

Guidance for insolvency practitioners



On 14 September the Institute announced a new set of recommended guidelines for members who are insolvency practitioners. The Insolvency Guidance Notes (IGNs) are the first set of coordinated guidelines to codify best practice for liquidations under the Companies Ordinance. Institute vice president Paul Chan explained, “Insolvency practice has been largely an unregulated area in Hong Kong, unlike in most other major business centres – introducing best practice guidance represents a first step by the Institute towards a more regulated approach.”

Alan Tang, chairman of the Institute’s Insolvency Practitioners Committee, made the point that good insolvency rules are a critical part to the efficient operation of the market. He noted the Hong Kong government is outsourcing ever more insolvency work, so local practitioners need to have a high degree of professional expertise in this area.

The first batch of guidance notes address

three key areas of insolvency: the scope and role of the liquidator’s investigation into the affairs of an insolvent company; how receipts and payments accounts should be prepared by office holders; and reporting on the conduct of the company directors to the Official Receiver. Until now, accountants have relied on the Companies Ordinance and Winding Up Rules. The IGNs take matters a step further, by outlining in greater detail the duties and responsibilities of the liquidators in these areas.

Darach Haughey, convener of the task force that developed the IGNs, noted they were similar to guidance notes issued by the licensing bodies in the United Kingdom.

The IGNs represent the first step in a longer process. The Institute also made clear that, although the IGNs are not mandatory, they do represent best practice and significant divergence in practice would require justification. The IGNs were prepared after consultation with other regulators and professional bodies in Hong Kong.

NEW STANDARD SETTER

- ▶ **Patricia McBride** joined the Institute on 5 September 2005 as director, Standard Setting. As head of the Department of Standard Setting, Patricia supports the financial reporting, auditing and ethics standard setting activities of the Institute. Patricia spent seven years with the Australian Accounting Standards Board (AASB) and served as a policy adviser with CPA Australia.

ACCOUNTANT AMBASSADORS ON THE MARCH

Media coverage of the Institute's "Rich Kid, Poor Kid" project has been phenomenal in the first month since its launch. More than two dozen media carried the survey story on Hong Kong teens' attitudes towards money, including six highly-rated TV and radio shows. This added up to four hours of airtime, reaching an audience of millions. In addition, more than a dozen schools have contacted

the Institute in regard to the second phase of the project, involving financial management road shows conducted by the Accountant Ambassadors at secondary schools. The work of publicising the programme has been carried out tirelessly by almost one hundred AAs, who have volunteered time out of their normal work schedule. The project will reach a climax on Sunday 4 December, when the PlayStreet 2005 charity event takes place at the Chater Road district of Central. PlayStreet 2005 also aims to raise money for the Institute's charitable fund and co-organiser Playright Children's Play Association, while promoting play as a way to enrich learning and family relations.



HONG KONG JOINS TRI-NATIONS SUMMIT

On 6 September accounting standard setters from Japan, South Korea and China descended on Xi'an in China, to discuss their progress in convergence to international accounting standards. They were joined by Winnie Cheung, chief executive and registrar of the Hong Kong Institute of CPAs, along with the Institute's past president P. M. Kam, Raphael Ding, deputy chairman of Financial Reporting Standards Committee and Patrick Tam, director of Mainland and International Relations.

Convergence by Japan, South Korea and China has been a difficult affair – all three continue to have significant differences between their local GAAP and international standards. The summit's aim was to keep the process moving in the right direction, by comparing the strategies and progress made by each country, and then assessing the obstacles each governing body faces and ways to overcome them.

This was the fifth such meeting between the countries. In attendance were Wang Jun, assistant minister of finance for China; Liu Yuting, director-general of Accounting Regulatory Department of Ministry of Finance; Yang Zhi Guo, deputy secretary-general of the Chinese Institute of CPAs; Shizuki Saito, chairman of the Accounting Standards Board of Japan; and Hyo-Ik Lee, chairman of the Korea Accounting Standards Board. Also in attendance were Thomas Jones, vice chairman of the International Accounting Standards Board and Orieta Lau, deputy director of the Financial Services Bureau of Macau. Hong Kong converged with international financial reporting standards with effect from January 2005.

▶ Martin Wheatley, a former deputy chief executive of the London Stock Exchange, is set to take over as the new head of the **Securities and Futures Commission**. Wheatley will replace incumbent chairman Andrew Sheng, according to a report in the *South China Morning Post*. The government may create a new non-executive chairman role for the SFC as early as next year, in which case Wheatley would likely take the title of chief executive.

▶ A poll by Deloitte Touche Tohmatsu found only 18 percent of companies were expecting to comply fully with the new **accounting standards for investment properties** by the end of the year. 82 percent claimed to be preparing – or not prepared at all – to meet the new standard.

▶ The government of Hong Kong has signed an agreement with **Thailand** for the avoidance of double taxation. The agreement, signed on 7 September, also covers the prevention of fiscal evasion with respect to taxes on income. The agreement requires ratification and will then be effective from 1 January 2006 in Thailand and 1 April 2006 in Hong Kong.