



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

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## Financial Reporting, Auditing and Ethics

### New!

#### 1. New Technical Learning and Support Programme from May to June 2015

The Institute will run a series of technical update evenings ("TUE"), workshops and seminars on accounting and ethics from May to June 2015 as follows:

- **A Refresher Course on Current Financial Reporting Standards**
- **TUE – New accounting requirements for 2015**
- **TUE – Guardian Role of Professionals in Upholding Ethical Governance**

To secure a seat, please register early by completing the registration forms (accessible by clicking on the above event titles).

### Members' Handbook

#### 2. Handbook Updates No. 167 – 168

- (i) **Update No. 167** contains revised Preface to Hong Kong Financial Reporting Standards ("HKFRSs").

On 3 March 2014 the new Hong Kong Companies Ordinance ("CO") (Cap. 622) came into effect. Under section 380 and the Companies (Accounting Standards (Prescribed Body)) Regulation (Cap. 622C), the new CO now gives statutory backing to accounting standards by requiring Hong Kong incorporated companies to prepare their financial statements in accordance with accounting standards issued or specified by the Institute.

The Institute's Financial Reporting Standards Committee considered that it would be advisable to amend the Preface to HKFRSs to include specific reference to this new statutory backing in order to clarify the

relevant accounting standards to be applied under section 380(4)(b) by Hong Kong incorporated companies not eligible for the reporting exemption.

The amendments, which are effective upon issuance, provide explicit guidance on whether a Hong Kong incorporated company which is not eligible for the reporting exemption may choose to prepare its financial statements in accordance with a basis or standard of accounting other than HKFRSs.

- (ii) **Update No. 168** contains revised PN 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*.

PN 740 has been revised as a result of the Listing Rules amendments relating to continuing connected transactions published by The Stock Exchange of Hong Kong Limited in March 2014. These amendments were made to implement proposals in the consultation conclusions on "Review of Connected Transaction Rules" and "Proposed Changes to Align the Definitions of Connected Person and Associate in the Listing Rules". These amendments were effective from 1 July 2014.

There is no material change in the reporting requirements of PN 740 except for the changes in the reference numbers and wordings of the revised Main Board Listing Rules and GEM Listing Rules. The revised PN 740 is effective upon issue.

### Financial Reporting

#### 3. Institute Comments on IASB ED

The Institute **commented** on the IASB Exposure Draft ("ED") ED/2014/6 *Disclosure Initiative* (proposed amendments to IAS 7).

The Institute appreciates the IASB's work undertaken as part of the Disclosure Initiative, particularly the effort to improve the effectiveness of disclosures in financial

statements. The Institute therefore supports the IASB's proposal to improve disclosures relating to an entity's liquidity.

However, the Institute had significant concerns on the proposal to require a reconciliation of cash flows that have been or would be classified as 'financing activities' in the statement of cash flows, except for equity items, and accordingly is compelled not to support this proposal.

#### 4. Institute's Letter to the IASB Chairman on Effective Date of IFRS 15

The Institute sent a [letter](#) to the IASB Chairman to convey the Institute's support for deferring the effective date of IFRS 15 *Revenue from contracts with Customers*.

The Institute was aware that the IASB is already considering making limited amendments to IFRS 15 as a result of deliberations to date and expect that the Revenue Transition Resource Group ("TRG") will continue to receive more implementation issues as reporting entities progress with their implementation projects.

In addition, the Institute noted that the Financial Accounting Standards Board ("FASB") has delayed the effective date of the new, converged revenue recognition standard, and that the IASB was considering requests to defer the effective date of IFRS 15 to maintain convergence.

In light of the above mentioned developments, the Institute is concerned that the remaining time period allowed for implementation may prove too short for an orderly transition. The Institute would therefore be supportive of deferring the effective date of IFRS 15 until the work of the TRG is further advanced. From a convergence and global comparability perspective, the Institute also agreed that it is desirable for the IASB and the FASB to require the same effective date for their converged standards. If the effective date of IFRS 15 were to be deferred, the Institute would expect to make equivalent amendments to the effective date of HKFRS 15.

### Audit & Assurance

#### 5. The Institute's Auditing and Assurance Standards Committee Meeting Minutes

The [minutes](#) for the AASC meeting held on 17 February 2015 covered the following items:

- Proposed Work Plan for 2015 and Update from Working Groups
- International Education Standard 8, *Professional Competence for Engagement Partners Responsible for Audits of Financial Statements* (Revised)
- New and Revised Auditor Reporting Standards issued by the IAASB
- PN 810.2 (Revised) *The Duties of the Auditor of an Insurer authorized under the Insurance Companies Ordinance*
- Revised PN 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*
- Implication on the Auditor's Report for Non-consolidation of Financial Statements prepared in accordance with the New CO
- AB 6 *Guidance on the Requirements of Section 436 of the Hong Kong Companies Ordinance Cap.622 "Requirement in connection with Publication of 'Specified Financial Statements' and 'Non-Statutory Accounts'"*

#### 6. Institute Comments on IAASB ED

The Institute [commented](#) on IAASB ED on ISA 800 (Revised), *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, ISA 805 (Revised), *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statements* and proposed conforming amendment to another ISA.

The Institute supports the approach in applying the enhancements in the proposed ISAs 800 and 805 resulting from the new and revised Audit Reporting standards. The Institute agrees with the approach that ISA 701 on key audit matters ("KAM") should only apply when law or regulation requires the communication of KAM in an ISA 800/805 engagement, or when the auditor decides to communicate KAM on a voluntary basis.

## International Meetings

### 7. International Accounting Standards Board

The IASB met on 27-29 April 2015, and discussed the following topics:

- Fair Value Measurement
- Revenue from Contracts with Customers
- Disclosure Initiative
- High Inflation
- IFRS implementation issues

Click to view the [IASB Update](#) for this meeting. The IASB next meets on 18-20 May 2015.

### 8. IFRS Interpretations Committee

The IFRS Interpretations Committee next meets on [12-13 May 2015](#).

### 9. IASB Accounting Standards Advisory Forum

The IASB ASAF next meets on [16-17 July 2015](#).

### 10. International Auditing and Assurance Standards Board

The IAASB next meets on [15-19 June 2015](#).

### 11. International Ethics Standards Board for Accountants

The IESBA met on 13-15 April 2015 and discussed the following key topics:

- Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations
- Long Association of Personnel (including Partner Rotation) with an Audit Client
- Review of Part C of the Code of Ethics for Professional Accountants ("Code") - Phase 2
- Structure of the Code
- Safeguards
- Accelerated Response Process
- Emerging Issues and Outreach Committee Presentations

Click to view the [details](#) for this meeting. The IESBA next meets on 29 June -1 July 2015.

## Useful Resources

### 12. Publications

Deloitte published a [guide](#) on implementation of IFRS 15 *Revenue from Contracts with Customers*.

EY published:

- an [update](#) that discusses the IFRS Interpretations Committee agenda decisions on the application of IFRS 11 *Joint Arrangements*;
- a [guide](#) on share-based payment under IFRS 2 *Share-based Payment*; and
- an [illustrative interim condensed financial statements](#) and [disclosure checklist](#) for the period ended 30 June 2015.

PwC published:

- an [update](#) that discusses the latest developments on IFRS; and

- a **guide** that discusses practical issues in applying IFRS 8 *Operating Segments*.

The IASB published an **update** on practical implications of the forthcoming leases standard.

## Advocacy and Practice Development/ Member Support

### Restructuring and Insolvency

#### 13. Attestation sessions and quotas in the Official Receiver's Office

The Official Receiver's Office currently provides an attestation service for debtors who file a petition for their own bankruptcy. With effect from 4 May 2015, the attestation sessions and quotas in the Official Receiver's Office will be changed as follows:

Day	Session Time	Quotas Available
Monday – Friday	10:00 a.m. – 12:00 noon	25
	2:00 p.m. – 4:00 p.m.	25

### Taxation

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

Members may wish to be aware of the following matters:

- The gazette of **Inland Revenue (Amendment) (No. 2) Bill 2015**, implementing the concessionary revenue measures proposed in the 2015-16 Budget.
- The consultation on **Automatic Exchange of Financial Account Information in Tax Matters in Hong Kong**.

The Institute's Taxation Faculty is studying the consultation paper. If members wish to refer views to the Faculty's executive committee, comments can be sent to <[commentletters@hkicpa.org.hk](mailto:commentletters@hkicpa.org.hk)> by **1 June 2015**.



- **Press release** about the issuance of individual tax returns for 2014-15
- A reminder to file **Employer's Returns of Remuneration and Pensions** (Form BIR56A).
- **List of qualifying debt instruments** as at 31 March 2015

## Legislation & Other Initiatives

### 15. Anti-Money Laundering Notices

Members may wish to note the following notices and publications in relation to AML/CFT:

- **Government notice 2689**: An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **Government notice 2811**: An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **Government notice 2937**: An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **US executive order 13224**: The list relating to "Blocking property and prohibiting transactions with persons who commit, threaten to commit or support terrorism".

For more AML-related circulars from the office of the commissioner of insurance, click [here](#).

For more background information on the current law in Hong Kong relating to AML/CFT, see the Institute's recently revised **Anti-money Laundering Bulletin 1**, "Requirements on anti-money laundering, anti-terrorist financing and related matters", and the revised **supplement** on suspicious transaction reporting.

### 16. Land Registry Circular Memorandum on Street Index and New Territories Lot/Address Cross Reference Table

The 47th edition of the Street Index and the 16th edition of the New Territories Lot/Address Cross Reference Table ("CRT") on compact disc are available for sale at the Land Registry Customer Centre. In addition, an online version of the new editions of the Street Index and the CRT is available for free browsing on the Land Registry's website ([www.landreg.gov.hk](http://www.landreg.gov.hk)) or through the hyperlink on the IRIS Online Services ([www.iris.gov.hk](http://www.iris.gov.hk)). Click the **Land Registry Circular Memorandum No. 1/15** for more details.

## Useful Resources

### 17. Library Resources

**Featured titles** and **new books** for members' reference are now available.

In addition, members can **login** to the **e-Library** and access e-journals and e-books on a wide range of business subjects.

### 18. Other Publications

- (i) HKEx has published:
  - A listing decision on whether a GEM board listing applicant's cash flow generated during a period of non-compliance should be counted towards the calculation of minimum cash flow under GEM Rule 11.12A(1) (**HKEx-LD86-2015**)
  - **Retail Investor Survey 2014** and **key findings**, which shows that local retail participation in the Hong Kong stock market remained high in number terms and in percentage of adult population
  - **Report** on initial public offering applications, delisting and suspensions (as at 30 April)

(ii) SFC has published:

- **Corporate Regulation Newsletter issue no. 2**, which highlights the importance of proper disclosure of inside information by listing applicants and listed companies, and reinforces the obligation on sponsors to conduct reasonable due diligence to ascertain the accuracy of the information disclosed in listing documents

➤ **Capital markets 2020** by PwC

➤ **World finance leaders see threats ahead for global economy** by St. Louis Post-Dispatch

(iii) The financial services regulators have revised their AML/CFT guidelines to take account of the newly-extended (until 31 March 2018) expiry date of a provision that allows financial institutions to be able to rely on customer due diligence performed by certain types of intermediary:

- **Monetary Authority revised guideline and explanatory letter**
- **Securities and Futures Commission revised Guideline**
- **Office of the Commissioner of Insurance revised guideline**
- **Commissioner of Customs and Excise revised guideline (for money service operators)**

(iv) Other publications:

- **Tomorrow's Finance Enterprise** by the Association of Chartered Certified Accountants and the Institute of Management Accountants, which examines the key influences shaping the future role of the CFO and tomorrow's finance enterprise
- **Accountants see rise in demand for financial advice** by Economia
- **M&A 2014: Return of the big deal** by McKinsey & Company