



Dear Assignment / News / Business Section Editor

## **Hong Kong Institute of CPAs takes disciplinary action Against a corporate practice and A certified public accountant**

(HONG KONG, 15 March 2010) — A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded CCIF C.P.A. Limited (corporate practice no. M041) and Chan Wai Dune, Charles (membership no. F00998) on 2 February 2010 and ordered them to pay to the Institute a penalty of HK\$40,000, due to their breach of a professional standard issued by the Institute.

In addition, CCIF and Chan shall pay the costs of the disciplinary proceedings totalling HK\$12,571.

CCIF audited the financial statements of a listed company in Hong Kong for the year ended 31 July 2004. Chan is the managing director of CCIF and signed the relevant auditors' report. The Institute's regular review of financial statements revealed that in the audited financial statements in question, a revaluation surplus of about HK\$23 million relating to certain assets was incorrectly accounted for as income upon the disposal of those assets, and the results of the company for the year were thus materially misstated. CCIF's audit opinion did not contain a separate qualification for the incorrect accounting treatment.

After considering the information available, the Institute lodged a complaint against CCIF and Chan under section 34(1A) of the Professional Accountants Ordinance.

CCIF and Chan admitted the charge against them. The Disciplinary Committee found that they failed or neglected to observe, maintain or otherwise apply Statement of Standard Accounting Practice 17 "Property, Plant and Equipment".

Having taken into account the circumstances of the case, the Disciplinary Committee made the above orders against CCIF and Chan.

Findings of the Disciplinary Committee are available at the Institute's website under the "Compliance" section at <http://www.hkicpa.org.hk>.

Disciplinary proceedings of the Institute are conducted in accordance with Part V of the Ordinance by a five-member Disciplinary Committee. The majority (three members) of each committee, including the chairman, are non-accountants chosen from a panel of lay persons appointed by the Chief Executive of the HKSAR, and the other two members are CPAs.

Disciplinary hearings are held in public unless the Disciplinary Committee directs otherwise in the interests of justice. A hearing schedule is available at the Institute's website. A CPA who is aggrieved by an order made by a Disciplinary Committee may appeal to the Court of Appeal, which may confirm, vary or reverse the order.

The Disciplinary Committees have the power to sanction members, member practices and registered students. Sanctions may include temporary or permanent removal from membership or cancellation of a practising certificate, a reprimand, a penalty of up to \$500,000, and payment of costs and expenses of the proceedings.

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#### **Note to editor**

#### **About the Hong Kong Institute of CPAs**

The Hong Kong Institute of CPAs is the only body authorized by law to register and grant practising certificates to certified public accountants in Hong Kong. The Institute has nearly 30,000 members and 13,000 registered students. Members of the Institute are entitled to the description *certified public accountant* and to the designatory letters *CPA*.

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 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.

The Hong Kong Institute of CPAs is a member of the Global Accounting Alliance – an alliance of the world's leading professional accountancy bodies, which was formed in 2005. The GAA promotes quality services, collaborates on important international issues and works with national regulators, governments and stakeholders.

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