



STANDARDS & TECHNICAL

NEWS AT A GLANCE

TechWatch is a publication designed to alert members to topics and issues that impact on CPAs and their working environment. We welcome your comments and feedback. Comments and suggestions on TechWatch should be addressed to Mrs. Patricia McBride, Director, Standard Setting by [email](#).

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Previous issues of TechWatch

Spotlight

1. Alert: Forthcoming Operative Dates Of Standards

The following Hong Kong Financial Reporting Standards are effective for annual periods beginning on or after 1 January 2007:

- Amendment to HKAS 1 *Presentation of Financial Statements* – Capital Disclosures
- HKFRS 7 *Financial Instruments: Disclosures*

2. Annual Accounting Update Conference – Saturday, 14 October 2006

The **Annual Accounting Update** will give an update on Hong Kong Financial Reporting Standards (“HKFRSs”) as well as practical issues in applying these standards. It covers:

- Updates of the HKFRSs in May 2005 and thereafter
- Issues in applying HKFRSs as well as the Financial Reporting Standards for SMEs
- Updates and issues relating to Financial Instruments

3. Annual Auditing Update Conference – Saturday, 21 October 2006

Are you aware of the new Auditing Standards, Draft Discussion Paper on Special Purpose Reports and the new Standards on Investment Circular Reporting Engagement? The **Annual Auditing Update** will provide you with an overview of the following:

- Fraud Consideration (HKSA 240)
- Improving Audit Documentation (HKSA 230)
- New Audit Reports Standards (HKSA 700 and 701)
- HKICPA Discussion Paper Exposure Draft “Request for Special Purpose Reports”
- Pro Forma Financial Information in Investment Circulars (HKSIR 300 and AG 7)
- Comfort Letters and Due Diligence Meetings on Financial and Non-financial Information (HKSIR 400)

CPD & Events

4. Professional Development Activities September To December 2006

The Institute is committed to provide an all rounded CPD programme to suit the different needs of members. Highlights for the months of September to December 2006 are:

New Technical Update Evening (TUE) Programme

The new **TUE programme** covering the period from September 2006 to January 2007 features a number of important auditing and financial reporting topics, which include:

- 624 – Commonly asked financial reporting questions (re-run) (20 Sep 06)
- 619 – Application of the conceptual framework to independence (21 Sep 06)
- 625 – Fair Value Measurement Guidance (re-run) (14 Nov 06)

- 626 – New Audit Report Standards (re-run) (21 Nov 06)
- 622 – Financial Reporting Council Ordinance (28 Nov 06)
- 627 – Financial Reporting Review 2006 (re-run) (16 Jan 07)

Register for TUE by completing this [registration form](#) and returning it to the Institute.

Accounting & Auditing

- **Audit Orientation Programme** (8 – 29 Sep 06)
- **HKAS 16 and HKFRS 6 and Interpretations** (12 Oct 06)
- **HKFRS 7 and Amendments to HKAS 1 and 39** (16 Oct 06)
- **HKFRS 3 and HKAS 27, 28 and 31 (Re-run)** (19 Oct 06)

Corporate Finance

- **Depository Receipt** (20 Sep 06)
- **A Regulated Person's Rights After the SFC's Publication of the Guidance Notes on Cooperation with the SFC in March 2006** (28 Sep 06)
- **The Regulatory Regime for Offering of Investments under the Securities and Futures Ordinance and the Companies Ordinance** (24 Oct 06)

Corporate Governance

- **Internal Control for Smaller Public Companies** (22 Sep 06)
- **Enhancing Corporate Value by Disclosure** (9 Oct 06)

Ethics

- **Corruption Prevention in Procurement Practices** (5 Oct 06)

Information Technology

- **How to Make IT System Works for You?** (26 Sep 06)
- **Information Technology Project Management** (18 Oct 06)

Legal

- **The Basic Legal Principles and the New Law Governing Shareholders Disputes** (15 Sep 06)

Taxation

- **Board of Review Mock Hearing** (7 Sep 06)
- **Basic International Tax Planning** (10 Oct 06)
- **Equity Based Employee Incentive Plans – Tax Law Update** (17 Oct 06)

View the full programme [here](#) and make your booking now to avoid disappointment.

Financial Reporting

5. IASB Latest Draft Of An Exposure Draft On SME Project

The International Accounting Standards Board (“IASB”) has posted on its website the **latest draft of an Exposure Draft** (“Draft ED”) prepared by its staff in the process of developing an International Financial Reporting Standard for Small and Medium-sized Entities (SMEs). This IASB project is ongoing, and the Draft ED is a report on the progress of the project. Further changes, some of which could be substantial, will be made to this Draft ED before the IASB publishes it for public comment. The IASB has discussed earlier drafts of this Draft ED at public meetings, and this draft reflects the cumulative, tentative decisions made by the conclusion of its meeting in July 2006. Those tentative decisions have been reported in the **IASB Update**.

The Draft ED is being made publicly available purely for information – to give interested parties an update on the project. The IASB has not approved and does not request comments on this Draft ED, and its staff will not consider or respond to any comments. The IASB expects to publish an ED on the SME project for public comment later this year.

Banking

6. HKMA Consults On Draft Banking (Capital) Rules And Banking (Disclosure) Rules

The Hong Kong Monetary Authority (“HKMA”) has released a **draft of the Banking (Capital) Rules** in early August 2006 for public consultation until 2 September 2006. These Rules, which are planned to come into effect in January 2007, are the implementing Rules for Basel II, the new international standard for banks’ capital adequacy.

The Banking (Capital) Rules, which set out in detail the different approaches that can be adopted for calculating the capital charge for credit, market and operational risks, will be issued as subsidiary legislation under a new Rule-making power provided under the Banking (Amendment) Ordinance 2005, and will replace the current regulatory capital regime set out in the Third Schedule to the Banking Ordinance.

The HKMA has also released a **draft of the Banking (Disclosure) Rules** for public consultation until 23 September 2006. The draft Banking (Disclosure) Rules seek to set out the minimum standards for public disclosure which authorized institutions (“AIs”) must make in respect of their profit and loss, state of affairs and capital adequacy for the purpose of implementing the requirements of Basel II. The new section 60A of the Banking Ordinance, amended by the Banking (Amendment) Ordinance 2005, empowers the HKMA to set rules prescribing information relating to financial affairs to be disclosed to the general public by AIs. The proposed Rules are intended to come into effect on 1 January 2007. They will replace the disclosure requirements currently set out in the HKMA’s Supervisory Policy Manual.

Taxation

7. Double Taxation Arrangement Signed With The Mainland

As mentioned in **TechWatch No. 36**, a meeting was held in early September 2005 between the Hong Kong SAR Government and the Mainland on the possibility of expanding the “Arrangement for the Avoidance of Double Taxation on Income” signed by the parties in 1998. The Institute made two submissions, on **25 August 2005** and **2 September 2005**, with suggestions of areas that should be covered in the expanded arrangement.

The parties signed a **new arrangement** “Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income” (**Chinese version**) on 21 August 2006. The new arrangement extends the scope of the original agreement on business profits and income from personal services to cover also passive income, such as dividends, interest and royalties, and ensures that there will be no double taxation of the same income in the two jurisdictions. The new arrangement also includes provisions for exchange of information.

Subject to the completion of ratification procedures by both parties before 31 December 2006, the new arrangement will take effect, with respect to Hong Kong taxes, from the year of assessment beginning on or after 1 April 2007 and, with respect to Mainland taxes, from the taxable year beginning on or after 1 January 2007.

The Institute’s comments on the new arrangement are contained in the **press release** issued on 23 August 2006.

International Meetings

8. International Accounting Standards Board

The IASB will be meeting in London on 18 – 22 September 2006. Further details about the meeting will be reported in the next issue of TechWatch.

9. International Financial Reporting Interpretations Committee

The IFRIC will be meeting in London on 7 and 8 September 2006. Further details about the meeting will be reported in the next issue of TechWatch.

10. International Auditing And Assurance Standards Board

The IAASB will be meeting in Montreal from 18 to 22 September 2006. The following topics will be discussed:

- Clarity Project – ISAs 315, 330, 240 and 300 (Approval of Final Versions)
- The Independent Auditor’s Report on Other Historical Financial Information (Approval of Close Off Document)
- Service Organizations (Discussion of Issues)
- Auditing Accounting Estimates and Related Disclosures (Other than Those Involving Fair Value Measurements and Disclosures) (Approval of Close-Off Document)
- Auditing Accounting Estimates and Related Disclosures, Including Those Involving Fair Value Measurements and Disclosures (First Read of Combined Document)
- Evaluating Audit Evidence and Forming an Opinion on the Financial Statements (Discussion of Issues)
- Related Parties (Discussion of Issues Raised on Exposure)
- External Confirmations (Discussion of Issues)
- IAASB Strategy and Work Program (Discussion)

Click [here](#) for further details.

For Information

11. Five-day Week In The HKSAR Government – New Working Hours And Other Arrangements

(i) Board Of Review (Inland Revenue Ordinance)

With effect from 1 July 2006, the Office of the Clerk to the Board of Review (Inland Revenue Ordinance) (the “Office”) has been operating on a five-day week pattern. The **new working hours** are: 8:45 a.m. – 6:00 p.m. from Monday to Friday, and lunch break at 12:30 p.m. – 1:30 p.m.) Board of Review hearings are continued to be scheduled during daytime (9:30 a.m. – 12:30 p.m. and/or 2:15 p.m. – 5:00 p.m.) and/or evening (5:15 p.m. – 7:15 p.m.) from Monday to Friday.

The Office has also placed a drop-in box outside its entrance to cater for **submission of notices of appeal and documents** by the appellants in person on Saturdays.

(ii) Official Receiver’s Office

With effect from 1 July 2006, the Official Receiver’s Office has adopted a five-day week pattern. It has **extended service hours** on weekdays.

Comment Due Dates

DATE	SUBJECT
11 September 2006	IASC Foundation’s Consultation Document – Due Process of The International Financial Reporting Interpretations Committee Draft Handbook.
13 September 2006	IASB Exposure Draft of Proposed Amendments to IAS 23 <i>Borrowing Costs</i>
6 October 2006	IASB Exposure Draft of Proposed Amendments to IAS 32 <i>Financial Instruments: Presentation</i> and IAS 1 <i>Presentation of Financial Statements – Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation</i>
6 October 2006	IASB Discussion Paper on <i>Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information</i>
31 October 2006	HKICPA Exposure Draft of Discussion Paper “ <i>Requests for Special Purpose Reports</i> ”
Please send comments to commentletters@hkicpa.org.hk	