



TechWatch 80

The latest standards and technical developments

► New

Financial reporting forum

The Institute will hold a financial reporting forum – IASB Exposure Draft on Income Tax – on 7 July for the preparers and auditors of financial statements and others interested in financial reporting.

The draft proposes to replace IAS 12 *Income Tax* with a new standard on income tax, but to retain the temporary difference approach for deferred taxes. The IASB proposes to remove most of the exceptions in IAS 12 to simplify the accounting and strengthen the principle in the standard.

New TUE programme

A new TUE programme from June to August will feature important and popular financial reporting and auditing topics, including:

- Updates to HKFRSs
- Annual improvements to HKFRSs 2008
- Challenges in auditing fair value accounting estimates – HKSA 545 *Auditing Fair Value Measurements and Disclosures*
- HKFRS 3 (revised) *Business Combinations*
- HKFRS 7 *Financial Instruments: Disclosures*
- Alert on going concern and liquidity risk – HKSA 570 *Going Concern*

► Taxation

FAQ on 2009/10 provisional salaries tax

The Inland Revenue Department has issued a list of frequently asked questions on “Expected Income Reduction and Provisional Salaries Tax for the Year of Assessment 2009/10.”

► Financial reporting

HKFRS insights on revised

presentation of financial statements
HKAS 1 (revised) *Presentation of Financial Statements* is effective for annual periods beginning on or after 1 January 2009. Its main objective is to aggregate information in the financial statements on the basis of shared characteristics and to separate owner and non-owner changes in equity. The principal changes include:

- New titles of financial statements
- All changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity
- Comprehensive income to be presented in either a single statement (a statement of comprehensive

- income) or in two statements (an income statement and a statement of comprehensive income)
- Dividends and related amounts per share to be presented in the statement of changes in equity or in the notes
- Reclassification adjustments and the related income tax to be disclosed in the comprehensive income
- A statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements.

► Legislation and other initiatives

Consultation on the deposit protection scheme

The Hong Kong Deposit Protection Board published a consultation paper on “Enhancing Deposit Protection under the Deposit Protection Scheme,” which recommends ways to better protect depositors in Hong Kong, including:

- Raise the protection limit of the deposit protection scheme from the current HK\$100,000 to HK\$500,000.
- Expand the scheme’s product coverage to include secured deposits referable to the provision of banking and financial services.
- Reduce by half the rates for charging contributions on banks to neutralize the cost impact of raising the protection limit.

- No changes to the basis for calculating deposit compensation, types of institutions covered by the deposit protection scheme and the current arrangement of excluding structured deposits from protection.

Companies Registry updates

New updates on the Companies Registry’s website include external circular number 2/2009 on registration of charges and a sub-section on common reasons for returning documents to presenters for correction.

► Useful resources

Other publications

- Corporate finance: “Due diligence in uncertain times,” by KPMG, explores how due diligence practices are changing in the Asia Pacific region and highlights some important points for those planning to enter the mergers and acquisitions market this year.
- Tips on e-commerce websites and the use of keywords: Articles on setting up an e-commerce website and the importance of keywords on a website from the Institute of Chartered Accountants in England and Wales may be of interest to members, particularly those working in small and medium sized enterprises.

🔗 Quick link

Please refer to the full version of **TechWatch 80**, available as a PDF on the Institute’s website: www.hkicpa.org.hk/professionaltechnical/techwatch.

Other updates in TechWatch 80:

- Handbook update No. 64: The Institute issues *Improvements to Hong Kong Financial Reporting Standards 2009*, which shall be effective for annual periods beginning on or after 1 January 2010 (unless otherwise specified). Earlier application is permitted. The update sets out necessary but non-urgent amendments to HKFRSs. The objective is to present the amendments in a single document rather than as a series of piecemeal changes.
- The International Financial Reporting Interpretations Committee meets this month, and the International Ethics Standards Board for Accountants next meets in October.
- The IASB met in May and discussed topics including the global financial crisis, conceptual framework, financial instruments with characteristics of equity, first-time adoption of IFRSs and insurance contracts. They also discussed joint ventures, leases, post-employment benefits, rate-regulated activities, revenue recognition and annual improvements.
- The Institute’s auditing and assurance standards committee meeting summary on 24 March covered adoption of new IAASB pronouncements, endorsement of new revised and redrafted Hong Kong Standard on Quality Control and HKSA’s, a draft Chinese report of circular on reporting related to rule 2.1(b) of the Rules for the Capital Investment Entrant Scheme of the Hong Kong Immigration Department. It also addressed a letter from the Hong Kong Accreditation Service on procurement of consultancy and certification services.