



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

# TechWatch

News at a glance



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

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## Standard Setting Developments

### Local Updates

#### 1. Members' Handbook Update

Members' handbook update **No. 236** relates to the amendments to the Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard (Amendments to the SME-FRF & SME-FRS).

Members' handbook update **No. 237** includes:

- HKSA 315 (Revised 2019) *Identifying and Assessing the Risks of Material Misstatements*; and
- PN 830 (Revised 2020) *Reports by the Auditor under the Banking Ordinance*.

#### 2. Invitations to Comment

The Institute is seeking comments on:

- **Exposure Draft:** Technical Bulletin AATB 3 (Revised) *Implementation Guidance on Revised Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 400 Comfort Letters and Due Diligence Meetings* by **20 April**.
- **Exposure Draft:** HKSIR 500 (Revised) *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* by **20 April**.
- **IASB Exposure Draft:** ED/2019/7 *General Presentation and Disclosures* by **22 May**.
- **IAASB Public Consultation** on Proposed Guidance *Extended External Reporting (EER) Assurance* by **1 June**.
- **IASB Request for Information:** *Comprehensive Review of the IFRS for SMEs Standard* by **12 June**.
- **IASB Discussion Paper:** DP/2020/1 *Business Combinations – Disclosures*,

*Goodwill and Impairment* by **7 August**.

#### 3. Accounting for Goodwill

The International Accounting Standards Board (IASB) has published a Discussion Paper **DP/2020/1 Business Combinations – Disclosures, Goodwill and Impairment** on possible improvements to the information reported about acquisitions and accounting for goodwill.

To contribute to the global debate on accounting for goodwill, the staff of the Institute and the staff of the Accounting Standards Board of Japan have jointly published a **research paper** (RP) to share findings from a quantitative study on goodwill, analyse the existing requirements for goodwill, and explore alternative views on its subsequent accounting. In particular, the RP examines whether amortization of goodwill should be reintroduced.

The Institute is seeking **comments** on the IASB's Discussion Paper by 7 August, and also welcomes feedback on the RP. Visit the Institute's **project homepage** for developments on these papers and other updates.

### International Updates

#### 4. Audit and Assurance

- IAASB **Guidance** for Auditors during the Coronavirus Pandemic
- IAASB March 2020 meeting **audio**

#### 5. Ethics

- IFAC **Exploring the IESBA Code: Fourth Installment**
- IESBA Technology Initiative **Webinar** (20 April)
- IESBA March 2020 meeting **audio**

#### 6. IFRS Updates

- March 2020 IASB **update** and **podcast**
- IFRS 17 *Insurance Contracts* **podcast** covering the March IASB meeting, where



- the IASB tentatively decided to **defer the effective date** of IFRS 17 to 1 Jan 2023
- Request for Information: Comprehensive Review of the *IFRS for SMEs* Standard **webcast**
- Exposure Draft *General Presentation and Disclosures* **webinar recording in Putonghua**
- March 2020 IFRS Interpretations Committee **update**
- **IASB Guidance** on applying IFRS 9 *Financial Instruments* in light of the COVID-19 pandemic

## Technical Learning and Support

### 7. New Programme

Click on the title below to register for the e-seminars/roundtables:

- **Overview of the new regulatory regime for insurance intermediaries and the Insurance (Financial and Other for Licensed Requirements Insurance Broker Companies) Rules** (20 April 2020)
- **Roundtable discussion: IASB ED/2019/7 *General Presentation and Disclosures*** (6 May 2020)
- **Roundtable discussion: Comprehensive Review of the *IFRS for SMEs Standard/HKFRS for Private Entities*** (18 May 2020)
- **Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard (E-seminar)**

## Useful Resources

### 8. Institute's Technical Resource Centres

Access the Institute's comprehensive resource centres:

- **New and Major Standards**

- **ICAEW's International Accounting, Audit and Ethics Content**
- **New Companies Ordinance**
- **HKFRS for Private Entities**
- **SMP and SME**

### 9. LinkedIn

Follow our **LinkedIn** for key developments in financial reporting, auditing and ethics.

## Advocacy and Practice Development/ Member Support

### Corporate Governance

#### 10. HKEX Launches E-Training and Publishes Guidance on ESG Reporting

HKEX has published the following updated guidance materials on environmental, social and governance (ESG) reporting on 6 March 2020:

- **E-training**;
- Guide for board and directors titled **“Leadership role and accountability in ESG”**;
- Step-by-step ESG Reporting Guidance titled **“How to prepare an ESG report”**; and
- Frequently Asked Questions **Series 18**.

The updated guidance materials are launched for helping issuers navigating the evolving standards on ESG reporting better. Please refer to the [press release](#) for details.

### Restructuring and Insolvency

#### 11. Institute Issues Guidance for Businesses and Individuals Facing Financial Distress and Members Advising Them

The Institute’s Restructuring and Insolvency Faculty Executive Committee (RIFEC) has published information and guidance for businesses and individuals, and members who advise them, on possible options available and pitfalls to be aware of, if facing financial distress, in the current difficult economic environment. Please refer to [How to Manage Financial Distress – Advice for Businesses and Individuals](#) for details.

#### 12. Institute Comments on Consultation on Contractual Stays

The Institute issued [a submission](#) on 20 March 2020, in response to a [consultation paper](#), issued by the Hong Kong Monetary Authority

(HKMA), on 22 January 2020. The consultation covers proposed rules to be made under the Financial Institutions (Resolution) Ordinance (Cap. 628) on contractual stays on termination rights, in financial contracts for authorised institutions.

The Institute’s submission indicates general support for the Stay Rules to be implemented as soon as possible, especially in view of the current volatile financial markets and difficult economic environment. In terms of detailed comments, the submission suggests that the scope of the proposed stay could be made broader in certain respects.

#### 13. Official Receiver’s Office Circular No.1/2020

The Official Receiver’s Office (ORO) issued a new [Circular No.1/2020](#), which supersedes Circular No.7/2017 and which took effect on 2 March 2020. Circular No.1/2020, among other things, announces an increase in the maximum amount that provisional liquidators or liquidators may retain in an ordinary bank account, without further authorisation by the Official Receiver (OR), from HK\$15,000 to HK\$30,000.

In a meeting with the ORO towards the latter part of 2019, RIFEC’s representatives had explained the practical difficulties that insolvency practitioners face in trying to opening bank accounts in the name of companies in liquidation. It was noted that a contributing factor could be that banks were not incentivised to open an account where the maximum amount that could be held in the account for any length of time was HK\$15,000. Following on from these discussions, the OR agreed to raise the ceiling to HK\$30,000.

### Taxation

#### 14. Institute Issues Further Alert

The Institute issued another [Covid-19 update alert](#) on 2 April to notify members of revised tax deadlines and timetables, and other matters.

#### 15. Announcements by the Inland Revenue Department

Members may wish to be aware of the following matters:

- [Major changes to the profits tax return](#)
- [Additional extended tax deadlines](#)
- [Arrangements for issue of tax returns for 2019-20](#)
- [Suspension of Service for Filing of Tax Return - Individuals through eTAX](#)
- [Country-by-Country Reporting - Notification Deadline](#)
- [DIPN 39 \(Revised\) on Profits Tax - Digital Economy, Electronic Commerce and Digital Assets](#)
- [Latest arrangements for public services](#)
- [Clarification on Retail Sector Subsidy Scheme](#)
- [Stamp Duty statistics \(February 2020\)](#)

## Legislation and Other Initiatives

### 16. Anti-Money Laundering Notices

For the current lists of terrorists, terrorist associates and relevant persons/ entities under United Nations (UN) sanctions, members should refer to [the Institute's AML webpage](#), which is updated regularly. The United Nations Sanctions webpage of the [Commerce and Economic Development Bureau](#) contains consolidated lists of UN sanctions currently in force in Hong Kong.

### 17. Anti-Money Laundering/ Counter-Terrorist Financing (AML/CFT) Guidance

For mandatory guidelines and information from the Institute on the AML/CFT requirements for members, see the Institute's ["Guidelines on Anti-Money Laundering and Counter-Terrorist Financing for Professional Accountants"](#). Member practices may also find the Financial Action Task Force's (FATF) ["Guidance for a Risk-Based Approach for the Accounting Profession"](#) to be a useful reference when developing their own risk-based approach to applying the AML/CFT requirements.

The Institute has posted [Frequently Asked Questions relating to AML monitoring](#), under the Practice Review part of the website.

Members who are licensed to provide trust or company services should also see the [Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Trust or Company Service Providers](#), by Companies Registry.

The FATF published guidance, in October 2019, entitled, ["Best Practices on Beneficial Ownership for Legal Persons"](#). This paper aims to provide suggested solutions to the disclosure of beneficial ownership, supported by cases and examples of best practices from delegations of member jurisdictions of the FATF.

Members should ensure that they are aware of the [Hong Kong Money Laundering and Terrorist Financing Risk Assessment Report](#) (in particular Chapter 6, covering designated non-financial businesses and professions), which indicates ML/TF risks and vulnerabilities in the Hong Kong market.

## Useful Resources

### 18. Other Publications

- (i) The HKEX has published:
  - [Report](#) on initial public offering applications, delisting and suspensions as at 31 March 2020
  - [Reminder of Deadline for Applications to the Listing Committee and Listing Review Committee](#)
  - [Listing Committee Report for 2019](#)
- (ii) The Financial Reporting Council has published [2019 Annual Report](#)
- (iii) Other publications
  - [How the Coronavirus May Affect Financial Reporting and Auditing](#) by Journal of Accountancy



- **Coronavirus: 4 tips to work remotely** by CIMA
- **Why CFOs Should Not Leave Workforce Analytics Solely to HR** by CFO.com
- **Genuine engagement needed to tackle lack of ethnic diversity at board level** by ICAEW
- **To fight fraud, manage culture** by Financial Management
- **Developing the Accountancy Profession in Fragile States** by CIPFA International Board
- **Image the Finance Workforce in a Digital World: Preparing to Modernize Your Finance Workforce** by Deloitte
- **New Technology, New Rules: Reimagining the Modern Finance Workforce** by McKinsey & Company
- **Accountants turn to digital processes to ease WFH burdens** by Accountancy Age
- **3 Ways to Make People Trust You** by Entrepreneur online
- **Young Accountants to be the Leaders of the Profession: Here's How and Why to Get Future-Fit** by Russell Guthrie