



Dear News/Business Editor,

7 April 2004

**HKSA Announces Release of Important
New Hong Kong Accounting Standards (HKAS)**

The Hong Kong Society of Accountants (Society) has made an important step towards the harmonisation of local accounting standards with the international standards, by announcing its recent approval of a number of new Hong Kong Accounting Standards (HKAS). These standards will become effective for financial statements covering annual periods that begin on or after 1 January 2005. Earlier application of the new standards is encouraged.

The new standards include:

- HKAS 1 *Presentation of Financial Statements*
- HKAS 2 *Inventories*
- HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- HKAS 10 *Events after the Balance Sheet Date*
- HKAS 16 *Property, Plant and Equipment*
- HKAS 21 *The Effects of Changes in Foreign Exchange Rates*
- HKAS 27 *Consolidated and Separate Financial Statements*
- HKAS 28 *Investments in Associates*
- HKAS 29 *Financial Reporting in Hyperinflationary Economies*
- HKAS 33 *Earnings Per Share*
- HKAS-Int-12 *Consolidation - Special Purpose Entities*

As a consequence of the new Standards coming into effect the following Statements of Standard Accounting Practices (SSAP) and Interpretations will be superseded:

- SSAP 1 *Presentation of Financial Statements* (revised 2001)
- SSAP 2 *Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies* (revised 2001)
- SSAP 5 *Earnings Per Share* (revised 1998)
- SSAP 9 *Events after the Balance Sheet Date* (revised 2001)
- SSAP 10 *Accounting for Investments in Associates* (revised 2001)
- SSAP 11 *Foreign Currency Translation* (revised 2001)
- SSAP 17 *Property, Plant and Equipment* (revised 2001)
- SSAP 22 *Inventories* (revised 2001)
- SSAP 32 *Consolidated Financial Statements and Accounting for Investments in Subsidiaries* (revised 2001)
- Interpretation 1 *Costs of Modifying Existing Software*
- Interpretation 5 *Property, Plant and Equipment - Compensation for the Impairment or Loss of Items*
- Interpretation 8 *Presentation of Financial Statements - Current Assets: Classification of Restricted and Appropriated Cash Balance*
- Interpretation 10 *Earnings per Share - Financial Instruments and Other Contracts that may be Settled in Shares*
- Interpretation 18 *Consolidated and Equity Method - Potential Voting Rights and Allocation of Ownership Interests*

The release of the new HKAS follows from the recently-completed International Accounting Standards Board (IASB) project to revise a number of International Accounting Standards (IAS), as part of what the IASB termed as its “improvements” project. The finalised Standards are the result of an Exposure Draft (ED) released for public comment in June 2002.

The IASB’s improvements project was a central element of its strategy to raise the quality and consistency of financial reporting generally and specifically to address concerns, questions and criticisms raised by securities regulators and other interested parties about the existing set of IASs. The objectives of the project are to reduce or eliminate alternatives, redundancies and conflicts within the IASs that the IASB inherited from its predecessor body, to deal with some convergence issues and to make other improvements.

According to **Mr. Paul F. Winkelmann, Chairman of the HKSA Financial Accounting Standards Committee**, the Society has a policy of converging Hong Kong’s financial reporting standards with those issued by the IASB. “The objectives of issuing the HKAS are to adopt the changes made as a result of the IASB improvements project as well as to eliminate, to the greatest extent, all differences that previously existed between Hong Kong accounting standards and the equivalent IASs,” said Mr. Winkelmann.

He added that other significant changes to Hong Kong financial reporting requirements currently under development include the proposed introduction of new financial reporting standards on financial instruments and investment properties.

A number of other proposed changes to Hong Kong’s accounting standards are also currently under the Society’s consideration that will, once finalised, result in full convergence with the Standards issued by the International Accounting Standards Board.

Aiming to have Hong Kong’s financial reporting standards fully converged with the IASB’s financial reporting standards effective for accounting periods that begin on or after 1 January 2005, the Society’s Financial Accounting Standards Committee is currently preparing an Exposure Draft to consult the public’s views. The Exposure Draft will propose the adoption of converged financial reporting standards for existing Standards not revised as part of the improvements project and for which significant differences with the equivalent IAS exist. These include Standards on borrowing costs, investment property, joint ventures, leases and related party transactions. A separate press briefing will be given by the Society once further developments occur.

The HKAS have been published on the HKSA website at <http://www.hksa.org.hk/professionaltechnical/accounting/standards/>. An explanatory memo has also been posted at <http://www.hksa.org.hk/professionaltechnical/accounting/rm/memorandum.pdf>.

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The HKSA is the only statutory licensing body of accountants in Hong Kong responsible for the regulation of the accounting profession, with a membership of over 22,000 and close to 11,000 registered students.

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