



To: Assignment/Business Section Editor
(FOR IMMEDIATE RELEASE)

Hong Kong Institute of CPAs Issues Draft Interpretation on How Revenue is Recognised by Property Developers

(HONG KONG, 31 January 2005) – The Hong Kong Institute of CPAs today issued a Draft Interpretation on two Financial Reporting Standards that affect how property developers should recognise revenue from pre-completion contracts for the sale of development properties.

Right now, many Hong Kong developers use the “stage of completion” method, whereby they can recognise revenue from pre-completion contracts as the development of the properties progresses. The other commonly used method is to recognise revenue only when the development is complete.

Once the Draft Interpretation is implemented, developers will only be able to recognise revenue when the significant risks and rewards of ownership of the properties have been transferred to buyers, which in most cases would be after the development is complete. The relevant Financial Reporting Standards are SSAP 18 and HKAS 18 *Revenue*. However, the Institute is recommending three possible transitional provisions for adopting the Draft Interpretation, and is asking for comments on these provisions.

“Once property developers observe these Standards, it will make it easier for users of financial statements to compare one developer to another,” says Paul F. Winkelmann, Chairman of the Institute’s Financial Reporting Standards Committee.

The Draft Interpretation, once implemented, may affect developers’ results and financial position. However, the industry should benefit in the long run by using more consistent accounting treatment, according to the Institute.

The Institute will meet with the Real Estate Developers Association soon to discuss the Draft Interpretation.

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Editor’s Notes

About Hong Kong Institute of Certified Public Accountants

The Hong Kong Institute of CPAs is Hong Kong’s only statutory licensing body for accountants with over 23,000 members and nearly 10,000 registered students. Members of the Institute are entitled to the description *Certified Public Accountant* and to the designatory letters *CPA*.

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The Hong Kong Institute of CPAs evolved from the Hong Kong Society of Accountants, which was established on 1 January 1973.

The Institute operates under the Professional Accountants Ordinance and works in the public interest. The Institute has wide-ranging responsibilities, including assuring the quality of entry into the profession through its postgraduate CPA Qualification Programme and promulgating financial reporting, auditing and ethical standards in Hong Kong. The Institute has responsibility for regulating and promoting efficient accounting practices in Hong Kong to safeguard its leadership as an international financial centre.

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