



Let's get technical

This column is dedicated to answering questions submitted by members regarding Institute standards

Q. The Institute has recently issued an invitation to comment on the International Accounting Standards Board's request for views on:

- (a) Proposed Financial Accounting Standards Board amendments on fair value measurement
- (b) Proposed FASB amendments to impairment requirements for certain investments in debt and equity securities

What is the latest development and will this be issued by the IASB and hence later by the Institute as part of the convergence programme?

A. In an IASB meeting in late April, the standard setter concluded that:

- Fair value measurement: The guidance on fair value measurement issued by the FASB is consistent

with existing guidance on International Financial Reporting Standards, contained in the IASB's Expert Advisory Panel report, "Measuring and disclosing the fair value of financial instruments in markets that are no longer active," issued in October 2008. Therefore, a level playing field exists in this area. To ensure ongoing consistency in the application of IFRSs and U.S. GAAP, the IASB will include relevant guidance from the FASB Staff Positions in its exposure draft on fair value measurement, which will be published in the second half of 2009.

- Impairment of financial assets: On the important question of impairment, the IASB agreed with many commentators that its impairment requirements should be improved. The IASB will take up the broad issue of impairment as part of its comprehensive and

urgent review of IAS 39. It believes an immediate response to the recent FASB Staff Positions on impairment is unnecessary. The IASB will work with the FASB to ensure global consistency in impairment approaches.

Accordingly, the IASB will not be changing its standards now on the above FASB proposals.

The IASB is instead committed to a detailed six-month timetable for publishing a proposal to replace its existing financial instruments standard, IAS 39 *Financial Instruments: Recognition and Measurement*. The Institute will be monitoring this actively and will keep members posted of developments.

The Institute's submission on this issue can be found at www.hkicpa.org.hk/professionaltechnical/accounting/submissions/2009/Sub-Staff_Guidance.pdf.

Q. I am intending to set up my own CPA firm. What types of promotion and advertising can I carry out for my firm and what are the restrictions?

A. You should refer to section 250 “Marketing Professional Services” and section 450 “Practice Promotion” in the Institute’s Code of Ethics for Professional Accountants (the code) for general guidance. The code can be found in Volume I of the Members’ Handbook. Generally, section 250 states that a professional accountant in public practice should not bring the profession into disrepute when marketing professional services. The professional accountant in public practice should be honest and truthful, and should not:

- Make exaggerated claims for services offered, qualifications possessed or experience gained
- Make disparaging references to unsubstantiated comparisons to the work of another

Section 450 provides more detailed requirements covering the following areas:

- Part 1 – Scope and responsibilities
- Part 2 – General principles applicable to all forms of practice promotion
- Part 3 – Principles applicable to advertising
- Part 4 – Prohibited media, including direct mailing, cold calling and distribution of leaflets, promotional gifts and other items

You should also note the requirements in paragraphs 450.5, which state that members will be held responsible for the form and content of any advertisement, publicity or solicitation, whether undertaken personally or by another person or organization on behalf of the member or his practice. Any practice promotion activity or material relating to a member or member practice shall be presumed, subject to proof by the member to the contrary, to have been issued (in the form in which it was issued) with his authority. You are also advised to apply professional judgment.

Q. As the Institute has always developed example audit reports for members’ reference in English, have such example audit reports been translated into Chinese in view

of greater demand for financial statements to be prepared in Chinese?

A. Please note that the Institute has recently developed suggested Chinese translations of the following auditor’s report:

- An unqualified auditor’s report based on HKAS 700 *The Independent Auditor’s Report on a Complete Set of General Purpose Financial Statements*, available at www.hkicpa.org.hk/professionaltechnical/assurance/example_auditors/HKSA700_Auditor_Report_CHI.pdf
- An unqualified auditor’s report on financial statements prepared in accordance with SME-FRS, available at www.hkicpa.org.hk/professionaltechnical/assurance/example_auditors/SME_Unqualified_Reports_CHI_25Feb09.pdf

This matter is also reported in Issue 78 (March/April 2009 edition) of TechWatch.

You can submit questions on technical issues by sending an email to hkicpa@hkicpa.org.hk. The standard setting team will answer these questions in accordance with the policy on handling members’ technical questions which is posted on the Institute’s website.

