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DRIVING BUSINESS SUCCESS

Issue 12 Volume 15 December 2019

PLUS:

PROFILE
Julie Hertzberg, President of INSOL International

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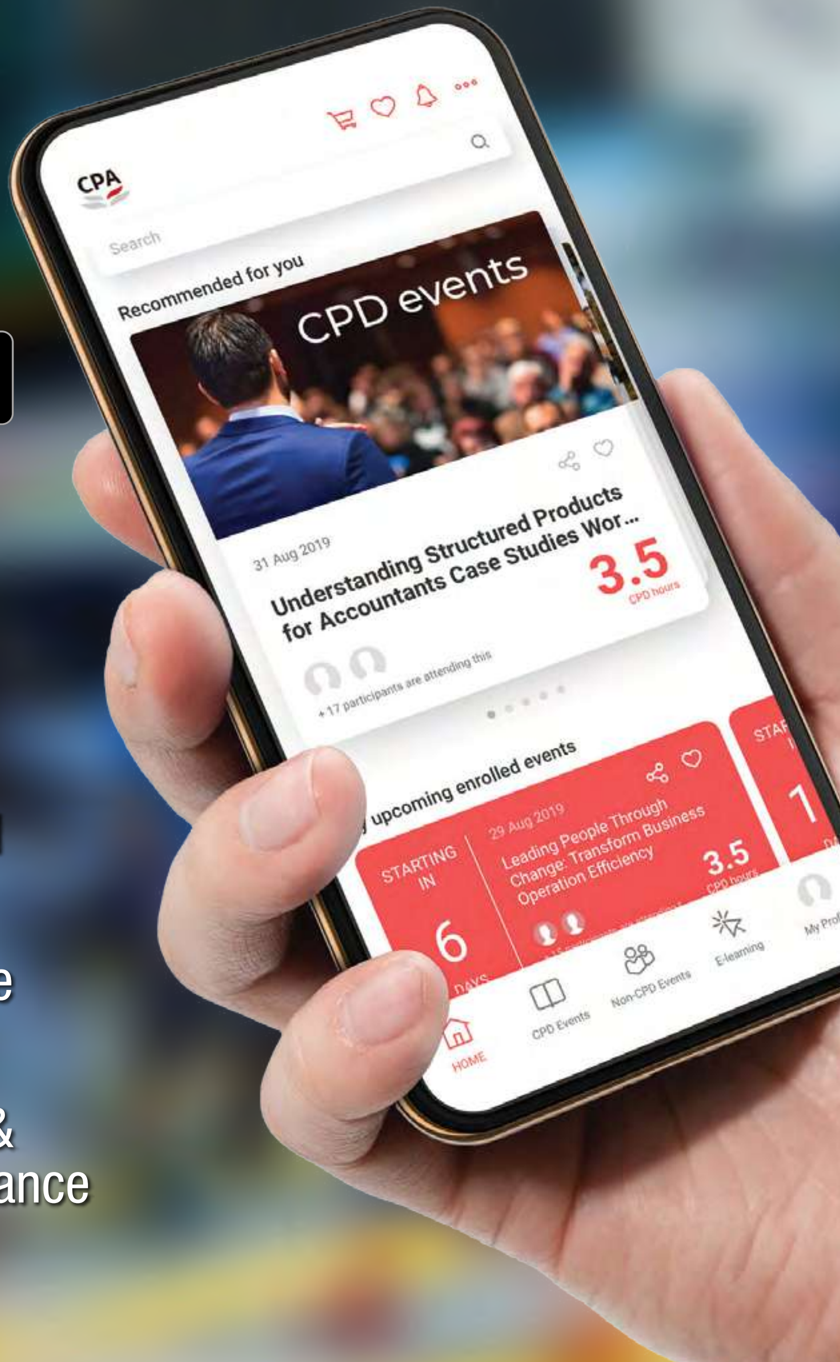

Hong Kong Institute of
Certified Public Accountants
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"It has been my privilege to serve as your president, and I feel honoured to have been a part in the Institute's development and look forward to sharing in its future success."

Dear members,

December has come about very quickly. It feels like the year has passed in a second. I would like to take this opportunity to wish you all a Merry Christmas and a Happy 2020.

Although it has been my last month as President, it was still a packed one.

I attended the HKICPA Business Case Competition held in Shenzhen on 30 November and in Hong Kong on 1 December as head adjudicator and was pleased to see the finalists presented professionally. By joining this competition, tertiary education students can gain an early experience of the skills needed to become successful Accountants Plus. Congratulations to the two overall winning teams from The Chinese University of Hong Kong and United International College.

The Institute's annual dinner is a highlight of the year. Bringing together almost 500 members and guests, we enjoyed a fun night, "coming together to shine," as was the event's theme. When we build our profession together, we are stronger and shine brighter. We were honoured to welcome the Chief Executive of Hong Kong, the Honourable Mrs. Carrie Lam Cheng Yuet-ngor as our guest of honour – demonstrating the importance of our profession to Hong Kong's continued prosperity.

This year's Best Corporate Governance Awards concluded with a record number of awards – 26 – being handed out at the presentation ceremony held on 5 December as well as a number of new winners, including in the new category Self-nomination Awards - Commendation on Corporate Governance Improvements, and featured James Lau Jr, Secretary for Financial Services, as guest of honour. I was honoured to chair the judging panel of this annual event as good corporate governance is important for maintaining Hong Kong's reputation as a leading global financial centre, and the awards help to promote this through recognizing the performance of companies and organizations.

I enjoyed attending and supporting the Institute's two teams at the annual cross-border competition held on 8 December in Shenzhen. Our teams did well against tough competitions, winning the badminton competition, and the football team finished third. I congratulate them for their success.

It has been a busy year, and before I close out my final message I wanted to focus on some highlights.

I am pleased with the introduction of new outreach activities such as the members' forums and the AC Fun Run. These events are the start of a new approach to engagement and provided a way of connecting with members. The members' forums enabled inform members about the activities of the Institute, and offered attendees the opportunity to put their questions to us interactively.

The AC Fun Run is also an activity under this new partnering approach to outreach. Jointly organized with the Society of Chinese Accountants and Auditors and the ACCA, over 500 people, predominately accountants and their families, came together to race or take part in family runs. Connecting with other members of our profession in Hong Kong is a way to promote connectivity and inclusiveness across our home.

We've also engaged with the media through television interviews and media luncheons to promote the profession, and the concept of Accounting Plus, to the public.

Turning to reviewing the key tasks set out in my message in January. We recruited Margaret Chan as the Chief Executive and Registrar. I believe Margaret will lead the Institute to a new and better future for its members. A Greater Bay Area (GBA) Committee was set up to support our members across the GBA area. To further develop the Accounting Plus theme and ensuring the profession is ready for the opportunities ahead, the Institute rolled out the new Qualification Programme (QP) and offered various new continuing professional development (CPD) programmes. A new HKICPA Events App was released, enabling members to more easily find and enrol in the Institute's events and CPD programmes, check in and out of events, ask questions and download presentation materials. The Financial Reporting Council (Amendments) Bill became effective this year. The Institute and the FRC have met often to ensure a smooth handover of responsibilities.

Communication with members and other stakeholders is important. To meet as many members and other stakeholders and exchange views, I attended various sporting and professional development events, including the Belt and Road Forum held in Beijing organized by government, QP Top Students Awards Ceremony, PAIB Conference, New Members Cocktail, SMP Symposium, members' forums and AC Fun Run.

It has been my privilege to serve as your president, and I feel honoured to have been a part in the Institute's development and look forward to sharing in its future success. I want to thank the two Vice-Presidents, Johnson Kong and Nelson Lam, the Immediate Past President, Eric Tong, the other Council and committee members and the Institute's management for their dedication and support.

Patrick Law
President

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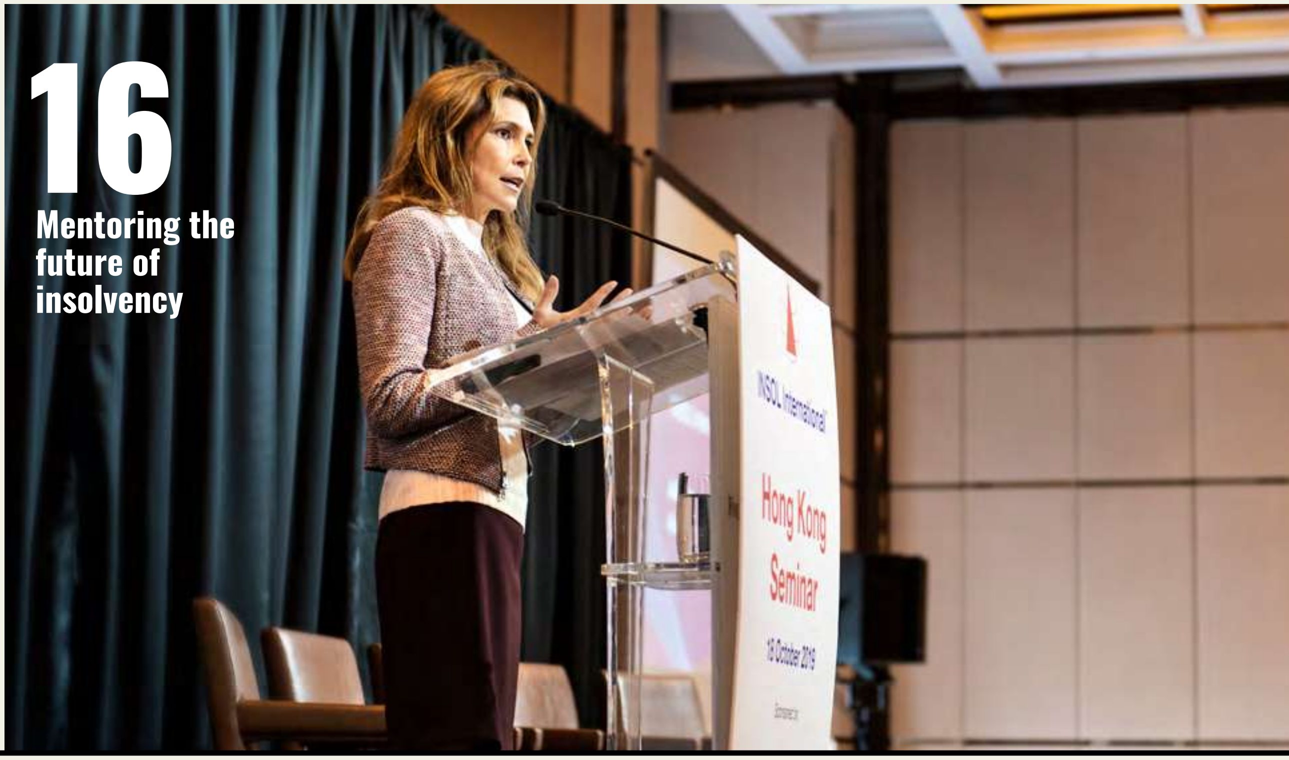

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DRIVING BUSINESS SUCCESS

About our name
A Plus stands for Accounting Plus. It represents a profession that is rich in career options, stays relevant amid rapid changes, and adds value to business. This magazine strives to present the global mindset and varied expertise of Institute members – Accountants Plus.

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NEWS

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New Institute President and Council announced

The Institute elected Johnson Kong as President for 2020, following the 47th annual general meeting on 12 December. Nelson Lam, Chairman of Nelson CPA Limited, and Loretta Fong, Partner in PwC's Entrepreneurial Group of the Assurance Division in Hong Kong, were elected as Vice-Presidents.

Kong, who is Managing Director – Non Assurance of BDO Hong Kong, has been actively involved in the development of the accounting profession through his leadership and participation in a wide range of Institute committees. He has served on the Institute's Council since 2015 and was vice-president in 2018 and 2019. He is also Chairman of the Greater Bay Area Committee, Professional Conduct Committee, Small and Medium Practices Committee and Ethics Committee, as well as member of the Nomination Committee and the Education Standards Committee.

Seven members were elected at the Council election to serve for a term of two years: William Cheung, Choy Kai Sing, Fung Ling Yip, Lee Suk Yee, Leung Man Chun, Roy Leung and Li Kin Hang. Existing elected members who will hold office for one more year until their two-year term ends are Kong, Lam, Fong, Au Chun Hing, Au Ki Lun, Raymond Cheng and Jennifer Cheung.

Wilfred Wong and Dr. Au King Lun were appointed by the government as lay members of the Council for two years from December 2019 to November 2021. They join the two continuing government-appointed lay members, Susie Ho and Theresa Ng, who will fulfil the second year of their terms. Meanwhile, Ada Chung, the representative of the Financial Secretary, and Charlix Wong, Director of Accounting Services, remain as the ex-officio members serving on the Council.

The Immediate Past President Patrick Law will hold office as a member of the Council until December 2020.

(From left) Patrick Law, Immediate Past President; Nelson Lam, Vice-President; Johnson Kong, President; Loretta Fong, Vice-President; and Margaret Chan, Chief Executive and Registrar

Best Corporate Governance Awards 2019

The Best Corporate Governance Awards 2019 presentation ceremony was held on 5 December, featuring the Secretary for Financial Services and the Treasury, James Lau Jr., as the guest of honour.

This year, there were 26 awardees, a record high and three more than last year. This included eight first-time winners and, among these, were the first winner of a Self-nomination Award, the first company in the Non-Hang Seng Index (Small Market Capitalization) Category to win a Sustainability and Social Responsibility Reporting Award, and the first-ever government department to gain recognition in the awards.

"To preserve Hong Kong's reputation as a leading international finance centre in the highly competitive global environment, it is vital to uphold a strong corporate governance regime. The Institute remains as committed as ever to promoting and supporting good corporate governance and sustainability practices in the city, making sure that Hong Kong stays firmly aligned with evolving global best practices. This will help retain investor and public confidence in the Hong Kong capital market in the future," said Patrick Law, the Institute President and Chairman of the Judging Panel.

The Judges' Report contains commentaries on the winners' corporate governance practices, general observations by the judges, references to recent local and international corporate governance developments, as well as other background information.

While many improvements have been made, the judges urged corporations to continue to strengthen the transparency, accountability and diversity of their governing boards, heeding the changes to the Corporate Governance Code and related Listing Rules effective earlier this year.

The full list of winners of the awards is now available on the Institute's website. Look out for a feature article in *A Plus* next month interviewing some awards winners.

Annual report published

The Institute's 2019 annual report, *Nurturing success – The Qualification Programme turns 20*, detailing the activities of the Institute over the financial year is available now. The report includes a timeline of the Qualification Programme (QP) and photo essays illustrating how graduates of the QP nurture the success of their clients and employers, and add value across a wide range of sectors. An interactive version and the PDF versions can be found on the Institute's website.

Annual dinner

On 2 December, nearly 500 members and guests came together to enjoy our annual dinner themed "Together We Shine." The Hon. Carrie Lam Cheng Yuet-ngor, Chief Executive of the Hong Kong government, was guest of honour.

Become an insolvency specialist

The Specialist Designation in Insolvency is open to members with considerable experience and competencies in insolvency practice, and who have gained the SQ (Insolvency). The current round of applications closes on 31 January. Members can find out more about this specialism by reading the profile article on page 16.

Council minutes

The abridged minutes from the October and November Council meetings are now available for members to read. They can be found in the "members' area" of the Institute's website.

Disciplinary finding

Ng Tsz Wing, CPA (practising)

Complaint: Failure or neglect to observe, maintain or otherwise apply the fundamental principle of Professional Competence and Due Care in the *Code of Ethics for Professional Accountants*, Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, Hong Kong Standard on Auditing (HKSA) 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Hong Kong Standards on Auditing*, HKSA 500 *Audit Evidence* and HKSA 700 *Forming an Opinion and Reporting on Financial Statements*, and being guilty of professional misconduct.

Ng is the sole shareholder of Ken T.W. Ng CPA Limited. He was responsible for the practice's quality control system and quality of assurance engagements. The practice was subject to its first practice review in May 2017. The practice reviewer identified a number of significant deficiencies in the practice's system of quality control. Ng was also found to have failed to maintain professional knowledge and skill at the required level, and to comply with professional standards, in a number of audit and assurance engagements examined by the practice reviewer.

Decisions and reasons: The Disciplinary Committee ordered the cancellation of the practising certificate of Ng from 4 December 2019 with no issuance of a practising certificate to him for four months. In addition, Ng was ordered to pay the costs of disciplinary proceedings of HK$55,477. When making its decision, the committee took into account the particulars of the breaches committed in this case, the respondent's conduct throughout the proceedings and his personal circumstances.

Details of the disciplinary finding are available at the Institute's website.

CUSTOMERS WILL MAKE OR BREAK VIRTUAL BANKS, SAYS KPMG

The profitability of Hong Kong's virtual banks depends on their ability to convince customers to switch their payroll accounts from traditional banks, according to KPMG's annual *Hong Kong Banking Outlook 2020* report, released on 4 December. Doing so would provide them with access to an affordable and stable fund source. The city's eight virtual banks hope to launch in the first quarter of next year. They are expected to only garner two or three percent of the city's deposit base during the first year as each will only attract a few thousand customers, according to Paul McSheaffrey, KPMG China's Head of Banking and Capital Markets, Hong Kong. He expects virtual banks to focus on retail business by providing loans through their retail partners, and then gradually move into longer term lending, such as mortgages.

BIG CHINA IPO MAKES SMALL TRADING DEBUT

The Postal Savings Bank of China made its trading debut on the Shanghai Stock Exchange on 10 December. Shares opened at 5.60 yuan, 1.8 percent higher than its initial public offering (IPO) price of 5.50 yuan, and closed 2 percent higher at 5.61 yuan. The Beijing-based bank, the largest bank in Mainland China by number of branches, hopes to raise 28.45 billion yuan through the IPO, or up to 32.71 billion yuan if it exercises its greenshoe option. Its debut listing was met with disappointment from investors in Mainland China, as most companies see increases of up to 30 percent on trading day. Its lacklustre listing suggest a shift in customer interest towards digital banks. "It's not a lack of money but a lack of interest in the banking sector," Margaret Yang, Market Analyst at CMC Markets, told the *Financial Times*.

EXXONMOBIL FOUND NOT GUILTY IN SECURITIES FRAUD TRIAL

Exxonmobil was found to be not guilty by the New York Supreme Court on 10 December of engaging in fraud through its statement about how it accounted for the costs of climate change regulation. The US$1.6 billion lawsuit, brought by New York Attorney General Letitia James alleged that the energy company was deliberately understating the potential long-run impact of future legislation or litigation related to climate change on its profits. The lawsuit, which was the first climate fraud case to go to trial, is the result of a four-year investigation. "Despite this decision, we will continue to fight to ensure companies are held responsible for actions that undermine and jeopardize the financial health and safety of Americans across our country, and we will continue to fight to end climate change," said James.

HSBC TO PAY US$192 MILLION FOR TAX EVASION

HSBC's Swiss private bank will pay upwards of US$192 million in fines after admitting to the United States Department of Justice (DoJ) that it conspired with U.S. taxpayers to avoid taxes. According to the DoJ, the bank conspired with its employees, third-party and wholly-owned fiduciaries and clients in the U.S. between 2000 and 2010 to defraud the U.S. with respect to taxes, commit tax evasion and file false federal tax returns. The bank used code names, numbered accounts and accounts in names of nominee entities in the British Virgin Islands, Liechtenstein and Panama to conceal the true ownership of the accounts.

THE IASB IDENTIFIES 9 DIFFERENT DEFINITIONS OF OPERATING PROFITS

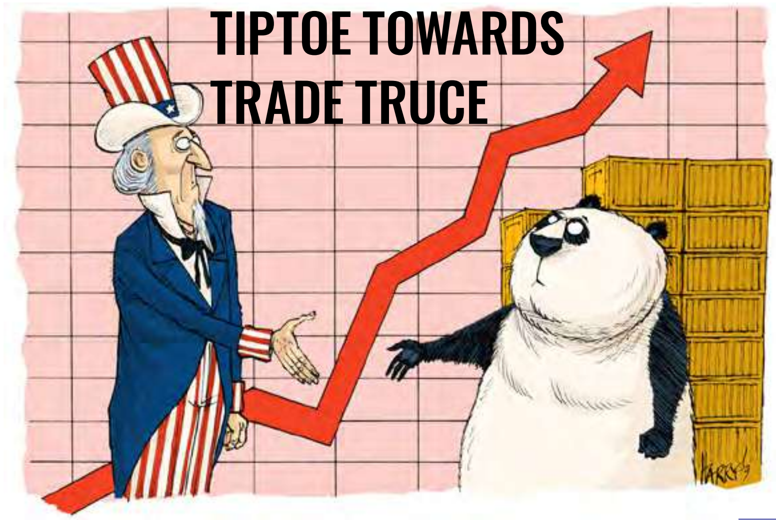
The International Accounting Standards Board (IASB) has put forward proposals to improve financial reporting standards related to the reporting of profit and income. The improvements, announced on 17 December, would require companies to provide their profit subtotals for operating profit, operating profit and income and expenses from integral associate and joint ventures, and profit before financing and income tax. A sample of 100 companies analysed by the IASB identified nine different definitions of operating profits, which has made it problematic for investors and analysts to conduct company performance comparisons. The standards, if approved, are expected to come into effect at the beginning of 2023.

BIG FOUR URGED TO ADDRESS CLIMATE CHANGE

European investors are putting pressure on the Big Four to take urgent action on climate-related risks, warning that failure to do so would result in more damage than the financial crisis. The investors, who collectively manage more than £1 trillion worth of assets, submitted a letter to the Big Four in January voicing concerns that climate change was overlooked in accounting and audits. The investors also want auditors to challenge assumptions about long-term prices for oil and gas, which underpin shareholder returns. "This time around, we need our auditors to be on the front foot and raise the alarm where executives fail to reflect foreseeable losses or liabilities," said Natasha Landell-Mills, Head of Stewardship at Sarasin & Partners, who is spearheading the campaign with 29 investors.

"We need our auditors to be on the front foot and raise the alarm."

U.S. AND CHINA TIPTOE TOWARDS TRADE TRUCE



The United States and China edged closer towards a limited trade deal, which would see a decrease in existing tariffs that have impacted the world's two largest economies for nearly two years. The announcement, which pushed U.S. stocks to record highs on 12 December, saw investors breathe a sigh of relief at a potential agreement between the two superpowers. Both the U.S. and China have been in talks for two months in a bid to reach a truce. Tensions eased this month as the U.S. met a key demand from Beijing by offering to roll back existing tariffs on Chinese goods and remove the threat of new tariffs on a further US$156 billion of Chinese consumer goods. In exchange, China committed to large annual purchases of U.S. farm goods and made pledges related to intellectual property and currency. China's foreign ministry did not confirm whether a deal was close, but said the positive market reaction showed that an agreement would be in the interest of both sides. "It's what the international community wishes for. China is committed to resolve and manage the differences," said a spokesperson for China's foreign ministry.

U.S. WARNS OF TAX ON FRENCH GOODS

The United States' government threatened to tax US$2.4 billion worth of French goods in response to a digital services tax imposed by France that would affect large U.S. tech companies. The decision, announced on 2 December, would slap punitive duties of up to 100 percent on goods such as cheese, champagne, sparkling wine, make-up, handbags and homeware such as porcelain and bone china. French Minister of the Economy and Finance Bruno Le Maire has called the threat "unacceptable" and vowed to retaliate if the U.S. proceeds with the decision. Earlier this year, France voted in favour of imposing a new 3 percent digital levy on big tech companies that generate more than €750 million in global revenue and €25 million in France.

PWC U.K. TO CURB OFFICE ALCOHOL CONSUMPTION

PwC in the United Kingdom has issued new rules to clamp down on when and where employees can consume alcoholic beverages in the office. Under the new protocol, staff members can only drink alcohol on PwC premises if it has been supplied by the firm's in-house catering team at designated events. The move aims to curb an increase of inappropriate conduct and harassment in the workplace. The firm made five partners redundant for inappropriate behaviour such as bullying over a period of three years. Though it is unclear whether the firing was related to the consumption of alcohol, the move also comes in response to multiple scandals in the U.K.'s accounting sector, which was seen partners from the Big Four leave the firms over accusations of improper conduct.

GRANT THORNTON U.K. FINED

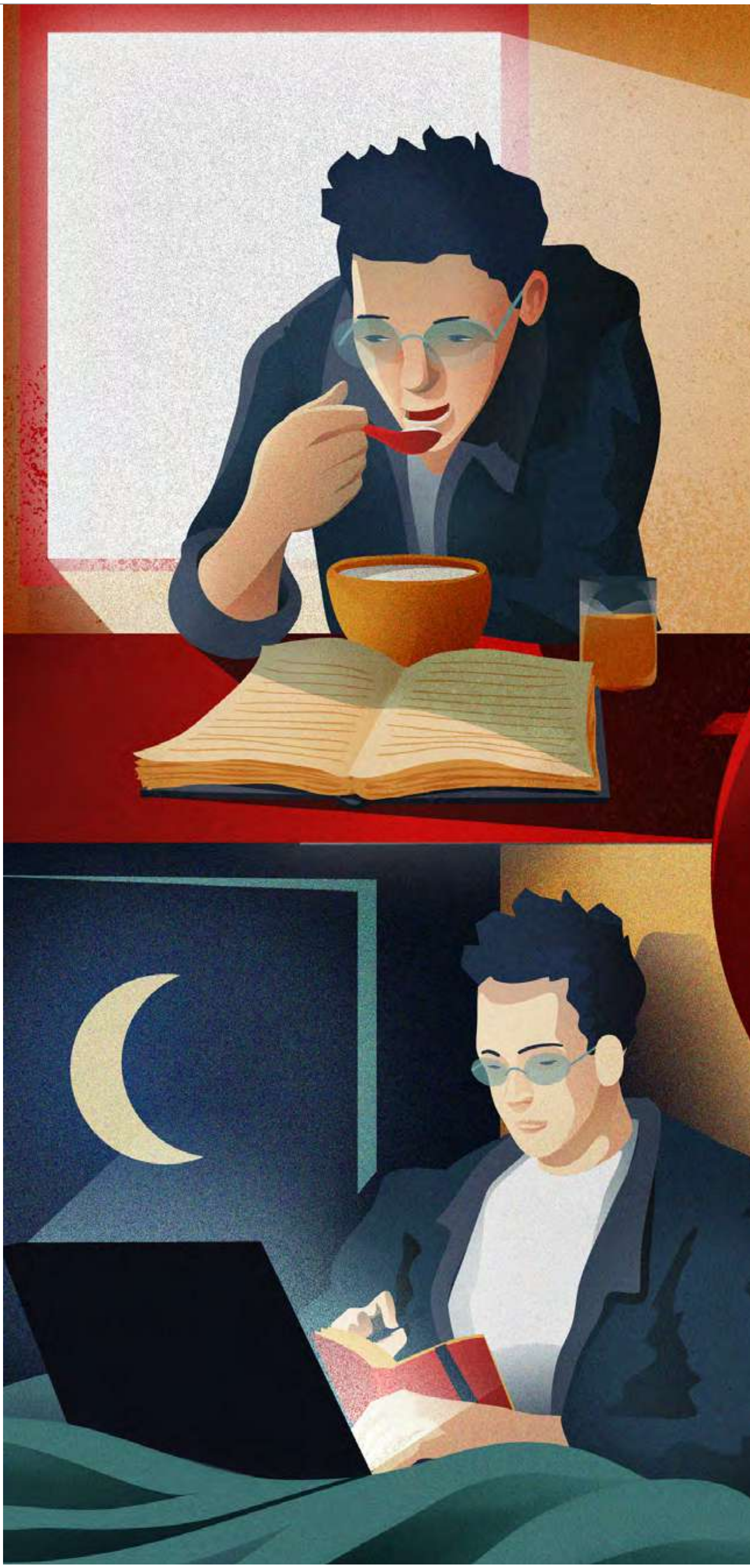
£422,500

FOR AUDIT DEFICIENCIES

Grant Thornton, the sixth largest accounting firm in the United Kingdom, was fined £650,000 by the Financial Reporting Council (FRC) after admitting its audit work on parts of an unnamed listed company were inadequate. Its audit engagement partner was also fined £20,000. However, both the firm and partner have had their fines reduced to £422,500 and £13,000 respectively due to early admissions and disposal of the case. The FRC said the audit on the company's principal assets was insufficient, and the audit team relied unduly on the company's externally appointed experts in the valuation of the assets.

TELECOMMUNICATIONS GROUP GUILTY OF BRIBERY

Swedish telecommunications group Telefonaktiebolaget LM Ericsson has agreed to pay out more than US$1 billion to the United States Securities and Exchange Commission and Department of Justice to settle bribery charges early this month. The group admitted to a two-decade long scheme which saw it use agents and consultants to bribe government officials with slush funds, bribes, gifts and graft in Djibouti, China, Vietnam, Indonesia and Kuwait to raise profits. The group was ultimately found guilty of conspiring to violate the anti-bribery provision of the Foreign Corrupt Practices Act. It also struck a three-year deferred prosecution agreement. "Today's guilty plea and surrender of over a billion dollars in combined penalties should communicate clearly to all corporate actors that doing business this way will not be tolerated," said U.S. Attorney Geoffrey S. Berman.



In today's technological world, it's not about what you know but whether you can learn something new in the future. Liana Cafolla looks at how organizations are implementing a culture of curiosity and learning to keep themselves and their people relevant

Illustrations by Gianfranco Bonadies

Lifelong learning is no longer an optional tool for those who want to advance in their careers. Fast-paced technology developments have made learnability – the desire and ability to quickly grow and adapt your skill set to remain employable throughout your working life – a necessity. Those who want to keep their relevance, and perhaps their jobs, need to embrace it.

"We are now in an age where people who are not able to change the way they do business, or manage employees, almost every year or two will quickly become redundant," says John Miers, Chairman of Black Isle Global, a consultancy specializing in leadership skills, organizational strategy and people development. "Employees who are learning all the time will be the ones who will be able to move to new jobs. Experience that is built on continuing to do the same task over the years, however brilliantly, will not be so important in the future."

Adapting to those new challenges means a need for learning on an ongoing basis, however encouraging continuous learning is a challenge. Leaders in the accounting profession say that encouraging an employee mindset that constantly seeks and welcomes learning opportunities rather than ticking off a specific checklist of skills to learn is the most important part of building a learnability culture.

"In today's digital environment, information is available at our fingertips, anytime, anywhere," says Carmen Ting, Head of Talent, People, Performance and Culture at KPMG China. "Having knowledge about what's relevant today does not always give us a competitive edge. What matters is the ability to learn new knowledge and skills relevant for now and for the future that could help us and our clients solve unfamiliar problems." That's not always an easy task,

LEARNING HOW TO LEARN

she adds. "The main challenge would be learning how to unlearn – forgetting about what we already know and being open-minded about new ideas. It's not always easy for a professional to forget that they are an expert on a subject matter and create the appetite to learn more."

Being motivated to learn is essential, says Cissy Chiu, Learning and Development Leader at Deloitte China. "With the market changing so rapidly, our people need to keep up with market changes. We need people to have the desire and motivation to learn, so when we talk about growth mindset or culture, that is the core foundation to build our skills and capability for the market."

Clear benefits

Increasingly, learning is needed just to do the current job in an adequate way. Audit practice, for example, has changed out of all recognition, says Agnes Chan, Managing Partner of Hong Kong and Macau at EY and a Hong Kong Institute of CPAs member. "In the past, I took a piece of A3 paper and made a list, and then ticked through the list. Now, it's mobile-friendly – you can connect with colleagues and clients around the world. We call it digital audit methodology."

Building a learning culture is more than simply encouraging people to add to their skills. It requires an understanding of the reality that in the digital age, there will always be more to learn and new ways to use that knowledge. A July 2018 article in *Harvard Business Review,* entitled *Take control of your learning at work,* argues that because information is available to everyone at the click of a button, what is now important to employers is finding people with the ability to learn the right expertise in the future, and then to keep doing it. The article says: "When we can all retrieve the same information, the key differentiator is not access to data, but the ability to make use of it; the capacity to translate the available information into useful knowledge."

As a first step, leaders should clearly communicate with the management team about the advantages of implementing a learning culture, for example, how it helps organizations retain talent, and enables them to solve problems more efficiently. Employees need to recognize that mastering a single skill is no longer enough to maintain a lifelong career. Longer working lives, coupled with the rate of development of transformational technology, means that workers need to master several different skills.

Owning your learning

Learning itself has changed. In the past, learning was often structured and employers were typically the prime organizers of workplace learning – arranging courses to be held on-site at set times to teach specific skills or competencies over prolonged periods. Employees just needed to show up and pay attention.

But in order to keep up with today's unceasing flow of technological changes, employees need to acquire new skills quickly, as well as largely own the learning process themselves. This might mean selecting a course to study and managing their learning on a multitude of online devices and in varying formats, including taking part in webinars, watching videos or playing educational games, as well as in a traditional classroom setting.

Many Hong Kong CPAs stop formal learning once they have graduated from the Institute's Qualification Programme, relying on on-the-job training to build their careers, says KM Wong, Chairman of the Institute's Professional Development Committee, but that's a mistake, he says. "In fact, the latest accounting and reporting standards, new technology trends and certain soft skills require more than that. After obtaining a basic knowledge on a particular topic during face-to-face seminars, members can also go for in-depth learning in a workshop to learn from experts how to master the skills better," he advises. He notes that the Institute, in the last financial year, offered members more than 500 e-learning events and over 300 face-to-face learning opportunities.

The Professional Development Committee is focusing on active learning in the place of traditional lectures and classwork, which particularly help members moving or looking to move into specialist areas outside of audit and accounting. "For example, the Financial Controllership Programme is developed to help our fellow CPAs working in the commercial field or non-governmental organizations to enhance their skills in managing people and mastering skills in various aspects," he says. "During the course, participants will engage in role-playing, experience-sharing and active dialogue with others. We encourage participants to share cases in the class, apply what they just learned at work, and bring the results back to class for further enhancement."

The challenge for companies is to create a learning culture where professionals take ownership of their own learning and make learning a habit, says Monica Sung, Director of Learning and Development, PwC Hong Kong. "It's really going to be critical to our firm going forward," she says. "The speed of change is not going to stop."

Learning is a learned behaviour, which is good news for employers and employees. Employees can be encouraged on their learning journey by recognizing that expertise is not due to innate skills. "Many studies have confirmed that it is not intelligence that creates expertise but effort and practice – that is, hard work," says a McKinsey report. "Such studies show that

"The challenge for companies is to create a learning culture where professionals take ownership of their own learning and make learning a habit."

intelligence can be developed and that there are no limitations on what we can learn throughout our lives. Indeed, the brain is like a muscle that gets stronger with use, and learning prompts neurons in the brain to make new connections."

To own their own learning, employees need to set goals for their learning, and assess their progress regularly. To start, employees can assess their current knowledge and identify where the gaps are. McKinsey suggests that people should ask themselves the question, "How can I ensure that I'm more valuable at the end of a year than I was at the beginning?"

Learning from the giants

Google is a recognized leader when it comes building a learning culture in the digital world. Google's "Googler-to-Googler" (G2G) training programme advocates peer-to-peer learning. It was created to allow employees working in different fields to give each other first-hand expert knowledge. Eighty percent of the company's training is handled through G2G. The programme has been widely recognized for promoting a strong learning culture by giving staff an opportunity to grow through on-the-job training, allowing them to give back by training other employees, and showing that the company trusts its employees to be smart, capable, motivated and able to build the company's learning culture.

Laszlo Bock, Google's former senior vice president of people, writes in his book *Work Rules* that experts who have mastered a skill learn in a particular way. "They shard their activities into tiny actions and repeat them relentlessly. Each time, they observe what happens, make minor – almost imperceptible – adjustments, and improve."

For employees wishing to own their learning process, this kind of learning entails reducing your work into bite-size parts and establishing the good habits needed to master each one. For example, the healthy habits of an effective public speaker would include advance preparation, spending time on presentation design, the use of positive body language and then asking for specific feedback after the presentation.

Learning that combines a mix of approaches is increasingly preferred to traditional one-size-fits-all approaches. Law firm Baker McKenzie explains it has been putting this into practice. "We recently designed and delivered a five-week course on effective business partnering and structured problem-solving skills to 60 internal business professionals," says Steven Ng, the firm's Asia Pacific Head of Leadership and Learning. "The blended learning approach included some pre-work, live virtual classroom learning and breakout discussions, a *Harvard Business Review* case study project, offline coaching sessions and a final presentation project for each team to tie all the concepts together."

The firm is keen to build both digital skills and non-digital soft skills, he explains. "We use legal tech to discharge our work and our lawyers are trained to use them effectively to deliver better

value. We are also mindful of the difference between digital skills and skills in a digital age. Skills and knowledge are more useful when acquired and applied in context, so we focus on developing […] mindset, communication skills and the ability to learn to help our lawyers provide better client service and deepen client relationships. Example of some of these skills are business problem-solving, being trusted advisors, commerciality and industry knowledge, deepening client relationships and having more strategic client conversations."

Learning and the profession

Within the Big Four, learning and development leaders are implementing a variety of best practices from across industries in building their own learning cultures. They also find that using a mix of tools is best as it allows their people to have easy, anytime access to resources and have fun while learning.

At Moore, a medium-sized practice, the emphasis is on learning delivered in person and apprenticeships. "Audit is a people business. No matter how advanced the artificial intelligence (AI) technology is, professional judgements exercised by human brains are unlikely to be imitated or substituted. So, in this digital age, we are still a believer and a follower of the old-school apprenticeship," says Helen Tang, the firm's Managing Director and an Institute member. "While my technical/training department delivers training on core audit skills including computer-aided audit tools, we have a buddy system in place where a more experienced audit manager is paired up with an audit staff member to share with him or her their practical or personal audit experience and even some soft skills that may be useful inside or outside the firm."

The most effective learning requires a mix of methods, says PwC's Sung. Last year, the firm launched an informal online learning app called Vantage that combines trusted outside resources and internal resources. "It is like a learning equivalent of Spotify where people can create their own playlist or subscribe to playlists created by others, search for topics that they want to learn more of, filter their search results in accordance with their learning preferences, e.g. forms of learning and duration of learning," explains Sung.

PwC's Digithon programme was designed as a three-month learning project to digitally upskill everyone in the firm to at least have a basic understanding of four key topics: AI, cloud computing, blockchain and cybersecurity. The programme aimed to motivate professionals to learn these topics, have fun learning, and be rewarded. It was a competition-based programme, she says. "We were trying to at least create some excitement around it, so people could pick up the habit of learning every day."

Sung was very happy with the results. "We had 100 percent participation – every single person in the firm across Mainland China and Hong Kong was a member of a team and we found that team morale really improved. Some people were really passionate and keen to learn; they then coached other team members to do well in the mini games," she explains.

Despite the progress, she says the firm hasn't cracked the learning culture yet. "The main challenge [to building a learning culture] is that our people are very busy, so it's about making and taking time to learn."

KPMG encourages employees with all levels of expertise to learn from each other by encouraging the "design thinking" way of exploring possible solutions. "The design thinking approach allows everyone in the room to share their ideas openly, such that we can learn from each other," explains Ting at KPMG. "Not only does this help build a learning culture, it actually enables us to come up with solutions we might never have imagined."

Employees are also encouraged to learn from each other. "We encourage everyone to seek 360-degree mentoring – such as learning about a new app from your team, seeking feedback from cross-functional team members." Employees who excel at teaching others are recognized annually. "The best reward for a learner is when you realize that all the effort you've put into learning about a subject has empowered you to

"The best reward for a learner is when you realize that all the effort you've put into learning about a subject has empowered you to be able to teach back."

be able to teach back. We have a very comprehensive programme to empower our colleagues to learn to be a facilitator of a subject matter, and the best facilitators are nominated for recognition and rewarded every year."

It's a strategy that can help spread the learning culture, she says. "Create first-hand experience for your stakeholders to enjoy the benefit of learning or better yet, the benefit of helping others learn. They will then be your best advocates in championing a strong learning culture on a day-to-day basis."

At EY, a special focus is on building regulatory excellence. "We have a very strong team on technical and regulatory," Chan says. "This team constantly provides updates to our people. Our secret is our willingness to invest in regulatory expertise."

The firm also has a mix of internal and external training programmes. It has licenses with several large external learning programmes, which the firm's employees can access anytime and anywhere, covering topics from data science and finance accounting, to insights from business leaders and professional development courses. In addition, learning resources from prestigious institutions are open to partners in a mix of overseas and virtual learning, including the Harvard Leadership Programme and Stanford Innovation Programme.

At Deloitte, as with other firms, building a learning culture is proving difficult. The main challenge is building a firm-wide appetite to learn, Chiu says. "Not everyone is willing to learn. Some are very transactional – they may not have the desire to learn."

Chiu and her team are using a multi-pronged approach to overcome the hurdles. Last year, Deloitte launched its "4+1" culture programme focusing on innovation, inclusion, courage, well-being and integrity. "It needs to be embedded in everything we do," says Chiu. "We use mobile apps and online games, but for key messages it has to be face-to-face because we want the participants to discuss and have the skills practice," she explains.

Deloitte has also developed small nuggets of short, easy-to-learn information on particular industries that can be watched and read quickly on a mobile phone while employees are, for example, in a taxi on the way to meet the client. "For example, our auditors may go out and do a stock take for a particular industry that they don't have experience in," Chiu says. "They need to have access to those [learning] resources through mobile resources that can be accessed anytime, anywhere."

The firm often uses a combination of learning tools, she explains, such as when helping employees identify what kind of worker they are. "We have developed something called Business Chemistry – what type are you, what type am I? It's a little bit like those psychometric tests that assess your personality. The model is delivered through virtual methods – some videos, some e-learning articles on the four types. Then, when they come into the classroom, we will talk about how to apply Business Chemistry types to work – who are you? Can you guess your client's type? Can you guess your colleague's type? And, if they are a different type to you, how do you work with them? So in the classroom with in-person learning, we will focus on the skills practice, and then we follow up with virtual resources."

"A positive mindset is actually key," Chiu says. "Not just classroom learning, though that can be useful. The importance is the culture – everyday on-the-job awareness, mentorship and leadership."

How to own your learning

McKinsey recommends four key steps to take charge of your own development.

1. *Set goals for learning, and meet them*
   Start by examining your current knowledge and areas of expertise, and identify the skills or knowledge gaps you need to fill. Decide which of these are the most important to your development goals and focus on mastering them.

2. *Track your progress*
   Think about what you're learning and note it down in a journal or logbook. This will help you assess your progress and keep you motivated to achieve your goals.

3. *Get feedback*
   Ask for feedback on your work from supervisors, colleagues and clients. You may even find a mentor this way.

4. *Get personally involved*
   Acknowledge that building market-relevant skills will require more effort than the learning opportunities your employer is probably willing to provide. Be prepared to invest your own time and money towards your development.

SECOND OPINIONS: ARE UNIVERSITIES DOING ENOUGH TO PREPARE FUTURE ACCOUNTANTS?

DR. SHANSHAN SHI
PROGRAMME DIRECTOR
FOR THE MASTER OF ACCOUNTANCY
AT LINGNAN UNIVERSITY

Globalization, unrelenting competition, and fast advances in information and communication technologies are some of the key compelling forces for future accountants to be equipped with new knowledge, skills, and attributes necessary for career success in the profession. Yet, universities are not doing enough to prepare students.

Accounting is the language of business. As business is ever-changing, so are the standards and practice of accounting. Accounting education is also not static. Universities constantly face challenges for the delivery of accounting education to be relevant to practices and the changing business environment. New economic reforms, government regulations and policies, technological advancements and changing business dynamics all have profound implications for accounting education.

As a former practitioner in a Big Four firm and an accounting educator for the past 13 years in Hong Kong, I am well aware of the need to prepare the next generation of accountants. In my doctoral dissertation *Does the Accounting Education Prepare the Undergraduate Students Well for their Future Accounting Careers? A Hong Kong Perspective*, I surveyed and collected first-hand data from current university accounting students and alumni who are currently working in accounting and related fields about their perception of the adequacy of accounting education. The results suggest they agree that though university accounting education prepares them well with core technical skills, they lack other areas of knowledge such as a broad global business perspective, communications skills, practical work experience, IT skills, and China knowledge.

There is a lot higher education can do to prepare graduates for the evolving world of professional work. Firstly, universities should prepare students to be better consultants, thinkers and communicators, instead of encouraging the mere memorization of technical rules and standards.

Secondly, amid the proliferation of big data and artificial intelligence, universities should prepare students to be tech-savvy and experts in data analytics.

Thirdly, accounting education should train students to be job-ready by offering more experiential learning opportunities, such as providing online courses for learning on one's schedule, a mandatory co-op component in the accounting curriculum, field trips, firm visits, and guest lectures to regularly engage our students with the practitioners and the real world.

Lastly, universities in Hong Kong are encouraged to prepare students to be more knowledgeable about the unique business environment, particularly the Mainland China market, with a focus on the application of theory to topical and relevant issues.

> "Though university accounting education prepares them well with core technical skills, they lack other areas of knowledge such as a broad global business perspective."

NICHOLAS AU
PROJECT EXECUTIVE
AT THE FASTLANE GROUP

Since our incorporation, FastLane, a business advisory and practising firm, has had a plethora of interns who are in the middle of their accounting degrees. We have noticed that although these individuals are passionate, talented, and quick to learn, there is often a disconnect between the technical skills they learn in school and the practical skills an accountant generally applies in a professional setting.

"Their experiences with these courses are invaluable to our work culture."

While university courses teach a wide range of accounting knowledge, unless students partake in an internship, there is a lack of opportunity for them to apply their textbook knowledge to practical work. Much of the technical knowledge utilized in professional working environments can only truly be taught through experience. For universities to effectively aid their students in their transition from students to a working professionals, greater opportunities to learn and apply practical skills must be presented in the classroom.

Given the development of the Greater Bay Area, the technical skill sets required of accountants are constantly growing. As businesses continue to expand their outreach to Mainland China, many clients are seeking accountants who are not only well-versed in Hong Kong accounting practices, but can advise on accounting and business practices in the Mainland. Although we understand that universities teach their students Chinese accounting standards, greater emphasis must be made to teach this curriculum given the increased likelihood of students being exposed to it. Providing students with such a foundation will help improve their understanding of business environments outside Hong Kong, further cultivating their perspective as global citizens. It will teach them how to understand and appreciate different markets and business dynamics so that they can function well as accountants and business advisors.

When we discussed with our interns about how they balance their internship commitments with their academics, most commented that they utilize a gap semester for their work experience. Although such an arrangement allows for a greater presence at the office, many students expressed concerns about the lack of flexibility in balancing their work commitments with their academic development.

It is clear that universities can take greater steps to ensure that students develop their professional foundations, but we have seen plenty of positives. Our interns all have access to university courses that teach essential non-technical professional skills. Their experiences with these courses are invaluable to our work culture. Regardless of whether universities are doing enough to prepare future accountants, it is wonderful to see that their students are developing into well-balanced professionals who can adjust to varying environments.

KAREN WONG
MANAGER AT EY, AND MEMBER OF THE YOUNG MEMBERS COMMITTEE'S PRC AFFAIRS SUB-GROUP

Recollecting my university years, there was an abundance of occasions where my peers and I debated theories, examined accounting principles and then explored how to apply them in simulated scenarios. Never had we come across the intricacy of the roles played by a real-world accountant. In fact, some of us might not have even seen ledgers from an actual company during university. Oddly, this seems so disconnected from the very objective of university studies – in a traditional sense – which is for students to figure out their career path and to prepare them for the challenges ahead.

There are many challenges facing young accountants today. Everything from the practical application of knowledge, catching up with regulatory changes to managing emotional intelligence. But perhaps the greatest challenge is how accountants of tomorrow can cope with the ever-changing landscape of our profession – new technological trends are making our work processes faster, more cost-efficient and with a diminishing margin of error. In my current work, I have witnessed how artificial intelligence, machine learning and other advanced analytics technologies can assist us to add immense value to deliverables to our clients in exciting new ways. Work is destined to move beyond the textbook knowledge that universities have prepared young accountants for.

"How can one ever prepare for this? It is not entirely about 'preparation.'"

How can one ever prepare for this? It is not entirely about "preparation." Why should young accountants be ready once they step out of college anyway? In hindsight, I could not imagine myself entering the workplace being fully prepared. I would not have been able to go through the gradual process of developing a working style that fits my personality and a conscientious work ethic that I feel comfortable with. This is a personal experience, one that makes each of us distinctive. It was only after a few years that I began to understand the gradations of being an accountant – and to appreciate how our profession intersects with critical decision-making.

I think we must understand that the workplace is not the "destination" for graduates. Rather, it should be the beginning of something new: for a better self, to seek answers and to ask even better questions. None of these are possible if one has already been moulded into a certain form while he or she is in university.

Of course, this is not to say university education is pointless. It challenges our mind intellectually. It helps us build a strong foundation that we can fall back on. It gives us the opportunity to explore ideas, places, and meet people that we might never have met otherwise. But universities can never teach us business sense, or how to make sound professional judgements, like the real world can. That is what makes accountants irreplaceable.

MENTORING THE FUTURE OF INSOLVENCY

Life in insolvency and turnaround is life in the fast lane, says Julie Hertzberg, President of insolvency organization INSOL International. She talks to Nicky Burridge about her vision for the organization, current challenges for practitioners in her field, and why young people should be involved in strategy discussions

Photography by Leslie Montgomery

Julie Hertzberg spoke at INSOL International's annual Hong Kong Seminar in October about how inclusive leadership can drive improved individual performance and better business results.

Julie Hertzberg clearly remembers walking into Lehman Brothers on 17 September 2008, just over 24 hours after the United States government had announced it would not bail out the investment bank – an event often seen as the beginning of the global financial crisis. "Our entire team had assembled overnight, and we had no idea what we were walking into. I still have chills thinking about it because we knew something big had just happened, but we didn't really understand the magnitude of it until we started to see it played out in the media in the days, weeks and months that followed," remembers Hertzberg, Managing Director and Practice Group Leader, Case Management Services Group at global professional services company Alvarez & Marsal (A&M).

But in the fast-paced world of insolvency and restructuring, Hertzberg and her team did not have much time to reflect. "We were working on the frontline with the management and staff. Overnight these people had lost everything, they were just shell-shocked," she says. "As an advisor, you just put your head down and do what you know how to do, which is manage chaos and keep everybody calm, be very practical, contain the damage, preserve value and, at the rapid rate that everything happens, move with that transaction."

Hertzberg has worked in insolvency and restructuring for more than 20 years, specializing in complex reorganization proceedings, Chapter 11 bankruptcy as it is known in the U.S.

She is passionate about her field of work. "People, particularly accountants, don't really understand that this kind of profession exists. But the reality is for somebody who has a finance or legal background, to make change the way that we do and to have such a positive impact globally is pretty amazing." She also enjoys the brisk nature of the work. "Everything moves at an incredibly fast rate in restructuring processes. You learn very quickly that everything is on an expedited timeline and you just get caught up in the action of these cases," she says.

A sudden change

Hertzberg, who is also President of INSOL International, the global federation of national associations of accountants and lawyers who specialize in insolvency, is like many in the specialization, having never intended to go into insolvency and restructuring. Instead she had her sights set on a career as an immigration attorney. She was so determined to pursue this that after completing her first degree in Spanish and Foreign Affairs, she specifically selected the University of New Mexico to study law, as it was one of only two law schools in the U.S. at the time that had a dual degree in Law and Latin American Studies.

But her plans changed abruptly when she took a bankruptcy class in her final semester. "It was probably a combination of the content, as well as the enthusiasm of my instructor, but I decided I wanted to look at pursuing bankruptcy as my career path," she remembers.

After graduating, Hertzberg secured a job at law firm Pepper Hamilton's corporate restructuring practice. "I was able at a very young age to practice on complicated and complex bankruptcy cases. I think anyone in insolvency and restructuring work will tell you that we really look at it as a hidden gem because there is so much ability to have an immediate impact in people's lives and saving companies," she says.

Her experience at Pepper Hamilton made Hertzberg want to pursue more international work, and she had the opportunity to join A&M almost 14 years ago and set up the practice she currently runs, focusing on bankruptcy case administration.

She describes herself as being very much an anomaly in the sector, as she comes from a legal, rather than a financial, background, but she sees this as a positive thing. It enables her to act as a bridge between the finance and legal teams as they prepare a company for the Chapter 11 process, which requires a lot of financial reporting to be interpreted in legal terminology.

A day in the life

A typical working day for Hertzberg is intense. "I usually get up at around 4 a.m. and start my day working on INSOL-related matters and responding to all the emails that come in overnight because I have the disadvantage of the U.S. time zone. Then I have very early morning calls."

The bulk of her working day is spent running her practice group of 40 people at A&M, overseeing all of the information that they will file with the court for companies going through the Chapter 11 process, a task that is complicated by the increasingly international nature of businesses. "Chapter 11 is not necessarily specific to U.S. companies. We represent a broad array of international companies that, because of a connection with the U.S., contemplate using the Chapter 11 process as a way to facilitate whatever transaction they are trying," she says.

In addition to her work at A&M, Hertzberg's role as President of INSOL also involves a lot of travelling, and it is not unusual for her to visit Hong Kong, Singapore or Japan on a three-day turnaround. "I can safely say there is no such thing as 24 hours in a day because, the way my travel works, I am always gaining or losing 12 hours. You only do this job because you love it," she says.

When she first started out, the aspect of her job that excited Hertzberg the most was the opportunities she had to work with major companies at such an early stage of her career, something she claims is unique to insolvency and restructuring. "It is really an adrenaline rush when you get into these big companies and you walk in the door and realize that every single person in the entire world knows the name of the company, and you are sitting there helping to make a difference in trying to save it," she says. "You have access to meetings with the management of the company and are exposed to the high-level strategy discussions that are happening as you go about preparing the company for a Chapter 11 process."

But as her career has progressed and she started the practice at A&M from scratch, Hertzberg says her priorities shifted and she now wants to transfer the excitement to the next generation of leaders, both in her practice group and in INSOL. "I have a vision of taking the opportunities that I had available to me and ensuring I give those same opportunities to the young leadership."

She adds that while she found it difficult giving up the day-to-day work with clients, an aspect of the job she loved, she is very motivated

"I have a vision of taking the opportunities that I had available to me and ensuring I give those same opportunities to the young leadership."

by helping members of her team develop their technical and soft skills, and watching them go out and build their own careers.

Growing complexity

One of the biggest challenges restructuring and insolvency practitioners currently face is the international nature of companies. "When you look at companies that are multi-jurisdictional, the insolvency and restructuring laws in some of those countries don't correlate with each other," Hertzberg says.

She explains that while in the U.S. you might have a payment scheme that prioritizes secured parties over equity, in a different jurisdiction, equity might have the prevailing position. "At the end of the day, you have to pick one primary jurisdiction that services the entire company, as you can't have multiple sets of rules that contradict each other. It is something that adds a complication to our everyday practice but, at the same time, work is not fun without complications."

These complications also represent an opportunity for her and her colleagues to learn about restructuring in other countries, and be creative in finding solutions. She adds that INSOL also plays an important role through its diverse member base in bringing people from different jurisdictions together and helping to build relationships and trust between practitioners in different countries. It recently hosted an event in Singapore in which 112 judges from 42 different countries were able to discuss in

INSOL International has 44 member associations comprised of restructuring and insolvency experts, and has over 10,500 professionals as members.

private what they considered to be best practices for insolvency and restructuring laws.

Another trend Hertzberg is seeing is a desire to use a formal judicial process to restructure companies at an earlier stage, instead of limiting this option to an informal out of court process, but getting to the point where there is no alternative but to put the company in a formal insolvency proceeding. “There has been a marked shift in the perspective of how you use the judicial process to effectuate a restructuring for a company.

“The U.S. has the Chapter 11 model, which is all about restructuring, but a lot of other jurisdictions focus on restructuring as an informal process and insolvency as the formal process. Now what has happened is people are contemplating these alternative avenues, in part because of the sheer volume of cases that have international relevancy or international touch points.”

She adds that there is a lot of momentum around which countries can establish new laws that favour restructuring, because people can see the value of this process in terms of saving jobs and encouraging investment in their jurisdiction.

But she points out that the professional fees associated with doing formal restructuring proceedings can be very expensive. “What I think you are going to see over time is a mechanism that has quicker resolution and utilizes less court resources, and potentially looks at using mediation or arbitration as a forum to expedite these processes and reduce costs,” she says.

President of INSOL

Hertzberg became President of INSOL, which is headquartered in London and has over 10,000 members in more than 90 countries, in May. She explains that the organization’s vision is to be the preeminent global insolvency and restructuring membership association. “A component of that is relationship building and strategically looking at problem solving and complex cross-border issues,” she says.

She adds that this means INSOL is active on many levels, working with insolvency practitioners, the judiciary and regulators to identify best practices, while it also holds regular meetings with the United Nations Commission on International Trade Law and the World Bank. “We are teaming up together to combine resources to have the most impact on helping jurisdictions create laws that favour investment and reduce risk,” Hertzberg says. “The only way to continue a global economy is if you have procedures in place that allow for risk management on investments,” Hertzberg says.

Earlier this year, INSOL opened an Asian hub in Singapore to help grow its membership in the region. “With everything that is happening in Asia, the sheer volume of people and complex issues, and the desire for investors to be present in certain parts of the region, it just made sense for us to look at putting a footprint somewhere in Asia. We have such a close relationship with Hong Kong and that will continue to grow as a result of having that proximity to the market,” Hertzberg explains.

She adds that national associations, such as the Hong Kong Institute of CPAs, play a crucial role in the organization. “INSOL would not survive without the national associations. The structure of INSOL is a member-based organization from which the members are gathered by these local associations. It is so powerful, the way the footprint is set up, to ensure that all of the local associations have a connection with each other and to INSOL.”

She points out that INSOL’s recently held one-day seminar in Hong Kong was entirely driven by the relationship INSOL has with the Institute. “We hosted dinners together and networked and continued to forge those personal relationships. We couldn’t do that without local support.” Hertzberg adds how historically, one of INSOL’s strongest relationships has been with the Hong Kong insolvency and restructuring community. “Now, more than ever, we see the benefits of that international connection for the local professionals as they have access to colleagues in over 90 countries along with an additional close tie between the judiciary and regulators and their respective counterparts in these countries. As the world’s socio-economic and political systems evolve at such a rapid pace, this cross-border collaboration becomes essential.”

Hertzberg notes that Hong Kong has always had the fortune of being recognized as one of the world’s freest economies and ranked first in the economic freedom index in 2019. “Obviously the curtailment of trade between China and the U.S. has a spillover effect into Hong Kong. The good news is that Hong Kong has a strong legal framework to address these economic concerns and continues to exemplify governmental transparency in the face of these adverse conditions which allows restructuring advisors to use local judicial frameworks to provide long-term remedies for troubled companies.”

Inclusive leadership

Hertzberg is a big advocate of inclusive leadership, both at A&M and at INSOL. “The biggest reason is because everyone has different experiences, and you never know, walking into a room, what part of someone’s experience is going to lead you to getting the best result for a client,” she says.

She adds that a lot of the time when people talk about diversity and inclusion, they are talking about very specific identifiable traits, such as ethnicity or gender, and while this is important, she also sees the value of involving younger people in strategy discussions. “With technology, the world is a different place. Young people have access to things that allow them to be creative and come up with ideas

Hertzberg decided to specialize in bankruptcy while studying law at the University of New Mexico. She is now Managing Director and Practice Group Leader, Case Management Services Group at Alvarez & Marsal.

“The only way to continue a global economy is if you have procedures in place that allow for risk management on investments.”

that maybe older minds have just stopped thinking about.”

She is also passionate about mentoring young people who want to specialize in insolvency. “When people are starting out in their careers, sometimes it takes just one person to give them an opportunity that will spearhead lifelong success,” she says. “Sometimes they just need to get their foot in the door to be able to prove themselves, and if someone like me is not willing to give them that opportunity, we have no way to know what we are giving up in return.”

As a result, she looks at mentoring in terms of where she can have the most impact, pointing out that while some people have a lot of opportunities when they start out, such as having had a private education or tutors, others do not. “On paper, it may not look like the same candidate, so for me it is about really fine tuning the type of people that can be successful in this environment and looking at it through multiple lenses, as opposed to just trying to find everyone who fits the same profile. Then, ensuring that we work with them, not just on the technical skills but also in the soft skills that they can take with them wherever they end up.”

At INSOL’s 2020 conference in Cape Town, South Africa, her first conference as President, she will be announcing a new mentorship programme. “That is part of what I want my legacy as a President to be. I think for the survival of the profession, if we don’t take the time to mentor people and educate people about what it is that we do and why it is such a wonderful career, we won’t have another generation of professionals willing to step in as we look to retirement.”

Perhaps, unsurprisingly for someone who has such as fast-paced work life, Hertzberg does not slow down during her leisure time either. One of her hobbies is racing cars. “We are very lucky that close to our house we have a small racetrack with these car condos, and you can entertain there. We have a Ferrari, a Corvette and a Mustang racecar,” she says. “When I am home, I love going there with my husband and daughter and using the track and just relaxing a little bit.”

She also enjoys travelling and looks for opportunities that enable her to interact with local people. “On one visit to Tokyo, I set aside time and visited a market and gathered the ingredients to make soba noodles, and went to a woman’s house and made soba noodles by hand with her,” she says. “I have done a lot of other cultural experiences like that in other places around the world I have been lucky enough to visit. I love learning about how other people live and looking at the cultural differences and similarities and building relationships, which is also why I joined INSOL so long ago.”

PATH TO THE PROFESSION

The Institute's new QP is set to help strengthen Hong Kong's accounting profession. Jeremy Chan finds out about the changes, and how the new QP with its revised structure and enhanced workshops will equip CPAs with the skills to succeed today

Illustrations by Ester Zirilli

Imagine a university graduate who has decided to pursue accounting, despite not having any qualifications or background on the subject. Currently, that person would have to complete a lengthy – and often costly – conversion programme in accounting before they can join the profession – even if the graduate already has relevant knowledge and skills. The Hong Kong Institute of CPAs' Qualification Programme (QP) is set to change this with its new iteration.

Since 1999, the QP has been a comprehensive training programme for those keen to become CPAs in Hong Kong. More than 22,000 students have graduated from the programme as of June this year. QP students must complete its four compulsory modules – Module A financial reporting, Module B corporate financing, Module C business assurance, Module D taxation – as well as pass a final examination and acquire three years of practical experience before becoming qualified CPAs and members of the Institute. In 2010, the programme was enhanced and saw two modules revamped and more emphasis placed on its interactive workshops. The new QP launches in three stages, starting with its new Associate Level in June 2020, Professional Level in December 2020 and Capstone Level in June 2021.

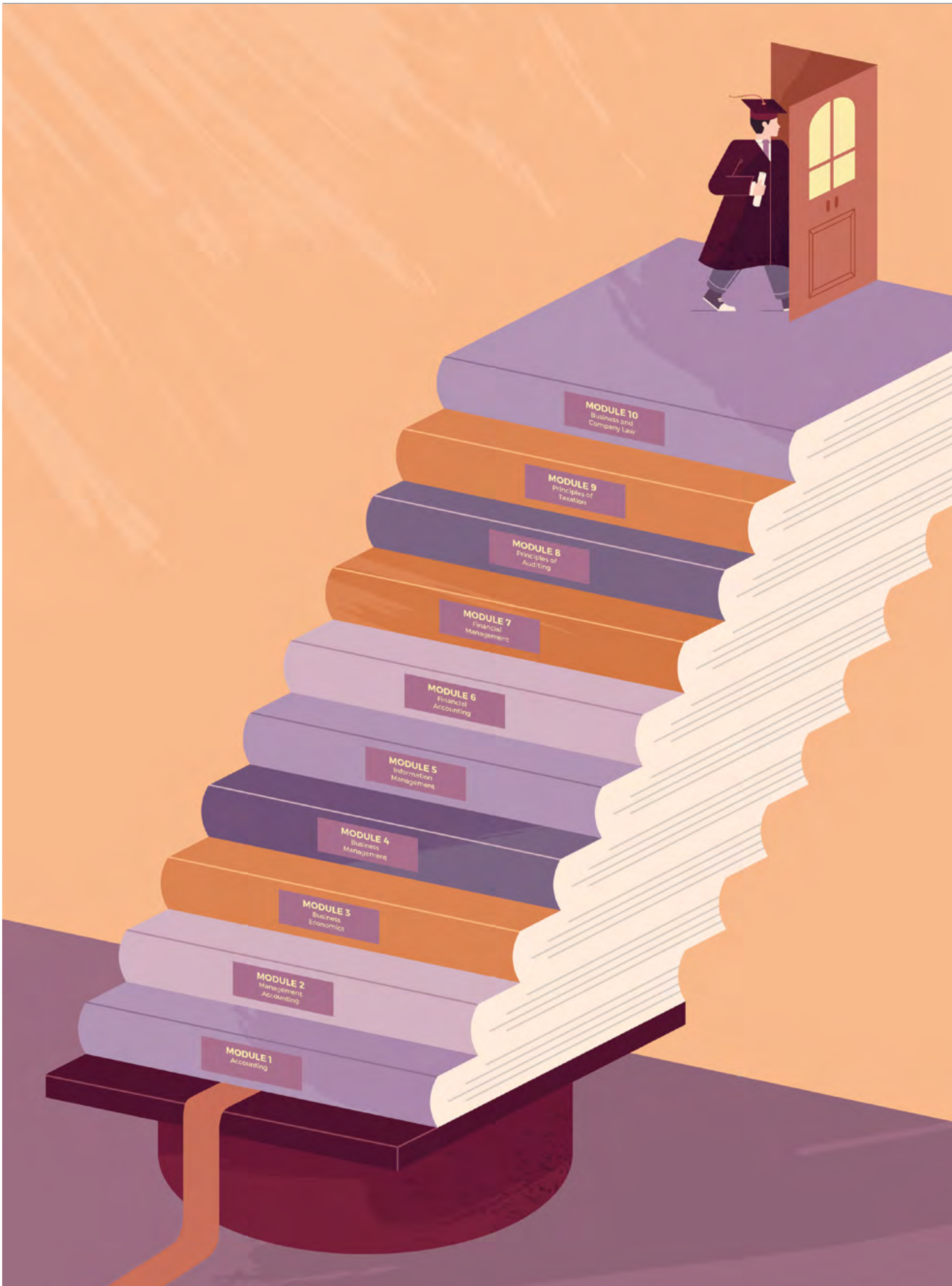
A trusted programme

The Associate Level is one of the biggest changes coming to the programme. Its 10 new modules, which touch upon accounting fundamentals such as financial accounting, finance, audit, law and tax, will offer an opportunity for students with different educational backgrounds, including sub-degree holders and non-accounting majors, to become CPAs.

The new level is a welcome change to the QP's curriculum, according to Jonathan Ng, Executive Director of Qualification and Education at the Institute. "Currently, the QP only accepts accounting graduates – the one-size-fits-all conversion programme cannot cater to students from different education backgrounds, which we found to be restrictive," he says.

Ng played a key role in developing the improvements to the QP based on consultations with various bodies, employers, academia, firms and stakeholders. The Institute commissioned two independent consultants, namely the Institute of Chartered Accountants of Scotland (ICAS) and Deloitte to determine which areas of the programme needed to be revamped, and ensure it meets the highest of international accounting education standards and best practices. "The ICAS looked at the entire CPA qualifying process – from the admissions, examinations to the practical experience," says Ng. "They produced a report to the examinations board with recommendations, which I saw as a holistic gap analysis in terms of what the QP needed to improve on."

With the report and further consultations with Deloitte, the Institute put together its CPA Competence Blueprint. "We compared the blueprint against international accounting education standards, such as those of the International Federation of Accountants, of whom we are a member body, and also with the Global Accounting Alliance Recognition Framework, of whom we are a founding member. We want to make sure our qualification remains on par with them," Ng adds. The Institute also received feedback following meetings with various stakeholder groups such as the government, academia, employers, members and students to identify the key attributes future accountants require.


MODULE 10
Business and Company Law
MODULE 9
Principles of Taxation
MODULE 8
Principles of Auditing
MODULE 7
Financial Management
MODULE 6
Financial Accounting
MODULE 5
Information Management
MODULE 4
Business Management
MODULE 3
Business Economics
MODULE 2
Management Accounting
MODULE 1
Accounting

"We carefully mapped out the core competences the various stakeholder groups wanted to see in future accountants," he says.

A platform to perform

With the new QP, students who hold relevant qualifications entering the Associate Level do not need to take each and every associate module. For example, a business graduate who has basic accounting knowledge may take any of the modules to brush up on areas they feel necessary. "The Institute will vet a student's academic transcript and determine which associate module or modules they may obtain an exemption," Ng explains. The Associate Level is specially-designed to accommodate business graduates and non-accounting students, who are equipped with the QP course materials from the Institute and can engage in self-study prior to starting the programme. "This is why we have designed the Associate Level as 10 bite-sized modules. We want to offer students the flexibility to take the associate modules as they wish."

Zhaoyang Gu, Professor of Accountancy and Director of the School of Accountancy at the Chinese University of Hong Kong (CUHK), agrees the new QP will attract a wider range of graduates to the programme. "In the past, there were certainly some designated ways, which was good in terms of formal training. But now, there is added flexibility and pathways for more people who aspire to become CPAs," he adds.

He says the university has always been committed to providing students with the necessary expertise to prepare them for the QP, adding how roughly 70 percent of all accounting undergraduates from CUHK end up taking on the QP following graduation. "We lay a strong foundation for our students, so when they choose to pursue something greater afterwards, they will have the ability to learn those skills."

Gu believes that while the new QP might mean slightly fewer students opting for accounting courses at universities, the programme will benefit the profession as a whole. "Our students have been doing very well in the QP and the new programme is also great news for non-accounting students," he says. "The new QP reflects how the profession continues evolving over the past two decades."

As an employer, Edmund Wong, Practising Director at Patrick Wong CPA Limited, is also enthusiastic about the new additions. "The Associate Level modules and examinations are developed and administrated by the Institute, so there is quality assurance," Wong says. He adds many small- and medium-sized firms receive job applicants from non-accounting backgrounds, and says he looks forward to the new QP creating more talent for the profession as a whole. "When hiring, we look to employ graduates who already have sufficient accounting knowledge, as it requires time and resources to train a non-accounting graduate to become a professional from the ground up," he says. "Because of this, we've been facing a rough time finding the right graduates in the last few years."

The Associate Level will lay a solid foundation for students to build their accounting and business knowledge, Wong adds. "Module 6 financial accounting and Module 8 principles of auditing are very useful,

"The Institute will vet a student's academic transcript and determine which associate module or modules they may obtain an exemption."

as financial reporting and auditing are fundamental to all accounting firms," he says, adding how Module 9 principles of taxation, will also give students a head start. "Tax is also a very integral part of our business, and an important element of financial reporting. An accountant must be familiar with Hong Kong's tax rules and how we can apply them when performing computations and interpretations. These are all basic requirements for any accounting professional." A good understanding of business and company law, covered in Module 10, is also necessary, he notes. "Though accountants are not expected to be legal consultants, knowledge in company laws can help accountants to solve day-to-day problems."

Skills beyond accounting

Suzanne Cheng, Chief Financial Officer of Hutchison Telecommunications Hong Kong Holdings Limited, expects future professional accountants in business to have strong analytical skills, especially when analysing financial information. "By interpreting figures, CPAs should be able to tell us the reasons and story behind numbers, such as whether an increase or decrease is caused by the company, customer behaviour or the economy, for example," she says.

With knowledge attained from the Associate Level, Cheng notes, students can join accounting degree holders studying the new QP's Professional Level. "CPAs would greatly benefit from the Professional Level, with its comprehensive coverage of technical areas and soft skills necessary for professional accountants working in business," she says. "Knowledge in financial reporting and business finance will help you to communicate day-to-day operations in numbers. Professionals need to understand how to review, reconcile and interpret financial information that is given to them and see whether it complies with financial standards and listing rules," adds Cheng. She is confident the new QP will equip students with both technical and soft skills to succeed in business after graduation.

As CFO of a telecommunications operator, Cheng is relied upon to ensure the financial health of the company. "In my day-to-day work, I need to fully understand the details as they will affect the overall financial impact of the company," she says. "Any additions need to be critiqued to see how they will impact the profit and loss accounts and balance sheets of the company, and then clearly communicated to the bosses." Because of this, Cheng stresses that communication skills are equally as important. "As accountants, we deal with a lot of people, so one needs to know how to effectively communicate their ideas and findings with anybody, especially when there is financial information involved."

Wong agrees: "Accountants aren't just those who face accounting figures all day. Much of the day-to-day work we do consists of facing and dealing with different people, such as lawyers, bankers and creditors. Therefore, communication and interpersonal skills are extremely important," he says. "Accountants need to determine whether accounting figures are presented in a true and fair manner – as the figures themselves don't tell you the whole story, but are interrelated with other figures. We then need to be able to communicate our findings with different parties."

Cheng explains how companies also expect CPAs to have the necessary IT skills to work more effectively and efficiently. "Many businesses like ours deal with a lot of data such as numbers and names nowadays, so we can't just rely on spreadsheets anymore," she says, adding how the company has since begun using data visualization tools to help with this. "Students must be open to new ideas and technologies, such as financial process automation or robotics," she says. To address this, the new QP aims to upskill students in emerging technologies. Ng of the Institute adds how the use of technology in the workplace will be discussed more thoroughly during workshops. "We will feature case studies which incorporate the usage of current audit software," he says. "We want the case studies to mimic the real world as closely as possible."

Proficiency in all modules of the new QP is also essential to getting the most out of on-the-job training at a Big Four firm, notes Shirley Woo, Partner at Deloitte and Chairman of the Institute's Qualification and Examinations Board. "CPAs working at the Big Four will receive added exposure to help them become more well-rounded," she says. With firms today becoming increasingly focused on consulting services, Woo hopes QP students can apply their knowledge from the QP in both accounting and consulting roles. "We have rotation programmes where CPAs work in different departments such as the audit and tax teams for a period of time, and learn from each project. After that, we have them focus on advisory," she explains. "Using the skills acquired from the new QP, CPAs will learn how to apply these skills in practical situations and also to provide advisory and solutions to our clients."

"Knowledge in financial reporting and business finance will help you to communicate day-to-day operations in numbers."

"We are trying to get the message through to students that accountants today are not just involved in traditional roles."

The practical experience

Under the Institute's Practical Experience (PE) Framework, students need to acquire at least three years of relevant experience under an employer or supervisor authorized by the Institute in order to fully qualify for membership. The Institute also introduced changes to its PE Framework in November 2018, such as providing students with more quality assurance of the Authorized Employer (AE) and Authorized Supervisor (AS) system, and improved online communication and transparency of documentation. "We have been working on a more structured framework to inform students how they can complete the practical experience, such as through finding an AE or AS to supervise them," says Shirley Woo, Partner at Deloitte and Chairman of the Institute's Qualification and Examinations Board.

The changes aim to foster more communication between the students and their supervisors. At the start of the practical experience period, the AE/AS and QP students are required to enter into a development commitment to determine their expectations and responsibilities. The QP student needs to maintain their online training records, which include a reflective statement for the supervisor to sign off each year. The supervisor needs to carry out interim and annual review meetings with the student. "With the IT system we are working on, students can complete and submit their training records every year, which helps them to keep track of their progress. We hope this helps students to liaise closely with their supervisors to see whether they are aware of their requirements and work on ways to acquire the skills they may not have yet developed," says Woo.

In ensuring that QP students have the necessary skills beyond accounting, the PE Framework offers six areas of technical competences with three elements each, making a total of 18 technical elements. The elements are diverse and cover topics such as preparing financial reports, performing an audit engagement, appraising investments and insolvency and reconstruction. QP students need to complete one element in the area of Financial Accounting and Reporting plus three other elements. "We are trying to get the message through to students that accountants today are not just involved in traditional roles," says Jonathan Ng, Executive Director of Qualification and Education at the Institute. "This is why we are opening recognized areas outside of the traditional roles for practical experience."

The Institute will also equip QP students with soft skills by having compulsory elements such as professional scepticism, ethical principles, and interpersonal and communication as part of its practical experience requirements.

Woo believes the new QP will also benefit professionals in other sectors, not just fresh graduates to acquire some accounting knowledge. "The programme might also attract chartered financial analysts, lawyers or even financial advisors who want added skills in accounting. They can simply take a few modules," she says. "I often work with lawyers on initial public offerings, and believe that some knowledge in accounting would help us both work more efficiently, for example, when we are looking at accounts, or when accounting information is involved."

Integrated knowledge

Currently, students who complete the four modules need to pass a final exam before becoming CPAs. With the new QP, students who complete the Professional Level move on to the Capstone Level, the final stage of the programme, which consists of a comprehensive three-day workshop before the integrated final exam.

Woo explains how the Capstone Level aims to integrate a student's knowledge across all modules. "The final workshops are designed to train the students' mindset before the exam. We will ask them questions that can have multiple angles, and have the students work together as a group to find the answers together. This is important because we ultimately want to train accountants how to think and how to handle real-case scenarios," Woo says.

Ng adds how a one to two-hour activity during the final three-day workshops might include a discussion on ethics such as handling ethical dilemmas, solving problems involving multiple accounting standards, or resolving conflicts within a group. "This will help to strengthen a student's understanding of ethics and how they can take on situations in the real world," he says. Woo agrees: "Employers don't just look for technical competency – they expect accountants to have an ethical mind to demonstrate that they are qualified with integrity."

The final exam will comprise one paper, instead of the current two, which students must complete under four hours. "We're not just testing a student's knowledge of theory – we want to test how students apply their knowledge from the four Professional Level modules during the three-day workshops and the final exam," Woo adds.

Ng explains how the Institute has made the final exam more integrated and open-ended than the current exam. "For

"Employers don't just look for technical competency – they expect accountants to have an ethical mind to demonstrate that they are qualified with integrity."

example, one of the questions might involve writing an internal memo to a partner explaining issues you have identified and how to solve them," he says. "Another question might ask students to come up with a business proposal, but the proposal has to touch upon taxation issues, how to resolve them and how to deal with financial reporting standards." He says the additions to the new Capstone Level would ensure that students ultimately meet all the desired requirements of the new QP before moving on. "This is the reason why we have a stronger emphasis on the Capstone Level. It's the last hurdle before they can call themselves a CPA."

The road ahead

The changes coming to the workshops not only impact students, but also the facilitators. "We are retraining the trainers to provide instant feedback, as we believe the students will benefit from this and in turn, apply the feedback into the next workshops," says Ng. He adds how the workshops will move away from assessing students merely based on right or wrong answers, and instead, assess students based on the logic behind their answers as well as class participation. Woo adds that in addition to covering technical knowledge such as audit and tax during the workshops, the Institute hopes to cover more practical skills. "For example, we'd like to teach students how to think about audit procedures," she says. "This is another area where the facilitators are being retrained."

The Institute is also looking for more professionals to join the new QP as workshop facilitators. "For the final workshops, we're looking for more CFOs and financial controllers with at least 10 years' working experience to really share their experiences in the real world such as dealing with clients, interacting with auditors and negotiation skills," says Woo. "This is what we want from the QP – for it to be a platform for younger accountants to learn from experienced professionals. We need people who can teach our QP students what an all-rounded CPA needs to be equipped with."

Ng is thrilled about the coming launch of the new QP, and is confident it will equip the next generation of accountants with the expertise to not only adapt to changes but also take on challenges in an ever-changing profession. "We want future-ready accountants to have the agility to adapt and learn – learning never stops, it's a lifetime skill. Once they learn this valuable skill from the QP, they'll be able to adapt to changes," he says. "We want to provide our students with a qualification they are very proud of – because once they have the CPA qualification, they have a key to open up different doors. The skills are portable, and will improve employability whether working in practice or in business locally and internationally."

Those interested in taking their career to the next level may join the new QP's June 2020 intake by applying through the Institute's website. Deadline for application is 11 January 2020.

LET'S TALK

FASHION

Vincent Leung, Senior Manager, Finance at Versace Asia Pacific, switched from the practising sector to the fast-changing world of luxury fashion three years ago. He tells Jemelyn Yadao how he adapted to his new responsibilities, which include streamlining the business and constant communication, and what it means to be a supervisor under the Institute's Authorized Supervisor Scheme

Photography by Calvin Sit

Fashion fans will probably recall Jennifer Lopez storming down the runway at Versace's Spring 2020 show, wearing a replica of an iconic green dress that she first wore 20 years ago, as one of this year's biggest fashion moments. Vincent Leung, a Hong Kong Institute of CPAs member, refers to the dress as *that* dress. "That jungle green dress is my favourite Versace piece. It's hard to imagine that a dress could trigger the creation of a search engine," he says.

Indeed, after the actress and singer wore the palm-print green dress at the 2000 Grammy Awards, it became the most popular search query Google had ever seen at the time, leading to Google Image Search being invented.

Leung is Senior Manager, Finance at Italian fashion house Versace's Asia-Pacific regional headquarters in Hong Kong. While the brand is well known for its over-the-top runway moments and ornate clothing, Leung says that the brand is special for another reason. "For me, the most interesting thing about Versace is that it's a very young brand. We only have around 40 years of history compared to other fashion houses like Chanel or Louis Vuitton, which have been around for more than 100 years. Of course our sales may not be comparable to Louis Vuitton, but we're always changing, improving and we're growing in terms of our business, and that's exciting."

The allure of playing a major role in business growth and decision-making drove Leung to leave his audit career at a Big Four firm after seven years. He had joined EY as a junior auditor, moving up to assurance manager, and provided audit advice to clients from a wide range of industries, including luxury retail. "I focused on clients like Louis Vuitton, Moet & Hennessy, and Loewe. That experience was one of the reasons why I later applied for this position in Versace," he says.

"I would say that as an auditor, I didn't have the opportunity to drill down on how to improve the operations of my clients. These are areas that auditors tend to find difficult to help clients with because auditors, most of time, mainly understand things on the surface level," he adds. "I wanted to have more of an impact on the business and now at this company, I have a down-to-earth view of the business."

For professional accountants in practice considering whether moving into an industry role would be the right move for them, Leung recommends that they ask themselves some questions about their personality type. "Know your weaknesses, your strengths and your character," he says. "There are people who want to become audit partner at a firm and have the characteristics needed to be partner. But for those who don't have that ambition, the business sector could be a blue sea for them."

According to Leung, Asia Pacific contributes substantially to Versace's overall business. "We account for about 40 percent in comparison to the

Since joining Versace in 2016, Vincent Leung has had to oversee several projects to help streamline business processes.

other two regions, Europe and the United States," he says.

As part of his regional role, Leung is in charge of a team of 10 people focused on reporting and project management across nine markets: Hong Kong, Macau, Mainland China, South Korea, Taiwan, Australia, Malaysia, Singapore and Thailand. "Last year, we took over the Thailand business from the franchisees. We need to keep the momentum going in the fast-growing countries, like Thailand, where many tourists visit. In luxury retail, one of the key customer segments is travellers," Leung explains.

He has had to brush up on the compliance and legal requirements of those different markets, something he didn't have to do as an auditor. "Some markets are very interesting, for example South Korea and Japan have their own style of business operations and practices. It's important for me to know the legal and tax requirements to help the company in the market."

Global discussions

Since joining Versace, Leung has had to oversee several projects to help streamline business processes, and that required him to look beyond the numbers. "When I first joined, I was quite strong with the numbers and accounting requirements so my first task was to help the different accounting teams in different markets ensure their reporting met both the local accounting standards and also the international standards. This was required by our Milan headquarters," he explains. "After that, I had to look into what are the best accounting policies for different teams to follow so that we can have a consistently smooth monthly closing and reporting procedures."

Another focus area for him is stock control and inventory management. "We need to ensure that the store salespeople maintain good inventory control. The finance team plays an important role in setting out the rules for stores to follow, making sure everybody understands them, and deciding on the best procedure," he says.

Through these big tasks, Leung was able to build strong relationships with the different teams around the world. "When I arrive at the office, it would be almost afternoon in Australia so I would have a phone call with the Melbourne office, and then with Beijing, South Korea and sometimes Malaysia. And then in the afternoon, it would be morning in Italy and I have to do a Skype call or phone call with them. During the whole day, there would be different kinds of discussions going on to ensure all teams are aligned," he says. Leung admits that all of this communication can be sometimes difficult to manage. "Commitment is needed. When someone seeks help from you, he or she is trusting that you can provide a solution. I enjoy it because I like coming up with solutions for the team, for the headquarters, for everybody."

Effective communication is also key in his budgeting projects, which involves Leung liaising with different departments. "This is very difficult because most of my colleagues are not sensitive to numbers. We have to let them know how they should control their spending."

With Hong Kong's retail sales declining amid anti-government protests, Leung finds himself having more budget-related discussions at work. "Under the current situation, the Hong Kong retail market is not doing very well so we would advise some people, say PR and marketing, to put their resources or money into projects that have high-returns, which can help push the business. And with the Hong Kong market struggling, they could also switch their resources to other markets. We need to constantly let business units know what we're envisioning for the market so that they can change their plans and control their spending.

Big changes

One of the biggest developments Leung has seen at the company took place in September 2018 when American conglomerate Capri Holdings, the parent company of Michael Kors and Jimmy Choo, revealed that it was acquiring Versace for US$2.1 billion. The takeover was completed at the end of last year. Leung says the move brought drastic changes to the accounting, and major challenges for his team. "Globally, it's rare to see an American-based luxury retail group. Kering and Richemont are all based in Europe. For all

"The finance team is like a watchdog. We let our colleagues know what the standard is, in terms of internal controls, and monitor them to make sure that standard is met."

of us, this was a brand new idea and a whole new structure," says Leung.

"Because Capri is a U.S.-listed company, it has to follow Sarbanes-Oxley, which requires the highest standard of internal controls. We've been busy changing the internal controls and operations of a European family-run business to effectively integrate into Capri Holdings. This is a big challenge," says Leung.

Education and training has been essential to getting his team up to speed with the changes, and acknowledging the benefits. "We also need other business units to understand that the practice that we've been using in the past is not good enough. We need to do better to have more sophisticated internal controls to manage business risks, IT risks, all kinds of risks that departments can encounter," he says. "The finance team is like a watchdog. We let our colleagues know what the standard is, in terms of internal controls, and monitor them to make sure that standard is met."

Work has been more fast-paced since the takeover, he says, "but this makes the brand react to changes in the market more quickly. In future, with more investments in operation systems and technology by Capri, we could work in a more innovative way to

Leung switched to working in the business sector after working in audit for seven years at EY.

increase operational efficiency in areas ranging from merchandise planning, reporting, budgeting and cost analysis."

Mentor mindset

Leung is an Authorized Supervisor (AS), under the Institute's Authorized Supervisor Scheme, whereby members registered as ASs train prospective members working for sole practitioners and those working in commerce and industry where employer authorization may not be appropriate. "With support from the Institute, we can guide young accountants on the right path for career growth," he says. Leung has been an AS to three people at the company so far. After three years of practical experience, under his supervision, they can become qualified CPAs and full Institute members.

Giving out career advice to young people in the business sector is particularly challenging, according to Leung. "The career path in business is not as clear-cut as in a professional firm where there's often a career hierarchy. In the business sector, supervisors need to try and help young accountants come up with clear career goals," he says. "This gives me a great sense of responsibility. I'm not only responsible for how they can develop themselves in Versace, but also for their accounting careers."

He took on this challenge thinking back on how he benefitted from the guidance of his past supervisors. "I have had several good supervisors in my career. They inspire me how to see things in different angles and think out-of-the-box," he says.

Apart from setting out career paths and benchmarks for the future members, Leung offers some direct advice. "Young accountants need to realize that accounting now is not just about numbers but how you interpret the numbers to different kinds of people," he says. "Your work or report can't just have numbers. You need to include your commentary, and let third-parties know what those numbers in the report mean."

Path to luxury

For Leung, deciding what course to take at university was easy. He liked working with numbers and envisaged himself being a professional in the future. He graduated from Hong Kong Polytechnic University with an accounting degree and quickly kick-started his career at EY. "The firm was attractive to me because of its learning platform for young accountants. It has a so-called EY University, which is like the learning department of EY and provides different kinds of training for young accountants," he says. "They collaborated with external tutors and organized training to help us prepare for the Qualification Programme (QP) examination. They also organized continuing professional development courses, from auditing skills to taxation."

> **"This gives me a great sense of responsibility. I'm not only responsible for how [young people] can develop themselves in Versace, but also for their accounting careers."**

With a bit of luck, he says, he became an Institute member during his first year at EY. "It was lucky that I managed to complete the QP. The first few years were tough because we had to handle the examination and the auditors. Fashion auditors also have peak seasons. We needed to follow-up on work," he remembers.

These days, he is enjoying learning about the issues facing fashion and retailers, such as the challenges of adopting a digital mindset to cater to customers. "Every fashion house wants to increase their market share, and one of the quickest ways to do that is to accelerate e-commerce development. But for luxury retail, e-commerce is still a question mark," he says. "If a brand co-operates with third-party e-commerce platforms in China that are multi-brand, that luxury and unique shopping experience may be affected because it is less flexible than having a website with customized content and merchandising. But at the same time, it is challenging nowadays to drive traffic to your mono-brand e-commerce website to shop unless you invest heavily in advertising."

One solution for brands is to develop an omnichannel strategy, he notes. "That means if the customer shops online we would also attract them to go to our physical stores to get other products, and they can still have that luxury customer experience," he says. "Things in fashion keep changing. We need to engage and facilitate the market. I think everyone in luxury retail is trying to find the best business model for this situation."

Leung is now also balancing the fast-paced fashion world with playtimes. "I'm a father of a 19-month baby boy. On the weekends, me and my family go to playgroup or go to parks to play," he says. "I also love cooking, especially for my son. He's quite picky these days so I have to think of a variety of meals to cook to increase his appetite. I'm good at multitasking, like all accountants."

The views expressed in this article reflect solely Leung's personal opinions and do not represent the opinion of Versace Asia Pacific.

Vincent Leung is an Authorized Supervisor (AS), under the Institute's Authorized Supervisor Scheme, whereby members registered as ASs train prospective members. More details about this scheme and how to apply for it can be found on the Institute's website.

by Elaine Lam

The Managing Director of Robert Half Hong Kong on the best ways to fast-track your career progression in the new year

Six tips for achieving your career goals in 2020

The chances are, you've probably got a few New Year's resolutions in mind for 2020. Some of the most common ones often revolve around getting more exercise, socializing more or eating healthier food. But if exploring the employment market and developing your career next year is one of those resolutions, then it's important to remember that this will take more planning and preparation than simply kicking a habit or starting a new one.

The market for skilled finance and accounting professionals is rife with opportunities, which is why setting clear goals and having a firm idea about how you will achieve them will be key to taking the next step on your career journey.

Keep your CV and LinkedIn profile updated

One of the biggest mistakes candidates make is not having an up-to-date CV, which means they run the risk of missing out on opportunities as they arise. As soon as you've made your decision to explore the job market next year, revise and update your CV with all the most relevant skills and experiences for the role you're looking for. As more hybrid business-financial roles continue to emerge in 2020, keep in mind that you could be expected to show examples of how you've used your commercial acumen and analytical thinking to enhance your finance and accounting capabilities.

Competition for talented candidates with specialized financial skills is getting tighter, so you should also ensure that your online presence is also up-to-date with your latest skills and achievements. Today, LinkedIn is a valuable source of passive job seekers for hiring managers who take a more proactive approach to recruitment.

Strengthen your IT skills

The lines between technology and finance functions in organizations are blurring. Pursuing professional development opportunities and additional qualifications in IT could give you the edge over other candidates while demonstrating your ongoing commitment to learning in a rapidly evolving business landscape. Employers will be on the hunt for finance and accounting professionals who can show they have experience in customer relationship management tools, predictive analytics, accounts payable automation and the implementation of cloud technologies – among others.

Employers also look for finance candidates who can add greater value to the strategic direction of companies by leveraging their advanced data and modelling skills. Any chance you get to develop and exercise these skills should stand you in good stead for your next career move.

Find out what really motivates you

Companies are taking workplace wellness initiatives more seriously than ever before in an effort to retain the best employees. But everyone is different, which means the culture and policies of one organization might be better suited to some people over others.

Before launching into a job search, you should have a clear idea about what will make you happy going to work every day. For example, companies will always vary in how they prioritize things like time off, working flexibility, professional development, competitive salaries and many other factors that might affect work-life balance.

Knowing what your deal breakers are could determine whether you'll be happier in a startup environment that offers faster career progression over higher remuneration, or whether you'd be better suited to work in a large organization offering plenty of perks and benefits but more limited growth potential.

Manage your personal brand

Companies need to take care of their brand reputation online, given the importance of web presence to job seekers and the growing popularity of online review platforms. For the same reasons, job seekers need to manage their personal brand in the online space too.

With social media, it's all too easy for employers to get a preliminary picture of candidates' values and interests by reviewing the content they post on various social media channels and online forums. As you head into the new year, review your content so it portrays you in the best light. If there's anything you think should be reserved for family and friends, adjust your privacy settings accordingly.

Grow your personal and professional network

Responding to job ads through job boards and recruiting sites is the obvious way to hunt down your next big career break, but it could pay to be more dynamic in your approach. Expand your professional networks by attending trade shows, company events, conferences or even volunteering for projects. Positions are often filled as a result of recommendations while you might also get the chance to find out about new and upcoming roles or open conversations with hiring managers. A solid professional network can also be invaluable to helping you keep on top of changing key skills. For example, opening your mind to mentoring arrangements could help you observe and develop those important problem-solving skills, analytical abilities, and strategic financial reporting capabilities required today.

Maintain your momentum

The job market is always a two-way street. While your goal is to land a new job that fulfils your career ambitions, employers need to be sure that new recruits have the potential to help their business achieve objectives for the long-term. It's important to prepare for multiple rounds of interviews and lengthy interview processes without becoming despondent. To help you keep up the pace and positivity, aim to stay in contact with hiring managers throughout the process, reminding them why you think you're suitable for the role, while also keeping your eyes open for others.

THOUGHT LEADERSHIP

How accountants can attain the necessary hard and soft skills in order to succeed

The skills Accountants Plus need to develop and how they intend to develop them

The Institute's 2019 Career Survey asked member and student respondents about the skills they need to develop for their planned career moves. The results show that across all respondents (QP students; and members in junior roles, middle and senior managements) the top five skills were a broadly similar mix of hard and soft skills.

This article covers these skills and how Accountants Plus use them to deliver the advice and support their clients and employers need, and how the survey respondents expected to obtain them.

Presentation and communication skills

Accountants are expected to know the technical details of the financials and how they are calculated. But it is one thing to know the details and another to be able to explain clearly and effectively to colleagues, employers and clients. Effective communication skills enable accountants to describe not just the financial results, but also any problems and related solutions. Through strong presentation and communication skills they can also help non-accountants to understand why the information being given is important for their business operations. By being able to present complex ideas, Accountants Plus can help a business make strategic decisions, or offer timely and relevant advice to clients.

Leadership skills

Leading an organization's finance function, managing a team of specialists or directing a team of auditors – across all sectors and specializations, accountants need to demonstrate strong leadership skills. This is why it was the second most important skill to develop for students, and the top for middle and senior managements. With many accountants working in teams comprising both accountants and other professionals, leadership skills can help with the effective delivery of tasks and allocation of resources. For organizations, accountants make great leaders due to their strong understanding of the numbers, their ability to grasp the big picture, and their reputation for upholding professional standards and their strong ethical codes.

Technical skills

Strong technical skills are key to career success as an accountant. Across roles in business and practice, accountants must keep up-to-date with the latest developments in financial, accounting and other reporting standards. But technical skills are not limited to just accounting knowledge. Accountants Plus must have the skills to use new technologies and leverage complex and unstructured data in order to obtain useful business insights. Accountants Plus should also consider developing their business intelligence and enterprise resource planning skills.

Analytical skills

Relatedly, in the increasingly complex world, with many organizations having numerous data feeds and tools available to help analyse them, analytical skills are vital. The technical skills to use tools are not enough by themselves, as value is truly added by being able to interpret the results produced by them. With strong analytical skills, Accountants Plus can make high quality recommendations to help their businesses or their clients make the right decisions, and quickly respond to opportunities.

Problem-solving skills

The increasing complexity of the business world requires accountants with not just strong technical or analytical skills, but also strong problem-solving skills. Problem solving is also one of the tasks accountants enjoy most, with a survey by Robert Half showing that over 40 percent of accountants say solving problems gives them the most job satisfaction. As trusted business advisors, Accountants Plus need to be able to identify problems, analyse them, and structure and implement solutions.

Developing the skills

The survey also asked how respondents expected to learn the new skills they need, and allowed them to select multiple options. Over four-fifths of both members and students expected to learn on the job, 50 percent of members and 36 percent of students through attending face-to-face courses or events, and 28 percent of members and 20 percent of students through reading reports, articles or books. Around one-fifth of respondents (23 percent of members and 15 percent of students) expected to learn through online courses.

Despite the preference for on-the-job learning, certain technical and management skills are most effectively developed through structured training programmes. To assist members and students, the Institute is expanding the range of continuing professional development (CPD) courses it offers to ensure they have access to the training they need for career success as Accountants Plus.

As well as face-to-face courses, the Institute has an increasing range of online courses available, including those from leading global professional development organizations accountingcpd, the Chartered Institute of Management Accountants, and the International Institute of Business Valuers.

Details about both face-to-face and online CPD can be found on the Institute's website.

Tackling business challenges in uncertain times

A look at how the right risk and liquidity management can help corporates tackle changing times by Stephen Chan, whose e-Series on corporate and strategic finance are available for members now

Stephen Chan is Executive Director of iFinance (Asia) Limited. He is a senior banker with over 40 years banking experience specializing in marketing, lending and credit approval activities. He worked with various leading international investment and commercial banks in Hong Kong, including but not limited to ING Bank and China Construction Bank (Asia). He is an Individual Member of the Hong Kong Securities and Investment Institute, Associate Member of The London Institute of Banking and Finance – the United Kingdom and an Associate Member and Certified Banker of The Hong Kong Institute of Bankers.

Global economic uncertainty is running at almost record highs, according to the Economic Policy Uncertainty Index. It is not difficult to see why, amid the Sino-United States trade war, with federal fund rates being cut, tensions running high between Iran and the U.S. in the Gulf, and possible increases to Hong Kong's dollar prime rates all putting corporates in a tricky situation. They regularly face good and bad news from both local and global markets, for which strategists and economists are not able to provide clear solutions.

Circumstances like these make predicting the direction of stock and property markets across economies rather difficult.

But, by looking at the risks associated with various scenarios, corporates can evaluate possible impacts and avoid or eliminate any negative implications through risk and liquidity management.

Analysing scenarios

A credit approver in a large commercial bank would need to identify any possible risk sectors with corporates and try to quantify them using scenario analysis. Doing so could help corporates identify whether those risk sectors could be tolerated and what approach should be taken.

Corporates should also look beyond credit risk management. Concentration risks in terms of suppliers, buyers, geographical locations (for suppliers, buyers, manufacturing bases and representative offices) should also be considered, and diversification be made. Recent typical examples of concentration risks include ZTE in April 2018 and Huawei in May 2019, with both Chinese companies heavily reliant on suppliers from the U.S.

While country risks should be evaluated for manufacturing bases, suppliers and buyers should also be diversified in order to avoid political and/or country risks. Within the banking sector, certain countries have been classified as prohibited countries, high-risk countries, and potential high-risk countries, with no trade transactions and remittances allowed with those prohibited countries. Corporates dealing with potential high-risk countries could eliminate risks by buying country risk insurance. Another way of protecting investments in potential high-risk countries is to invite the local government to be minority shareholders. For example, natural resources and petroleum company CITIC Resources Holdings Limited used this approach to protect its investments in the Philippines and other countries.

Having worked in a debt recovery team in investment and commercial banks, I have seen corporates face liquidity issues, especially when it involves large purchase orders. Let's illustrate this with a debt recovery case study. ABC, a manufacturing company, purchases raw materials using cash (without a credit period taken from suppliers) and sells the finished goods (with a credit period given to buyers). This results in a liquidity gap being funded by bank loans. A problem then arises when one of its buyers delays payments for months, and one of the lending bankers withdraws banking facilities. The case is only resolved when existing and new shareholders of ABC inject cash, and if suppliers negotiate the credit period. Therefore, corporates have to review cash conversion cycles within their trade cycle and diversify the utilization of banking facilities within a panel of banks.

The workshops

I have conducted several e-Series on corporate finance for the Hong Kong Institute of CPAs, which can be found on the website, such as "Understanding Banking Products for Accountants," "Fundamentals of Structured Finance" and "How Banks Evaluate Creditworthiness of Corporate Borrowers." The e-Series are highly applicable and covers a wide range of useful, practical fields and are conducted in Cantonese. They could assist chief financial officers, finance managers and shareholders in understanding the products and operations of banks. The courses are delivered by professionals in their own respective fields, who offer valuable insight through sharing their experiences with participants. The online nature of the e-Series also offers much more flexibility for busy executives, who are able to take courses whenever they see fit.

While there are a number of factors which make navigating through uncertainties difficult, corporates that perform the necessary risk and liquidity management can tackle changing environments at any time.

Size is no excuse

A closer look at the defences in disciplinary cases involving audit deficiencies by small firms

The principles of auditing are the same for large or small audits. Yet, this often seems to be overlooked when we take a closer look at the defences put forward in many of the disciplinary cases involving audit deficiencies by smaller firms or sole-practitioners.

Lacking resources is no justification for non-compliance

One common excuse put forward by auditors to justify their non-compliance with professional standards is a lack of sufficient resources to comply with the standards or the small size of their audit engagements. Disciplinary Committees (DC) have little tolerance for such defences, viewing them as auditors demonstrating a serious lack of understanding of the standards' requirements and their responsibilities as auditors. The consequences are usually significant sanctions.

In one case the auditor blamed his substandard audit work on his small scale practice, which lacked audit staff or subcontractors to assist him. The DC concluded that constraints on human resources and time did not justify non-compliance with standards.

In a case where these issues were argued before the Court of Appeal (CACV142/2017), the judge effectively dealt with them once and for all. The judge's conclusion was that *"... whilst a failure to observe professional standards may be made more egregious when a public company is involved, it cannot be a reason for letting professional standards slip that an accountant's firm was a small one or his clients were small companies. An accountant is accorded the privilege of practice by virtue of membership of his professional body. For that privilege, he has to comply with its standards, whether or not he considers them to be too demanding for him, and whether his firm is big or small, and irrespective of the status of his clients."*

Lack of audit procedures

We are seeing, with increasing frequency, cases where auditors issue a disclaimer of opinion without having performed the required audit procedures citing limitations imposed on the scope of the audit through lack of cooperation or a demand for cost savings from their clients. However, there is often no evidence that the auditor attempted to remove any such limitations. In substance, the auditor had misused disclaimer of opinions in order to circumvent necessary audit procedures. It is unacceptable to compromise professional standards and audit quality because of client pressure or lack of resources.

The Institute will take robust actions against such abuse of disclaimer of opinions, particularly where practical audit procedures were available but were not carried out. Referring to one such case, a DC commented that *"a company and auditor cannot agree to contract out of the mandated standards simply for convenience or to achieve costs savings."*

Accountability

In some cases, the respondents put the blame on the subcontractors they had engaged to perform the audit. This only demonstrates to the DC the respondents' lack of understanding that whilst they may outsource the work, they cannot outsource accountability. Auditors are responsible for ensuring that subcontractors perform sufficient and appropriate audit work and are responsible for overall audit quality.

The purpose of audits

The underlying issue in these cases is that some auditors incorrectly assume that for small audits and audit clients not all requirements of the standards apply.

This is an elementary misunderstanding of the purpose of the audit. Auditors must comply with all relevant auditing standards in order to form an audit opinion. The size of the engagement is in itself not a reason to ignore standards. Nevertheless, the extent of audit documentation may vary. The extent of audit documentation may be comparatively less for small audits but auditors must still carry out and record all necessary audit work to meet the relevant requirements of auditing standards.

There is a public expectation that all audits will be carried out at the same level of quality and DCs will apply the same level of scrutiny when assessing whether the auditors had complied with standards in an audit – no matter the audit size. A DC will decide on the appropriate sanctions which reflect the seriousness of the auditor's failures as well as being sufficient to maintain the public's confidence in the ethics and audit quality of the profession.

Sanctions could range from a financial penalty to a cancellation of practising certificate and in serious cases may extend to membership removal.

Avoiding disciplinary actions

To avoid disciplinary actions, auditors should appropriately assess their capacity and competence to carry out a proper audit at the client acceptance and continuance stage. If the auditor does not have the time or resources to provide a proper audit in accordance with the standards, the engagement should be declined.

Auditors should also encourage clients that are not required to use Hong Kong Financial Reporting Standards (HKFRS) to use a simpler reporting framework which would be less expensive and time consuming for all concerned. Auditors need to consider the risks that they're taking on by accepting clients that must use HKFRS. Businesses with no public accountability that are not required to use HKFRS should use either the *HKFRS for Private Entities* or the *Small and Medium-Sized Entity Financial Reporting Standard*.

Decisions of the DCs and the Court of Appeal make it crystal clear that auditors must comply with all relevant standards, irrespective of the size of their practice or their clients. Simply put, size is no excuse.

This article is contributed by ***Elaine Chung****, the Institute's Head of Enforcement.*

Views exchanged during the 2019 annual meeting with the IRD

The annual meeting with the Inland Revenue Department (IRD) was held on 10 May, and was the first meeting after the enactment of a number of important tax amendment ordinances. Most notable of which was the Inland Revenue (Amendment) (No. 6) Ordinance 2018 (No. 6 amendment ordinance), which introduced the international transfer pricing (TP) rules into Hong Kong's tax legislation. Since the TP legislation was new to Hong Kong when the annual meeting was held, TP together with profits tax and cross-border taxation were the key meeting discussion topics. This article summarizes the views exchanged on the key questions.

Interaction between the source rule and TP rules

Question:
The TP rules require considerations of the transactions between associated enterprises be computed on an arm's length basis. After ascertaining the amount of income or profits, the IRD will apply the source principle to determine the onshore taxable amount. The different approaches raises the question of how will the IRD reconcile these two bases of attributing profits to Hong Kong?

Answer:

- The TP rules and the source principle will be applied in two stages.
- Stage 1 is to compute the profits of the advantaged person based on analysis on functions performed, assets used and risks assumed (FAR analysis) by the affected person (i.e. the advantaged person). Profits of a non-resident person attributable to its permanent establishment (PE) will be determined as if the PE were a distinct and separate enterprise and based on the FAR analysis.
- Stage 2 is to apply the broad guiding principle with a focus on the effective causes, ignoring any antecedent or ancillary matters, in determining the source of the profit computed. The caveat in CIR v. HK TVB International Ltd. [1992] 2 AC 397 remains relevant.

Territorial basis of taxation and BEPS 2.0

Question:
The Organization for Economic Cooperation and Development (OECD) recently put forward a number of proposals and an associated consultation on the taxation of the digital economy. These proposals are commonly known as Base Erosion and Profit Shifting (BEPS) 2.0. The BEPS 2.0 proposals might affect decisions on locations of business activities of multinational groups. In the light of the recent international tax developments, how could Hong Kong maintain its competitiveness and avoid being challenged as having harmful tax practices?

Answer:

- Some of Hong Kong's preferential tax regimes were assessed by the OECD Forum on Harmful Tax Practices (FHTP) and concluded as not harmful. Also, the European Union has not put Hong Kong on the list of non-cooperative tax jurisdictions. The IRD has been keeping a close watch on the FHTP's work.
- The territorial source principle is, to a certain extent, consistent with the TP value creation concept.
- Pillar 1 and pillar 2 under the BEPS 2.0 proposals could potentially affect businesses operating internationally across all sectors. The IRD has been keeping a close watch on the development of the proposals.

The three-tier documentation for TP

A few questions were raised during the meeting in relation to the three-tier documentation. Most of the questions have been addressed in three TP Departmental Interpretation and Practice Notes (DIPNs) subsequently issued in July 2019. For a summary of these DIPNs, please refer to the August issue of *A Plus*.

Deduction of research and development expenses

Question:
A foreign company has branches in different jurisdictions, including Hong Kong. The head office and the branches undertake research and development (R&D) activities under a cost sharing arrangement (CSA). The company has the legal ownership of any intellectual property (IP) rights generated through R&D activities and the head office and the branches will use the IP to generate local revenue. The Hong Kong branch will share R&D expenses proportionate to the revenue captured. Would the Hong Kong branch be considered having fulfilled the "fully vested" condition and therefore qualify for R&D deduction under Section 16B of the Inland Revenue Ordinance (IRO)?

Answer:

- Assuming that the qualifying conditions had been met, the Hong Kong branch would be allowed to claim R&D expense deduction to the extent that the IP was used for producing profits chargeable to Hong Kong profits tax.
- Expenditure on R&D employees and consumable items (i.e. qualifying expenditure) incurred by the Hong Kong branch, without any recoupment, would qualify for enhanced deduction at 300 percent or 200 percent as Type B expenditure, provided that the required conditions in Schedule 45 of the IRO are satisfied.
- R&D expenses other than the qualifying expenditure; and those allocated back to the Hong Kong branch via the CSA arrangement for the R&D activities outside Hong Kong would qualify for 100 percent deduction as Type A expenditure.
- The IRD had summarized in paragraphs 87-97 of DIPN 55 the qualifying conditions for claiming tax deductions for R&D expenses under a CSA.

Double tax relief for individuals – application of Section 8(1A)(c)

Question:
The income exclusion claim in Section 8(1A)(c) of the IRO is now only applicable to income derived from services rendered in territories which do not have a double tax agreement (DTA) with Hong Kong. For

territories with which Hong Kong has a DTA, taxpayers can only claim tax credit relief for foreign tax paid as long as other qualifying conditions are met. It is worth noting that a non-Hong Kong resident person will not be qualified for the tax credit relief claim according to Section 50(2) of the IRO.

For a non-Hong Kong resident who holds a Hong Kong employment contract; works in both Hong Kong and a territory with a DTA with Hong Kong (DTA territory); and who paid tax in both Hong Kong and the DTA territory, how could the non-resident person claim double tax relief from Hong Kong salaries tax purposes?

Answer:

- The non-resident person will not qualify for Section 8(1A)(c) income exclusion claim because a DTA territory is involved.
- The non-resident person will not qualify for tax credit against Hong Kong salaries tax because they are not covered by the DTA between Hong Kong and the DTA territory.
- The non-resident person may resort to any unilateral relief from their resident jurisdiction or bilateral relief under the DTA between their resident jurisdiction and the DTA territory or Hong Kong.

Tax credit claim under Section 50 for royalty income

Question 1:

A Hong Kong company received royalties from a Mainland resident corporate and such royalty income will be subject to Hong Kong profits tax, but the Hong Kong company had not applied for a certificate of tax resident status (CoR) in Hong Kong. The royalty income would therefore be subject to withholding tax at 10 percent instead of 7 percent in the Mainland. Could the Hong Kong company claim tax credit based on the 10 percent withholding tax rate?

Answer:

- Section 50AA(2) of the IRO requires that the amount of any relief from double taxation granted must not exceed the amount of relief that would be granted had all foreign tax minimization steps been taken.
- As the taxpayer had not applied for a CoR, the IRD considered that the taxpayer had not taken reasonable steps to minimize foreign tax paid. Hence, the tax credit amount would be limited to the tax treaty rate of 7 percent instead of 10 percent.

Question 2:

Same arrangements as question 1 except the Hong Kong company applied for a CoR with the IRD, but the application was rejected and the withholding tax was imposed at 10 percent instead of 7 percent. Can the Hong Kong company apply for tax credit relief in Hong Kong?

Answer:

- According to Section 50(2) of the IRO, an applicant for a tax credit had to be a Hong Kong resident for the relevant year of assessment.
- The fact that the CoR application with the IRD was rejected is an indication that the taxpayer is not a Hong Kong resident. Therefore, the taxpayer is not entitled to any tax credit relief against the withholding tax paid in the Mainland in respect of the royalty income.

Application of CoR via the "same treaty benefit rule" under Public Notice (2018) No. 9 (PN 9)

Question:

Article 3(2) of PN 9 issued by the State Taxation Administration (STA) provides that a Hong Kong applicant (HK applicant) will be treated as the beneficial owner (BO) of dividends if:

- A shareholder who directly or indirectly holds 100 percent equity interest of a HK applicant is a qualified BO of the dividend concerned, as determined in accordance with article 2 of PN 9; and
- In a multilayer structure, such shareholder and all the intermediate holding entities of the applicant are a resident of a tax treaty jurisdiction which enjoys the same or better treaty benefit with respect of the dividends received from the Mainland as compared to what is entitled by the HK applicant.

Assume a HK applicant can provide evidence of its ultimate parent's holding structure, which shows it is fully owned by a tax resident enterprise of another jurisdiction that enjoys the same or better treaty benefit with respect of the dividends received from the Mainland compared to Hong Kong, and that the applicant qualifies as BO under PN 9. Would the IRD consider waiving the requirement of the HK applicant to produce evidence of its business substance in Hong Kong for the CoR application?

Answer:

- The IRD would take into account the interpretation in PN 9 and collect relevant information so as to consider whether it fulfilled the BO requirement. However, the IRD will still assess whether the HK applicant is a "resident of Hong Kong".
- The IRD would thoroughly examine the relevant facts of the case, including the business substance of the applicant in Hong Kong, in considering whether it is a "resident of Hong Kong" in the light of the object and purpose of the Mainland-Hong Kong DTA.
- The Mainland and other DTA partners of Hong Kong had over the years expressed strong views that tax benefits under DTAs should only be available to persons resident in Hong Kong with sufficient economic nexus with Hong Kong.
- In this regard, it is important for the IRD to act in good faith and adhere to a purposive approach in interpreting "resident of Hong Kong" for the purposes of DTAs.
- The IRD will apply caution in deciding whether a CoR would be issued. An application for CoR will be rejected if the applicant is regarded as only a conduit or paper company.

To conclude, the answers provided by the IRD during the meeting serve as good guidance on the application of recently enacted tax legislations. The 2020 annual meeting with the IRD will be held in May 2020. If you would like to contribute questions to the meeting, please send them to *apd@hkicpa.org.hk* before the end of January 2020.

We will review the questions and forward those selected to the IRD to answer at the meeting.

This article was contributed by ***Doris Chik****, Tax Director, Deloitte,* ***Wengee Poon****, Transfer Pricing Partner, PwC Hong Kong and* ***Eric Chiang****, Deputy Director, Advocacy and Practice Development at the Institute.*

HKFRS 9 – key application challenges for corporates and practical tips

Hong Kong Financial Reporting Standard (HKFRS) 9 *Financial Instruments*, which came into effect on 1 January 2018, is a new financial instruments accounting standard applicable to entities reporting under HKFRS. Replacing Hong Kong Accounting Standard (HKAS) 39 *Financial Instruments: Recognition and Measurement*, HKFRS 9 was issued with the aim to better align the accounting treatment of financial instruments with a company's risk management activities, and provide more relevant and understandable information to users of financial statements.

HKFRS 9 has been applied for over a year. During the year, the Institute's Standard Setting Department (SSD) reached out to technical experts and auditors in accounting firms to understand the challenges arising from applying HKFRS 9. This article explains the main challenges encountered by corporates, specifically small- and medium-sized entities (SMEs) because of additional costs and expertise required in applying HKFRS 9. It also shares some practical tips on how to address those challenges.

Measuring the fair value of unquoted equity instruments

Accounting requirements

Under HKAS 39, investments in equity instruments were primarily measured at fair value. However, the standard contained an exception from fair value measurement for investments in equity instruments that did not have a quoted price in an active market and whose fair value could not be determined reliably. Those equity investments were required to be measured at cost less impairment. Many SMEs in Hong Kong had been applying this exception because of difficulties in determining the fair value of their unquoted equity investments.

HKFRS 9 removes this exception, making fair value measurement mandatory for all equity instruments. This is because fair value provides predictive value about the timing, amount and uncertainty of future cash flows and more relevant and useful information than cost measurement (HKFRS 9 paragraph BCE.66). In addition, the incremental benefit of fair value measurement generally outweighs the additional cost, particularly when the investments individually or aggregated are material to the financial performance and position of the entity.

Application challenges

In the absence of active markets for and readily available observable inputs for unquoted equity instruments, many entities find it challenging to measure such investments at fair value. Measuring the fair values of unquoted equity investments usually necessitates the use of unobservable inputs (i.e. level 3 inputs under HKFRS 13 *Fair Value Measurement*), which require entities to exercise judgement and incur significant cost (for example, in valuers' fees). Entities may also find it difficult to get sufficient and timely information about the investee in order to perform a valuation when they are a minority shareholder.

Practical tips

(i) Guidance on doing a valuation

To help entities address these challenges, the International Accounting Standards Board (IASB) issued educational material, which provides guidance on commonly used valuation techniques for determining the fair value of unquoted equity instruments. This material also includes examples illustrating how, even when an entity has limited financial information about its investee, the fair value of an unquoted equity instrument can still be measured by applying appropriate valuation techniques.

(ii) Considerations when making investments

When investing in unquoted equity instruments, entities should consider doing the following:

- Confirm that the investee's information, including annual financial information, will be accessible on a routine basis for determining the fair value.
- Perform due diligence of the investee to ensure it has a proper governance structure and to ascertain the integrity of the financial information it provides.
- Create well defined valuation policies and procedures and appropriate internal governance for all investments made.
- If the entity has no in-house valuation expertise, engage an external qualified valuation specialist to perform a written, independent, and credible valuation of the investment both at acquisition and for subsequent periods.

(iii) Circumstances when cost would be representative of fair value

HKFRS 9 notes that, in limited circumstances, cost may be an appropriate estimate of fair value. For example, if insufficient recent information is available to measure fair value, or if cost is the best estimate within a range of possible fair value measurements. However, it is the SSD's observation that cost would only be appropriate in extremely rare cases after initial recognition. This is because external and internal developments would indicate that cost is not representative of the investee's fair value. For example, changes to the economic environment, changes in performance of its peer companies, or internal changes related to its management strategy, product lines or financial results. Extremely rare cases where cost is appropriate might include cases where the investee is a dormant company or the investee has only been acquired for a short period after initial recognition.

(iv) Consider applying SME Financial Reporting Standard

HKFRS are developed with entities that have public accountability in mind (e.g. listed companies). These entities are usually expected to have the capabilities to report their investments at fair value. Users of financial reports of such entities demand fair value information and the

Table 1: Disaggregate trade receivables based on shared similar characteristics

Toy manufacturing company					
Hong Kong		Mainland China		South Korea	
Wholesalers	Retailers	Wholesalers	Retailers	Wholesalers	Retailers

SSD acknowledges that valuations come at a price.

Accordingly, we encourage entities that meet the criteria set out in the Hong Kong Companies Ordinance to consider applying the *Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard*, a historical cost-based accounting framework that the Institute developed for entities that do not have public accountability and have less complex transactions and operations. Entities could also consider applying the *HKFRS for Private Entities*, a standard that is converged with the IASB's *IFRS for SMEs*.

Measuring expected credit loss for trade receivables

Accounting requirements

Under HKAS 39, a loss event needed to occur before an impairment loss was recorded. This was criticized by many investors as "too little, too late." HKFRS 9 requires entities to estimate and account for expected credit losses (ECL) for financial assets subject to its impairment requirements. When measuring ECL, entities are required to consider not only past events and current conditions, but also reasonable and supportable forward-looking information. HKFRS 9 also requires an unbiased and probability-weighted impairment amount determined by evaluating a range of possible outcomes.

This new impairment model also applies to trade receivables and HKFRS 9 provides a "practical expedient" to calculate the ECL in the form of a provision matrix.

Application challenges

There is a perception that ECL only affects banks and so some entities incorrectly think they can ignore the impact of ECL on trade receivables. Some entities also wrongly assume that ECL for trade receivables would be immaterial, solely based on the fact that there had been little or no default by customers in the past. Some entities are also unsure what is "reasonable and supportable information" and how to incorporate relevant forward-looking information and use the provision matrix appropriately.

Practical tips

Example 12 in the Illustrative Examples accompanying HKFRS 9 demonstrates use of a provision matrix to determine the ECL for trade receivables. This article includes some practical tips and a suggested stepped approach to consider when building a provision matrix. However, there is no prescribed method for the provision matrix, nor a specific requirement to use a provision matrix. Preparers could consider other appropriate methods.

(i) Disaggregate trade receivables based on shared similar characteristics

If historical credit loss experience shows significantly different loss patterns for different types of customer, trade receivables should be grouped by credit risk characteristics. Appropriate groupings could be based on credit terms and other attributes, for example geographical location, product type, type and size of customer (HKFRS 9 paragraph B5.5.5). Historical loss rates should be determined specific to each group as it is not appropriate to use one loss rate for different credit risk characteristics.

Consider a toy manufacturing company that sells its toys to wholesalers and retailers in Hong Kong, Mainland China and South Korea. The company first groups its receivables by wholesalers and retailers because they have different risk characteristics. Then, the company determines it should further disaggregate the two groups based on geographical location.

Assume that the toy manufacturing company has identified six subgroups (see Table 1 above).

(ii) Determine the appropriate period over which historical data should be collected

HKFRS 9 does not provide any specific guidance on how far back the historical data should be collected. Judgement is needed to determine the period over which reliable, relevant and representative data can be obtained. The sample should be long enough to be representative of the current period, but not so long that changes in market conditions or the customer base make the analysis invalid.

Assume that based on its current portfolio of Hong Kong wholesalers, the company determines that the historical loss rates for the past three years would provide useful information. Data captured over the relevant period should be combined and averages calculated. For simplicity, this example calculates historical loss rates using one year of data.

(iii) Calculate payment profile for trade receivables

Once subgroups have been identified and the historical loss data collection period has been selected, the next step is to determine the amount of receivables outstanding in each aging time band. In other words, an entity needs to analyse its historical data to determine how long it took to collect all of its receivables and the portion of receivables in each aging time band that was ultimately written off. This is critical for determining the historical loss rates for the next step. See Table 2 on page 42.

(iv) Determine appropriate historical loss rates

Once the payment profile has been analysed and the balances outstanding for each aging time band have been determined, the historical loss rates are calculated by dividing the total amount written off by the sales amounts. This calculation is shown on Table 3 on page 42.

Table 2: Calculate payment profile for trade receivables

Total sales	Cash recieved				
	In 30 days (Current)	Between 31-60 days	Between 61-90 days	After 90 days	Never paid (written off)
Total sales outstanding in time band	10,000,000	5,000,000	2,000,000	800,000	200,000
Amount received during time band	5,000,000	3,000,000	1,200,000	600,000	0
Outstanding balance at the end of time band	5,000,000	2,000,000	800,000	200,000	200,000

Table 3: Determine appropriate historical loss rates

Total sales	Current sales	Sales payments outstanding after 30 days	Sales payments outstanding after 60 days	Sales payments outstanding after 90 days
Total sales outstanding	10,000,000	5,000,000	2,000,000	800,000
Amount written off	200,000	200,000	200,000	200,000
Historical loss rate	2%	4%	10%	25%

Table 4: Incorporate forward-looking information

Total sales	Paid in 30 days (Current)	Sales payments outstanding after 30 days	Sales payments outstanding after 60 days	Sales payments outstanding after 90 days
Total sales outstanding	10,000,000	5,000,000	2,000,000	800,000
Expected amount written off	300,000	300,000	300,000	300,000
Expected default rate (after adjusting for forward-looking information)	3%	6%	15%	37.5%

Table 5: Calculate the expected credit losses

Trade receivables	0-30 days (Current)	31-60 days	61-90 days	After 90 days	Total
Balance outstanding	350,000	250,000	150,000	100,000	850,000
Expected loss rate	3%	6%	15%	37.5%	–
Expected credit loss	10,500	15,000	22,500	37,500	85,500

(v) Incorporate forward-looking information

The key objective of this analysis is to understand what drives the level of bad debts. The loss rates should therefore not only reflect historical data but also any relevant forward-looking information. This could include macroeconomic factors such as interest rates, GDP growth, market sentiment indicators (e.g. purchasing managers' indices), and unemployment rates. Entities should consider how historical loss rates have been sensitive to changes in macroeconomic factors and determine if there are any observable relationships. For example, if an increase in the unemployment rate correlates with an increase in defaults, then the loss rate should be adjusted for this. Depending on the relevant facts and circumstances, forward-looking information may not affect all age bands by the same magnitude, or even at all, and there may be multiple forward-looking adjustments to the loss rate.

Turning back to our example, the company has determined from experience that trade receivables arising from sales to wholesalers in Hong Kong are sensitive to changes in the local unemployment rate and that the default rate is likely to increase if the unemployment rate rises. The last time that there was an increase in the unemployment rate by 1 percent, trade receivable losses increased on average by 50 percent. Assuming that the unemployment rate increases by 1 percent, the company estimates the loss amount using the same sales and payment profile, and then calculates the adjusted default rate (see Table 4) based on this observed correlation.

(vi) Calculate the expected credit losses

Finally the ECL should be calculated by multiplying the actual receivables at the period end in each aging time band by the expected default rates determined in (v). Once the ECLs have been calculated, sum them for the total ECL.

Table 5 above illustrates how ECL for the period is calculated using a receivables balance of 850,000.

(vii) Obtain relevant information from outside the accounting department

Obtaining the indicators used to measure ECL for trade receivables will often require information to be obtained from outside the accounting department. Preparers should determine the departments to contact, such as the sales and credit department, to obtain relevant information that corroborates assumptions made.

Disclosures

Determining the fair value of unquoted equity instruments and ECL for trade receivables requires the use of judgement and the consideration of all facts and circumstances surrounding the measurement. It is important for entities to disclose sufficient information about how they determine these values so that users of financial statements can assess the impact on an entity's financial results.

Fair value disclosures for unquoted equity instruments fall under the requirements of HKFRS 13. As mentioned above, the standard requires extensive qualitative and quantitative disclosures for fair value measurements, including unquoted equity instruments. Disclosures include a description of the valuation process and valuation technique(s), the key inputs and assumptions used and sensitivity analysis.

HKFRS 7 *Financial Instruments: Disclosures* requires disclosures that help users of financial statements to understand the amount of ECL, the basis for their measurement and the reasons for changes in ECL over time. In particular, entities are required to provide information about key assumptions and the estimation techniques used. For trade receivables, disclosures may include the historical loss rates, how trade receivables are grouped, and how relevant macroeconomic factors were applied to adjust historical loss rates.

The SSD would like to remind entities to refer to both standards for the relevant disclosure requirements, and provide disclosures that are specific to the circumstances of the entities.

This article is contributed by the Institute's Standard Setting Department in consultation with experts from accounting firms. It is intended for general reference only and has no authority. The Institute and the staff of the Institute do not accept any responsibility or liability in respect of the article and any consequences that may arise from any person acting or refraining from action as a result of any materials in the article. Comments on this article are welcomed, and should be sent to commentletters@hkicpa.org.hk.

TECHWATCH 206

The latest standards and technical developments

Local updates

Auditing and Assurance Standards Committee minutes
Minutes of the 378th meeting are now available.

Financial Reporting Standards Committee minutes
Minutes of the 252nd meeting are now available.

Members' handbook update no. 234
Members' handbook update no. 234 relates to the issuance of amendments to Hong Kong Accounting Standard 39 *Financial Instruments: Recognition and Measurement*, Hong Kong Financial Reporting Standard (HKFRS) 7 *Financial Instruments: Disclosures*, and HKFRS 9 *Financial Instruments*. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by the interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted.

Institute submissions
The Institute commented on:

- International Accounting Standards Board (IASB) Exposure Draft ED/2019/05 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Proposed amendments to International Accounting Standard 12).*
- IASB Exposure Draft ED/2019/06 *Disclosure of Accounting Policies.*

Invitation to comment
The Institute is seeking comment on Exposure Draft *Proposed Amendments to the Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard* by 31 January 2020.

Ethics survey
The Institute's Ethics Committee is conducting a survey to understand the ethical attitudes of professional accountants in Hong Kong and the impact of the Institute's *Code of Ethics for Professional Accountants.* Details can be found on the Institute's website.

International updates

Audit and assurance

- International Auditing and Assurance Standards Board International Standard on Auditing (ISA) 540 (Revised) Implementation Support: Audit Client Briefing.
- International Federation of Accountants (IFAC) Panel Discussions on Implementation of ISA 540 (Revised) Accounting Estimates.

Ethics

- IESBA Code of Ethics high level summary of prohibitions applicable to audits of public interest entities.
- IFAC publication *Exploring the IESBA Code: First Installment*.

IFRS updates

- November 2019 IASB update and podcast.
- International Financial Reporting Standard (IFRS) 17 *Insurance Contracts* podcast covering the November 2019 Board meeting.
- The IFRS Foundation published a *Guide to Selecting and Applying Accounting Policies – IAS 8*, which includes a three-step process with illustrative examples to help companies develop their accounting policies when preparing IFRS financial statements.

Professional accountants in business

Professional Development Framework for PAIBs
The Institute's Professional Accountants in Business (PAIB) Committee has recently published a Professional Development Framework for PAIBs, which aims to provide a useful and accessible guide to the competencies necessary for PAIBs to perform both their current and desired roles.

The framework can help PAIBs shape their careers, realize their objectives and take control of their learning to achieve their goals. It can also be used by employers and company boards to help evaluate their finance functions and ensure they are future ready with the right mix of skills.

To learn more, read the article *How to make use of the Institute's Professional Development Framework for PAIBs* in *A Plus* November 2019 issue.

Understanding and Communicating Value Creation
The PAIB Committee of the IFAC has recently released a report, which highlights takeaways from the September 2019 PAIB Committee meeting, and outlines key priorities for accountants in business.

The report specifically focuses on:

- Integrated value creation;
- The value of data;
- Action on the sustainable development goals;
- Opportunities and challenges for accountants in small- and medium-sized entities; and
- Professional ethics.

New SFC guidance addresses market misconduct
On 21 November, the Securities and Futures Commission (SFC) issued a statement to remind listed companies

about their disclosure obligations together with a circular on the conduct expected of asset managers.

The SFC emphasized the importance for listed companies to ensure that their announcements and other documents do not include false, incomplete or misleading information about their counterparties in pending corporate transactions. In some cases, the SFC observed that insufficient information was provided about counterparties' controllers or beneficial owners. The statement also sets out non-exhaustive examples of circumstances (see below) where the identities of the actual controllers or beneficial owners of a counterparty to a transaction may be required:

- Acquisitions, disposals, capital injections, and formation of joint ventures.
- Money lending.
- Issuance of shares, convertible bonds and options.
- Private funds and similar arrangements.

Corporate finance

SFC adopts new approach to virtual asset trading platforms

The SFC issued a position paper on 6 November, setting out a new regulatory framework for virtual asset trading platforms. In particular, platforms which operate in Hong Kong and offer trading of at least one security token can apply to be licensed by the SFC.

According to the position paper, licences will be granted by the SFC only to platform operators meeting robust regulatory standards, which are comparable to those which apply to licensed securities brokers and automated trading venues. Additional requirements are also imposed to address specific risks associated with virtual assets.

Please refer to the press release for details.

Taxation

Announcements by the Inland Revenue Department

Members may wish to be aware of the following matters:

- Conditional waiver of surcharges for settlement of 2018/19 tax bill by installments (see also the government press release on the latest relief measures).
- Comprehensive avoidance of double taxation arrangement between Hong Kong and Macau.
- Reply to question on Legislative Council regarding enhanced tax deduction for research and development expenditures.
- Tax guide for charitable institutions and trusts of a public character (Chinese version).
- Passage of Inland Revenue (Amendment) (Tax Concessions) Bill 2019.
- Stamp duty statistics (October 2019).

Annual meeting with the IRD – 2019

The minutes of the 2019 annual meeting (as well previous years' meeting minutes) between representatives of the Institute and the commissioner and other senior officers of the Inland Revenue Department (IRD) are now available on the Institute's website.

Legislation and other initiatives

Anti-money lanudering notices

For the current lists of terrorists, terrorist associates and relevant persons or entities under United Nations (UN) sanctions, members should refer to the Institute's AML webpage which is updated regularly. The UN Sanctions webpage of the Commerce and Economic Development Bureau contains consolidated lists of UN sanctions currently in force in Hong Kong.

AML/CFT guidance

For mandatory guidelines and information from the Institute on the AML/CFT requirements for members, see the Institute's *Guidelines on Anti-Money Laundering and Counter-Terrorist Financing for Professional Accountants*. Member practices may also find the Financial Action Task Force's *Guidance for a Risk-Based Approach for the Accounting Profession* to be a useful reference when developing their own risk-based approach to applying the AML/CFT requirements.

Members who are licensed to provide trust or company services should see the *Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Trust or Company Service Providers*, issued by the Companies Registry.

Members should be aware of the *Hong Kong Money Laundering and Terrorist Financing Risk Assessment Report* (in particular chapter 6, covering designated non-financial businesses and professions), which indicates the money laundering and terrorist financing risks and vulnerabilities in the Hong Kong market.

Please refer to the full version of TechWatch 206, available as a PDF on the Institute's website: *www.hkicpa.org.hk*

Having a mentor can make a huge difference. With applications now open for the Institute's Mentorship Programme, Jenni Marsh speaks to Institute members about mentor-mentee relationships, and why life lessons don't just come from the more-experienced half

Photography by Calvin Sit

GROWTH FOR BOTH

Gilbert Leung (centre) joined the Institute's Mentorship Programme in 2018 and mentored two mentees Rico Fung (left) and Sara Yam (right).

"Young people are smart. Even as a mentor, you can learn a lot from the younger generation," says Gilbert Leung. For nearly a decade, Leung, Group Financial Controller at Gammon Construction, has been doubling as the company's Authorized Supervisor, working closely with accountants in the firm as they work towards qualifying as a CPA. He says he tries to give his students the confidence to take the daunting accounting exams "as fast as possible," so their knowledge stays relevant. It is a role he has found very rewarding. But last year, with all his students qualified, Leung had a severe case of empty nest syndrome. This led him to sign up for the Hong Kong Institute of CPAs' respected Mentorship Programme.

The Institute's Mentorship Programme is designed to connect aspiring accountants with experienced members of the profession, who share their knowledge through meetings, electronic messages, dinners and even hikes, depending on the mentor's personal style. Institute members with seven years' post-qualification experience can apply to be mentors, while members with post-qualification experience of less than seven years can apply to be mentees. The Institute also tries to match mentors with young people in similar professions. The idea is to create cross-profession relationships that are non-judgemental and provide a space for an honest conversation and feedback.

From mentee to mentor

"Most of the time, the programme will only assign a mentor one mentee per year," Leung says. "But, to my surprise, they assigned me two." Last year, Leung mentored Rico Fung, Executive Director, Chief Financial Officer and Company Secretary of Anchorstone Holdings Limited, and Sara Yam, Senior Accountant at HKJY. All three work in the construction industry.

"We had some formal dinners, but we also communicated through WhatsApp," says Leung. He says that he frequently experiences "reverse mentoring" where he learns about new processes and systems through his interactions with his mentees.

Yam says the three of them often share information on how their companies have shortened time-consuming procedures of generating accounting reports. "These useful techniques have helped me to think and plan better," she says. Leung, for example, has introduced robotic process automation in his workplace, after learning about it from his mentees. "His positive attitude to learning something new and applying it work was also encouraging," Yam says.

Fung has seen the mentoring scheme from both sides, as he became a mentor himself this year. He sees that step as a natural progression. "I learned from the good mentors I had in the past, and then passed that culture on to my mentees when I became a mentor this year," he says. As a mentee, he says he was often seeking advice, but as a mentor, he needs to consider the needs of his mentees. He also encourages mentees to be proactive in suggesting meetings with their mentors.

Guiding insight

For Lolita Edralin, Professor of Practice (Accounting) at Hong Kong Polytechnic University, the element of self-sufficiency is crucial in a mentee. "With mentorship, you give guidance from your own experience based on their ambitions. But a lot of times, it depends on their own motivation," Edralin says.

The Institute's Mentorship Programme gives mentees the opportunity to draw on the experience of professionals with established careers like Edralin, who previously worked at one of the Big Four fims before going in-house at British American Tobacco. She then took the leap into academia in 2018. Edralin's range of career experience helps her guide her mentees, but only up to a point. "There's no single answer to how to progress in your career, and mentors are not there to make decisions for mentees," she says. "Ultimately, it is their career. Mentees need to make their own decisions."

Sharonne Law, Management Accountant of financial services company TP ICAP, is one of Edralin's mentees. She says that being connected with a professional outside of her workplace has given her access to unbiased and informed advice. "You have a safe space for conversation, and that helps you to make better decisions." Law says. For example, Law was previously based in Australia, and after coming to Hong Kong, Edralin was able to advise her on pay grades, the Hong Kong job market, and guide her through the application process. Law says having a mentor to help her understand the qualification and experience expectations and salary bands of a new job market in a foreign country was invaluable.

"Every time she applied for a job, she would send me the job profile, and I would advise her on whether or not she was qualified for the role, and if she should go for it. She would always update me after the interview and seek my advice if she received an offer. I think we met once a month, and it became quite a personal relationship," says Edralin.

> **"There's no single answer to how to progress in your career, and mentors are not there to make decisions for mentees."**

Lolita Edralin (left) joined the Mentorship Programme in 2015 and has mentored a total of five mentees. She is pictured here with Sharonne Law (right), who she has mentored since 2018.

Aves Chan (right) has been a mentor of the Mentorship Programme since 2017. He is pictured here with Warren Liu, his first mentee.

"He started calling me, telling me that he wanted to set up his own business."

She cites another example of another mentee of hers, who was in his 30s and about to start a family. He felt his career was stalling in his role, but did not want to take the risk of changing jobs because he was about to start a family. After asking for a raise, he was only given a one percent salary increase because the company wasn't doing too well. Edralin recalls advising the mentee to, instead, request for a title upgrade. "Titles do not cost the company anything but would help him tremendously in his future career." Eventually, the mentee received a title change from finance officer to finance manager. Giving that mentee the confidence to get the promotion was a stand out moment for her.

The desire to have an impact on people's lives is crucial to mentorships, says Edralin. "I'm mentoring because I really want to help people," she says. "That's the mindset you need to do it." Edralin adds how some people might need career guidance if they decide not to work at one of the Big Four firms. "Or if they already work for the Big Four, they might not know whether to have a quick exit in three or five years or think about trying to make partner," she says. "I give them a sounding board to think about different ideas."

One of her biggest pieces of advice to mentees is to not overlook the importance of people skills. While passing the CPA exams is crucial, she wants her mentees to also understand the importance of maintaining a positive energy around others in the workplace. "The people element of the workplace can't be underestimated," she says.

Bespoke advice

Aves Chan, Chief Financial Officer of the CLINIC, says he spends up to two days a week mentoring young accountants through the Institute's Mentorship Programme. "I want to nourish future accountants," he says.

Chan has a wealth of experience that his mentees draw from. A former finance executive at PwC, Chan made his first pot of gold investing in the Hong Kong property market in the 1990s, before becoming an entrepreneur and seasoned angel investor. "I'm also an investor in different businesses.

Because my background is not purely accounting, I feel I have a broader picture of the business world. This helps me to provide a larger range of advice," he says.

For one mentee, Warren Liu, Assistant Internal Audit Manager of HKC (Holdings) Limited, Chan's background was inspiring. He joined the Institute's Mentorship Programme after qualifying as a CPA to explore how to take his career to the next level, and also to broaden his professional network.

"He started calling me, telling me that he wanted to set up his own business," Chan remembers, adding how he then advised Liu on the reality of starting a company. "The idea was quite thorough, but I reminded him: 'you're going to need a team, recruit people, and you will need funding." Chan's insight helped Liu to carefully think through the idea, to which he eventually decided against. "But I think it was still an interesting journey for him," says Chan.

Despite Liu not taking the plunge in entrepreneurship, Chan says his main message to mentees is to get out of their comfort zones. "When some mentees say they need advice from their mentor, most of the time, they've already got the answer. They just need somebody to push them a bit," he says.

A mentor's job is often to give them the mental confidence to make the decision. For another one of his mentees, who had just passed her CPA exams, entrepreneurship proved to be the right path. "I recommended the girl to set up her own company," he says. "She now has a company in Hong Kong Science Park, which is doing very well, and she is a successful businesswoman."

Open ears

When it comes to structuring their relationships, all three mentors take a similar approach. After being randomly matched with their mentees, they meet in person and discuss three areas they would like to improve on. They avoid setting specific goals that need to be achieved within a limited timeframe.

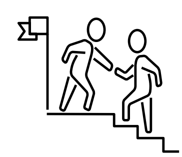
Instead, they let the relationships develop organically through face-to-face meetings, and keep themselves available to their mentees over WhatsApp and email. They also advise their mentees to be proactive in contacting them in order to get the most from the Mentorship Programme. "I would advise [mentees applying for the scheme] to communicate with their mentor whenever they can to learn as much as possible. This is because most are very busy with their career and family," says Chan. He also takes the extra step of introducing his mentees to one another to broaden their network and give them a wider pool of people from within the profession to speak with. "When they're talking to other peers, especially at a similar grade, they will talk freely and can brainstorm ideas," he says.

He speaks from experience. Chan himself has had several mentors throughout his career and says that he had learned something different from them all. But his biggest takeaway was that if you don't get out of your comfort zone, you'll never break through in life. "I had this in my mind for many years," he says, "and understanding this really helped me a lot."

Law says the Mentorship Programme is part of her self development. "Hearing stories from Lolita and speaking with her is inspiring and helps me to reflect and understand my strengths and shortcomings more," she says. "It prepares me to play to my strengths and improve my weaknesses in any upcoming future challenges." Liu agrees that the Mentorship Programme has enabled him to learn from a more experienced member of the profession. For those hoping to join the scheme, he advises applicants to be "humble," organize more activities with their mentors beyond formal catch-ups and have a clear goal of what they want to achieve established at the beginning of the programme.

For Leung, the mentor-mentee relationship doesn't end after the year-long scheme wraps up. Instead it's about establishing long-lasting relationships and an intergenerational dialogue within the profession. "The industry is changing so fast. With new technologies being introduced, it pays for mentors to learn from their mentees what is being implemented across the board," he says.

"The communication between the younger generation and older generation means we are sharing our experiences with each other and helping each other to understand different mindsets."



Members interested in becoming mentors or mentees at the Institute's Mentorship Programme can apply at *www.hkicpa.org.hk/mentorship* by 15 January 2020.

ANGUS FUNG

M&A Tax Manager
at Deloitte

Angus Fung shares with *A Plus* what is most fulfilling about being Mergers and Acquisitions (M&A) Tax Manager at Deloitte, and why good teamwork – and the right team – can go a long way

What is your current role and responsibilities? How is it going so far?

As an M&A Tax Manager at Deloitte, I'm involved in rather large deals. I support clients to complete their investments and lead a project team to perform due diligence and add value to our clients' acquisitions and daily operations by advising efficient tax structures and supporting their tax planning implementation, for example. Though busy, I really like my job. So far, I've helped private equity funds, state-owned enterprises and large multinational companies to complete investments in places such as China, Asia Pacific and Europe. I'm also a part of Deloitte's new task force in Hong Kong Science Park where I share my experience with start-up companies with the aim of helping them grow into unicorn enterprises and achieving a listing in the future.

What are the most rewarding and challenging aspects of your role, and why?

Every project is different, which can be a challenge – we could be working with a real estate company one day and a manufacturing company the next. I have to be a quick learner and familiarize myself with new terms in order to understand our client's business targets and then facilitate each deal. But I find my role to be dynamic and the work highly rewarding, especially when work is cross-border and involves different teams from our global network. I like being able to work with a wide range of talented individuals, and I enjoy seeing everyone so dedicated to their role.

Where do you see yourself in five to 10 years?

I would like to take on a more regional or managerial tax role, and work with more markets within Asia Pacific in addition to Hong Kong and Mainland China. I do enjoy coordinating with overseas financial and legal advisors, and I also feel this would help me to build an extensive business network, too.

What are the biggest lessons you have learned so far from work experience or managers?

You need a team you can trust. I manage a team of five or six. As a manager, you need to take good care of your team and understand any difficulties they are facing. So it's extremely important to build trust – not just between you and your team but also among themselves.

Which continuing professional development (CPD) course was the most useful?

I took CPD courses on financial advisory and valuation and have found these courses to be very interesting and helpful in my career so far. I even took a course on listings in Hong Kong to equip myself with that knowledge for the future.

How do you think the Qualification Programme (QP) has helped you in your career so far, or prepared you for your current role?

The financial, tax and business knowledge I attained from the QP really helped to build a solid foundation for my career. I personally enjoyed the workshops, which taught me how to work effectively with others and how to give insightful presentations in front of an audience. I believe the knowledge you gain from the QP will greatly complement the training and experience you receive while working at any company.

SPOTLIGHT ON DUBAI

Institute member, Stuart Dickie, Chief Financial Officer at Jumeirah Group, shares his favourite places for your next business trip to Dubai

Have lunch at...

Rockfish

"You're spoilt for choice for food in Dubai but this relaxing seafood restaurant is one of my favourites. Rockfish at Jumeirah Al Naseem is the home of celebrity chef, Marco Garfagnini, and also happens to be a fabulous beachfront property. It's the perfect setting to watch a spectacular sunset and also gives you one of the best views of the Burj Al Arab. I highly recommend the lobster risotto," says Dickie.

Relax at...

La Mer

"If you have a couple of hours to spare, then head down to La Mer. There's something for everyone, regardless of whether you're visiting on your own or with your family. Take your pick from a wide range of restaurants, from fast food to fine dining, go shopping, go to the cinema or just sit with a coffee and watch the world go by. Don't forget your swimming costume as there's also 2.5 kilometres of white sandy beach and a water park to enjoy!" says Dickie.

EYES & EARS

Institute members on what music they are currently listening to and what books are worth reading


Mamma Mia! cast

What I'm listening to

- Lenny Wong, former general manager of corporate governance at a supply chain management company

"I'm always listening to *Our Last Summer* from Swedish supergroup ABBA. I first heard this song when I watched the live musical *Mamma Mia!* in the United Kingdom. I love the song because it is very relatable and describes a care-free life. When we grow up, we take on more responsibilities in all aspects of life, begin to worry more and forget to live a happy and simple life, one which we can only be lived once."

What I'm reading

Recently, I read *The Secret*, which discusses the Law of Attraction and how to use it in your life. The book introduces the concept that people's thoughts influence their actions. *The Secret* also encourages me to visualize my goals clearly in order to attract what I want. It tells us that when we feel positive emotions, we tend to build up our resources. Overall, it's a good read that pushes for positive thinking and a changed mindset.

- Kelvin Ho, Senior Internal Auditor of a semiconductor equipment supplier

I read a book about Yoshiko Kawashima written by Japanese writer Fuyuko Kamisaka. Kawashima was a Chinese princess of Manchu descent. She was raised in Japan and served as a spy for the Japanese Kwantung Army during the Second Sino-Japanese War, carrying on her father's ambition to restore the glory of Manchuria. However, she was labelled a traitor after being seen with the army, which ultimately led to her death. It's an interesting book, as there are still mysteries and rumours surrounding her death. Her life reflected the sorrows of modern Chinese history.

- Sammi Fung, District Councillor

Becoming a manager of people is a rite of passage that many CPAs go through as they become more senior, and suddenly having to inspire others to be their best can be daunting. Author Julie Zhuo found herself in that position after being made head of a Silicon Valley design team, and went on a journey to discover that great managers are made, not born. In this approachable book, Zhuo cuts through the management jargon and shares very human and actionable tips on how to lead with confidence by helping your team thrive.

- Recommended by *A Plus* editors

Dealing with the unrealistic

Hong Kong's humorist on why it isn't a bad idea to start managing the accounts and tax matters of famous singers

Nury Vittachi is a bestselling author, columnist, lecturer and TV host. He wrote three storybooks for the Institute, *May Moon and the Secrets of the CPAs*, *May Moon Rescues the World Economy* and *May Moon's Book of Choices*

A court in this columnist's birthplace, Sri Lanka, recently sentenced an accountant to "367 years of rigorous imprisonment" in connection with forged documents, I heard from a helpful reader.

"Three hundred and sixty-seven years seems excessive," she said.

Not to say unrealistic. A prisoner may manage a bit of rigorous hard labour for the first couple of hundred years, but after that he would surely slow down a bit?

In terms of physical strength, this writer peaked at about 17 and has been becoming increasingly puny ever since.

People with unrealistic attitudes have been on my mind recently – thanks to two hit movies about rockstars: biopics of Elton John (real name: Reginald Dwight) and Freddie Mercury (real name: Farrokh Bulsara).

Both films show the conflicts between rockstars (the humans with the world's least realistic attitudes, with the possible exception of Hong Kong politicians) and the "men in suits" who have to make the sums add up.

Elton/Reginald's money problems became apparent in 1998, when the *Daily Mail* wrote about his ridiculous spending habits, and the singer was furious – not because it was untrue, but because it was all too accurate. He decided that someone had leaked a warning letter from his accounting firm, the Big Four firm now known as PwC.

The fight eventually led to a high profile lawsuit between that accounting firm and the pop star which revealed just how his unrealistic his attitude to budgeting was. The court heard that his recent spending on flowers alone had been £293,000 (about HK$3 million). "I like flowers," he said in his defense.

PwC won.

Freddie/Farrokh was different. He came from Asian roots and his family members were Indian accountants and lawyers –(his father had been cashier at a high court). In 1997, the singer hired an accountant, Peter Chant, to manage his group's accounts and tax matters, and things went smoothly. Farrokh Bulsara died in 1991 with £9 million in the bank and a £20 million mansion.

Hong Kong singers also fall prey to the temptations to make their own financial decisions. In the 1990s, Kenny Bee bought the first Lamborghini in Hong Kong and splashed out on a series of luxury homes – before going bankrupt in 2002. "I'm not very good at handling money matters," he told reporters.

Perhaps the unhappiest example is American singer Billy Joel. He got into a huge legal fight over millions of dollars of cash with his money manager, Frank Weber. But Joel had also married the moneyman's sister Elizabeth – and fell out with her, too, having to file for divorce.

"I hooked up with the Borgias," the pop star said, likening his manager/brother-in-law/wife to an infamous family from Spain who were prominent in the Italian Renaissance.

When I was a child in the 1970s, I, like every male on the planet, wanted to be David Cassidy, the Justin Bieber of the era. Every girl was in love with him, his music topped the charts and his earnings were off the charts. What happened? He spent his life drifting through a series of miserable relationships, filed for bankruptcy in 2015, and died an alcoholic two years later.

What's the moral of all this? The more fate gives the creative person, the more important it is for a good, tough accountant to snatch it all away for safekeeping. And of course, to collect the fees when he's dead.

And there's the irony: rockstars, after they have peaked, often make loss-making albums (see Michael Jackson, John Lennon, etc.).

But after their deaths, their earnings shoot back up to high profitability.

By that time, of course, the stars themselves are gone – and only their accountants are around to collect their share.

Young readers: Don't fantasize about being Justin Bieber or Taylor Swift. Dream of being their accountants. You know it makes sense.