

First East Asia Accounting Leadership Retreat

Summary of Presentation

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Title of Presentation

**Accounting Practices and Education in Hong Kong:
An Academic Perspective**

1. Introduction

The purpose of this presentation is to introduce participants to the organization of Hong Kong's professional and academic associations, and their interactions with the Hong Kong Special Administrative Region government, business associations and companies, and universities. In addition, we would like to share our City University experience in maximizing students' learning.

The presentation is divided into four parts: the organization of professional associations in Hong Kong; the organization of academic associations in Hong Kong; current issues facing accounting education and accounting practices; and the possible collaborations among accounting academics and practitioners within the Asia Pacific region.

5. Professional Associations in Hong Kong

a. The Hong Kong Society of Accountants

The Hong Kong Society of Accountants (HKSA), first established in 1973, is the only organization established by the Professional Accountants Ordinance to license all professional accountants and to regulate the accounting profession. The objectives of HKSA are (HKSA Members' Handbook, volume I, page 7):

- A. to maintain a register of professional accountants
- B. to regulate the practice of the accountancy profession
- C. to represent the views of the profession and to preserve its integrity and status
- D. to discourage dishonourable conduct and practices by professional accountants
- E. to provide for the settlement of disputes within the accountancy profession

b. Interaction with the Government and Affiliated Bodies

To carry out its legally assigned duties and fulfill its objectives, the Council and members of HKSA often visit with government officials, friendly organizations, business corporations, and educational institutions to ensure that Hong Kong professional accountants are competent and qualified in professional accounting practices.

Example of such interactions include:

- A. HKSA has an elected representative representing the accounting functional constituency in the Legislative Council of the Hong Kong Special Administrative Region (HKSAR).
- B. HKSA schedules quarterly meetings with the Inland Revenue Department and officers of other civil departments.

- C. HKSA has been invited to give expert opinion on issues of public interests at the Legislative Council and other meetings of various government/public hearings.
- D. HKSA has scheduled periodic meeting with public bodies, such as the Stock Exchange of Hong Kong.
- E. HKSA is one of the co-sponsors, along with the Securities & Futures Commission and the Stock Exchange of Hong Kong Limited, to host The Second Asian Roundtable on Corporate Governance organized by the Organization for Economic Co-operation and Development (OECD)/World Bank held in Hong Kong in May 2000.

6. Academic Associations in Hong Kong

a. The Hong Kong Academic Accounting Association

The Hong Kong Academic Accounting Association (HKAAA) is a voluntary body corporation formed by accounting academics in Hong Kong, with a few corporate and individual members. The objectives of HKAAA are (HKAAA homepage at www.cuhk.edu.hk/acy/hkaaa/main.html):

- A. To promote and enhance the quality of accounting education and research on their impacts on practices.
- B. To enhance communication and co-operation among accounting academics, personnel, practitioners, students, and those interested in accounting education and research.
- C. To advise and communicate with professional bodies, government agencies and other external bodies on matters relating to accounting education, research, and practice policies.
- D. To liaise and co-operate with other academic accounting associations, professional bodies, learned associations, government agencies, and business organizations.

b. Interaction with the Government and Affiliated Bodies

At present, HKAAA has not carried out any scheduled interactions with the government and other affiliated bodies in Hong Kong. However, it is planning to furnish comments on economic, social, and educational issues in relation to accountancy.

With regard to the interaction between HKSA and HKAAA, it is limited to the joint organization of the annual accounting conference to be held once every 2 years.

7. Contemporary Issues in Accounting Education and Accounting Practices

a. Contemporary Accounting Education Issues

There are a number of urgent educational issues that accounting academics should address. They include (i) the difficulty in attracting high-quality students, (ii) a lack of multidisciplinary expertise in accounting and related business disciplines, and (iii) a lack of interactions between academics in different disciplines to address the above concerns.

The Department of Accountancy at the City University of Hong Kong has introduced the following initiatives as an attempt to overcome the above concerns:

A. Introduction of Two Interdisciplinary Undergraduate Accounting Programmes

BBA in Accountancy and Management Information Systems, and **BBA in Accountancy and Law** were introduced in 1999 to proactively meet the demand of accountants who need to possess multidisciplinary expertise in business and accounting.

B. Adoption of the HII Theme in Teaching

All accountancy courses are taught with the three themes: **hi-tech, indigenous, and interactive (HII)**. This will ensure that students would be able to master information technology in accountancy and business applications, and develop interactive and interpersonal skills during their learning processes. Examples of hi-tech applications include the use of the Internet and faculty web base, the multimedia-based classes, and the adoption of computer aided learning processes. Indigenous cases are either developed by faculty members or extracted and modified from local sources, although international cases are also used to complement the international perspective to the local context. Interactive mode of learning is strongly encouraged including seminars with students' active participation in class discussion and debates, presentation of group projects, and guest lectures by practitioners to discuss contemporary professional issues. Interactive mode of learning is also extended beyond the classroom and our campus, with students visiting firms and organizations to obtain real-life experience in accounting and business practices.

C. Introduction of the Comprehensive Whole Person Development Programme

This program is designed to provide balanced development for our students in both professional and generic skills, as well as their intellect and personality. These programmes are aimed at providing an appropriate

training atmosphere and ambience for students to develop into “well-rounded” accountants.

D. Continuous Enhancement of Scholarship Through Active Research

Faculty members have actively carried out research in various areas to explore solutions to contemporary accounting issues and to provide additional insights of the accounting and business theories and practices. These research activities and outputs are viewed as essential in the advancement of accounting education. Research outputs are communicated either through publications in academic and/or professional journals.

Examples of research contributions made by faculty members include publications on corporate governance issues in Hong Kong, the Mainland, and the Asia Pacific region; contemporary accounting and auditing issues of Hong Kong and the Chinese Mainland, in particular those relating to the capital markets; and cross-country comparison of accounting and business practices. To disseminate research outputs, the Department of Accountancy has set up the Accounting and Corporate Law Center to identify key corporate governance issues and problems in the Chinese Mainland and the Asia Pacific Region and undertake collaborative research designed to provide solutions and prescriptions, establish links with institutions in the HKSAR, the Chinese Mainland, Australia, United Kingdom, United States, Europe, and other Asian countries, with a view to conducting comparative studies in the field of corporate governance. The Accounting and Corporate Law Center is planning to publish the *Asia-Pacific Journal of Accounting and Economics (APJAE)* in 2000. It has organized the annual *APJAE* Symposium in January 2000, with prominent international scholars as keynote speakers, namely Professor Katherine Schipper, Professor Dan Simunic, and Professor Ross Watts, and more than 100 attendants from around the world.

a. Contemporary Professional Issues

The current professional issues that practitioners face include:

- A. Accounting for financial instruments; Auditing Standards for assurance services; Independence issues as CPA firms develop broader ranges of services.
5. The challenges of e-commerce and the IT revolution.
6. Watchdog vs. Bloodhound: With increasing pressures on the profession to be more proactive in areas such as uncovering corporate fraud, the role of the auditor needs to be re-examined.

7. The increasing pressure to specialize. Market forces and regulatory pressures are such that accountants are being required to have a higher level of specialist knowledge and to be subject to specific regulatory regimes.
8. At a more micro level, the financial crisis has highlighted the problems that practitioners face with applying the concept of "going concern."

Major accounting research issues as identified by the practitioners:

1. Accounting for property rights (especially investment properties) in Hong Kong, where all land is leasehold. This is becoming an issue and will become very important regarding leases expiring in 2047 (because when the lease term comes down to, say, 30 years, the lessee's interest may no longer be considered equivalent to "freehold").
2. The extent to which the concept of accountant/client confidentiality still exists and areas in which it is being set aside. This could include identifying and analyzing situations in which auditors are expected to report directly to regulators, and where, e.g., auditors and tax practitioners are required to grant access to their working papers.
3. The changing role of the auditor. Research could be conducted into how this role has evolved in various jurisdictions, what expectations regulators and the general public now have of the profession, and what lessons can be drawn from this.

5. Collaborations between Accounting Academics and Practitioners within the Asia Pacific Region

Although joint research efforts have been frequently observed among accounting academics, collaborations between accounting academics and practitioners within the Asia Pacific region could be further facilitated and enhanced through more co-operative activities. The first EAALR is a very good step to promote such kind of collaborations.

Some of the emerging issues that are identified within the region include, but are not limited to:

- a. The financial-reporting dilemma of producing multiple sets of financial statements under different accounting
- b. The changing role of the auditor and the expansion of professional services
- c. Accounting for property rights

d. Recognition of local and international professional qualifications

Based on the experiences of other countries within the region, it is anticipated that solutions to solve the emerging issues in one or more of the Asian countries can be identified in a quicker and better way.