conditions,
- as it may determine, for the purpose of carrying out practice reviews.
- (2) The remuneration or other payments payable to a reviewer and any reasonable expenses incurred by him in relation to the conduct of a practice review shall be paid from the funds of the Institute. (Amended 23 of 2004 s. 54)
- (3) The Council shall furnish a reviewer with a copy of his appointment.
- (Part IVA added 14 of 1992 s. 4)

Section Num:	32C	Version Date	08/09/2004
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Heading **Conduct of practice reviews**

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- (1) Where the Council issues a direction under section 32B(1)(b), the Practice Review Committee shall by notice in writing inform the Registrar of the issue and contents of such direction.
- (2) Upon receipt of a notice under subsection (1), the Registrar shall-
- (a) determine the order in which the practice units to which the direction referred to in the notice relates, are to be reviewed or examined; and
  - (b) for the purpose of and to the extent necessary for giving effect to that direction assign a reviewer or reviewers to carry out a



practice review as regards each such practice unit.

(3) A reviewer who carries out a practice review pursuant to this section shall make a report to the Practice Review Committee at the conclusion of the practice review and at any other stage thereof as may be required by the Practice Review Committee.

(4) A reviewer shall, before making a report required by subsection (3), send a dated draft of the proposed report to the practice unit concerned and to each individual (if any) who is named in the report by post or recorded delivery addressed to the registered office or registered address of the practice unit or the individual, as the case may be.

(Amended 23 of 2004 s. 32)

(5) Where-

(a) a corporate practice, a firm, a certified public accountant practising on his own account or any other individual is sent a draft of a proposed report pursuant to the requirements of subsection (4), such practice, firm, accountant or other individual may, within the period of 21 days beginning on the day after the draft report is so sent, make submissions or representations in writing to the reviewer concerned as regards the proposed report; and (Amended 85 of 1995 s. 12; 23 of 2004 s. 54)

(b) any submissions or representations are made under paragraph (a), they shall be considered by the reviewer concerned.

(6) A reviewer shall attach to a report referred to in subsection (3) submissions or representations (if any) made under subsection (5) as regards the report in its draft form.

(7) Where a reviewer makes a report under subsection (3) he shall send to the practice unit or the individual concerned a copy of such report by post or recorded delivery addressed to the registered office or registered address of the practice unit or the individual, as the case may be. (Amended 23 of 2004 s. 32)

(8) A reviewer shall comply with any instructions given under section 32D(1)(b).

(Part IVA added 14 of 1992 s. 4)

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<b>Section Num:</b>	<b>32D</b>	<b>Version Date</b>	<b>26/11/2004</b>
<b>Heading</b>	<b>Powers of the Practice Review Committee</b>	<b><a href="#">Back to Individual Section Format</a></b>	

- (1) The Practice Review Committee may subject to any directions issued under section 32B(1)-
- (a) determine the practice and procedure to be observed in relation to practice reviews;
  - (b) issue instructions to any reviewer on any matter relating to practice reviews or a particular practice review;
  - (c) do or perform any other thing or act as may be incidental to or which it considers necessary or expedient for the performance of its functions or exercise of its powers under this Ordinance.
- (2) After receipt of a report under section 32C(3), the Practice Review Committee, having had regard to the report and submissions or representations (if any) attached to it, if thought fit, may make recommendations to the practice unit concerned regarding the application by it of professional standards.
- (3) The Practice Review Committee, having had regard to a report issued by a reviewer and submissions or representations (if any) attached to it, may-
- (a) issue an instruction to a reviewer to carry out, within such period as may be specified in the instruction (which period shall not commence earlier than 6 months after the date on which the instruction is issued), a further practice review as regards the practice unit to which the report relates; and
  - (b) specify in the instruction, the matters as regards which the review is to be carried out.
- (4) Nothing in section 32B(1) or 32C(2) shall be construed as preventing the Practice Review Committee from issuing an instruction under subsection (3) and for the avoidance of doubt it is hereby declared that the powers conferred by subsection (1) shall operate as regards any practice review carried out pursuant to such instruction.

(5) Where after the conclusion of a practice review the Practice Review Committee is, having had regard to any report issued by a reviewer and submissions or representations (if any) attached to it, of the opinion that-

- (a) in case the review related to a firm, any one or more or all of the partners in the firm;
- (b) in case the review related to a certified public accountant practising on his own account, that accountant; (Amended 23 of 2004 s. 54)
- (c) in case the review related to a corporate practice, 1 or more or all of the directors of the practice, (Added 85 of 1995 s. 13) may have failed to observe, maintain or apply, as the case may be, professional standards, then subject to subsection (7) the Practice Review Committee may make a complaint regarding any such director, such partner or other certified public accountant concerned or, in case there is more than one such person concerned, a separate complaint in respect of each of them, to the Registrar. (Amended 85 of 1995 s. 13; 23 of 2004 s. 54)

(6) A complaint under subsection (5) shall, for the purposes of Part V, be deemed to have been made under section 34(1).

(7) Where-

- (a) a complaint is made under subsection (5); and
- (b) immediately prior to the commencement of the relevant practice review-

(i) the director, partner or other certified public accountant to whom the complaint relates had not previously been a director of any corporate practice or a partner in any firm at any time when a practice review was carried out as regards that practice or that firm; and (Replaced 85 of 1995 s. 13. Amended 23 of 2004 s. 54)

(ii) a practice review had not previously been carried out as regards his practising on his own account, the Council shall not refer the complaint to the Disciplinary Panels under section 34(1) unless it decides by a majority of 3/4ths of its members for the time being that, were the grounds of complaint or any such ground or any matter or matters complained of established, the relevant act or omission by such director, such partner or other certified public accountant would have amounted to serious professional misconduct. (Amended 96 of 1994 s. 18; 85 of 1995 s. 13; 23 of 2004 ss. 33 & 54) (Part IVA added 14 of 1992 s. 4)

Section Num:	32E	Version Date	08/09/2004
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Heading Powers of reviewers

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- (1) The following provisions shall apply as regards any practice review-
- (a) Any person, to whom this paragraph applies, and who is reasonably believed by a reviewer to have in his possession or under his control any record or other document which contains or is likely to contain information relevant to the practice review shall, subject to subsection (3)-
- (i) produce to the reviewer or afford him access to, any record or document specified by the reviewer or any record or other document which is of a class or description so specified and which is in his possession or under his control being in either case a record or other document which the reviewer reasonably believes is or may be relevant to the practice review, within such time and at such place as the reviewer may reasonably require;
- (ii) if so required by the reviewer, give to him such explanation or further particulars in respect of anything produced in compliance with a requirement under subparagraph (i) as the reviewer shall specify;
- (iii) give to the reviewer all assistance in connection with the practice review which he is reasonably able to give.
- (b) Where any information or matter relevant to a practice review is recorded otherwise than in a legible form, any power to require the production of any record or other document conferred under paragraph (a), shall include the power to require the production of a reproduction of any such information or matter or of the relevant part of it in a legible form.
- (c) A reviewer may inspect, examine or make copies of or take any abstract of or extract from a record or document which may be required to be produced under paragraph (a) or (b).
- (d) Where-
- (i) a copy of any record or document is supplied by or on behalf of the practice unit for the purposes of this section; or

(ii) a copy thereof is made in the exercise of any power conferred under this section and a photocopying machine or other facility of the practice unit is used to make such copy,

the Institute shall reimburse the reasonable photocopying or other expenses incurred in making such copy. (Amended 23 of 2004 s. 54)

(e) A reviewer exercising a power under this section shall, if so requested by a person affected by such exercise, produce for inspection by such person a copy of the appointment furnished to him under section 32B(3).

(2) Subsection (1)(a) applies to any certified public accountant of the practice unit to which the particular practice review relates or to any person employed by or whose services are engaged by such unit. (Amended 23 of 2004 s. 54)

(3) Nothing in this section shall be taken to compel the production by a person of a record or document containing a privileged communication by or to a legal practitioner in that capacity. (Part IVA added 14 of 1992 s. 4)

Section Num:	32F	Version Date	08/09/2004
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Heading Referral of disputes

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(1) Subject to subsection (4), where a dispute arises in relation to whether or how a power or powers of a reviewer under section 32E may be exercised in a particular case, either the practice unit or the reviewer concerned, or both, may refer the dispute to the Practice Review Committee.

(2) Where a dispute is referred under subsection (1), after considering any submissions or representations (which shall be in writing) made by the relevant practice unit or the relevant reviewer, the Practice Review Committee-

(a) shall determine the dispute and communicate such determination to each of the parties to the dispute; and

(b) may issue directions relating to the matter in dispute to such practice unit or the reviewer concerned and require such unit or reviewer to comply with them.

(3) Where a practice unit or a reviewer is required to comply with a direction under subsection (2)(b) and fails to comply with the requirement, the Practice Review Committee may make a complaint to the Registrar regarding any corporate practice or any certified public accountant concerned, and in case such a complaint is made it shall, for the purposes of Part V, be deemed to have been made under section 34(1). (Amended 85 of 1995 s. 14; 23 of 2004 s. 54)

(4) Nothing in this Part shall be construed as enabling the Practice Review Committee or a reviewer finally to determine whether or not the provisions of section 32E(3) apply in relation to any record or document.

(Part IVA added 14 of 1992 s. 4)

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<b>Section Num:</b>	<b>32G</b>	<b>Version Date</b>	<b>30/06/1997</b>
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**Heading** Immunity

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(1) A person who complies with a requirement made under section 32E shall not incur any liability to any person by reason only of that compliance.

(2) No liability shall be incurred by any person in respect of anything done or omitted to be done by him in good faith in the performance or exercise or purported performance or exercise of any function or power under this Part.

(Part IVA added 14 of 1992 s. 4)

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<b>Section Num:</b>	<b>32H</b>	<b>Version Date</b>	<b>01/12/2006</b>
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**Heading** Secrecy

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(1) Subject to subsection (2), and except in the performance, or assisting in the performance, of a function under this Part, the Registrar, any reviewer, member of the Practice Review Committee or the Council or a person holding any other position who assists the Registrar,

reviewer or a member of the Practice Review Committee or the Council in the performance of a function under this Part-

- (a) shall at all times after his appointment as the Registrar, a reviewer, or a member of the Practice Review Committee or the Council or to such other position, as the case may be, or during or after the performance of or assisting in the performance of such function, preserve and aid in preserving secrecy with regard to any matter coming to his knowledge in the performance or in assisting in the performance of any such function;
- (b) shall not at any time communicate any such matter to any other person; and
- (c) shall not at any such time suffer or permit any other person to have any access to any record, document or other thing which is in his possession or under his control by virtue of his being or having been so appointed or his having performed or having assisted any other person in the performance of such a function.

(2) Subsection (1) shall not apply in relation to- (Amended 18 of 2006 s. 72)

(a) any disclosure made in relation to or for the purpose of any disciplinary proceedings under Part V or criminal proceedings; or

(b) any disclosure to the FRC for the purpose of enabling or assisting the FRC to perform its functions under the Financial Reporting Council Ordinance (Cap 588). (Amended 18 of 2006 s. 72)

(3) Any person who contravenes subsection (1) commits an offence and is liable on conviction to a fine of \$100000 and to imprisonment for 6 months.

(Part IVA added 14 of 1992 s. 4)

<b>Section Num:</b>	<b>321</b>	<b>Version Date</b>	<b>08/09/2004</b>
<b>Heading</b>	<b>Change in composition of practice unit</b>		<b><a href="#">Back to Individual Section Format</a></b>

(1) In this section, a reference to a change in composition of a practice unit means-

- (a) in relation to a firm of certified public accountants (practising), a change in the persons who comprise the partners of the

firm, if at least one of the partners of the firm before the change is a partner of the firm after the change;

(b) in relation to a corporate practice, a change in the persons who comprise the directors of the corporate practice;

(c) in relation to a certified public accountant (practising) practising on his own account, the admission by him of any partner to his practice; and

(d) in relation to any practice unit, a change in the name of the practice unit, whether or not following or in consequence of an event described in paragraph (a), (b) or (c).

(2) Where a change in composition of a practice unit occurs, a reference in this Part to a practice unit shall include the practice unit after the change in composition.

(3) The powers under this Part shall be exercisable as regards a practice unit notwithstanding a change in composition of the practice unit.

(4) No change in composition of a practice unit shall affect-

(a) any right, obligation or liability acquired or incurred by or accrued to a practice unit under this Part before the change; or

(b) any practice review or further practice reviews of a practice unit, and any practice review or further practice reviews may be carried out and continued as regards the practice unit notwithstanding a change or further changes in composition of the practice unit.

(5) This section applies to changes in composition of practice units whenever occurring and practice reviews whenever conducted.

(Added 23 of 2004 s. 34)

Section Num:	33	Version Date	26/11/2004
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[Heading](#) [Disciplinary Panels](#)

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## PART V

### DISCIPLINARY PROCEEDINGS

(1) There shall be 2 Disciplinary Panels-

(a) Disciplinary Panel A shall consist of not less than 18 lay persons appointed by the Chief Executive of whom one shall be appointed by



the Chief Executive to be the Disciplinary Committee Convenor and another to be his alternate;

(b) Disciplinary Panel B shall consist of not less than 12 certified public accountants appointed by the Council of whom not less than 6 shall be holders of practising certificates. (Replaced 23 of 2004 s. 35)

(1A) The Disciplinary Committee Convenor shall not be appointed for a term exceeding 1 year but shall be eligible for reappointment for a further term or terms of not exceeding 1 year each. (Added 23 of 2004 s. 35)

(1B) The alternate of the Disciplinary Committee Convenor shall act in place of the Disciplinary Committee Convenor if the Disciplinary Committee Convenor is precluded by illness, absence from Hong Kong or any other cause from performing his functions as such. (Added 23 of 2004 s. 35)

(2) A person who is a member of the Council or is for the time being appointed under section 42B shall be disqualified for membership of any of the Disciplinary Panels and, accordingly, if a member of any of the Disciplinary Panels either becomes a member of the Council or is so appointed his membership of any of the Disciplinary Panels shall thereupon cease.

(3) (a) Where pursuant to section 34 a complaint is referred to the Disciplinary Panels, the Council shall constitute a Disciplinary Committee to deal with the complaint by directing the Disciplinary Committee Convenor to appoint the chairman and other members of the Disciplinary Committee, and the Disciplinary Committee Convenor shall act in accordance with such direction.

(b) Subject to section 33B(4), a Disciplinary Committee constituted pursuant to paragraph (a) shall consist of the following 5 members- (Amended 23 of 2004 s. 35)

(i) a person appointed by the Disciplinary Committee Convenor from Disciplinary Panel A who shall be the chairman of the Disciplinary Committee;

(ii) 2 persons appointed by the Disciplinary Committee Convenor from Disciplinary Panel A; and

(iii) 2 persons appointed by the Disciplinary Committee Convenor from Disciplinary Panel B of whom one shall be the holder of a practising certificate.

(c) The Disciplinary Committee Convenor shall not be appointed as a member of a Disciplinary Committee. (Replaced 23 of 2004 s. 35)  
(Replaced 96 of 1994 s. 19. Amended 23 of 2004 s. 35)

<b>Section Num:</b>	<b>33A</b>	<b>Version Date</b>	<b>30/06/1997</b>
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**Heading** (Repealed 85 of 1995 s. 15)

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(Repealed 85 of 1995 s. 15)

<b>Section Num:</b>	<b>33B</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading** Dealing with complaints

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(1) Subject to subsection (2), the quorum for a Disciplinary Committee shall be 4.

(2) If immediately before commencing to deal with a complaint, or if at any stage in the course of dealing with a complaint (being a stage at which the certified public accountant against whom the complaint has been made is entitled to be present or represented) one of the members of the Disciplinary Committee is absent, such certified public accountant or his representative may object to the complaint's being dealt with in the absence of such member, and in case an objection is made pursuant to this subsection and is not withdrawn the Disciplinary Committee concerned shall neither commence to deal nor, where appropriate, further deal with the relevant complaint until either the objection is withdrawn or the member whose absence occasioned the objection is present. (Amended 23 of 2004 s. 54)

(3) Where-

(a) (i) a Disciplinary Committee, having given the certified public accountant concerned or his representative an opportunity of being heard in the proceedings, is unable to decide whether an order under section 35, or what kind of such order, should be made; and (Amended 23 of 2004 s. 54)

(ii) the committee's inability so to decide is because one of its members is absent or is otherwise unable to participate in the committee's deliberations regarding the decision; or

(b) the Council is of opinion that because an objection made under subsection (2) which has not been withdrawn or because of the death, illness or other incapacity or the absence from Hong Kong of the person who is the chairman of a Disciplinary Committee, it is impracticable for the committee to continue to deal with the complaint with which it is concerned the Council shall by resolution dissolve the committee.

(4) (a) Where a Disciplinary Committee is dissolved pursuant to subsection (3), the following shall apply-

(i) subject to paragraph (b), the Council shall at the same time constitute another Disciplinary Committee to deal with the complaint with which the dissolved committee was concerned; and

(ii) in dealing with the complaint, the Disciplinary Committee constituted pursuant to the requirement of subparagraph (i) shall deal with it afresh and, accordingly, it shall not have any regard to the proceedings of the committee which before its dissolution under subsection (3) was concerned with the complaint.

(b) Where a Disciplinary Committee is dissolved under subsection (3), a person who was a member of the dissolved committee and who participated in any way in its proceedings shall not be eligible for membership of the Disciplinary Committee constituted pursuant to the requirements of paragraph (a)(i).

(Added 96 of 1994 s. 21)

Section Num:	34	Version Date	26/11/2004
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Heading **Disciplinary provisions**

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(1) A complaint that-

(a) a certified public accountant- (Amended 23 of 2004 s. 54)

(i) has been convicted of any offence under Part V (Perjury) of the Crimes Ordinance (Cap 200);

(ii) has been convicted in Hong Kong or elsewhere of any offence involving dishonesty;

- (iii) whether as a certified public accountant or not- (Amended 23 of 2004 s. 54)
    - (A) falsified or caused to be falsified any document;
    - (B) made any statement which is material and which he knows to be false or does not believe to be true, in respect of any document;
  - (iv) has been negligent in the conduct of his profession;
  - (v) without reasonable excuse, failed or neglected to comply with any direction issued under section 32F(2) and with which he was required by the Practice Review Committee to comply;
  - (vi) failed or neglected to observe, maintain or otherwise apply a professional standard;
  - (vii) without reasonable excuse, failed or neglected to comply with any requirement made under section 42D in relation to him by an Investigation Committee;
  - (viii) has been guilty of professional misconduct;
  - (ix) refused or neglected to comply with the provisions of any bylaw or rule made or any direction lawfully given by the Council;
  - (x) was guilty of dishonourable conduct;
  - (xi) while a director of a corporate practice, rendered any service as, or purporting to be, a director of a company whose name did not appear in Part II of the register at the time when the service was rendered; or
  - (xii) being such a director, practised accountancy as such a director at a time when the corporate practice was covered by professional indemnity insurance either not at all or not to the extent required by this Ordinance;
- (b) a corporate practice-
    - (i) or any of its directors-
      - (A) falsified or caused to be falsified any document;
      - (B) made any statement which is material and which any of its directors knows to be false or does not believe to be true, in respect of any document;
    - (ii) failed to comply with a requirement referred to in section 28D(6)(a) or (7) or ceased or failed to comply with any requirement of section 28D(2)(b) or (c) applying to it;
    - (iii) rendered any service under a company name other than the name which then appeared in relation to the practice in the register;

(iv) being such a practice, practised accountancy without being covered by professional indemnity insurance at all or to the extent required by this Ordinance; or

(v) did or omitted to do something which, were the practice an individual certified public accountant, would reasonably be regarded as being dishonourable conduct by an individual,

shall be made to the Registrar who shall submit the complaint to the Council which may, in its discretion but subject to section 32D(7), refer the complaint to the Disciplinary Panels. (Amended 14 of 1992 s. 6)

(1AAA) If the Council decides not to refer the complaint to the Disciplinary Panels, the complainant who is aggrieved by the Council's decision may request the Council to refer the complaint to the Disciplinary Panels, whereupon the Council shall, unless it is of the opinion that no prima facie case has been shown for the complaint, or that the complaint is frivolous or vexatious, refer the complaint to the Disciplinary Panels. (Added 23 of 2004 s. 36)

(1AA) The provisions of subparagraphs (iv) to (ix) of paragraph (a) of subsection (1) shall apply mutatis mutandis in relation to a corporate practice and accordingly, in addition to those specified in subsection (1)(b), a complaint under subsection (1) may be made against such a practice on any 1 or more of the grounds specified in those subparagraphs as so applied. (Added 85 of 1995 s. 16)

(1A) Where the Registrar has reason to believe that subsection (1)(a) or (b), or subsection (1)(a) as applied by subsection (1AA), applies to a certified public accountant or a corporate practice, he shall submit the facts to the Council which may, in its discretion, refer the complaint to the Disciplinary Panels. (Added 22 of 1977 s. 12. Amended 14 of 1985 s. 10)

(2) For the purposes of subsection (1)(a)(x) and (b)(v),

"dishonourable conduct" (不名譽的行為) means an act or omission of a certified public accountant, whether or not in the course of carrying out professional work or as a certified public accountant, which would reasonably be regarded as bringing or likely to bring discredit upon the certified public accountant himself, the Institute or the accountancy profession.

(3) A person who was a member of the Practice Review Committee at any time when a complaint was made by it under section 32D(5) shall not

take part as a member of a Disciplinary Committee in any proceedings relating to such complaint. (Added 14 of 1992 s. 6)  
(Amended 96 of 1994 s. 22; 85 of 1995 s. 16; 23 of 2004 ss. 36 & 54)

<b>Section Num:</b>	<b>35</b>	<b>Version Date</b>	<b>08/07/2005</b>
<b>Heading</b>	<b>Disciplinary powers of Disciplinary Committee</b>	<b><a href="#">Back to Individual Section Format</a></b>	

- (1) If a Disciplinary Committee is satisfied that a complaint referred to it under section 34 is proved, the Disciplinary Committee may, in its discretion make any one or more of the following orders-
- (a) an order that the name of the certified public accountant be removed from the register, either permanently or for such period as it may think fit; (Amended 23 of 2004 s. 54)
  - (b) an order that the certified public accountant be reprimanded; (Amended 23 of 2004 s. 54)
  - (c) an order that the certified public accountant pay a penalty not exceeding \$500000 to the Institute; (Amended 23 of 2004 s. 54)
  - (d) an order that the certified public accountant pay the costs and expenses of and incidental to an investigation against him under Part VA; (Amended 23 of 2004 s. 54)
  - (da) an order that the practising certificate issued to the certified public accountant be cancelled; (Added 23 of 2004 s. 37)
  - (db) an order that a practising certificate shall not be issued to the certified public accountant either permanently or for such period as the Disciplinary Committee may think fit, (Added 23 of 2004 s. 37)
  - (e) (Repealed 23 of 2004 s. 37)
- and the Disciplinary Committee may in any case- (Amended 23 of 2004 s. 37)
- (i) provide for an order to take effect on such date as the Disciplinary Committee thinks fit;
  - (ii) provide for an order to take effect only upon the happening or non-happening of such event within such period as may be specified by the Disciplinary Committee;
  - (iii) make such order as the Disciplinary Committee thinks fit with regard to the payment of costs and expenses of and incidental to the proceedings, whether of the Institute (including the costs and expenses of

the Disciplinary Committee) or of any complainant or of the certified public accountant, and any costs and expenses or penalty ordered to be paid may be recovered as a civil debt. (Replaced 96 of 1994 s. 23. Amended 23 of 2004 s. 37)

(1A) Where any rules made under section 51 provide for a re-hearing by a Disciplinary Committee of a complaint referred to it under section 34, any order or decision made under subsection (1) shall, if a Disciplinary Committee re-hears the complaint, cease to have effect and subsection (1) shall apply to such re-hearing as if it were the original hearing. (Added 14 of 1985 s. 11. Amended 85 of 1995 s. 17)

(2) Nothing in this section shall be deemed to require a Disciplinary Committee to inquire into the question whether a professional accountant was properly convicted but the Committee may consider the record of a case in which such conviction was recorded and such other evidence as may show the nature and gravity of the offence.

(3) A Disciplinary Committee shall cause a copy of any order made under subsection (1)(a) or, if the order is varied on appeal, the order as so varied to be published in the Gazette together with a summary of the nature of the complaint to which the order relates:

Provided that no order shall be so published before the expiry of 30 days after the date of service of the order on the professional accountant under section 38(1) or, in the case of an appeal made to the Court of Appeal against the order under section 41, before the appeal is finally determined. (Amended 10 of 2005 s. 51)

(Amended 96 of 1994 s. 23)

<b>Section Num:</b>	<b>35A</b>	<b>Version Date</b>	<b>08/09/2004</b>
<b>Heading</b>	<b>Payment of fees to members of Disciplinary Committee</b>	<b><a href="#">Back to Individual Section Format</a></b>	

The Institute may pay fees at such rates as the Council may from time to time fix and such expenses as the Council may deem fit to any members of a Disciplinary Committee for the performance by them of their duties or for any work done by them, and such fees and expenses shall for the purpose of section 35(1) form part of the costs and expenses of the Institute of and incidental to the disciplinary proceedings.

(Added 23 of 2004 s. 38)

<b>Section Num:</b>	<b>35B</b>	<b>Version Date</b>	<b>26/11/2004</b>
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**Heading**    **Consent order**

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(1) Where a complaint that section 34(1)(a)(vi), (viii), (ix) or (x) applies to a certified public accountant is referred to the Disciplinary Committee and the Disciplinary Committee, without hearing either the complainant or the certified public accountant, is of the view that the complaint is of such a nature that if the complaint is proved, the appropriate order or orders to be made should fall within one or more of the following orders under section 35-

- (a) an order that the certified public accountant be reprimanded;
  - (b) an order that the certified public accountant pay a penalty not exceeding \$50000 to the Institute;
  - (c) an order that the certified public accountant pay the costs and expenses of and incidental to the proceedings, whether of the Institute (including the costs and expenses of the Disciplinary Committee) or of the complainant,
- the Disciplinary Committee may give notice to the complainant and the certified public accountant.

(2) A notice given by the Disciplinary Committee under subsection (1) shall state-

- (a) the order or orders, being order or orders no more than those referred to in subsection (1), which the Disciplinary Committee proposes to make if the certified public accountant admits to the complaint; and
- (b) the time (being not earlier than 14 days from the date when the notice was given, or such further time as the Disciplinary Committee may allow) within which each of the complainant and the certified public accountant is required to inform the Disciplinary Committee as to whether he will consent to the proposed order or orders.

(3) If the complainant and the certified public accountant consent to the proposed order or orders, the Disciplinary Committee shall make an order or orders in terms of the proposed order or orders and such order and orders shall be deemed to be an order or orders made under section 35,



save that sections 38(2) and 41(1)(b)(iii) shall not apply to such order or orders.

(4) If the complainant or the certified public accountant informs the Disciplinary Committee that he does not consent to the proposed order or orders, or if the Disciplinary Committee considers that the consent of either the complainant or the certified public accountant is not forthcoming notwithstanding the notice under subsection (2)(b), the Disciplinary Committee shall inform the Council and the following shall apply-

- (a) the Disciplinary Committee shall be dissolved;
- (b) the Council shall constitute a new Disciplinary Committee to deal with the complaint with which the dissolved committee was concerned by directing the Disciplinary Committee Convenor to appoint the chairman and other members of the new Disciplinary Committee;
- (c) a person who was a member of the dissolved committee shall not be eligible for membership of the new Disciplinary Committee; and
- (d) the new Disciplinary Committee shall deal with the complaint afresh without regard to this section and, accordingly, it shall not have any regard to any proceedings of the dissolved committee, including the proposed order or orders of the dissolved committee or any failure or refusal of the complainant or the certified public accountant to consent to the proposed order or orders.

(Added 23 of 2004 s. 38)

<b>Section Num:</b>	<b>36</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Powers of Disciplinary Committee with regard to obtaining evidence and the conduct of proceedings**

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- (1) For the purposes of proceedings under section 35 a Disciplinary Committee shall have the following powers-
- (a) to take evidence on oath;
  - (b) to summon any person to attend the proceedings to give evidence or produce any document or other thing in his possession and to examine him as a witness;
  - (c) (Repealed 23 of 2004 s. 39)

(d) to award to a witness such expenses as, in the opinion of a Disciplinary Committee, he has incurred by reason of his attendance.

(1A) Every hearing of the Disciplinary Committee shall be held in public unless the Disciplinary Committee-

(a) on its own motion; or

(b) on the application of-

(i) the complainant; or

(ii) the certified public accountant against whom the complaint is made,

determines that in the interests of justice a hearing or any part thereof shall not be held in public in which case it may hold the hearing or the part thereof (as the case may be) in private. (Added 23 of 2004 s. 39)

(2) A summons to a witness shall be in the prescribed form and shall be signed by the chairman of a Disciplinary Committee.

(Amended 96 of 1994 s. 24)

<b>Section Num:</b>	<b>37</b>	<b>Version Date</b>	<b>08/09/2004</b>
<b>Heading</b>	<b>Conduct of proceedings and legal representation</b>		<a href="#">Back to Individual Section Format</a>

(1) At the hearing of a complaint-

(a) the complainant, or his solicitor or counsel, or, with the approval of the Disciplinary Committee, some other person appointed by the complainant to represent him; or (Amended 23 of 2004 s. 40)

(b) the Registrar or his solicitor or counsel or some other person appointed by the Registrar to represent him; or

(c) a member of an Investigation Committee appointed under section 42C, or the solicitor or counsel of such member, or some other person appointed by the Investigation Committee to represent it, (Replaced 96 of 1994 s. 25. Amended 23 of 2004 s. 40)

shall present the case against the accountant whose conduct is the subject of proceedings under section 35.

(2) A certified public accountant whose conduct is the subject of such proceedings shall be entitled to be represented by counsel or a solicitor, or, with the approval of the Disciplinary Committee, by some other person appointed by the certified public accountant to represent him

throughout the proceedings. (Amended 23 of 2004 ss. 40 & 54)  
(Amended 96 of 1994 s. 25)

<b>Section Num:</b>	<b>38</b>	<b>Version Date</b>	<b>08/07/2005</b>
<b>Heading</b>	<b>Provisions relating to orders of the Disciplinary Committee</b>		<b><a href="#">Back to Individual Section Format</a></b>

(1) The Registrar shall cause a copy of any order made under section 35(1) to be served forthwith upon the professional accountant concerned, either personally or by post addressed to his registered address. (Amended 96 of 1994 s. 26)

(2) The Registrar shall not remove the name of a certified public accountant from the register by virtue of an order made under subsection (1)(a) of section 35, record a reprimand or penalty or an order to pay costs and expenses or an order in respect of practising certificate in the register by virtue of an order made under subsection (1)(b), (c), (d), (da) or (db) of that section or enforce payment of a penalty or costs or expenses under subsection (1)(c) or (d) of that section before the expiry of 30 days after the date of service of the order on the accountant or, in the case of an appeal made to the Court of Appeal against the order under section 41, before the appeal is finally determined. (Replaced 96 of 1994 s. 26. Amended 23 of 2004 s. 54; 10 of 2005 s. 52)  
(Amended 23 of 2004 s. 41)

<b>Section Num:</b>	<b>39</b>	<b>Version Date</b>	<b>08/09/2004</b>
<b>Heading</b>	<b>Restoration of name of certified public accountant to register</b>		<b><a href="#">Back to Individual Section Format</a></b>

Restoration of name of certified public accountant to register  
(Amended 23 of 2004 s. 54)

(1) A person whose name has been removed from the register under the provisions of this Ordinance may apply to the Council for the restoration of his name to the register.

(2) The Council may, after making such inquiry as it may consider necessary, reject an application under subsection (1) or allow it, subject to such conditions if any as it may think fit to impose.

(3) The Council shall, if it allows an application under subsection (1), order the Registrar to restore the name of the applicant to the register and thereupon the Registrar shall restore the name accordingly.

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<b>Section Num:</b>	<b>40</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading** Restriction on removal of name of certified public accountant from register

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Restriction on removal of name of certified public accountant from register  
(Amended 23 of 2004 s. 54)

The name of a certified public accountant shall not be removed from the register by reason of any conviction involving dishonesty if prior to the date of his registration the Council was aware of the conviction.

(Amended 23 of 2004 s. 54)

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<b>Section Num:</b>	<b>41</b>	<b>Version Date</b>	<b>08/07/2005</b>
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**Heading** Appeals

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- (1) An appeal shall lie to the Court of Appeal by-
- (a) any person whose application for registration has been rejected by an order under section 26(1);
- (b) a certified public accountant- (Amended 23 of 2004 s. 54)
- (i) whose name the Council has ordered under section 27(1)(a)(iii) or (iv) to be removed from the register; (Amended 85 of 1995 s. 18)
- (ii) whose application under section 30 for a practising certificate is refused; or

(iii) who is aggrieved by an order made in respect of him under section 35(1); (Amended 96 of 1994 s. 27; 85 of 1995 s. 18; 23 of 2004 s. 42)

(c) a corporate practice-

(i) whose name the Council has ordered under section 27(1)(b) to be removed from the register;

(ii) in respect of which an order is made under section 35(1)(a) or (b), (Added 85 of 1995 s. 18)

and the Court of Appeal may confirm, vary or reverse the order or decision appealed against.

(2) (Repealed 10 of 2005 s. 47)

(3) In any such appeal the Court of Appeal may exercise such powers as are vested in it by the High Court Ordinance (Cap 4) and the practice and procedure shall be in accordance with rules of court made under that Ordinance: (Amended 25 of 1998 s. 2; 23 of 2004 s. 42)

Provided that the Court of Appeal shall not hear any such appeal unless notice of the appeal has been given by the appellant within 30 days after service upon him of-

(a) a copy of an order under section 26(1);

(b) a copy of an order under section 27(1)(a)(iii) or (iv);

(Amended 14 of 1985 s. 12; 85 of 1995 s. 18)

(bb) a copy of an order under section 27(1)(b); (Added 85 of 1995 s. 18)

(c) a copy of a decision under section 30; or

(d) a copy of an order under section 35 (1). (Amended 96 of 1994 s. 27; 23 of 2004 s. 42)

<b>Section Num:</b>	<b>41A</b>	<b>Version Date</b>	<b>26/11/2004</b>
<b>Heading</b>	<b>Application of disciplinary provisions to firms</b>	<b><a href="#">Back to Individual Section Format</a></b>	

Sections 33B, 34(1) (other than subparagraphs (i), (ii), (iii), (xi) and (xii) of paragraph (a)), 34(1A) except in so far as it relates to those subparagraphs, 34(1)(b)(iii), 35, 35B, 36(1A), 37, 38, 39, 40 and 41 shall apply mutatis mutandis to a firm of certified public accountants (practising) as they apply to a certified public accountant or, as the

case may be, to a corporate practice and so that in any proceedings against a firm of certified public accountants (practising) it shall be sufficient to prove that the act or omission complained of was the act or omission of any of the partners of the firm.

(Added 96 of 1994 s. 28. Amended 85 of 1995 s. 19; 23 of 2004 ss. 43 & 54)

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<b>Section Num:</b>	<b>41B</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading**    **Immunity**

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(1)        The chairman or a member of the Disciplinary Committee performing any function under or pursuant to this Part shall have the same privileges and immunities a judge of the Court of First Instance has in relation to civil proceedings in that court.

(2)        A party to any hearing or any witness, counsel, solicitor or person representing a party appearing before a hearing shall have the same privileges or immunities such a party, witness, counsel, solicitor or person representing a party respectively would have had in relation to civil proceedings in the Court of First Instance.

(Added 23 of 2004 s. 44)

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<b>Section Num:</b>	<b>42</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading**    **Offences and penalties**

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## PART VI

### OFFENCES

(1)        Subject to this section, any person who-

(a)        being summoned to attend as a witness or to produce a document or other thing under section 36(1)(b), refuses or fails to do so or to answer any question put to him by the Disciplinary Committee; (Amended 14 of 1985 s.13)

- (b) fraudulently procures himself or any other person to be registered by means of any misleading, false or fraudulent representation or statement, either oral or in writing;
- (c) makes or causes to be made any falsification in the register or in any matter relating to the register;
- (d) personates or represents himself as being the person referred to in any certificate or document presented to the Council or the Disciplinary Committee;
- (e) falsely pretends to be qualified to practise as a certified public accountant (practising); (Amended 23 of 2004 s. 49)
- (f) falsely takes or uses any name, initials, title, addition or description implying that he is qualified to be registered as a certified public accountant or to practise as a certified public accountant (practising); (Amended 23 of 2004 ss. 49 & 54)
- (g) not being a certified public accountant, either directly or indirectly, practises as a certified public accountant (practising); (Amended 23 of 2004 ss. 49 & 54)
- (h) not being a certified public accountant-
- (i) knowingly permits the use of or uses in connection with his business, trade, calling or profession the description "professional accountant", "certified public accountant" or "certified accountant", or the characters "專業會計師", "會計師" or "註冊會計師", or any written words, initials or abbreviations of words intended to cause, or which may reasonably cause, any person to believe that the person using the same is a certified public accountant; or
- (ii) uses after or in conjunction with his name the initials "CPA"; (Replaced 23 of 2004 s. 49)
- (ha) being a company which is not a corporate practice-
  - (i) provides, offers to provide or holds itself out as providing any professional service which only a person who is a certified public accountant (practising) may lawfully provide; or (Amended 23 of 2004 s. 49)
  - (ii) advertises or represents itself as qualified to practise as a certified public accountant (practising) or permits itself to be so advertised or represented; or (Amended 23 of 2004 s. 49)

(iii) uses in conjunction with its name the description "certified public accountant (practising)" or "public accountant" or uses after or otherwise in conjunction with its name the initials "CPA (practising)" or

"PA" or the characters "執業會計師", "註冊核數師", "核數師" or "審計師", or permits

the

use of or uses such description, initials or characters in connection with its business; (Added 85 of 1995 s. 20. Amended 80 of 1997 s. 108; 23 of 2004 s. 49)

(i) not being a certified public accountant holding a practising certificate or not being a practice unit the firm name of which is registered under section 28A- (Amended 23 of 2004 ss. 49 & 54)

(i) advertises, publishes or represents himself as qualified to practise as a certified public accountant (practising) or knowingly permits himself to be so advertised, published or represented; or (Amended 23 of 2004 s. 49)

(ii) takes or uses in conjunction with his name, or any name which he may have assumed or by which he may describe himself, the description "certified public accountant (practising)" or "public accountant" or uses after or in conjunction with his name the initials "CPA (practising)" or

"PA" or the characters "執業會計師", "註冊核數師", "核數師" or "審計師", or knowingly

permits the use of or uses such description, initials or characters in connection with his business, trade, calling or profession; (Amended 14 of 1985 s. 13; 85 of 1995 s. 20, 80 of 1997 s. 108; 23 of 2004 s. 49)

(ia) being a certified public accountant who does not hold a practising certificate, carries on a business, trade or profession in a name or style-

(i) otherwise than his own name without any addition as registered under section 22(2); and

(ii) which includes the description "certified public accountant", the initials "CPA" or the characters "會計師"; (Added 23 of 2004 s. 49)

(j) being a corporate practice, fails to comply with any condition attached to the practice's registration by virtue of section 28D(6)(c) or (9)(c)(i); (Added 85 of 1995 s. 20)

(k) signs a client's audit report which he is not qualified to sign at the time of signing or signs in the manner described in section



28D(11)(b)(iii); (Added 85 of 1995 s. 20)

(l) being a certified public accountant (practising), a firm of certified public accountants (practising) or a corporate practice, fails to notify the Registrar of a change of location of its registered office as required by section 31(3), (Added 85 of 1995 s. 20. Amended 23 of 2004 s. 49)

shall be guilty of an offence and shall be liable on conviction as follows-

(i) in the case of an individual, to a fine of \$20000 and to imprisonment for 12 months, except where the offence is a failure described in paragraph (l) in which case he shall be liable to a fine of \$5000; and

(ii) in the case of a firm of certified public accountants (practising) or in the case of a company (including a corporate practice) registered or formerly or never registered in the register, to a fine of \$20000 except where the offence is a failure described in paragraph (l) in which case it shall be liable to a fine of \$5000. (Amended 22 of 1977 s. 13; 85 of 1995 s. 20; 23 of 2004 s. 49)

(2) Subsection (1) shall not apply in relation to the use by any member of any body or institute of accountants outside Hong Kong, not being a certified public accountant, of any description or initials which he is entitled to use under the constitution of that body or institute if by such use he does not represent that he is a certified public accountant or is entitled to practise as a certified public accountant (practising). (Amended 23 of 1998 s. 2; 23 of 2004 ss. 49 & 54)

(3) No person shall be required to answer any question or produce any document or other thing which, in the opinion of the Disciplinary Committee, may tend to incriminate him; and a witness shall, in respect of any evidence given by him before the Disciplinary Committee, be entitled to the same privileges to which he would be entitled if he were giving evidence before a court.

(4) (a) Where an offence under this section or section 31(4) has been committed by a corporate practice or other company and it is proved that the act or omission comprising the offence was that of a director or other officer concerned in the management of the practice or other company, the director or other officer shall be guilty of the like offence.

(b) In proceedings for an offence described in paragraph (a) it shall be a defence to satisfy the court that as regards a relevant act or

omission the defendant acted in a manner which, having regard to the particular circumstances, was not unreasonable. (Added 85 of 1995 s. 20)

(5) A person to whom a permission for the purposes of section 28D relates shall not be guilty of an offence under subsection (l)(h) or (i) by reason only of holding himself out as being a director of a corporate practice. (Added 85 of 1995 s. 20)

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[Heading](#) [Interpretation](#)

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PART VA

## INVESTIGATIONS INTO MISCONDUCT OF CERTIFIED PUBLIC ACCOUNTANTS

(Amended 23 of 2004 s. 54)

In this Part, unless the context otherwise requires-

"chairman" (主席) means the chairman of an Investigation Committee.

(Part VA added 96 of 1994 s. 29)

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Section Num:	42B	Version Date	26/11/2004
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[Heading](#) [Investigation Panels](#)

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(1) There shall be 2 Investigation Panels-

(a) Investigation Panel A shall consist of not less than 18 lay persons appointed by the Chief Executive of whom one shall be appointed by the Chief Executive to be the Investigation Committee Convenor and another to be his alternate;

(b) Investigation Panel B shall consist of not less than 12 certified public accountants appointed by the Council of whom not less than 6 shall be holders of practising certificates. (Replaced 23 of 2004 s. 45)

(1A) The Investigation Committee Convenor shall not be appointed for a term exceeding 1 year but shall be eligible for reappointment for a further term or terms of not exceeding 1 year each. (Added 23 of 2004 s. 45)

(1B) The alternate of the Investigation Committee Convenor shall act in place of the Investigation Committee Convenor if the Investigation Committee Convenor is precluded by illness, absence from Hong Kong or any other cause from performing his functions as such. (Added 23 of 2004 s. 45)

(2) A person who is a member of the Council or is for the time being appointed under section 33 shall be disqualified for membership of any of the Investigation Panels and, accordingly, if a member of any of the Investigation Panels either becomes a member of the Council or is so appointed his membership of any of the Investigation Panels shall thereupon cease. (Amended 23 of 2004 s. 45)

(Part VA added 96 of 1994 s. 29)

<b>Section Num:</b>	<b>42C</b>	<b>Version Date</b>	<b>26/11/2004</b>
<b>Heading</b>	<b>Appointment of Investigation Committee</b>	<b><a href="#">Back to Individual Section Format</a></b>	

(1) Where pursuant to a direction under subsection (2) an Investigation Committee informs the Council that in its opinion there is a prima facie case against the certified public accountant, the firm of certified public accountants (practising) or corporate practice, the Council may in its discretion refer the matter to the Disciplinary Panels and constitute a Disciplinary Committee pursuant to section 33(3) and the Disciplinary Committee concerned shall deal with it as if it were a complaint referred to the Disciplinary Panels under section 34(1) and for that purpose the matter shall be deemed to be a complaint made to the Registrar by the Investigation Committee.

- (2) (a) Where the Council reasonably suspects or believes that-
- (i) a certified public accountant has acted in a manner described in section 34(1)(a)(iii), (xi) or (xii); (Amended 80 of 1997 s. 102)
  - (ii) subparagraph (iv), (v), (vi), (vii), (viii), (ix) or (x) of section 34(1)(a) applies to a certified public accountant or a firm of certified public accountants (practising), (Amended 80 of 1997 s. 102)
  - (iii) section 34(1)(a) or (b), as applied by section 34(1AA), applies to a corporate practice, (Added 23 of 2004 s. 46)
- the Council may, in its discretion, constitute an Investigation Committee and direct the Committee, having considered the matter, to inform the Council as to whether in its opinion, were a complaint made against him or it, the certified public accountant or firm or corporate practice concerned would have a case to answer.
- (b) The following provisions shall apply as regards an Investigation Committee-
- (i) the Council shall direct the Investigation Committee Convenor to appoint the chairman and other members of the Investigation Committee and the Investigation Committee Convenor shall act in accordance with the direction; (Replaced 23 of 2004 s. 46)
  - (ii) the Investigation Committee shall consist of the following 5 members-
    - (A) a person appointed by the Investigation Committee Convenor from Investigation Panel A who shall be the chairman of the Investigation Committee;
    - (B) 2 persons appointed by the Investigation Committee Convenor from Investigation Panel A; and
    - (C) 2 persons appointed by the Investigation Committee Convenor from Investigation Panel B of whom one shall be the holder of a practising certificate; (Replaced 23 of 2004 s. 46)
  - (iii) the Investigation Committee Convenor shall not be appointed as a member of an Investigation Committee. (Replaced 23 of 2004 s. 46)  
(Part VA added 96 of 1994 s. 29. Amended 23 of 2004 ss. 46 & 54)
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<b>Section Num:</b>	<b>42D</b>	<b>Version Date</b>	<b>08/09/2004</b>
<b>Heading</b>	<b>Powers of Investigation Committee as regards its proceedings</b>	<b><a href="#">Back to Individual Section Format</a></b>	

- (1) The following provisions shall apply as regards the proceedings of an Investigation Committee-
- (a) any person to whom this paragraph applies, and whom the relevant Investigation Committee reasonably believes to have in his possession or under his control any record or other document which appears to that Committee as containing or being likely to contain information relevant to the proceedings of the Committee, shall subject to subsection (5)-
- (i) produce to the Committee or afford to the Committee access to, any record or other document specified by the Committee which is of a class or description so specified and which is in his possession or under his control being in either case a record or other document which is or appears to the Committee to be relevant to the proceedings, within such time and at such place as the Committee may reasonably require;
- (ii) if so required by the Committee, give to it or him such explanation or further particulars in respect of anything produced or to which access is given in compliance a requirement under subparagraph (i) as the Committee shall specify;
- (iii) give to the Committee all assistance in connection with its proceedings which he is reasonably able to give;
- (b) where any information or matter relevant to the proceedings of an Investigation Committee is recorded otherwise than in legible form, any power to require the production of any record or other document conferred under paragraph (a), shall include the power to require the production of a reproduction of any such information or matter or of the relevant part of it in legible form;
- (c) an Investigation Committee may inspect, examine or make copies of or take any abstract of or extract from a record or document which may be required to be produced under paragraph (a) or (b);
- (d) where-
- (i) a copy of any record or document is supplied by any person for the purposes of this section;

(ii) a copy of any record or document is made in the exercise of any power conferred under this section and a photocopying machine or other facility of a person is used to make such copy, the Institute shall reimburse the person concerned the reasonable photocopying or other expenses incurred in making such copy; (Amended 23 of 2004 s. 54)

(e) a person exercising any power under this section by virtue of a delegation under section 42E shall, if so required by a person affected by such exercise, produce for inspection by such person the relevant instrument referred to in section 42E or a copy thereof.

(2) Subsection (1)(a) applies-

(a) to the certified public accountant, firm of certified public accountants (practising) or corporate practice to whom the Investigation Committee's proceedings relate and-

(i) where the proceedings relate to a certified public accountant, also to that accountant's employer and former employer (if any) and to any employee or former employee of such accountant; and

(ii) where the proceedings relate to a firm of certified public accountants (practising) or corporate practice, also to any employee or former employee of such firm or corporate practice; and

(b) to any certified public accountant, firm of certified public accountants (practising) or corporate practice other than those specified in paragraph (a), and any employee or former employee of such accountant, firm or corporate practice who is a certified public accountant or a student registered with the Institute. (Replaced 23 of 2004 s. 47)

(3) A person who complies with a requirement of an Investigation Committee which is made by virtue of subsection (1) shall not incur any liability to any other person by reason only of the compliance.

(4) A person is not excused from complying with a requirement of an Investigation Committee under subsection (1) on the ground that to do so might tend to incriminate him but, where that person claims, before he answers a question put to him under subsection (1)(a)(ii), that the answer might tend to incriminate him, neither the question nor the answer is admissible in evidence against him in criminal proceedings.

(5) Nothing in this section shall be taken to compel the production by a person of a record or document containing a privileged communication by or to a legal practitioner in that capacity.

(Part VA added 96 of 1994 s. 29)

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<b>Section Num:</b>	42E	<b>Version Date</b>	30/06/1997
<b>Heading</b>	Delegation of powers of Investigation Committee	<a href="#">Back to Individual Section Format</a>	

(1) An Investigation Committee may, by instrument in writing signed by its chairman, delegate to any person holding such qualifications as the Council may from time to time prescribe all or any of the powers conferred on it by section 42D.

(2) A refusal by a person to comply with any requirement made under section 42D by a person to whom the relevant power is delegated under subsection (1) shall be treated as a refusal to comply with a requirement made under that section by the Investigation Committee.

(Part VA added 96 of 1994 s. 29)

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<b>Section Num:</b>	42F	<b>Version Date</b>	08/09/2004
<b>Heading</b>	Payment of fees to members of Investigation Committee	<a href="#">Back to Individual Section Format</a>	

The Institute may pay fees at such rates as the Council may from time to time fix and such expenses as the Council may deem fit to members of an Investigation Committee, and to persons to whom the powers of the Investigation Committee have been delegated under section 42E, for the performance by them of their duties or for any work done by them, and such fees and expenses shall for the purposes of section 35(1) form part of the expenses of and incidental to an investigation under this Part.

(Part VA added 96 of 1994 s. 29. Amended 23 of 2004 s. 54)

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<b>Section Num:</b>	42G	<b>Version Date</b>	01/12/2006
<b>Heading</b>	Secrecy	<a href="#">Back to Individual Section Format</a>	

(1) Subject to subsection (2), and except in the performance, or assisting in the performance, of a function under this Part, the Registrar, any member of the Investigation Committee or the Council, any person to whom any of the powers of the Investigation Committee is delegated under section 42E(1) or any person holding any other position who assists any of such persons in the performance of a function under this Part-

(a) shall at all times after his appointment as the Registrar, a member of the Investigation Committee or the Council, a person to whom any of the powers of the Investigation Committee is delegated under section 42E(1) or to such other position, as the case may be, or during or after the performance of or assisting in the performance of such function, preserve and aid in preserving secrecy with regard to any matter coming to his knowledge in the performance or in assisting in the performance of any such function;

(b) shall not at any time communicate any such matter to any other person; and

(c) shall not at any such time suffer or permit any other person to have any access to any record, document or other thing which is in his possession or under his control by virtue of his being or having been so appointed or his having performed or having assisted any other person in the performance of such a function.

(2) Subsection (1) shall not apply in relation to- (Amended 18 of 2006 s. 77)

(a) any disclosure made in relation to or for the purpose of any disciplinary proceedings under Part V or criminal proceedings; or

(b) any disclosure to the FRC for the purpose of enabling or assisting the FRC to perform its functions under the Financial Reporting Council Ordinance (Cap 588). (Amended 18 of 2006 s. 77)

(3) Any person who contravenes subsection (1) commits an offence and is liable on conviction to a fine at level 6 and to imprisonment for 6 months.

(Part VA added 96 of 1994 s. 29)



<b>Section Num:</b>	42H	<b>Version Date</b>	08/09/2004
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**Heading** Immunity

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No liability shall be incurred by any person in respect of anything done or omitted to be done by him in good faith in the performance or exercise or purported performance or exercise of any function or power under this Part.

(Added 23 of 2004 s. 48)

<b>Section Num:</b>	43	<b>Version Date</b>	08/09/2004
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**Heading** (Repealed 23 of 2004 s. 50)

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PART VII

MISCELLANEOUS

(Repealed 23 of 2004 s. 50)

<b>Section Num:</b>	44	<b>Version Date</b>	30/06/1997
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**Heading** Ordinance not to apply to public officers in connexion with their duties

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This Ordinance shall not apply to the Director of Audit or to any other public officer in connexion with his duties as such.

<b>Section Num:</b>	<b>45</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading** Fees and expenses

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Subject to the provisions of this Ordinance, no person shall be entitled to recover any fees, remuneration or expenses for or in respect of any appointment held or services rendered by him as a certified public accountant (practising) unless he is a certified public accountant holding a practising certificate or a corporate practice.

(Amended 85 of 1995 s. 22; 23 of 2004 ss. 51 & 54)

<b>Section Num:</b>	<b>46</b>	<b>Version Date</b>	<b>01/07/1997</b>
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**Heading** Fees payable to Registrar of Companies

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**Remarks**

Adaptation amendments retroactively made - see 31 of 1999 s. 3

There shall be paid to the Registrar of Companies for the registration of any document required by this Ordinance to be registered or to be delivered, sent or forwarded to the Registrar of Companies such fees as the Chief Executive may prescribe by notice in the Gazette.

(Amended 8 of 1993 s. 4; 31 of 1999 s. 3)

<b>Section Num:</b>	<b>47</b>	<b>Version Date</b>	<b>30/06/1997</b>
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**Heading** (Repealed 96 of 1994 s. 30)

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<b>Section Num:</b>	48	<b>Version Date</b>	08/09/2004
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**Heading** Omission to give notice of meetings

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The omission to give notice of any meeting of the Council or any general meeting of the Institute, or the failure by a member of the Council or a certified public accountant to receive such a notice shall not invalidate the proceedings at the meeting or any resolution passed thereat.

(Amended 23 of 2004 s. 54)

<b>Section Num:</b>	49	<b>Version Date</b>	08/09/2004
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**Heading** Resignation from the Institute

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Resignation from the Institute

(Amended 23 of 2004 s. 54)

- (1) A certified public accountant may, by notice in writing under his hand, tender to the Council his resignation from the Institute.
  - (2) The resignation shall take effect upon the deletion from the register, with the approval of the Council, of the certified public accountant's name.
  - (3) The Council may refuse to accept the resignation of a certified public accountant if- (Amended 23 of 2004 s. 54)
    - (a) it has reason to believe that such accountant has been guilty of conduct, or that circumstances exist, which could justify the removal of his name from the register under section 35(1)(a);
    - (b) it is aware that a complaint concerning such accountant has been preferred and is before the Council or the Disciplinary Committee; or
    - (c) the certified public accountant is indebted to the Institute.
- (Amended 23 of 2004 s. 54)

<b>Section Num:</b>	<b>50</b>	<b>Version Date</b>	<b>30/06/1997</b>
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**Heading**    **Application of a corporate practice for removal from the register**                      [Back to Individual Section Format](#)

(1)            A corporate practice may apply in writing to the Council to be removed from the register.

(2)            The provisions of section 49(2) and (3) shall apply mutatis mutandis to an application under this section.

(Added 85 of 1995 s. 23)

<b>Section Num:</b>	<b>51</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading**    **Power of Council to make rules**                      [Back to Individual Section Format](#)

(1)            The Council may make rules-

(a)            specifying provisions to be included in the memorandum or articles of association of companies applying for registration under section 28E or registered in the register;

(b)            specifying all or any of the terms on which insurance policies to which this section applies are to be provided including terms as to run-offs;

(c)            specifying the following amounts in Hong Kong dollars, namely, the minimum cover as regards any particular claim by way of professional indemnity on foot of insurance policies to which this section applies and the minimum aggregate cover provided as regards a specified period by way of such indemnity;

(d)            specifying 1 or more formulae or a scheme by the use of or by reference to which an amount, being such minimum cover or minimum aggregate cover, is to be calculated or otherwise ascertained;

(e)            enabling professional indemnity insurance to be effected by means of a policy covering all or any 1 or more of the following-

(i)            every certified public accountant for the time being; (Amended 23 of 2004 s. 54)

(ii)           every firm for the time being of certified public accountants

- (practising); (Amended 23 of 2004 s. 52)
- (iii) (Repealed 23 of 2004 s. 52)
  - (v) all such accountants, firms or practices as are of a class or description specified in the rules;
  - (f) regulating the conduct of inquiries by the Disciplinary Committee and for other matters relating to such inquiries including re-hearings in specified circumstances; and
  - (g) providing for matters incidental or supplementary to any matter mentioned in the foregoing paragraphs.
- (2) Rules under this section may also relate to all companies described in subsection (1)(a) or all insurance policies to which this section applies or to such companies or policies as are of a class or description specified in the rules.
- (3) This section applies to insurance policies of professional indemnity insurance which are, or are proposed to be, effected, whether wholly or partly, for the purposes of section 28D.
- (4) For the avoidance of doubt, it is hereby declared that section 34 of the Interpretation and General Clauses Ordinance (Cap 1) does not apply to rules made under this section. (Added 23 of 2004 s. 52)  
(Added 85 of 1995 s. 23)

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<b>Section Num:</b>	52	<b>Version Date</b>	08/09/2004
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**Heading** Council may delegate

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- (1) The Council may delegate to any person or to a committee of the Council any of the powers or duties granted to or imposed on the Council under this Ordinance, other than the power to make rules under section 51.
- (2) Where the Council makes a delegation under subsection (1) it may at the same time authorize the person or committee to whom the delegation is made to sub-delegate the power delegated and such authorization may contain restrictions or conditions as regards the exercise of the power to sub-delegate under the authorization.  
(Added 23 of 2004 s. 53)
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<b>Section Num:</b>	53	<b>Version Date</b>	08/09/2004
<b>Heading</b>	Immunity for the members of the Council, etc.	<a href="#">Back to Individual Section Format</a>	

No personal liability shall be incurred by any of the members of the Council, the Registrar or any officer or employee of the Institute or any person to whom any powers or duties of the Council is delegated in respect of any act done or any omission made by him in good faith in the performance or exercise or purported performance or exercise of any function or power under this Ordinance.

(Added 23 of 2004 s. 53)

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<b>Schedule Num:</b>		<b>Version Date</b>	30/06/1997
<b>Heading</b>	SCHEDULE (Repealed 96 of 1994 s. 31)	<a href="#">Back to Individual Section Format</a>	

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(Cap 50, section 8(4))

[1 January 1973]

(L.N. 266 of 1972)

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These by-laws may be cited as the Professional Accountants By-laws.

Bylaw Num:	2	Version Date	08/09/2004
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Heading Nominations of members of Council

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PART I

THE COUNCIL

(1A) 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. (L.N. 359 of 1996; 23 of 2004 s. 55)

(1) 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. (23 of 2004 s. 55)

(2) The nomination referred to in paragraph (1) shall be-

(a) in writing;

(b) proposed by one certified public accountant and seconded by another certified public accountant; and (L.N. 137 of 1977; 23 of 2004 s. 55)

(c) accompanied by a notice in writing signed by the candidate that he is willing to offer himself for election to the Council.

(3) The nomination paper and notice referred to in paragraph (2) shall be lodged with the Registrar not less than 24 days prior to the annual general meeting. (L.N. 137 of 1977; 23 of 2004 s. 55)

(4) A candidate may withdraw at any time before the election is held.

(5) The Registrar shall, not less than 17 days prior to the annual general meeting, send to each certified public accountant, a notice containing the names of the candidates who have been nominated for election. (L.N. 137 of 1977; 23 of 2004 s. 55)

(6) In addition to applying for the purposes of sections 10 and 29A of the Ordinance, subsection (5)(b) of section 29A of the Ordinance shall apply for the purpose of this by-law. (L.N. 359 of 1996)

[cf. S. Rhodesia by-law 4]

<b>Bylaw Num:</b>	<b>3</b>	<b>Version Date</b>	<b>01/07/2006</b>
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**Heading** **Ballot for elected members of Council**

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(1) If a ballot is to be held under section 13(1)(b) of the Ordinance, the Registrar shall, not less than 17 days prior to the annual general meeting, send a ballot paper to each certified public accountant. (L.N. 137 of 1977; 23 of 2004 s. 55)

(2) The ballot paper shall contain-

(a) the names of the candidates, in alphabetical order of surnames, for election as members of the Council; and

(b) a statement of the number of vacancies in respect of elected members of the Council.

(3) A certified public accountant shall be entitled to cast one

vote in respect of each vacancy. (23 of 2004 s. 55)

(4) Completed ballot papers shall be returned to the Registrar not less than 72 hours before the annual general meeting at which the election is to be held. (L.N. 51 of 2006)

(4A) The auditor of the Institute shall count the number of votes cast for each candidate and shall furnish to the Council a confidential report in writing on the number of votes so cast. (L.N. 137 of 1977; 23 of 2004 s. 55)

(5) The Council shall meet before the annual general meeting to receive from the auditor of the Institute the confidential report referred to in paragraph (4A) and to eliminate the candidates receiving the lowest number of votes until the number of candidates left equals the number of vacancies, and those candidates shall be deemed to have been elected. (L.N. 137 of 1977; 23 of 2004 s. 55)

(6) If an equality of votes is found to exist between any candidates, and the addition of one vote would entitle any candidate to be declared elected, the President shall have a casting vote to determine which of such candidates shall be deemed to have been elected.

(7) The Council may permit ballot papers to be sent and votes to be cast by electronic communication subject to such terms and conditions as the Council may determine. (23 of 2004 s. 55)

(8) For the purpose of this by-law-

(a) "ballot paper" (選票) shall be deemed to include any electronic form of the same;

(b) "electronic address" (電子地址) means any number or address used for the purposes of electronic communication;

(c) "electronic communication" (電子通訊) means a communication sent by electronic transmission in any form through any medium; and

(d) a ballot paper shall be deemed to have been sent or delivered on the day on which it is transmitted from the server or other device used by the Registrar or his agent; in proving such service or delivery by the Registrar it shall be conclusive to prove that the electronic address used for the electronic communication was the last known electronic address supplied by the certified public accountant for such purpose unless the Registrar or his agent is aware that there has been a failure of delivery

to such address, in which case the ballot paper shall be sent to the certified public accountant by post or such other means at the absolute discretion of the Registrar; completed ballot papers shall be considered to be returned to the Registrar upon actual receipt by the Registrar at the electronic address designated by him for such purpose. (23 of 2004 s. 55)

[cf. S. Rhodesia by-law 6]

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Bylaw Num:	4	Version Date	08/09/2004
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Heading Meetings of Council

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(1) Subject to paragraph (2), the Council shall meet at such times and places as it may determine.

(2) The Council shall meet at least once in every 3 months to discuss the management and affairs of the Institute. (23 of 2004 s. 55)

(3) A meeting of the Council, other than the first meeting of the first Council, may be called-

(a) on the order of the President; or

(b) at the request in writing, addressed to the Registrar, of 5 members of the Council. (96 of 1994 s. 32)

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Bylaw Num:	5	Version Date	26/11/2004
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Heading Quorum of Council

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11 members of the Council shall form a quorum at a meeting of the Council. (L.N. 137 of 1977; 96 of 1994 s. 33; 23 of 2004 s. 55)

<b>Bylaw Num:</b>	<b>6</b>	<b>Version Date</b>	<b>30/06/1997</b>
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**Heading Notice of meetings of Council**

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- (1) Except in the case of the first meeting of the first Council, the Registrar shall give to each member of the Council-
- (a) not less than 7 days notice in writing of an ordinary meeting of the Council; and
- (b) not less than 2 days notice of a special meeting.
- (2) A notice given under paragraph (1) shall specify the time and place for the holding of the meeting and the business to be transacted thereat.

<b>Bylaw Num:</b>	<b>7</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading Chairman of meetings of Council**

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- (1) The President shall be chairman at a meeting of the Council.
- (1A) (a) In this paragraph, "longest serving Vice-President" (年資最長的副會長) means, as between the Vice-Presidents-
- (i) the Vice-President who has in aggregate served the longest period as a Vice-President; and
- (ii) if both Vice-Presidents have in aggregate served the same period as Vice-Presidents, the Vice-President who has in aggregate served the longest period as a member of the Council.
- (b) In the absence of the President-
- (i) the longest serving Vice-President who is present shall be chairman at a meeting of the Council;
- (ii) if the longest serving Vice-President is not present, the other Vice-President who is present shall be chairman of the meeting; and
- (iii) if both Vice-Presidents are present but between them neither is the longest serving Vice-President, the members of the Council present shall elect one of the Vice-Presidents to be chairman of the meeting. (23

of 2004 s. 55)

(2) If, 15 minutes after the time appointed for any meeting of the Council, neither the President nor any of the Vice-Presidents is present, the members of the Council present may elect one of their number to be chairman of the meeting.

(96 of 1994 s. 34)

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Bylaw Num:	8	Version Date	30/06/1997
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Heading **Voting at meetings of Council**

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(1) Subject to section 4(6) of the Ordinance, a question arising at a meeting of the Council shall be decided by a majority vote of the members present and voting.

(2) At a meeting of the Council, each member present shall have one vote on any question before the Council and, in the event of an equality of votes, the chairman shall have a second or casting vote.

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Bylaw Num:	9	Version Date	30/06/1997
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Heading **Adjournment of meetings of Council**

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(1) A meeting of the Council may be adjourned from time to time and from place to place, but no business shall be transacted at an adjourned meeting other than the business left unfinished at the meeting which was adjourned.

(2) It shall not be necessary to give notice of an adjourned meeting unless the meeting which was adjourned has by resolution so directed.

[cf. S. Rhodesia by-law 16]

<b>Bylaw Num:</b>	10	<b>Version Date</b>	30/06/1997
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**Heading** Minutes of meetings of Council

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Minutes of all proceedings of meetings of the Council and all committees thereof shall be entered in records kept for that purpose and any such minutes, if purporting to be signed by the chairman of the meeting at which the proceedings were held or by the chairman of the next succeeding meeting, shall be evidence of the proceedings.

[cf. S. Rhodesia by-law 17]

<b>Bylaw Num:</b>	11	<b>Version Date</b>	08/09/2004
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**Heading** Custody and use of the common seal of the Institute

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Custody and use of the common seal of the Institute  
(23 of 2004 s. 55)

(1) The Council shall provide for the safe custody of the common seal of the Institute.

(2) The common seal of the Institute shall not be used or affixed to any instrument except on the authority of the Council.

(23 of 2004 s. 55)

<b>Bylaw Num:</b>	<b>12</b>	<b>Version Date</b>	<b>30/06/1997</b>
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**Heading**    **Manner of election of President and Vice-President**

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## PART II

### ELECTION OF PRESIDENT AND VICE-PRESIDENT

(1)        A member of the Council may propose an elected member as President or Vice-President if the elected member is willing to serve if elected.

(2)        A proposal under paragraph (1) shall be seconded by another member of the Council.

(3)        No debate shall be allowed on such a proposal.

(4)        If more than 1 member of the Council is proposed for election as President or if more than 2 members of the Council are proposed for election as Vice-Presidents, the election shall be determined by ballot.

(96 of 1994 s. 35)

<b>Bylaw Num:</b>	<b>13</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading**    **General meetings of Institute**

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## PART III

### MEETINGS OF THE INSTITUTE

(23 of 2004 s. 55)

(1)        The Council may, whenever it thinks fit, call a general meeting of the Institute.

(2)        The Council shall call a general meeting of the Institute on receipt of a request in writing signed by not less than whichever is the lower of 100 certified public accountants and 0.5% (in case of a fraction rounded up to the next whole number) of the total number of certified



public accountants, specifying the object of the proposed meeting.

(3) The notice calling a general meeting under paragraph (2), shall be issued by the Registrar within 28 days of the receipt of such request.

(4) At a general meeting, no business other than that specified in the notice shall be transacted.

(23 of 2004 s. 55)

[cf. S. Rhodesia by-law 31]

<b>Bylaw Num:</b>	<b>14</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading Notice of meetings of Institute**

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The Registrar shall give not less than 28 days notice of any general meeting of the Institute to each certified public accountant at his registered address, specifying the day, place and hour of the general meeting and the general nature of the business to be transacted.

(23 of 2004 s. 55)

[cf. S. Rhodesia by-law 32]

<b>Bylaw Num:</b>	<b>15</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading Resolution**

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(1) A certified public accountant shall, if he wishes to propose a resolution unrelated to the ordinary annual business at an annual general meeting, give to the Registrar not less than 21 days before the annual general meeting notice of such resolution in accordance with paragraph (2).

(2) Notice of a resolution shall be in writing and shall contain-

(a) the name and signature of the certified public accountant who wishes to propose the resolution;

(b) the name and signature of the certified public accountant who wishes to second the resolution;

(c) the names and signatures of at least 48 other certified public accountants who support the resolution; and

- (d) a declaration that the motion relates to matters affecting the Institute or the accountancy profession.
- (3) No resolution shall be discussed at an annual general meeting unless notice under paragraph (1) has been given.
- (4) The Registrar shall, not less than 17 days before the annual general meeting, send to each certified public accountant a notice containing-
- (23 of 2004 s. 55)
- (a) the proposed resolution;
- (b) the names of the proposer, the seconder and the certified public accountants who support the resolution under paragraph (2)(c).
- (23 of 2004 s. 55)

<b>Bylaw Num:</b>	<b>16</b>	<b>Version Date</b>	<b>08/09/2004</b>
<b>Heading</b>	<b>Quorum of general meetings of Institute</b>	<b><a href="#">Back to Individual Section Format</a></b>	

Quorum of general meetings of Institute  
(23 of 2004 s. 55)

- (1) Subject to paragraph (3), 25 certified public accountants shall constitute a quorum at a general meeting of the Institute. (23 of 2004 s. 55)
- (2) Subject to paragraph (4), if 15 minutes after the time appointed for a general meeting, there is no quorum, the meeting shall stand adjourned for not less than 1 week and not more than 4 weeks, to be held on such date and at such hour and place as the Council may determine.
- (3) Subject to paragraph (4), at a meeting adjourned under paragraph (2), the certified public accountants present shall form a quorum and shall have full power to transact the proposed business of the adjourned meeting. (23 of 2004 s. 55)
- (4) Paragraph (2) shall not apply to a general meeting called under by-law 13(2).
- [cf. S. Rhodesia by-law 35]

<b>Bylaw Num:</b>	<b>17</b>	<b>Version Date</b>	<b>01/07/2006</b>
<b>Heading</b>	<b>Chairman of general meeting of the Institute</b>	<b><a href="#">Back to Individual Section Format</a></b>	

Chairman of general meeting of the Institute  
(23 of 2004 s. 55)

(1) The President shall be chairman at a general meeting of the Institute.

(1A) (a) In this paragraph, "longest serving Vice-President"

(年資最長的副會長) has the same meaning as in by-law 7(1A)(a).

(b) At a general meeting of the Institute, in the absence of the President-

(i) the longest serving Vice-President who is present shall be the chairman;

(ii) if the longest serving Vice-President is not present, the other Vice-President who is present shall be the chairman; and

(iii) if both Vice-Presidents are present but neither is the longest serving Vice-President, the certified public accountants present at the meeting shall elect one of the Vice-Presidents as the chairman.

(L.N. 51 of 2006)

(2) If, 15 minutes after the time appointed for a general meeting of the Institute, neither the President nor any of the Vice-Presidents is present, the certified public accountants present at the meeting may elect-

(a) a member of the Council who is present; or

(b) if no member of the Council is present, a certified public accountant who is present,

to be chairman of the meeting.

(96 of 1994 s. 36; 23 of 2004 s. 55)

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Heading Procedure at meetings of Institute

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(1) A resolution or amendment thereto proposed and seconded at a general meeting of the Institute shall be put to the meeting by the chairman and, subject to the provisions of paragraph (2), shall be decided by a show of hands. (23 of 2004 s. 55)

(2) Each certified public accountant shall have 1 vote on a question coming before or arising at a general meeting and in the event of an equality of votes either on a show of hands or on the holding of a poll under paragraph (3), the chairman shall have a second or casting vote. (23 of 2004 s. 55)

(3) Subject to paragraph (7), a poll shall be taken on a resolution or amendment thereto proposed and seconded at a general meeting if requested-

(a) by not less than 10 certified public accountants immediately after the declaration by the chairman of the result of a show of hands under paragraph (1); or (23 of 2004 s. 55)

(b) upon the request in writing, signed and submitted before the dissolution or adjournment of the meeting by not less than 10 certified public accountants present. (23 of 2004 s. 55)

(4) Unless a poll is held under paragraph (3), a declaration by the chairman that a resolution or amendment thereto has, on a show of hands, been carried, or carried unanimously, or lost, and an entry to that effect in the minutes relating to that meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution or any amendment thereto.

(5) If a poll is held under paragraph (3) it shall be held in such manner as the chairman may direct.

(6) The chairman shall appoint scrutineers from among the certified public accountants present, not being proposers or seconders of the resolution or any amendment thereto, or persons the subject of or mentioned in the resolution or amendment thereto, and the scrutineers shall sign their report on the result of the poll, which shall be declared by the chairman. (23 of 2004 s. 55)

- (7) No poll shall be taken for the election of the chairman or the adjournment of a general meeting.
- (8) The votes of a certified public accountant on a poll may be given either personally or by proxy. (23 of 2004 s. 55)
- (9) The instrument appointing a proxy (who shall be a member of the Institute) shall be in writing signed by the appointer or his attorney duly authorized in writing. (23 of 2004 s. 55)
- (10) The appointment of a proxy shall have no effect unless the instrument appointing the proxy, and the power of attorney or other authority (if any) under which it is signed, is lodged with the chairman not less than 48 hours before the time for holding the meeting at which the proxy proposes to vote, or within such lesser time as the chairman may allow.
- (11) Minutes of all proceedings at a general meeting of the Institute shall be entered in records kept for that purpose and any such minutes, if purporting to be signed by the chairman of the meeting at which the proceedings were held or by the chairman of the next succeeding meeting, shall be evidence of the proceedings. (23 of 2004 s. 55)  
[cf. S. Rhodesia by-law 36]

Bylaw Num:	19	Version Date	30/06/1997
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## PART IV

### REGISTRATION

In this Part, "registration committee" (註冊委員會) means a committee appointed under by-law 20(1).

<b>Bylaw Num:</b>	20	<b>Version Date</b>	08/09/2004
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**Heading** Appointment and functions of registration committee

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(1) The Council may appoint a committee of not less than 5 certified public accountants, who shall hold office until they resign or are removed from office by the Council, to examine the qualifications of an applicant for registration under sections 25, 28A(1) and (2), 28B and 28D(4) of the Ordinance. (L.N. 137 of 1977; 96 of 1994 s. 37; L.N. 359 of 1996; 23 of 2004 s. 55)

(1A) A majority of the certified public accountants appointed under paragraph (1) shall be elected members. (L.N. 137 of 1977; 23 of 2004 s. 55)

(2) The registration committee shall examine the qualifications of the applicant and shall advise the Council as to whether the applicant should be registered or whether the application should be rejected.

(3) The Council shall not be bound to accept the advice of the registration committee.

<b>Bylaw Num:</b>	21	<b>Version Date</b>	30/06/1997
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**Heading** Meetings of registration committee

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(1) The registration committee shall meet at least once in every 3 months, and at more frequent intervals if it so determines or if the Council so requires.

(2) Three members of the registration committee shall form a quorum at a meeting thereof.

(3) If at a meeting of the registration committee the number of members of the committee present is insufficient to form a quorum, the meeting shall stand adjourned for 1 week to be then held at the same hour and place.

(4) The registration committee may, if it thinks fit, transact any of its business by the circulation of papers, and a resolution in writing approved in writing by a majority of the members thereof present in Hong

Kong shall be as valid and effectual as if it had been passed at a meeting of the registration committee by the votes of the members so approving the resolution. (L.N. 137 of 1977)

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Heading CPA and Fellows

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## PART V

### DESIGNATION OF CERTIFIED PUBLIC ACCOUNTANTS

(23 of 2004 s. 55)

(1) Subject to paragraph (2), a certified public accountant shall- (23 of 2004 s. 55)

- (a) be designated as a Certified Public Accountant (會計師);
- (b) be entitled to use the initials "CPA" after his name; and
- (c) be issued by the Registrar with a certificate, signed by the President, certifying that he is a certified public accountant.

(2) A certified public accountant who satisfies the conditions specified in paragraph (3) shall on application to the Council in such form as it may specify and on payment of the fee fixed by the Council- (L.N. 137 of 1977; L.N. 395 of 1981; 23 of 2004 s. 55)

(a) be designated as a Fellow of the Hong Kong Institute of

Certified Public Accountants (資深會計師);

- (b) be entitled to use the initials "FCPA" after his name; and
- (c) be issued by the Registrar with a certificate, signed by the President, certifying that he is a Fellow of the Institute.

(3) The conditions referred to in paragraph (2) are that the certified public accountant- (23 of 2004 s. 55)

- (a) has been a certified public accountant for not less than 7 years; or
- (b) has, in the opinion of the Council, a standing equivalent to that of a professional accountant before the relevant day or of a

certified public accountant for not less than 7 years, by reason of his standing as a member of-

- (i) another accountancy body with which there is in force an agreement of mutual or reciprocal recognition between the accountancy body and the Institute; or
  - (ii) another accountancy body accepted by the Council by resolution approved by two-thirds of its members as being of a standard similar to that of the Institute. (23 of 2004 s. 55)
- (23 of 2004 s. 55)

Bylaw Num:	22A	Version Date	08/09/2004
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[Heading](#) [Affiliates](#)

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PART VA

AFFILIATES

- (1) The Institute may on application to the Council in such form as it may specify and on payment of the fee fixed by the Council admit a person in good standing as a member of an accountancy body which is a member of the International Federation of Accountants as an international affiliate of the Institute ("affiliate").
  - (2) The Council may-
    - (a) require an affiliate to pay such admission and periodic fee to the Institute as the Council may determine;
    - (b) revoke the admission of an affiliate.
  - (3) An affiliate shall be designated as an International Affiliate of the Hong Kong Institute of Certified Public Accountants.
- (Part VA added 23 of 2004 s. 55)



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Bylaw Num:	23	Version Date	30/06/1997
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Heading Interpretation

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PART VI

PRACTICE OF PUBLIC ACCOUNTANCY

In this Part, "practising committee" (執業委員會) means a committee appointed under by-law 26(1).

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Bylaw Num:	24	Version Date	30/06/1997
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Heading (Repealed L.N. 137 of 1977)

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Bylaw Num:	25	Version Date	08/09/2004
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Heading Certified public accountants

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(1) A certified public accountant holding a practising certificate may describe himself as a "Certified Public Accountant (會計師)" or a "Certified Public Accountant (Practising) (執業會計師)" and use the initials "CPA" or "CPA (practising)".

(2) A firm registered under sections 28B and 28C of the Ordinance or a corporate practice registered under sections 28D(4) and 28E of the Ordinance may describe itself as "Certified Public Accountants" or

"Certified Public Accountants (Practising)" or in Chinese "會計師事務所" or "會計師行".

(23 of 2004 s. 55)

<b>Bylaw Num:</b>	<b>26</b>	<b>Version Date</b>	<b>08/09/2004</b>
<b>Heading</b>	<b>Appointment and functions of practising committee</b>		<b><a href="#">Back to Individual Section Format</a></b>

(1) The Council may appoint a committee of not less than 5 certified public accountants, who shall hold office until they resign or are removed from office by the Council, to advise the Council on applications by certified public accountants for practising certificates.

(L.N. 137 of 1977; 96 of 1994 s. 39; 23 of 2004 s. 55)

(1A) A majority of the certified public accountants appointed under paragraph (1) shall be elected members. (L.N. 137 of 1977; 23 of 2004 s. 55)

(2) The practising committee shall-

(a) make such inquiries as it may consider necessary to ascertain whether a certified public accountant applying for a practising certificate has had the experience required by section 29A of the Ordinance and is otherwise eligible to hold a practising certificate; and (L.N. 137 of 1977; 23 of 2004 s. 55)

(b) advise the Council as to the acceptance or rejection of the application of such accountant.

(3) The Council shall not be bound to accept the advice of the practising committee.

<b>Bylaw Num:</b>	27	<b>Version Date</b>	30/06/1997
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**Heading** Meetings of practising committee

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- (1) The practising committee shall meet at least once in every 3 months, and at more frequent intervals if it so determines or if the Council so requires.
- (2) Three members of the practising committee shall form a quorum at a meeting thereof.
- (3) If at a meeting of the practising committee the number of members of the committee present is insufficient to form a quorum, the meeting shall stand adjourned for one week, to be then held at the same hour and place.
- (4) The practising committee may, if it thinks fit, transact any of its business by the circulation of papers, and a resolution in writing approved in writing by a majority of the members thereof present in Hong Kong shall be as valid and effectual as if it had been passed at a meeting of the practising committee by the votes of the members so approving the resolution. (L.N. 137 of 1977)

<b>Bylaw Num:</b>	28	<b>Version Date</b>	08/09/2004
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**Heading** Certified public accountants not to practise with or employ certain persons

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## PART VII

### RESTRICTIONS IN CONNECTION WITH PRACTICE

Save with the approval in writing of the Council, a certified public accountant holding a practising certificate who knowingly- (23 of 2004 s. 55)

- (a) permits his name to be made use of in connection with the practice of public accountancy by a person who is not a certified public

accountant holding a practising certificate; (23 of 2004 s. 55)

(b) employs, in or in connection with his practice as an accountant, a person whose name has been removed from the register under section 35(1)(a) of the Ordinance and has not been restored thereto; or

(c) practises in partnership or through a corporate practice as an accountant with a person who is not entitled to practise as a certified public accountant (practising), (L.N. 359 of 1996; 23 of 2004 s. 55) shall be guilty of professional misconduct.

<b>Bylaw Num:</b>	<b>29</b>	<b>Version Date</b>	<b>08/09/2004</b>
<b>Heading</b>	<b>Restrictions on name in which practice may be carried on</b>		<b><a href="#">Back to Individual Section Format</a></b>

Save with the approval in writing of the Council, a certified public accountant who, either on his own account or in partnership with any other certified public accountant or through a corporate practice, practises as a certified public accountant (practising) other than-

(a) in his own name;

(b) in the case of a firm of certified public accountants (practising), in his own name in association with the names of his partners; or in the case of a corporate practice, in his own name in association with the names of the other members of such corporate practice, save and except the name of any such member who is not a certified public accountant; (L.N. 359 of 1996; 23 of 2004 s. 55)

(c) in the name of a firm in which he was lawfully practising at the commencement of these by-laws;

(d) in the name of a firm lawfully registered under section 28A of the Ordinance; or (96 of 1994 s. 40; 23 of 2004 s. 55)

(e) in the name of a corporate practice lawfully registered under sections 28D(4) and 28E of the Ordinance, provided that such a name or any part thereof shall not contain or include any reference to the name of any member of such corporate practice who is not a certified public accountant, (L.N. 359 of 1996; 23 of 2004 s. 55)

shall be guilty of professional misconduct.

(96 of 1994 s. 40; L.N. 359 of 1996)

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Bylaw Num:	29A	Version Date	08/09/2004
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Heading **Death of certified public accountant**

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Without prejudice to the powers of the Council under by-laws 28 and 29 the Council may permit a certified public accountant holding a practising certificate to practise as a certified public accountant (practising) in the name or style in which a certified public accountant (practising) was lawfully practising immediately prior to his death and as an employee of the personal representative of the deceased certified public accountant (practising), for such period and subject to such conditions as the Council may impose.

(23 of 2004 s. 55)

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Heading **Meaning of registered student**

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PART VIII

REGISTERED STUDENTS

In this Part-

"registered student" (註冊學生) means a student registered with the Institute.

(23 of 2004 s. 55)

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Heading **Consent to registration**

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- (1) A person desiring to become a registered student shall-
- (a) apply to the Council in such form as it may specify;
  - (b) furnish to the Council such evidence as the Council may require that he-
    - (i) is 16 years of age or more;
    - (ii) has attained the requisite standard of education; and
    - (iii) is of good character; and
  - (c) pay to the Council-
    - (i) the fee fixed by the Council; and
    - (ii) the fee fixed by the Council for annual registration with the Institute. (23 of 2004 s. 55)
- (2) The Council shall, if satisfied that such a person has reached the age of 16 years, has attained the requisite standard of education prescribed by paragraph (3), and has a good character, authorize the Registrar to register such person as a student.
- (3) A person shall be deemed to have attained the requisite standard of education-
- (a) in the case of a person who applies under paragraph (1)(a) before 1 January 1982-
    - (i) if he is the holder of a Hong Kong Certificate of Education (English) with credits in at least 5 subjects (including English and Mathematics) or if he has passed such examinations (including English and Mathematics) which in the opinion of the Council are of an equivalent standard to such Hong Kong Certificate of Education (English); or
    - (ii) if he is a graduate of a university approved by the Council; or
    - (iii) if he is the holder of a diploma in accountancy awarded by an educational institute approved by the Council; (L.N. 344 of 1998)
  - (b) in the case of a person who applies under paragraph (1)(a) on or after 1 January 1982 but before 1 January 1999-
    - (i) if he is the holder of a General Certificate of Education (England) with 2 Advanced Level passes and 3 Ordinary Level passes, or 3 Advanced Level passes and 1 Ordinary Level pass, (including English and

Mathematics) or if he has passed such examinations (including English and Mathematics) which in the opinion of the Council are of an equivalent standard to such General Certificate of Education (England); or

(ii) if he is a graduate of a university approved by the Council; or

(iii) if he is the holder of a diploma in accountancy awarded by an educational institute approved by the Council; (L.N. 344 of 1998)

(c) in the case of a person who applies under paragraph (1)(a) on or after 1 January 1999-

(i) if he is the holder of a degree in accountancy awarded by an educational institute approved by the Council; or

(ii) if he has completed a study programme approved by the Council: (L.N. 344 of 1998)

(d) (Repealed L.N. 344 of 1998)

Provided that the Council may in its absolute discretion exempt from compliance with the requisite standard of education a person who-

(i) is over the age of 25 years;

(ii) has attained a standard of education acceptable to the Council; and

(iii) has undergone 5 years practical experience as defined in by-law 41. (L.N. 395 of 1981)

(L.N. 137 of 1977)

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<b>Bylaw Num:</b>	<b>32</b>	<b>Version Date</b>	<b>30/06/1997</b>
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**Heading Registration**

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(1) Registration of a person as a registered student shall-

(a) remain in force until 1st day of January in the year following the year in which he was so registered; and

(b) be renewable annually not later than 31st day of January in each year. (L.N. 137 of 1977; L.N. 587 of 1995)

(2) A registered student shall sign an undertaking, in the specified form, to abide by such of these by-laws as are applicable to him.

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Heading Register

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(1) The Registrar shall keep a register of registered students and shall advise the Council of the name of a registered student whose annual registration fee or other fee or money due to the Institute is more than 2 months in arrear. (L.N. 137 of 1977)

(2) The Council may direct the Registrar to remove from the register of registered students the name of a student whose annual registration fee or other fee or money due to the Institute is more than 3 months in arrear. (L.N. 137 of 1977)

(3) The Registrar shall in writing notify a student of a direction of the Council under paragraph (2), and if the annual registration fee or other fee or money due to the Institute remains unpaid for more than 14 days after such notice the Registrar shall remove the name of the student from the register.

(96 of 1994 s. 42; 23 of 2004 s. 55)

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Bylaw Num:	34	Version Date	26/11/2004
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Heading Disciplinary provisions

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(1) A complaint that a registered student- (L.N. 395 of 1981)

(a) has been convicted of an offence under Part V (Perjury) of the Crimes Ordinance (Cap 200);

(b) has been convicted in Hong Kong or elsewhere of any offence involving dishonesty;

(c) has been guilty of misconduct in carrying out his duties;

(d) has been guilty of conduct which renders him unfit to become a certified public accountant; or (23 of 2004 s. 55)

(e) has refused, or neglected without reasonable excuse, to comply with such of these by-laws as are applicable to him,

shall be made to the Registrar who shall submit the complaint to the Council which may, in its discretion, constitute a Disciplinary Committee to deal with the complaint. (23 of 2004 s. 55)



(1A) If the Council decides not to constitute a Disciplinary Committee to deal with the complaint, the complainant who is aggrieved by the Council's decision may request the Council to constitute a Disciplinary Committee to deal with the complaint, whereupon the Council shall, unless it is of the opinion that no prima facie case has been shown for the complaint, or that the complaint is frivolous or vexatious, constitute a Disciplinary Committee to deal with the complaint. (23 of 2004 s. 55)

(2) Where the Registrar has reason to believe that paragraph (1) applies to a registered student, he shall submit the facts to the Council which may, in its discretion, constitute a Disciplinary Committee to deal with the complaint. (23 of 2004 s. 55)

(3) Every hearing of the Disciplinary Committee shall be held in public unless the Disciplinary Committee-

- (a) on its own motion; or
  - (b) on the application of-
    - (i) the complainant; or
    - (ii) the registered student against whom the complaint is made,
- determines that in the interests of justice a hearing or any part thereof shall not be held in public in which case it may hold the hearing or the part thereof (as the case may be) in private. (23 of 2004 s. 55)

<b>Bylaw Num:</b>	<b>35</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading Powers of Disciplinary Committee**

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(1) If, after due inquiry, a Disciplinary Committee is satisfied that a complaint under by-law 34 is proved the Disciplinary Committee may, in its discretion, make any one or more of the following orders against the registered student- (96 of 1994 s. 44; 23 of 2004 s. 55)

- (i) that he be declared unfit to remain a registered student, and that the Registrar remove his name from the register of registered students;
- (ii) that he be declared ineligible for such period (not exceeding 2 years) to sit for such examinations of the Institute as shall be specified in the order; (23 of 2004 s. 55)

- (iii) that he be reprimanded;
  - (iv) that he be admonished,
- and may in an order under subparagraph (i) or (ii) provide for the order to take effect on or from such date as the Disciplinary Committee thinks fit and may in any case make such order as the Disciplinary Committee thinks fit with regard to the payment of costs and expenses of and incidental to the proceedings, whether of the Institute (including the fees and expenses of the Disciplinary Committee) or of any complainant or of the registered student, and any costs and expenses ordered to be paid may be recovered as a civil debt. (23 of 2004 s. 55)
- (1A) In addition, the Disciplinary Committee may in any case provide for an order to take effect only upon the happening or non-happening of such event within such period as may be specified by the Disciplinary Committee (23 of 2004 s. 55)
- (2) The Registrar shall cause a copy of an order made under this by-law to be served forthwith upon the registered student concerned and shall forward a copy to the Council
- (3) For the purposes of an inquiry under this by-law the Disciplinary Committee shall have the powers specified in section 36 of the Ordinance.

<b>Bylaw Num:</b>	<b>35A</b>	<b>Version Date</b>	<b>08/09/2004</b>
<b>Heading</b>	<b>Payment of fees to members of Disciplinary Committee</b>	<b><a href="#">Back to Individual Section Format</a></b>	

The Institute may pay fees at such rates as the Council may from time to time fix and such expenses as the Council may deem fit to any members of a Disciplinary Committee for the performance by them of their duties or for any work done by them, and such fees and expenses shall for the purpose of by-law 35(1) form part of the costs and expenses of the Institute of and incidental to the disciplinary proceedings.

(23 of 2004 s. 55)

Bylaw Num:	35B	Version Date	26/11/2004
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Heading **Consent order**

[Back to Individual Section Format](#)

(1) Where a complaint that by-law 34(1)(c) or (e) applies to a registered student is referred to the Disciplinary Committee and the Disciplinary Committee, without hearing either the complainant or the registered student, is of the view that the complaint is of such a nature that if the complaint is proved, the appropriate order or orders to be made should fall within one or more of the following orders under by-law 35-

- (a) an order that the registered student be reprimanded;
- (b) an order that the registered student be admonished;
- (c) an order that the registered student pay the costs and expenses of and incidental to the proceedings, whether of the Institute (including the costs and expenses of the Disciplinary Committee) or of the complainant,

the Disciplinary Committee may give notice to the complainant and the registered student.

(2) A notice given by the Disciplinary Committee under paragraph (1) shall state-

- (a) the order or orders, being order or orders no more than those referred to in paragraph (1), which the Disciplinary Committee proposes to make if the registered student admits to the complaint; and
- (b) the time (being not earlier than 14 days from the date when the notice was given, or such further time as the Disciplinary Committee may allow) within which each of the complainant and the registered student is required to inform the Disciplinary Committee as to whether he will consent to the proposed order or orders.

(3) If the complainant and the registered student consent to the proposed order or orders, the Disciplinary Committee shall make an order or orders in terms of the proposed order or orders and such order and orders shall be deemed to be an order or orders made under by-law 35, save that by-law 36(1) shall not apply to such order or orders.

(4) If the complainant or the registered student informs the Disciplinary Committee that he does not consent to the proposed order or

orders, or if the Disciplinary Committee considers that the consent of either the complainant or the registered student is not forthcoming notwithstanding the notice under paragraph (2)(b), the Disciplinary Committee shall inform the Council and the following shall apply-

- (a) the Disciplinary Committee shall be dissolved;
- (b) the Council shall constitute a new Disciplinary Committee to deal with the complaint with which the dissolved committee was concerned by directing the Disciplinary Committee Convenor to appoint the chairman and other members of the new Disciplinary Committee;
- (c) a person who was a member of the dissolved committee shall not be eligible for membership of the new Disciplinary Committee; and
- (d) the new Disciplinary Committee shall deal with the complaint afresh without regard to this by-law and, accordingly, it shall not have any regard to any proceedings of the dissolved committee, including the proposed order or orders of the dissolved committee or any failure or refusal of the complainant or the registered student to consent to the proposed order or orders.

(23 of 2004 s. 55)

<b>Bylaw Num:</b>	<b>36</b>	<b>Version Date</b>	<b>30/06/1997</b>
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**Heading**    **Appeal to Council**

[Back to Individual Section Format](#)

- (1)        A registered student aggrieved by an order made under by-law 35 may, within 21 days of the date of service upon him of the order, appeal to the Council.
- (2)        The practice and procedure on an appeal to the Council shall be such as the Council may determine.
- (3)        On an appeal the Council may-
- (a)        affirm or vary the order;
- (b)        rescind the order and substitute any other order which might have been made by the Disciplinary Committee under by-law 35.
- (4)        The Registrar shall notify the registered student concerned of the decision of the Council.

<b>Bylaw Num:</b>	<b>36A</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading**    **Conduct of proceedings and representation**

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At the hearing of a complaint, a registered student whose conduct is the subject of such proceedings shall be entitled to be represented by counsel or a solicitor, or, with the approval of the Disciplinary Committee, by some other person appointed by the registered student to represent him throughout the proceedings.

(23 of 2004 s. 55)

<b>Bylaw Num:</b>	<b>37</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading Power of Council to make rules**

[Back to Individual Section Format](#)

PART IX

## EXAMINATIONS

The Council may make rules prescribing-

- (a) the examinations of the Institute; (23 of 2004 s. 55)
- (b) the syllabuses therefor;
- (c) the sections into which the examinations are to be divided;
- (d) the times for holding the examinations;
- (e) examination fees;
- (f) the period within which any examination must be passed;
- (g) exemptions from examinations or concessions which may be granted; and
- (h) any other matter incidental to the holding of examinations.

<b>Bylaw Num:</b>	<b>38</b>	<b>Version Date</b>	<b>08/09/2004</b>
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**Heading Restriction on taking examinations**

[Back to Individual Section Format](#)

- (1) Subject to paragraphs (2), (3), (4) and (5), a person is not entitled to enter for an examination of the Institute unless he- (23 of 2004 s. 55)
  - (a) is a registered student; or
  - (b) is a person required or permitted to sit an examination under or pursuant to-
    - (i) any of the provisions of the Ordinance; or
    - (ii) any agreement of mutual or reciprocal recognition between another accountancy body and the Institute. (23 of 2004 s. 55)
- (2) Subject to paragraphs (3) and (4), a registered student is not entitled to enter for an examination of the Institute unless he- (23 of

2004 s. 55)

(a) has paid his annual registration fee to the Institute for the year in which the examination is held; and (23 of 2004 s. 55)

(b) complies with such regulations relating to the examination as the Council may specify.

(3) A registered student whose application for registration is made before 1 January 1999 is not entitled to enter for the examination known as the "HKSA professional programme and examinations" held between 1 January 1999 and 31 December 2001.

(4) A registered student whose application for registration is made before 1 January 1999 is not entitled to enter for the "HKSA or HKICPA professional programme and examinations" held on or after 1 January 2002 unless, in addition to complying with paragraph (2)(a) and (b), he- (23 of 2004 s. 55)

(a) holds a degree in accountancy awarded by an educational institute approved by the Council; or

(b) has completed a study programme approved by the Council.

(5) A person is not entitled to enter for an examination of the Institute unless he complies with such regulations relating to the examination as the Council may specify. (23 of 2004 s. 55)

(L.N. 344 of 1998)

Bylaw Num:	39	Version Date	08/09/2004
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**Heading** [Removal from register](#)

[Back to Individual Section Format](#)

(1) Subject to paragraph (2), the Registrar shall remove from the register the name of any registered student who-

(a) has not presented himself for any of the examinations of the Institute within 5 years from the date of his registration as a registered student; or (23 of 2004 s. 55)

(b) has not passed the final section of the examinations of the Institute within 10 years from the date of his registration as a registered student. (23 of 2004 s. 55)

(2) The Council may extend the period of time specified in paragraph (1)(a) or (b) in any particular case.

<b>Bylaw Num:</b>	<b>40</b>	<b>Version Date</b>	<b>08/09/2004</b>
<b>Heading</b>	<b>Establishment of Examinations Board</b>	<b><a href="#">Back to Individual Section Format</a></b>	

(1) There is hereby established an Examinations Board, the members of which, whether members of the Institute or not, shall be appointed by the Council and shall hold office until they resign or are removed from office by the Council. (23 of 2004 s. 55)

(2) The functions of the Examinations Board shall be to advise the Council on-

(a) the conduct and control of examinations of the Institute; (23 of 2004 s. 55)

(b) the appointment and remuneration of examiners; and

(c) such other functions as may be specified by the Council from time to time.

(3) Members of the Examinations Board shall be paid such fees as the Council may determine.

<b>Bylaw Num:</b>	<b>41</b>	<b>Version Date</b>	<b>08/09/2004</b>
<b>Heading</b>	<b>Restriction on registration as a certified public accountant</b>	<b><a href="#">Back to Individual Section Format</a></b>	

Restriction on registration as a certified public accountant  
(23 of 2004 s. 55)

(1) Subject to paragraph (2), neither a registered student who passes the examinations of the Institute nor a member of an accountancy body accepted by the Council under section 24(1A) shall be registered as a certified public accountant unless he has not less than 5 years practical experience. (23 of 2004 s. 55)

(2) The Council may, in the case of the holder of a degree awarded by an educational institute approved by the Council, or the holder of a diploma in accountancy awarded by an educational institute approved by the Council who has attended a full time course for not less than 3 years,



reduce the period of practical experience required by paragraph (1) by such amount as it thinks fit, not being more than 2 years. (L.N. 137 of 1977)

(3) In this by-law-

"practical experience" (實際經驗) means experience whether in Hong Kong or elsewhere acceptable to the Council as an employee of person practising public accountancy or in the financial or management accountancy department of an organization in industry, commerce or the public service or in a similar department.

(96 of 1994 s. 45)

Bylaw Num:	42	Version Date	08/09/2004
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Heading Appointment of auditor

[Back to Individual Section Format](#)

PART X

AUDITORS

(1) The Institute shall at each annual general meeting appoint an auditor, who shall hold office until the next annual general meeting. (23 of 2004 s. 55)

(2) The Council may fill any casual vacancy in the office of auditor.

Bylaw Num:	43	Version Date	08/09/2004
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Heading Qualification etc.

[Back to Individual Section Format](#)

(1) A person shall not be eligible for appointment under by-law 42 as auditor unless he is a certified public accountant holding a practising certificate. (23 of 2004 s. 55)

(2) The following persons shall not be qualified for appointment as

auditor-

- (a) a member of the Council; and
- (b) a partner of a member of the Council.
- (3) The remuneration of the auditor shall be fixed by the Council.

(23 of 2004 s. 55)

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<b>Bylaw Num:</b>	44	<b>Version Date</b>	08/09/2004
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**Heading Retirement of auditor**

[Back to Individual Section Format](#)

The auditor shall be eligible for reappointment and shall be deemed to have been nominated for reappointment unless he informs the Council in writing, not less than 21 days before the annual general meeting, that he does not wish to be so nominated.

(23 of 2004 s. 55)

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<b>Bylaw Num:</b>	45	<b>Version Date</b>	08/09/2004
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**Heading Nomination of auditors**

[Back to Individual Section Format](#)

- (1) A person, other than a retiring auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice of intention to nominate him for appointment as auditor has been received by the Registrar not less than 14 days before the annual general meeting.
- (2) Every such notice shall be signed by 2 or more certified public accountants and shall be accompanied by notice in writing from the person who is nominated that he is willing to be appointed as auditor. (23 of 2004 s. 55)
- (3) The Registrar shall send a copy of such a notice to the retiring auditor.
- (4) Notice of the names of all persons nominated for appointment, or deemed to have been nominated for reappointment, shall be sent to all certified public accountants not less than 17 days before the annual general meeting. (23 of 2004 s. 55)

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Bylaw Num:	46	Version Date	08/09/2004
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Heading Removal of auditor

[Back to Individual  
Section Format](#)

(1) The Institute may, at a general meeting, by resolution passed by not less than two-thirds of the voting members voting thereon, remove the auditor from office and may, by resolution passed at the same meeting by a majority of the voting members voting thereon, appoint in his place another auditor. (23 of 2004 s. 55)

(2) If no such appointment is made, the Council may appoint another auditor in his place.

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Bylaw Num:	47	Version Date	08/09/2004
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Heading Indemnification of members of the  
Council and others

[Back to Individual  
Section Format](#)

## PART XI

### INDEMNIFICATION

A member of the Council (which expression in this by-law and by-law 48 includes a member of a committee or sub-committee of the Council), an officer employed by the Council and the auditor shall each be indemnified by the Institute against any liability incurred by him in consequence of the performance of his duty as such, unless the same is caused by his wilful default, or, in the case of an auditor, his negligence or wilful default or that of his partner or employee.

(23 of 2004 s. 55)

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Bylaw Num:	48	Version Date	30/06/1997
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Heading **Members of Council and others not  
to be liable for losses** [Back to Individual  
Section Format](#)

A member of the Council, an officer employed by the Council and the auditor shall be liable only if liability arises from his own wilful default or, in the case of an auditor, from his own negligence or wilful default or that of his partner or employee.

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Note: \* With effect from 24 May 2005, HKFRS Interpretations (HKFRS-Int) are renamed as Hong Kong (IFRIC) Interpretations (HK(IFRIC)-Int). The numbering of these Interpretations are unaffected by the changes in names.

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# Hong Kong Accounting Standard 23

## Borrowing Costs\*

\* This HKAS 23 is applicable for periods beginning on or after 1 January 2005. HKAS 23 (Revised) issued in June 2007 is applicable for annual periods beginning on or after 1 January 2009 and supersedes this HKAS 23.

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Hong Kong Accounting Standard 23 *Borrowing Costs* (HKAS 23) is set out in paragraph 1-31. All the paragraphs have equal authority. HKAS 23 should be read in the context of its objective, the *Preface to Hong Kong Financial Reporting Standards* and the *Framework for the Preparation and Presentation of Financial Statements*. HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

# Hong Kong Accounting Standard 23

## Borrowing Costs

### Objective

The objective of this Standard is to prescribe the accounting treatment for borrowing costs. This Standard generally requires the immediate expensing of borrowing costs. However, the Standard permits, as an allowed alternative treatment, the capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

### Scope

1. ***This Standard shall be applied in accounting for borrowing costs.***
2. This Standard supersedes SSAP 19 *Borrowing Costs* issued in 1996.
3. This Standard does not deal with the actual or imputed cost of equity, including preferred capital not classified as a liability.

### Definitions

4. ***The following terms are used in this Standard with the meanings specified:***

***Borrowing costs are interest and other costs incurred by an entity in connection with the borrowing of funds.***

***A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.***

5. Borrowing costs may include:
  - (a) interest on bank overdrafts and short-term and long-term borrowings;
  - (b) amortisation of discounts or premiums relating to borrowings;
  - (c) amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
  - (d) finance charges in respect of finance leases recognised in accordance with HKAS 17 *Leases*; and
  - (e) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.
6. Examples of qualifying assets are inventories that require a substantial period of time to bring them to a saleable condition, manufacturing plants, power generation facilities and investment properties. Other investments, and those inventories that are routinely manufactured or otherwise produced in large quantities on a repetitive basis over a short period of time, are not qualifying assets. Assets that are ready for their intended use or sale when acquired also are not qualifying assets.

## Borrowing Costs - Benchmark Treatment

### Recognition

7. ***Borrowing costs shall be recognised as an expense in the period in which they are incurred.***
8. Under the benchmark treatment borrowing costs are recognised as an expense in the period in which they are incurred regardless of how the borrowings are applied.

## Disclosure

9. *The financial statements shall disclose the accounting policy adopted for borrowing costs.*

## Borrowing Costs - Allowed Alternative Treatment

### Recognition

10. *Borrowing costs shall be recognised as an expense in the period in which they are incurred, except to the extent that they are capitalised in accordance with paragraph 11.*
11. *Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset. The amount of borrowing costs eligible for capitalisation shall be determined in accordance with this Standard.*
12. Under the allowed alternative treatment, borrowing costs that are directly attributable to the acquisition, construction or production of an asset are included in the cost of that asset. Such borrowing costs are capitalised as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Other borrowing costs are recognised as an expense in the period in which they are incurred.

### Borrowing Costs Eligible for Capitalisation

13. The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are those borrowing costs that would have been avoided if the expenditure on the qualifying asset had not been made. When an entity borrows funds specifically for the purpose of obtaining a particular qualifying asset, the borrowing costs that directly relate to that qualifying asset can be readily identified.
14. It may be difficult to identify a direct relationship between particular borrowings and a qualifying asset and to determine the borrowings that could otherwise have been avoided. Such a difficulty occurs, for example, when the financing activity of an entity is co-ordinated centrally. Difficulties also arise when a group uses a range of debt instruments to borrow funds at varying rates of interest, and lends those funds on various bases to other entities in the group. Other complications arise through the use of loans denominated in or linked to foreign currencies, when the group operates in highly inflationary economies, and from fluctuations in exchange rates. As a result, the determination of the amount of borrowing costs that are directly attributable to the acquisition of a qualifying asset is difficult and the exercise of judgement is required.
15. *To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.*
16. The financing arrangements for a qualifying asset may result in an entity obtaining borrowed funds and incurring associated borrowing costs before some or all of the funds are used for expenditures on the qualifying asset. In such circumstances, the funds are often temporarily invested pending their expenditure on the qualifying asset. In determining the amount of borrowing costs eligible for capitalisation during a period, any investment income earned on such funds is deducted from the borrowing costs incurred.
17. *To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation shall be determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised during a period shall not exceed the amount of borrowing costs incurred during that period.*
18. In some circumstances, it is appropriate to include all borrowings of the parent and its subsidiaries when computing a weighted average of the borrowing costs; in other circumstances, it is appropriate for each subsidiary to use a weighted average of the borrowing costs applicable

to its own borrowings.

### **Excess of the Carrying Amount of the Qualifying Asset over Recoverable Amount**

19. When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or net realisable value, the carrying amount is written down or written off in accordance with the requirements of other Hong Kong Accounting Standards. In certain circumstances, the amount of the write-down or write-off is written back in accordance with those other Hong Kong Accounting Standards.

### **Commencement of Capitalisation**

20. ***The capitalisation of borrowing costs as part of the cost of a qualifying asset shall commence when:***
- (a) ***expenditures for the asset are being incurred;***
  - (b) ***borrowing costs are being incurred; and***
  - (c) ***activities that are necessary to prepare the asset for its intended use or sale are in progress.***
21. Expenditures on a qualifying asset include only those expenditures that have resulted in payments of cash, transfers of other assets or the assumption of interest-bearing liabilities. Expenditures are reduced by any progress payments received and grants received in connection with the asset (see HKAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*). The average carrying amount of the asset during a period, including borrowing costs previously capitalised, is normally a reasonable approximation of the expenditures to which the capitalisation rate is applied in that period.
22. The activities necessary to prepare the asset for its intended use or sale encompass more than the physical construction of the asset. They include technical and administrative work prior to the commencement of physical construction, such as the activities associated with obtaining permits prior to the commencement of the physical construction. However, such activities exclude the holding of an asset when no production or development that changes the asset's condition is taking place. For example, borrowing costs incurred while land is under development are capitalised during the period in which activities related to the development are being undertaken. However, borrowing costs incurred while land acquired for building purposes is held without any associated development activity do not qualify for capitalisation.

### **Suspension of Capitalisation**

23. ***Capitalisation of borrowing costs shall be suspended during extended periods in which active development is interrupted.***
24. Borrowing costs may be incurred during an extended period in which the activities necessary to prepare an asset for its intended use or sale are interrupted. Such costs are costs of holding partially completed assets and do not qualify for capitalisation. However, capitalisation of borrowing costs is not normally suspended during a period when substantial technical and administrative work is being carried out. Capitalisation of borrowing costs is also not suspended when a temporary delay is a necessary part of the process of getting an asset ready for its intended use or sale. For example, capitalisation continues during the extended period needed for inventories to mature or the extended period during which high water levels delay construction of a bridge, if such high water levels are common during the construction period in the geographic region involved.

### **Cessation of Capitalisation**

25. ***Capitalisation of borrowing costs shall cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.***
26. An asset is normally ready for its intended use or sale when the physical construction of the asset is complete even though routine administrative work might still continue. If minor modifications, such as the decoration of a property to the purchaser's or user's specification, are all that are outstanding, this indicates that substantially all the activities are complete.

27. ***When the construction of a qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, capitalisation of borrowing costs shall cease when substantially all the activities necessary to prepare that part for its intended use or sale are completed.***
28. A business park comprising several buildings, each of which can be used individually is an example of a qualifying asset for which each part is capable of being usable while construction continues on other parts. An example of a qualifying asset that needs to be complete before any part can be used is an industrial plant involving several processes which are carried out in sequence at different parts of the plant within the same site, such as a steel mill.

## **Disclosure**

29. ***The financial statements shall disclose:***
- (a) ***the accounting policy adopted for borrowing costs;***
  - (b) ***the amount of borrowing costs capitalised during the period; and***
  - (c) ***the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation.***

## **Transitional Provisions**

30. ***When the adoption of this Standard constitutes a change in accounting policy, an entity is encouraged to adjust its financial statements in accordance with HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Alternatively, entities following the benchmark treatment shall apply the new policy prospectively and therefore would not adjust the financial statements for those borrowing costs that were capitalised before the effective date of the Standard.***

## **Effective Date**

31. ***This Hong Kong Accounting Standard becomes operative for financial statements covering periods beginning on or after 1 January 2005. Earlier application is encouraged.***

## **Appendix**

### **Comparison with International Accounting Standards**

This comparison appendix, which was prepared as at December 2004 and deals only with significant differences in the standards extant, is produced for information only and does not form part of the standards in HKAS 23.

The International Accounting Standard comparable with HKAS 23 is IAS 23 *Borrowing Costs*.

There are no major textual differences between HKAS 23 and IAS 23.

HKAS 23 (Revised)  
Issued June 2007

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Effective for annual periods  
beginning on or after 1 January 2009\*

*Hong Kong Accounting Standard 23 (Revised)*

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# Borrowing Costs

\* HKSA 23 (Revised) is applicable for annual periods beginning on or after 1 January 2009. Earlier application is permitted. HKAS 23 (Revised) supersedes HKAS 23 issued in 2004.



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



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## BORROWING COSTS

Hong Kong Accounting Standard 23 *Borrowing Costs* (HKAS 23) is set out in paragraphs 1 – 30. All of the paragraphs have equal authority. HKAS 23 should be read in the context of its core principle and the Basis for Conclusions, the *Preface to Hong Kong Financial Reporting Standards* and the *Framework for the Preparation and Presentation of Financial Statements*. HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

This revised Standard was issued in June 2007. It supersedes HKAS 23, issued in 2004.

## Hong Kong Accounting Standard 23 *Borrowing Costs*

### Core principle

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- 1 **Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense.**

### Scope

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- 2 **An entity shall apply this Standard in accounting for borrowing costs.**
- 3 The Standard does not deal with the actual or imputed cost of equity, including preferred capital not classified as a liability.
- 4 An entity is not required to apply the Standard to borrowing costs directly attributable to the acquisition, construction or production of:
- (a) a qualifying asset measured at fair value, for example a biological asset; or
  - (b) inventories that are manufactured, or otherwise produced, in large quantities on a repetitive basis.

### Definitions

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- 5 **This Standard uses the following terms with the meanings specified:**
- Borrowing costs* are interest and other costs that an entity incurs in connection with the borrowing of funds.**
- A qualifying asset* is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.**
- 6 Borrowing costs may include:
- (a) interest on bank overdrafts and short-term and long-term borrowings;
  - (b) amortisation of discounts or premiums relating to borrowings;
  - (c) amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
  - (d) finance charges in respect of finance leases recognised in accordance with HKAS 17 *Leases*; and
  - (e) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.
- 7 Depending on the circumstances, any of the following may be qualifying assets:
- (a) inventories
  - (b) manufacturing plants

- (c) power generation facilities
- (d) intangible assets
- (e) investment properties.

Financial assets, and inventories that are manufactured, or otherwise produced, over a short period of time, are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

## Recognition

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- 8 An entity shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. An entity shall recognise other borrowing costs as an expense in the period in which it incurs them.**
- 9 Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. Such borrowing costs are capitalised as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. When an entity applies HKAS 29 *Financial Reporting in Hyperinflationary Economies*, it recognises as an expense the part of borrowing costs that compensates for inflation during the same period in accordance with paragraph 21 of that Standard.

### Borrowing costs eligible for capitalisation

- 10 The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are those borrowing costs that would have been avoided if the expenditure on the qualifying asset had not been made. When an entity borrows funds specifically for the purpose of obtaining a particular qualifying asset, the borrowing costs that directly relate to that qualifying asset can be readily identified.
- 11 It may be difficult to identify a direct relationship between particular borrowings and a qualifying asset and to determine the borrowings that could otherwise have been avoided. Such a difficulty occurs, for example, when the financing activity of an entity is co-ordinated centrally. Difficulties also arise when a group uses a range of debt instruments to borrow funds at varying rates of interest, and lends those funds on various bases to other entities in the group. Other complications arise through the use of loans denominated in or linked to foreign currencies, when the group operates in highly inflationary economies, and from fluctuations in exchange rates. As a result, the determination of the amount of borrowing costs that are directly attributable to the acquisition of a qualifying asset is difficult and the exercise of judgement is required.
- 12 To the extent that an entity borrows funds specifically for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.**
- 13 The financing arrangements for a qualifying asset may result in an entity obtaining borrowed funds and incurring associated borrowing costs before some or all of the funds are used for expenditures on the qualifying asset. In such circumstances, the funds are often temporarily invested pending their expenditure on the qualifying asset. In determining the amount of borrowing costs eligible for capitalisation during a period, any investment income earned on such funds is deducted from the borrowing costs incurred.

14. **To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.**
15. In some circumstances, it is appropriate to include all borrowings of the parent and its subsidiaries when computing a weighted average of the borrowing costs; in other circumstances, it is appropriate for each subsidiary to use a weighted average of the borrowing costs applicable to its own borrowings.

**Excess of the carrying amount of the qualifying asset over recoverable amount**

16. When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or net realisable value, the carrying amount is written down or written off in accordance with the requirements of other Standards. In certain circumstances, the amount of the write-down or write-off is written back in accordance with those other Standards.

**Commencement of capitalisation**

17. **An entity shall begin capitalising borrowing costs as part of the cost of a qualifying asset on the commencement date. The commencement date for capitalisation is the date when the entity first meets all of the following conditions:**
- (a) **it incurs expenditures for the asset;**
  - (b) **it incurs borrowing costs; and**
  - (c) **it undertakes activities that are necessary to prepare the asset for its intended use or sale.**
18. Expenditures on a qualifying asset include only those expenditures that have resulted in payments of cash, transfers of other assets or the assumption of interest-bearing liabilities. Expenditures are reduced by any progress payments received and grants received in connection with the asset (see HKAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*). The average carrying amount of the asset during a period, including borrowing costs previously capitalised, is normally a reasonable approximation of the expenditures to which the capitalisation rate is applied in that period.
19. The activities necessary to prepare the asset for its intended use or sale encompass more than the physical construction of the asset. They include technical and administrative work prior to the commencement of physical construction, such as the activities associated with obtaining permits prior to the commencement of the physical construction. However, such activities exclude the holding of an asset when no production or development that changes the asset's condition is taking place. For example, borrowing costs incurred while land is under development are capitalised during the period in which activities related to the development are being undertaken. However, borrowing costs incurred while land

acquired for building purposes is held without any associated development activity do not qualify for capitalisation.

### **Suspension of capitalisation**

**20 An entity shall suspend capitalisation of borrowing costs during extended periods in which it suspends active development of a qualifying asset.**

21 An entity may incur borrowing costs during an extended period in which it suspends the activities necessary to prepare an asset for its intended use or sale. Such costs are costs of holding partially completed assets and do not qualify for capitalisation. However, an entity does not normally suspend capitalising borrowing costs during a period when it carries out substantial technical and administrative work. An entity also does not suspend capitalising borrowing costs when a temporary delay is a necessary part of the process of getting an asset ready for its intended use or sale. For example, capitalisation continues during the extended period that high water levels delay construction of a bridge, if such high water levels are common during the construction period in the geographical region involved.

### **Cessation of capitalisation**

**22 An entity shall cease capitalising borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.**

23 An asset is normally ready for its intended use or sale when the physical construction of the asset is complete even though routine administrative work might still continue. If minor modifications, such as the decoration of a property to the purchaser's or user's specification, are all that are outstanding, this indicates that substantially all the activities are complete.

**24 When an entity completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.**

25 A business park comprising several buildings, each of which can be used individually, is an example of a qualifying asset for which each part is capable of being usable while construction continues on other parts. An example of a qualifying asset that needs to be complete before any part can be used is an industrial plant involving several processes which are carried out in sequence at different parts of the plant within the same site, such as a steel mill.

### **Disclosure**

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**26 An entity shall disclose:**

- (a) the amount of borrowing costs capitalised during the period; and**
- (b) the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation.**

### **Transitional provisions**

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- 27 When application of this Standard constitutes a change in accounting policy, an entity shall apply the Standard to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the effective date.
- 28 However, an entity may designate any date before the effective date and apply the Standard to borrowing costs relating to all qualifying assets for which the commencement date for capitalisation is on or after that date.

### **Effective date**

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- 29 An entity shall apply the Standard for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the Standard from a date before 1 January 2009, it shall disclose that fact.

### **Withdrawal of HKAS 23 (issued 2004)**

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- 30 This Standard supersedes HKAS 23 *Borrowing Costs* issued in 2004.

## Appendix

### Amendments to other pronouncements

*The amendments in this appendix shall be applied for annual periods beginning on or after 1 January 2009. If an entity applies this Standard for an earlier period, the amendments in this appendix shall be applied for that earlier period. In the amended paragraphs, new text is underlined and deleted text is struck through.*

- A1 HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards* is amended as described below.

In the rubric, the first sentence is amended as follows:

Hong Kong Financial Reporting Standard 1 *First-time Adoption of Hong Kong Financial Reporting Standards* (HKFRS 1) is set out in paragraphs ~~1—47F~~ 1-47G...

Paragraphs 9, 12 and 13 are amended, after paragraph 25H a heading and paragraph 25I are inserted, and paragraph 47G is added as follows:

- 9 The transitional provisions in other HKFRSs apply to changes in accounting policies made by an entity that already uses HKFRSs; they do not apply to a *first-time adopter's* transition to HKFRSs, except as specified in paragraphs 25D, 25H, 25I, 34A and 34B.
- 12 This HKFRS establishes two categories of exceptions to the principle that an entity's opening HKFRS balance sheet shall comply with each HKFRS:
- (a) paragraphs ~~13-25H~~ and 36A-36C grant exemptions from some requirements of other HKFRSs.
  - (b) paragraphs 26-34B prohibit retrospective application of some aspects of other HKFRSs.
- 13 An entity may elect to use one or more of the following exemptions:
- (a) ...
  - (l) fair value measurement of financial assets or financial liabilities at initial recognition (paragraph 25G); ~~and~~
  - (m) a financial asset or an intangible asset accounted for in accordance with HK(IFRIC)-Int 12 *Service Concession Arrangements* (paragraph 25H); and
  - (n) borrowing costs (paragraph 25I).

An entity shall not apply these exemptions by analogy to other items.

#### **Borrowing costs**

- 25I A first-time adopter may apply the transitional provisions set out in paragraphs 27 and 28 of HKAS 23 *Borrowing Costs*, as revised in 2007. In those paragraphs references to the effective date shall be interpreted as 1 January 2009 or the date of transition to HKFRSs, whichever is later.



BORROWING COSTS

- 47G An entity shall apply the amendments in paragraphs 13(n) and 25I for annual periods beginning on or after 1 January 2009. If an entity applies HKAS 23 for an earlier period, these amendments shall be applied for that earlier period.
- A2 In HKAS 1 *Presentation of Financial Statements* the last sentence of paragraph 110 is deleted.
- A3 In HKAS 7 *Cash Flow Statements* paragraph 32 is amended as follows:
- 32 The total amount of interest paid during a period is disclosed in the cash flow statement whether it has been recognised as an expense in the income statement or capitalised in accordance with ~~the allowed alternative treatment in~~ HKAS 23 *Borrowing Costs*.
- A4 In HKAS 11 *Construction Contracts* the last sentence of paragraph 18 is amended as follows:
- 18 Costs that may be attributable to contract activity in general and can be allocated to specific contracts also include borrowing costs ~~when the contractor adopts the allowed alternative treatment in~~ HKAS 23 *Borrowing Costs*.
- A5 In HKAS 16 *Property, Plant and Equipment* paragraph 23 is amended as follows:
- 23 The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit unless such interest is ~~recognised in the carrying amount of the item~~ capitalised in accordance with ~~the allowed alternative treatment in~~ HKAS 23.
- A6 In HKAS 38 *Intangible Assets* paragraph 32 is amended as follows:
- 32 If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognised as interest expense over the period of credit unless it is capitalised in accordance with ~~the capitalisation treatment permitted in~~ HKAS 23 *Borrowing Costs*.
- A7 In Hong Kong (IFRIC) Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* paragraph 8 is amended as follows:
- 8 The periodic unwinding of the discount shall be recognised in profit or loss as a finance cost as it occurs. ~~The allowed alternative treatment of~~ Capitalisation under HKAS 23 is not permitted.
- A8 In Hong Kong (IFRIC) Interpretation 12 *Service Concession Arrangements* paragraph 22 is amended as follows:
- 22 In accordance with HKAS 23, borrowing costs attributable to the arrangement shall be recognised as an expense in the period in which they are incurred unless the operator has a contractual right to receive an intangible asset (a right to charge users of the public service). In this case borrowing costs attributable to the arrangement ~~may~~ shall be capitalised during the construction phase of the arrangement in accordance with ~~the allowed alternative treatment under~~ that Standard.

## Basis for Conclusions on HKAS 23 *Borrowing Costs*

*This Basis for Conclusions accompanies, but is not part of, HKAS 23.*

HKAS 23 is based on IAS 23 *Borrowing Costs*. In approving HKAS 23, the Council of the Hong Kong Institute of Certified Public Accountants considered and agreed with the IASB's Basis for Conclusions on IAS 23. Accordingly, there are no significant differences between HKAS 23 and IAS 23. The IASB's Basis for Conclusions is reproduced below. The paragraph numbers of IAS 23 referred to below generally correspond with those in HKAS 23.

### Introduction

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- BC1 This Basis for Conclusions summarises the International Accounting Standards Board's considerations in reaching its conclusions on revising IAS 23 *Borrowing Costs* in 2007. Individual Board members gave greater weight to some factors than to others.
- BC2 The revisions to IAS 23 result from the Board's Short-term Convergence project. The project is being conducted jointly with the United States standard-setter, the Financial Accounting Standards Board (FASB). The objective of the project is to reduce differences between IFRSs and US generally accepted accounting principles (GAAP) that are capable of resolution in a relatively short time and can be addressed outside major projects. The revisions to IAS 23 are principally concerned with the elimination of one of the two treatments that exist for borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The application of only one method will enhance comparability. For the reasons set out below, the Board decided to eliminate the option of immediate recognition of such borrowing costs as an expense. It believes this will result in an improvement in financial reporting as well as achieving convergence in principle with US GAAP.
- BC3 The Board considered whether to seek convergence on the detailed requirements for the capitalisation of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. However, the Board noted statements by the US Securities and Exchange Commission (SEC) and the European Commission that the IASB and FASB should focus their short-term convergence effort on eliminating major differences of principle between IFRSs and US GAAP. For their purposes, convergence on the detailed aspects of accounting treatments is not necessary. The Board further noted that both IAS 23 and SFAS 34 *Capitalization of Interest Cost* were developed some years ago. Consequently, neither set of specific provisions may be regarded as being of a clearly higher quality than the other. Therefore, the Board concluded that it should not spend time and resources considering aspects of IAS 23 beyond the choice between capitalisation and immediate recognition as an expense. This Basis for Conclusions does not, therefore, discuss aspects of IAS 23 that the Board did not reconsider. Paragraphs BC19 – BC26 analyse the differences between IAS 23 and SFAS 34.

### Amendments to the scope

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#### Assets measured at fair value

- BC4 The exposure draft of proposed amendments to IAS 23 proposed excluding from the scope of IAS 23 assets measured at fair value. Some respondents objected to the proposal, interpreting the scope exclusion as limiting capitalisation of borrowing costs to qualifying assets measured at cost. The Board confirmed its decision not to require capitalisation of borrowing costs relating to assets that are measured at fair value. The

measurement of such assets will not be affected by the amount of borrowing costs incurred during their construction or production period. Therefore, requirements on how to account for borrowing costs are unnecessary, as paragraphs B61 and B62 of the Basis for Conclusions on IAS 41 *Agriculture* explain. But the Board noted that the exclusion of assets measured at fair value from the requirements of IAS 23 does not prohibit an entity from presenting items in profit or loss as if borrowing costs had been capitalised on such assets before measuring them at fair value.

**Inventories that are manufactured, or otherwise produced, in large quantities on a repetitive basis**

- BC5 The US standard, SFAS 34, requires an entity to recognise as an expense interest costs for inventories that are routinely manufactured or otherwise produced in large quantities on a repetitive basis because, in the FASB's view, the informational benefit from capitalising interest costs does not justify the cost. The exposure draft did not make an exception for borrowing costs relating to such inventories. The exposure draft, therefore, proposed to require an entity to capitalise borrowing costs relating to inventories that are manufactured in large quantities on a repetitive basis and take a substantial period of time to get ready for sale. Respondents argued that capitalising those borrowing costs would create a significant administrative burden, would not be informative to users and would create a reconciling item between IFRSs and US GAAP.
- BC6 The Board decided to exclude from the scope of IAS 23 inventories that are manufactured, or otherwise produced, in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for sale. The Board acknowledges the difficulty in both allocating borrowing costs to inventories that are manufactured in large quantities on a repetitive basis and monitoring those borrowing costs until the inventory is sold. It concluded that it should not require an entity to capitalise borrowing costs on such inventories because the costs of capitalisation are likely to exceed the potential benefits.

**Elimination of the option of immediate recognition as an expense of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset**

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- BC7 The previous version of IAS 23 permitted two treatments for accounting for borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. They could be capitalised or, alternatively, recognised immediately as an expense. SFAS 34 requires the capitalisation of such borrowing costs.
- BC8 The Board proposed in the exposure draft to eliminate the option of immediate recognition as an expense. Many respondents disagreed with the Board's proposal in the exposure draft, arguing that:
- (a) borrowing costs should not be the subject of a short-term convergence project.
  - (b) the Board had not explored in sufficient detail the merits of both accounting options.
  - (c) the proposal did not result in benefits for users of financial statements because:
    - (i) it addressed only one of the differences between IAS 23 and SFAS 34.
    - (ii) comparability would not be enhanced because the capital structure of an entity could affect the cost of an asset.

## BORROWING COSTS

- (iii) credit analysts reverse capitalised borrowing costs when calculating coverage ratios.
  - (d) the costs of implementing the capitalisation model in IAS 23 would be burdensome.
  - (e) the proposal was not consistent with the Board's approach on other projects (in particular, the second phase of the Business Combinations project).
- BC9 The Board concluded that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are part of the cost of that asset. During the period when an asset is under development, the expenditures for the resources used must be financed. Financing has a cost. The cost of the asset should include all costs necessarily incurred to get the asset ready for its intended use or sale, including the cost incurred in financing the expenditures as a part of the asset's acquisition cost. The Board reasoned that recognising immediately as an expense borrowing costs relating to qualifying assets does not give a faithful representation of the cost of the asset.
- BC10 The Board confirmed that the objective of the project is not to achieve full convergence on all aspects of accounting for borrowing costs. Rather, it is to reduce differences between IFRSs and US GAAP that are capable of resolution in a relatively short time. The removal of a choice of accounting treatment and convergence in principle with US GAAP will enhance comparability. The Board acknowledges that capitalising borrowing costs does not achieve comparability between assets that are financed with borrowings and those financed with equity. However, it achieves comparability among all non-equity financed assets, which is an improvement.
- BC11 A requirement to recognise immediately as an expense borrowing costs relating to qualifying assets would not enhance comparability. Rather, comparability between assets that are internally developed and those acquired from third parties would be impaired. The purchase price of a completed asset purchased from a third party would include financing costs incurred by the third party during the development phase.
- BC12 Respondents to the exposure draft argued that requiring the capitalisation of borrowing costs is not consistent with the Board's proposal in the second phase of the Business Combinations project to require an entity to treat as an expense acquisition costs relating to a business combination. The Board disagrees with those respondents. Acquisition costs as defined in the context of a business combination are different from borrowing costs incurred in constructing or producing a qualifying asset. Borrowing costs are part of the cost necessarily incurred to get the asset ready for its intended use or sale. Acquisition costs relating to a business combination are costs incurred for services performed to help with the acquisition, such as due diligence and professional fees. They are not costs of assets acquired in a business combination.
- BC13 The Board concluded that the additional benefits in terms of higher comparability, improvements in financial reporting and achieving convergence in principle with US GAAP exceed any additional costs of implementation. Achieving convergence in principle with US GAAP on this topic is a milestone in the Memorandum of Understanding published by the FASB and IASB in February 2006, which is a step towards removal of the requirement imposed on foreign registrants with the SEC to reconcile their financial statements to US GAAP.
- BC14 The Board observes that there is an unavoidable cost of complying with any new financial reporting standard. Accordingly, the Board carefully considers the costs and benefits of any new pronouncement. In this case, the Board has not been told that preparers who elected to capitalise borrowing costs under the previous version of IAS 23 found doing so

unnecessarily burdensome. In the Board’s judgement, any additional costs of capitalising an item of cost of an asset are offset by the advantage of having all entities account for that item in the same way.

### **Effective date and transition**

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- BC15 Development of a qualifying asset may take a long time. Additionally, some assets currently in use may have undergone and completed their production or construction process many years ago. If the entity has been following the accounting policy of immediately recognising borrowing costs as an expense, the costs of gathering the information required to capitalise them retrospectively and to adjust the carrying amount of the asset may exceed the potential benefits. Hence, the Board decided to require prospective application, which was supported by respondents to the exposure draft.
- BC16 The Board noted that the revisions would result in information that is more comparable between entities. On that basis, if an entity wished to apply the revised Standard from any date before the effective date, users of the entity’s financial statements would receive more useful and comparable information than previously.
- BC17 Therefore, an entity is permitted to apply the revised Standard from any designated date before the effective date. However, if an entity applies the Standard from such an earlier date, it should apply the Standard to all qualifying assets for which the commencement date for capitalisation is on or after that designated date.
- BC18 The Board recognises that the Standard may require an entity that reconciles its IFRS financial statements to US GAAP to maintain two sets of capitalisation information—one set that complies with the requirements of IAS 23 and one that complies with the requirements of SFAS 34. The Board wishes to avoid imposing on such entities the need to maintain two sets of capitalisation information. Therefore, before the effective date, the Board will consider what actions it might take to avoid this outcome.

### **Differences between IAS 23 and SFAS 34**

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- BC19 The following paragraphs summarise the main differences between IAS 23 and SFAS 34.

#### **Definition of borrowing costs**

- BC20 IAS 23 uses the term “borrowing costs” whereas SFAS 34 uses the term “interest costs”. “Borrowing costs” reflects the broader definition in IAS 23, which encompasses interest and other costs, such as:
- (a) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs; and
  - (b) amortisation of ancillary costs incurred in connection with the arrangement of borrowings.
- BC21 EITF Issue No. 99-9 concludes that derivative gains and losses (arising from the effective portion of a derivative instrument that qualifies as a fair value hedge) are part of the capitalised interest cost. IAS 23 does not address such derivative gains and losses.

## Definition of a qualifying asset

BC22 The main differences are as follows:

- (a) IAS 23 defines a qualifying asset as one that takes a substantial period of time to get ready for its intended use or sale. The SFAS 34 definition does not include the term *substantial*.
- (b) IAS 23 excludes from its scope qualifying assets that are measured at fair value. SFAS 34 does not address assets measured at fair value.
- (c) SFAS 34 includes as qualifying assets investments in investees accounted for using the equity method, in some circumstances.\* Such investments are not qualifying assets according to IAS 23.
- (d) SFAS 34 does not permit the capitalisation of interest costs on assets acquired with gifts or grants that are restricted by the donor or grantor in some situations. IAS 23 does not address such assets.

## Measurement

BC23 When an entity borrows funds specifically for the purpose of obtaining a qualifying asset:

- (a) IAS 23 requires an entity to capitalise the actual borrowing costs incurred on that borrowing. SFAS 34 states that an entity may use the rate of that borrowing.
- (b) IAS 23 requires an entity to deduct any income earned on the temporary investment of actual borrowings from the amount of borrowing costs to be capitalised. SFAS 34 does not generally permit this deduction, unless particular tax-exempt borrowings are involved.

BC24 SFAS 34 requires an entity to use judgement in determining the capitalisation rate to apply to the expenditures on the asset—an entity selects the borrowings that it considers appropriate to meet the objective of capitalising the interest costs incurred that otherwise could have been avoided. When an entity borrows funds generally and uses them to obtain a qualifying asset, IAS 23 permits some flexibility in determining the capitalisation rate, but requires an entity to use all outstanding borrowings other than those made specifically to obtain a qualifying asset.

## Disclosure requirements

BC25 IAS 23 requires disclosure of the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation. SFAS 34 does not require this disclosure.

BC26 SFAS 34 requires disclosure of the total amount of interest cost incurred during the period, including the amount capitalised and the amount recognised as an expense. IAS 23 requires disclosure only of the amount of borrowing costs capitalised during the period. IAS 1 *Presentation of Financial Statements* requires the disclosure of finance costs for the period.

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\* While the investee has activities in progress necessary to commence its planned principal operations provided that the investee's activities include the use of funds to acquire qualifying assets for its operations.

**Consequential amendments to IAS 11 *Construction Contracts***

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BC27 IAS 11 paragraph 18 states that “costs that may be attributable to contract activity in general and can be allocated to specific contracts also include borrowing costs when the contractor adopts the allowed alternative treatment in IAS 23 *Borrowing Costs*.” The Board decided to delete the reference to IAS 23 in this paragraph because it is unnecessary. Attributing borrowing costs to contracts is not a matter of capitalisation. Rather, it is a matter of identifying the contract costs. The inclusion of borrowing costs in contract costs affects the presentation of borrowing costs in profit or loss. It does not affect the recognition of borrowing costs as specified in IAS 23.

## Dissenting opinions on IAS 23

### Dissent of Anthony T Cope, Philippe Danjou and Robert P Garnett

- DO1 The Board's decision to require the capitalisation of borrowing costs relating to qualifying assets will cause a significant change in accounting for the many preparers that currently apply the benchmark treatment of recognising borrowing costs as an expense. Messrs Cope, Danjou and Garnett believe that such a change will require the establishment of cumbersome measurement processes and monitoring of capitalised costs over a long period. This is likely to involve considerable accounting work and incremental auditing costs.
- DO2 Users of financial statements responding to the exposure draft did not support the change because they saw no informational benefit in a model that capitalises costs, other than the capitalisation of the actual economic cost of capital of the investment. In addition, Messrs Cope, Danjou and Garnett believe that a standard requiring the capitalisation of borrowing costs should discuss more extensively which assets qualify for the purpose of capitalising which borrowing costs.
- DO3 As a consequence, Messrs Cope, Danjou and Garnett dissent because, in their view, the costs of this particular change will far outweigh the benefits to users.
- DO4 In addition, this requirement to capitalise borrowing costs will achieve only limited convergence with US GAAP—differences will remain that could lead to materially different capitalised amounts. Furthermore, entities that are required to reconcile net income and shareholders' equity to US GAAP already have the option to capitalise borrowing costs and, thus, may recognise amounts that are more comparable to, albeit still potentially materially different from, those recognised in accordance with US GAAP.
- DO5 The Memorandum of Understanding published by the FASB and the IASB states that trying to eliminate differences between standards that are both in need of significant improvement is not the best use of resources. Messrs Cope, Danjou and Garnett support the convergence work programme, but only if it results in higher quality standards and improved financial reporting. They are of the opinion that IAS 23 and SFAS 34 are both in need of significant improvement and should not have been addressed as part of short-term convergence.



## Appendix

### Amendments to Basis for Conclusions on other pronouncements

*This appendix contains amendments to the Basis for Conclusions on other pronouncements that are necessary in order to ensure consistency with the revised IAS 23.*

- BCA1 In the Basis for Conclusions on IFRS 1 *First-time Adoption of International Financial Reporting Standards*, after paragraph BC63D a heading and paragraph BC63E are added as follows:

#### **Borrowing costs**

BC63E IAS 23 *Borrowing Costs* (as revised in 2007) contains transitional provisions because the Board acknowledged that if an entity has been following the accounting policy of immediately recognising borrowing costs as an expense and has not previously gathered the necessary information for capitalisation of borrowing costs, getting the information retrospectively may be costly. First-time adopters of IFRSs face problems similar to those facing entities that already apply IFRSs. Moreover, although first-time adopters have the option of using fair value as the deemed cost of an asset at the date of transition to IFRSs, this option is not applicable to all qualifying assets, such as inventories. Furthermore, the Board concluded that the existence of the deemed cost option is not sufficient to justify a more stringent requirement for the application of IAS 23 for first-time adopters than for entities that already apply IFRSs. A more stringent requirement for the adoption of the capitalisation treatment could be justified when IFRS 1 was originally issued because capitalisation was then an option. The requirements for the application of mandatory capitalisation, on the other hand, should be the same for entities that already apply IFRSs and for first-time adopters. Therefore, the Board decided to amend IFRS 1, allowing first-time adopters transitional provisions equivalent to those available to entities that already apply IFRSs in paragraphs 27 and 28 of IAS 23, as revised in 2007.

- BCA2 In the Basis for Conclusions on IFRIC Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, the second sentence of paragraph BC26 is footnoted as follows:

In March 2007, IAS 23 was revised to require the previously allowed alternative treatment of capitalisation. Capitalisation of borrowing costs for a qualifying asset becomes the only accounting treatment. That revision does not affect the reasoning set out in this Basis for Conclusions.

- BCA3 In the Basis for Conclusions on IFRIC Interpretation 12 *Service Concession Arrangements*, the first sentence of paragraph BC57, and paragraphs BC59 and BC77(f) are footnoted as follows:

In March 2007, IAS 23 was revised to require the previously allowed alternative treatment of capitalisation. Therefore, an entity is required to capitalise borrowing costs as part of the cost of a qualifying asset to the extent that they are directly attributable to its acquisition, construction or production until the asset is ready for its intended use or sale. That revision does not affect the reasoning set out in this Basis for Conclusions.

## Amendments to guidance on other pronouncements

The following amendments to guidance on other pronouncements are necessary in order to ensure consistency with the revised HKAS 23. In the amended paragraphs, new text is underlined and deleted text is struck through

IGA1 In the Guidance on Implementing HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*, paragraphs IG23 and IG24 are amended as follows. Paragraph IG25 is deleted.

IG23 On first adopting HKFRSs, an entity ~~adopts a policy of~~ begins capitalising borrowing costs (HKAS 23 as revised in 2007) ~~allowed alternative treatment) or not capitalising them (HKAS 23 benchmark treatment). The entity applies that policy consistently in its opening HKFRS balance sheet and in all periods presented in its first HKFRS financial statements. In accordance with paragraph 25I of the HKFRS, an entity:~~

- (a) capitalises borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009 or the date of transition to HKFRSs (whichever is later);
- (b) may elect to designate any date before 1 January 2009 or the date of transition to HKFRSs (whichever is later) and to capitalise borrowing costs relating to all qualifying assets for which the commencement date for capitalisation is on or after that date.

However, if the entity established a deemed cost for an asset, the entity does not capitalise borrowing costs incurred before the date of the measurement that established the deemed cost.

IG24 ~~Under the allowed alternative treatment,~~ HKAS 23 requires disclosure of interest capitalised during the period. Neither HKAS 23 nor the HKFRS requires disclosure of the cumulative amount capitalised.

IG25 ~~[Deleted] HKAS 23 contains transitional provisions that encourage retrospective application, but permit an entity that adopts the allowed alternative treatment to capitalise (prospectively) only those borrowing costs incurred after the effective date of HKAS 23 that meet the criteria for capitalisation. However, if a first time adopter adopts the HKAS 23 allowed alternative treatment, the HKFRS requires retrospective application of that treatment, even for periods before the effective date of HKAS 23 (paragraph 9 of the HKFRS).~~

IGA2 In the Guidance on Implementing HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, Example 2 is deleted.

IGA3 In the Illustrative Examples accompanying Hong Kong (IFRIC) Interpretation 12 *Service Concession Arrangements*, paragraphs IE15 and IE31 are amended as follows:

IE15 During the construction phase of the arrangement the operator's asset (representing its accumulating right to be paid for providing construction services) is classified as an intangible asset (licence to charge users of the infrastructure). The operator estimates the fair value of its consideration received to be equal to the forecast construction costs plus 5 per cent margin. It is also assumed that, in accordance with HKAS 23 *Borrowing Costs*, the operator adopts the allowed alternative treatment in HKAS 23 *Borrowing Costs* and therefore capitalises the

## BORROWING COSTS

borrowing costs, estimated at 6.7 per cent, during the construction phase of the arrangement:

- IE31 During the construction phase of the arrangement the operator's asset (representing its accumulating right to be paid for providing construction services) is classified as a right to receive a licence to charge users of the infrastructure. The operator estimates the fair value of its consideration received or receivable as equal to the forecast construction costs plus 5 per cent. It is also assumed that, in accordance with HKAS 23 *Borrowing Costs*, the operator ~~adopts the allowed alternative treatment in HKAS 23 *Borrowing Costs*~~ and therefore capitalises the borrowing costs, estimated at 6.7 per cent, during the construction phase:

## Table of Concordance

This table shows how the contents of the superseded version of HKAS 23 and the revised version of HKAS 23 correspond. Paragraphs are treated as corresponding if they broadly address the same matter even though the guidance may differ.

<b>Superseded HKAS 23 paragraph</b>	<b>Revised HKAS 23 paragraph</b>	<b>Superseded HKAS 23 paragraph</b>	<b>Revised HKAS 23 paragraph</b>
Objective	1	18	15
1	2	19	16
2	None	20	17
3	3	21	18
4	5	22	19
5	6	23	20
6	7	24	21
7	None	25	22
8	None	26	23
9	None	27	24
10	8	28	25
11	None	29	26
12	9	30	None
13	10	31	None
14	11	None	4
15	12	None	27,28
16	13	None	29
17	14	None	30