

研究叢書 38

香港企業会計制度の研究

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神戸大学
経済経営研究所
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序

本書は、1987年度（昭和62年度）兼松江貿易研究基金による海外学術調査（团长 中野 勲）の研究成果の報告である。我々は、同年9月27日－10月4日の1週間、もっぱら香港に滞在し、香港会計制度について集中的に調査研究を行ない、また資料を収集した。その経験と資料にもとづいて、1997年の中国返還を前に、複雑な様相をみせる香港の財務会計制度の有り様を研究したのである。

もっとも、滞在期間が短かったため、研究対象は企業会計の制度的側面に限定されざるを得ず、その実態の深い把握は不可能であった。しかし、兼松江商をはじめ5つの会社と、香港会計士協会、香港株式取引所、香港中文大学を訪問し、資料の提供を受けるとともに、議論をしていただいた。その席に現役の香港公認会計士も参加していただき、おかげで香港会計制度について、おおいに理解を深めることができた。大分時間もたってしまったが、その研究成果の1部として本書を作成したのである。

兼松江商株式会社の御好意には心から御礼を申し上げたい。当時の大阪支社長 河村雄次氏をはじめ副支社長 守永 保氏、総務本部長代行 長谷川和平氏、そしていろいろ実際面でお世話になった総務部副部長 近江戸康夫氏の皆様に、遅ればせながら、感謝申し上げたい。また、現地の香港では、当時における兼松江商（香港）有限公司社長の西田清氏、同社董事 西川吉行氏には、とりわけお世話になり、また御指導をいただいた。厚く御礼申し上げる。その他、日本人の方もそれ以外の方にも、あまりにも多くの人々に御高配を頂いたもので、とてもここですべての方のお名前を挙げるができないのが、大変残念である。

最後に、この調査研究の機会を我々に与えて下さった、神戸大学経済経営研究所の、所長、山本泰督先生を初めとする方々に、そしてまた、この書の、労多い編集作業について御世話になった、当研究所の研究助成掛の皆様にも、感謝の意を表したい。

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第1章 香港の社会と企業会計制度*

黒田全紀

1 はじめに

1. 香港 (Hong Kong, Hongkong) は首都ヴィクトリア (Victoria) が位置する香港島 (Hong Kong Island) など計236を数える島々、カウルン (Kowloon、九竜) 半島及びいわゆる「ニュー・テリトリーズ (New Territories, 新界)」から成るイギリスの直轄植民地 (crown colony) である。その合計面積は僅か、1,070平方キロメートルであるが、人口の方は約559万人を数え (1986年末現在)、いずれも東京都の半分程度に相当する。当然のことながら人口密度も高く、平均して1平方キロメートル当り5,192人であるけれども、地域差も大きく香港島・カウルン地区では1平方キロメートル当り20,811人であるのに対して、新界では、1,449人である。住民の97%は中国人であって、外国人としては例えばフィリピン人36,800人、イギリス人16,000人、インド人15,300人、アメリカ人14,000人、タイ人9,900人、それに日本人7,500人などが居住していたと推定される (1986年末現在)⁽¹⁾。

香港の公用語は現在では英語と中国語とされているが、中国系住民の日常使用言語は中国語の一方言広東語である。私達日本人にとっては街頭に確かに氾

* 日本語による香港会計制度の解説としては、例えば、中島省吾「第七章 アジア・太平洋地域の会計制度、三 その他の国の会計制度、3 ホンコン」(中島省吾責任編集『国際会計基準(体系近代会計学X)』第1版、中央経済社、1981年、248—250ページ)がある。

(1) 以上の諸数値については、Ismail, Aladin(ed.), *Hong Kong 1987*, H. Myers, Government Printer at the Government Printing Department, Hong Kong, 1987 (?), pp. 291—292 を参照した。

濫している漢字の正確な意味が並記されている英語によって初めて判明することも少なくないし、市中の大ビルディングにもJardine, Matheson & Co., Ltd. (1984年その持株親会社をバミューダに新設)、Swire Pacific Ltd. (キャセイ航空に70%出資)などかつてのアヘン商人、植民地大資本の後裔と結び付くものが存在する。すでに60%が香港生れであるという香港の人々は、以下略述するイギリス流の植民地支配制度と法律のもとで中国文化とイギリス文化を融合させたような生活を営んでいる。

2. 直轄植民地香港の統治を担当するのは香港政庁 (Hong Kong Government) である。その統治様式はイギリスの全海外領土で採用されていた基本的形態から発展してきたものである。

香港政庁の首長は、イギリス国王によって任命され、香港におけるその代表者となる総督 (Governor) であって、その権限の法的根拠を定めるのがイギリス国王による国璽付の「特許状 (Letters Patent)」である。香港統治の基本的枠組を定めるこの特許状、それに各種手続を規定する国王自署認印付の「国王指図状 (Royal Instructions)」が香港のいわば成文憲法であるが、香港統治の実際においては、確立された慣行によって成文規定が運用上修正されることが多い。

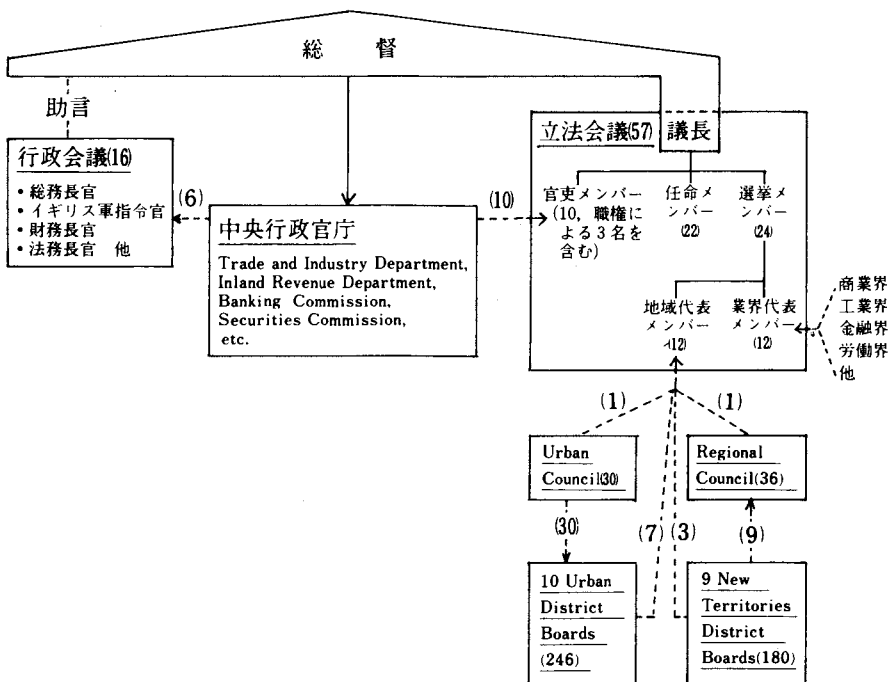
中央政庁には行政会議 (Executive Council, Exco) と立法会議 (Legislative Council, Legco) が置かれている。行政会議は重要な政策問題について総督に助言することを任務とするという意味で最高政策決定機関であって、総務長官 (Chief Secretary)、イギリス軍指令官、財務長官 (Financial Secretary) 及び法務長官 (Attorney General) という職権による4名のメンバーのほか総督の任命による12名のメンバー (うち2名は官吏) で構成されている (1986年末現在)。立法会議の主要任務は予算法を含む立法であるが、法律制定には総督の認可が不可欠である。立法会議は議長としての総督、3名の職権によるメンバー (総務長官、財務長官及び法務長官)、7名の総督任命官吏メンバー、22名

の総督任命非官吏メンバーそれに24名の地域・業界代表間接選挙メンバーの計57名で構成される（1986年末現在）。行政会議・立法会議いずれのメンバーにも中国人がかなり含まれている。

中央行政機構としては15の省（Branch）、それぞれの内部下位部局としてもしくは独立の部局として計59の局・委員会（Department, Commission）が置かれている。

地方行政上も都市部・地方部・各地域別にそれぞれ設置されている評議会・審議会（Urban Council, Regional Council, Urban District Board, New Territories District Board）の政策を政庁の担当部局が執行する仕組みになっていて⁽²⁾、以上を図示すると図1の通りである⁽³⁾。

図1：香港の植民地統治機構



3. 香港の法はイギリスのそれにならうのが通例である。立法会議で可決され総督が認可した香港の法律は国王指図状第25項の規定によりすべて“Ordinance”と称することになっており、そのうちにはイギリス法（common law, rules of equity を含む）の香港における直接適用の条件を規定するものさえある（1966年“Application of English Law Ordinance”）。香港の法律は従来英語で制定されてきて、一般大衆にとっては中国語訳は部分的にしか利用可能ではないが、法律を英語もしくは中国語で制定することができる旨1986年8月国王指図状第25項が修正を受け、1987年3月制定された“Official Languages Ordinance”も主要立法を英中両国語で行うよう規定するが、この法律規定は未発効である⁽⁴⁾。また、中国の法・慣習も香港法として機能することがあるから、香港法の法源は図2のようにまとめることができる⁽⁵⁾。

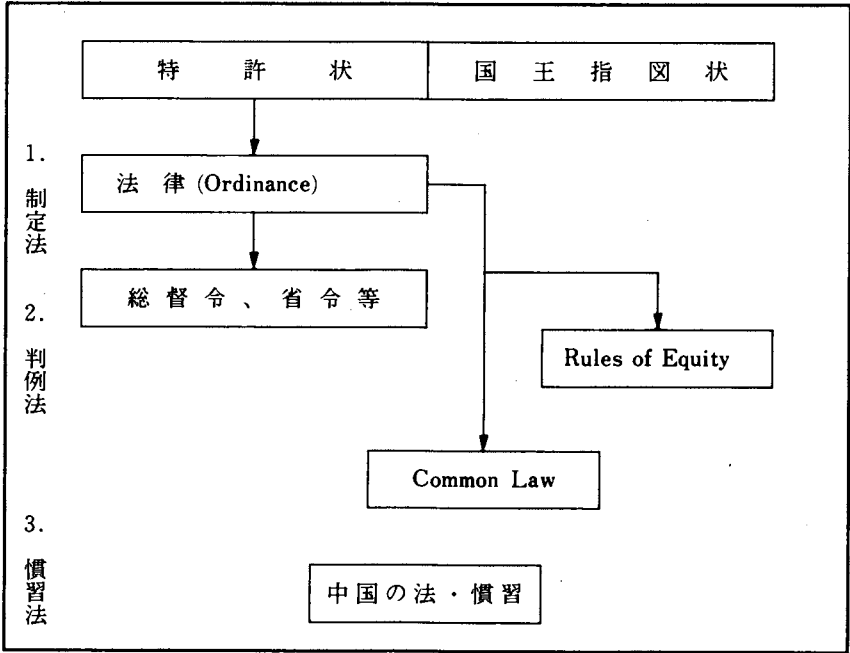
(2) Cf. *ibid.*, pp. 17-28.

(3) 一部につき、Hong Kong Government: *Green Paper: The 1987 Review of Developments in Representative Government*, May 1987, Appendix B を参照して作成。括弧内の数字は人数を表わす。

(4) Cf. *ibid.*, pp. 32-33; Litton, Henry, “A Question of Interpretation”, *Far Eastern Economic Review*, Vol. 140, No. 14 (7.4.1988), p. 82.

(5) Wesley-Smith, Peter: *An Introduction to the Hong Kong Legal System*, Oxford University Press, Hong Kong / Oxford / New York, 1987, p. 47 の図を参照して作成。

図2：香港法の法源



4. 話が飛躍するが、パーマストン（アヘン戦争当時の外相、カウルン奪取時の首相）やジョウゼフ・チェインバレン（新界租借時の植民相）が活躍した大英帝国の時代は過去のものとなった⁶⁾。1985年5月27日発効した「ホンコン問題に関する中英共同声明（Sino-British Joint Declaration on the Question of Hong Kong, 1984年12月調印）」の規定に従い香港は1997年7月1日中華人民共和国憲法第31条に規定する「特別行政区（Special Administrative Region,

(6) 植民地香港の歴史については、イギリス側から見たものではあるが、Endacott, G.B.: *A History of Hong Kong*, 10th impression, Oxford University Press, Hong Kong / Oxford / New York, 1988 が詳しい。

SAR)」として中国に復帰する⁽⁷⁾。それが香港のあり方に大きな変革を意味することは明らかである。他面、イギリス人総督が北京政府任命の中国人行政長官 (Chief Executive) に代ることなど、同時に中英共同声明はいわゆる「1国2制度 (one country, two systems)」という構想のもとに⁽⁸⁾、中国復帰後も50年間は香港の社会・経済制度、生活様式を変更しないことにしている⁽⁹⁾。しかし、香港では中国復帰に備えた思惑に基づく動きが経済・社会生活の諸局面においてすでに観察される。

II 香港の会社企業

1. 香港の1985年GDPは263,579百万香港・ドルであった (香港・ドル——以下単にドルと略称——は1983年10月17日以降、1アメリカ・ドル=7.8ドルのレートでアメリカ・ドルにリンク)。このGDPへの寄与率を業種別にみると、「製造業 (以下第3業種)」22.1%、「卸売小売業・輸出入業・レストラン業・ホテル業 (以下第6業種)」21.9%、「金融業・保険業・不動産業・ビジネスサービス業 (以下第8業種)」16.3%等となっていた。これら主要業種のみに限って香港における事業所数と従業者数をまとめてみると、表1の通りである (1986年9月現在)。

(7) 「中英共同声明」の英文テキストは、例えば、*Beijing Review* (北京周報), vol. 27, No.40 (October 1, 1984) の折込 (pp. I-XX) としてその全文が掲載されている。

(8) 「1国2制度」構想の生成発展については、Jiaquan, Li: "One Country, Two Systems' Concept—Its Formation and Development", *Beijing Review*, Vol. 31, No.1 (January 4-10, 1988), pp. 17-18 を参照。

(9) この間の事情・諸問題の解明については、例えば、岡田晃『香港——過去・現在・将来——』岩波書店、1985年が詳しい。

表1：香港の事業所と従業者数

業種	事業所数	従業者数
第3業種	48,623	869,753
第6業種	102,699	614,865
第8業種	16,788	191,108

このような事業所も従業者数でみるかぎり小規模のものが圧倒的多数であつて、従業者100人以上の事業所は第3業種でも2.93%、第6業種0.54%、第8業種1.35%をそれぞれ占めるにすぎず、従業者9人以下のものが第3業種67.84%、第6業種92.27%、第8業種80.56%であつた⁽¹⁰⁾。

2. 以上は事業所単位でまとめた数値であり、個人の経営するものが含まれているし、複数の事業所を有する会社もあるから、会社数はこれよりはるかに少ないはずである。

香港においては会社は設立時に600ドル、プラス資本金1,000ドルにつき6ドルの登録料を払うことになっている。1986年香港では16,743社の会社が新たに設立され（1985年は18,465社）、その新会社資本金合計は33億5,600万ドルであつたが、それら新会社のうち5百万ドル以上の資本金を有するものは97社にとどまっていた。そして1986年末現在登記されていた香港の会社は161,986社であつた（1985年は147,636社）。香港以外で設立された会社で1986年香港に支店等事業所を設置したのは288社、撤退したのは142社で、同年末現在64カ国からの外国会社2,238社の事業所が登記されていた（アメリカ551社、イギリス328社、日本267社⁽¹¹⁾）。

(10) 以上の統計数値については、1986 *Economic Background*, February 1987, p.5; Economic Services Branch, Government Secretariat, *Hong Kong, Half-yearly Economic Report* 1987, August 1987, p. 85; Hong Kong Monthly Digest of Statistics, *Special Review*, July 1987, pp. 2-3, p.7 を参照した。

(11) Cf. Ismail, Aladin (ed.), *op cit.*, pp. 80-81.

3. 香港の製造業会社の規模も国際的にみてあまり大きくないようであり、売上高でランクづける「フォーチュン」誌のアメリカ外製造業最大500社リストにも香港の会社は1社も掲げられていない。僅かに資産総額でみた銀行中 HONGKONG & SHANGHAI BANKING (香港上海匯豐銀行、資産総額107,884.6百万アメリカ・ドル、事務所数1,300、従業員51,950名で事実上の中央銀行) が第31位にランクされているだけである⁽¹²⁾。

もっとも、香港、日本、マレーシア、フィリピン、台湾、インドネシア、韓国、シンガポール及びタイというアジア諸国のしかも上場会社に限定した1983年売上高ランキングでは JARDINE MATHESON & CO. LTD. (第175位)、SWIRE PACIFIC LTD. (第188位)、CHINA LIGHT & POWER CO. LTD. (第310位)、HUTCHISON WHAMPOA LTD. (第368位)、NEW WORLD DEVELOPMENT CO. LTD. (第498位) 等の香港の会社が掲げられているが、これらはいずれも純粹の製造業の会社ではない。メーカーらしい香港の会社としては NUN FUNG TEXTILES CONSOLIDATED LTD. が第936位に初めてランクされているくらいである⁽¹³⁾。

4. 香港の証券取引所としてはイギリス商人達がすでに1891年 Hong Kong Stock Exchange を設立していたが、当初50年くらいの間はあまり活況を呈していなかった。しかし、とりわけ第2次世界大戦後香港が単なる輸出入品集散地 (entrepôt) という役割を超え、中華人民共和国の成立とともに渡来した資本力豊かな中国商人を始めとする中国人の勤勉、節約、投資意欲等にも支えられ、東南アジアにおける国際金融センターとなり、繊維工業等も発達するとうような経済活動の活発化につれて株価も上昇を続けた (特に1968年-1972

(12) Cf. "The Fortune International 500", *Fortune International*, Vol. 118, No.3 (August 1, 1988), pp. D31, D41-42.

(13) Cf. Asia Pacific Marketing Services Limited(ed.), *Asia's 7500 Largest Companies*, London, 1985, pp. 43-121.

年)。そこで中国商人達が1969年 Far East (遠東) Stock Exchange, 1971年 Kam Ngan (金銀) Stock Exchange および1972年 Kowloon Stock Exchange を次々に設立し、1975年現在世界第8位というのが合わせた市場規模であった⁽¹⁴⁾。そして、永年にわたって計画と準備が重ねられてきたこれら4証券取引所の統合は1986年遂に実現し、新たに設立されたStock Exchange of Hong Kong Limited (香港聯合交易所有限公司) が同年4月2日取引を開始するにいたった。その出資者は法人会員151社、個人会員708名から成っている(1986年末現在)⁽¹⁵⁾。そこで東京証券取引所の調査報告によって、日本を除くアジア諸国の主要証券取引所の規模を示す統計数値をまとめておくと表2の通りである⁽¹⁶⁾。

このような統計からも香港の株式市場が国際的にもかなり注目されることが首肯されるし、「ビジネス・ウィーク」誌が発表した上場株式時価総額(1988年5月31日現在)による世界の会社1,000社ランキングにも日本を除けば掲げられているアジアの会社は香港及びシンガポール/マレーシアの会社だけである。日本の会社が310社ランクされているのは別として、シンガポール/マレーシアの会社が4社しか掲げられていないのに対し、香港の会社としては上位500位に含められる Hong Kong Telecommunications (第141位)、Hongkong & Shanghai Banking (第335位)、Swire Pacific (第450位) 及びHutchison Whampoa (第474位) のほか計13社が掲げられている⁽¹⁷⁾。

(14) Vgl. Bley, Siegfried unter Mitwirkung von Machalitzka, Werner/Weissenfeld, Horst (Hrsg.), *Börsen der Welt, Frankfurt am Main 1977*, S. 258-259.

(15) Cf. Ismail, Aladin (ed.), *op. cit.*, p.48. 現在取引所は香港第1の不動産会社 Hongkong Land Co. Ltd. が香港島中心部に建設した高さ600フィートのビルディング Exchange Square にあり、問題もあるようであるが取引処理の電算化も進んでいる。

(16) 「証券市場の国際比較統計」、『証券』、1987年11月、47ページを参照。

(17) Cf. "The Global 1000", *International Business Week*, July 18, 1988, pp. 84-119.

表2：アジア主要証券取引所の比較 (1986年(末)現在)

証券取引所	香港	韓国	台湾	シンガポール	クアラルンプール	タイ	マニラ
株式上場 (内国)	247	355	130	122	226	93	129
会社数 (外国)	6	—	—	195	61	—	—
上場株式 (内国)	261	485	133	123	230	98	207
銘柄数 (外国)	6	—	—	199	62	—	—
債券 (内国)	5	4,408	125	23	7	139	1
債券 (外国)	2	—	—	116	2	—	—
時価総額 (株式)	53,844	13,924	15,501	16,582	14,867	2,878	2,009
(債券)	450	19,866	13,493	83,646	340	7,744	N.A.
(単位：百万アメリカ・ドル)							
売買代金 (株式)	15,300	10,889	19,097	3,670	1,311	950	1,858
(債券)	44	3,593	20	43	3	185	N.A.
(単位：百万アメリカ・ドル)							

5. 香港からみれば日本は香港経済発展の推進役輸出の相手国としてはアメリカ (31.3%)、中国 (21.3%)、西ドイツ (6.7%) に次いで第4位 (4.7%) で、うち再輸出のみに限ってみると中国 (33.4%)、アメリカ (18.2%) に次いで第3位 (5.4%) を占める。他方香港の輸入相手国としては日本は中国 (29.6%) に次いで第2位 (20.4%) で、再輸出品の供給先としてもまた中国 (42.1%) に次いで第2位 (15.2%) である⁽¹⁸⁾。

また、日本の対香港直接投資累計額 (1986年現在) も40億ドル (時計27%、エレクトロニクス22%、電気製品17%) に達し (アメリカ80億ドル)、香港における日系現地法人数も621社とアジア諸国では最も多い (1987年7月現在)。業種別では商社第1位、金融業第2位であるというが、製造業投資も激増しつつ

(18) すべて1986年現在。Cf. *Hong Kong Monthly Digest of Statistics, Special Review*, July 1987, pp. 19-22.

あるようで新界の Taipo (大埔) や Yuen Long (元朗) の工業団地における外国企業の70%が日系であるという⁽¹⁹⁾。逆に、日本における香港系企業はかなりの規模に達するものに限るが60社の存在が報告されている(1987年5月-6月現在)⁽²⁰⁾。

Ⅲ 香港の会社会計制度

1. 会社法の会計・監査・開示規定

(1) イギリスの会社法を“Companies Act”と称するのに対して、香港の会社法は“Companies Ordinance”と呼ばれる⁽²¹⁾。香港の会社法はもともとイギリスの1929年会社法にならって1932年に制定された。イギリスでは、周知のように、第2次世界大戦後だけでも1948年会社法が制定され、それが1967年、1976年、さらに EC 会社法指令との関連で1980年、1981年次々と改正されてきて、これらをまとめた1985年会社法が1985年3月11日制定され、7月1日発効している。これもとりわけ EC 会社法指令の規制に基づいて近く改正されるはずである⁽²²⁾。香港会社法もその後会社法改訂委員会 (Companies Law Revision Committee) の勧告(1971年6月及び1973年4月)に基づいて特に会計・監査

(19) 『東洋経済・海外進出企業総覧1988』, 14ページ、60-61ページ; Goldstein, Carl, “Japanese Cash Threatens Us Dominance”, *Far Eastern Economic Review*, Vol. 140, No.14 (7.4. 1988), p.74 を参照。

(20) 『東洋経済・外資企業総覧1988』, 22, 556-621ページを参照。

(21) イギリスの(旧)植民地では制定法のことを“Ordinance”と呼ぶことがほかにもあるようで、例えば旧海峽植民地 (Straits Settlements, マレーシア、シンガポール等の前身で1867年成立) でも “Companies Ordinance 1940” があったという。Cf. Walton, Peter, “The Export of British Accounting Legislation to Commonwealth Countries,” *Accounting and Business Research*, Vol. 16, No.64 (Autumn 1986), p.355.

(22) 大矢知浩司・佐々木秀一(編著)『イギリス会計制度の展開』同文館、1981年、36-51ページ; 黒田全紀・岡田依里「イギリスの会計・監査制度の改正」『企業会計』Vol. 40, No.6 (1988年6月), 58-64ページを参照。

関係の規定が改正を受け、1984年1月制定・8月31日施行の1984年会社法にまとめられた諸規定が1987年10月現在適用されている。会社法規定は1984年設置された会社法改正常任委員会（Standing Committee on Company Law Reform）の助言によりまだ改正されるはずであるというが⁽²³⁾、現在では EC 第4号指令のイギリス国内化法規定は未収容であり1948年・1967年・1976年イギリス会社法規定の段階にとどまっている。

なお、旧イギリス植民地諸国では一定時に適用されている法律をすべてまとめた全集を発行する慣習があって、その場合特定の法律はこの法律全集の章（Chapter, Cap. と略）の数で引用するのが通例である⁽²⁴⁾。そうすると香港の現行会社法も“Cap. 32, Laws of Hong Kong, Revised Edition 1984”ということになるが、以下では香港会社法の規定については CO 1984、イギリス会社法規定を参照する場合は CA 1948等と記し、Sch を附則（Schedule）、s. を条（Section）の略号とする。

(2) 香港会社法上認められる会社の種類には株式会社（company limited by shares）、保障有限会社（company limited by guarantee）及び無限責任会社（unlimited Company）があるが（CO 1984 s. 4(2)）、営利事業に携わる企業にとり實際上重要性を有するのは株式会社である。

株式会社のうち、株式を譲渡する権限を制限し、社員（＝出資者）の数を50人に制限し、株式もしくは社債につき公衆に対する引受の勧誘を禁止するものを私会社（private company）といい（CO 1984 s. 29(1)、CA 1948 s. 28(1)と同じ）、これ以外のものを公募会社（public company）という。もっとも、公募会社（香港では法律上の用語ではない）は日本の株式会社、私会社は日本の有限会社にはほぼ該当すると考えてよい。

これらの会社は基本定款に記載しなければならない会社の商号に「有限

⁽²³⁾ Cf. Ismail, Aladin(ed.), *op. cit.*, p. 80.

⁽²⁴⁾ Cf. Walton, Peter, *op. cit.*, p.356.

(Limited) 」という末尾語を付けることになっているが (CO 1984 s. 5(1))、普通は……Co. Ltd. (有限公司) と表現されているだけであるから、私会社であるか公募会社であるかはよく分らない⁽²⁵⁾。株式上場会社はもちろん統合香港証券取引所も公募会社であるのに対して、外国企業の香港子会社は最低資本金額の規制がないだけでなく、場合により後述のように会社法の会計規定の適用が大幅に軽減されたり、財務諸表の登記義務が免除されることすらあるので⁽²⁶⁾、私会社として組織されていることが多い。事実、既存の私会社を買収しこれを子会社とする手続が2日で完了することさえあるという⁽²⁷⁾。

(3) すべての会社は、会社が受領し支出した金銭の総額及び受領・支出が生じた当該事実、会社による商品の販売・購入並びに会社の資産・負債に関して適正な会計帳簿 (proper books of account) を備え置かなければならず (CO 1984 s. 121(1))、会社の業務状態 (state of the company's affairs) につき真実かつ公正な写像 (true and fair view⁽²⁸⁾) を与えしかも会社取引を明白にするのに必要な会計帳簿を適正な会計帳簿とみなす (CO 1984 s. 121(2))。これらの規

⁽²⁵⁾ イギリスでは、主としてEC会社法第2号指令を国内化した1980年会社法の規定によりCA1948 s. 28の私会社定義規定を廃止し、公募会社についての定義規定を設け、公募会社でないものを私会社とし (CA 1980 s.1)、この規定が現在も適用されている (CA 1985 s. 1(3))。そして公募会社の名称には“public limited company”もしくは“p.l.c.”を付けなければならないことになっている (CA 1980 s. 2(2), CA 1985 s. 25(2), s. 27(4))。

⁽²⁶⁾ Cf. Higgins, Mary Faith, Claudio de Bedin, Roy I. Delbyck: “Legal Groundrules”, The American Chamber of Commerce: *Doing Business in Today's Hong Kong*, Oxford University Press, Hong Kong / Oxford / New York, 1988, p.15 et seq.

⁽²⁷⁾ Cf. *ibid.*, p.16 et seq.

⁽²⁸⁾ “true and fair view”を「真実かつ公正な概観」ではなく「真実かつ公正な写像」と表現したことについては、黒田全紀「会計基準国際的調和化についてのEC方式の限界」『産業経理』Vol. 47, No. 2 (1987年第2号)、48-50ページを参照。

定はCA 1976 s. 12(2)により修正されるまでのCA 1948 s. 147(1), (2)の規定と同じである。

(4) すべての会社の取締役は、少なくとも毎暦年1回社員総会に対して総会の前9カ月以内（外国で業務を行うか外国に利害関係を有する会社の場合は12カ月以内）の日付で作成された損益計算書（profit and loss account）を提出するとともに損益計算書が作成される日付の日における貸借対照表（balance sheet）を毎暦年作成し社員総会に対して提出しなければならない（CO 1984 s. 122(1), (2)）。この規定もCA 1948 s. 148(1), (2)の規定を継受したものである。

さらに、CA 1948 s.149(1)の規定にならって、会社のすべての貸借対照表はその会計年度末における会社の業務状態につき真実かつ公正な写像を与え、すべての損益計算書は会計年度中の会社の利益もしくは損失につき真実かつ公正な写像を与えなければならないとする（CO 1984 s. 123(1)）。のみならず、貸借対照表・損益計算書が会計法附則の要求を遵守しなければならないとしながらも（CO 1984 s.123(2)）、真実かつ公正な写像伝達義務が会社法附則の遵守規定・附則の要求を害しないこと（CO 1984 s.123(3)）、真実かつ公正な写像伝達義務が満たされるかぎり、会社の取締役の申立によりもしくはその同意のもとに財務長官がその会社の事情に適応させるため貸借対照表・損益計算書に記載すべき事項に関する法律の要求を修正することができるとして（CO 1984 s. 123(4)）、真実かつ公正な写像伝達義務の超越的な（overriding）地位もCA 1948 s. 149(3), (4)に則して明らかにするのである。

(5) 以上が、個別貸借対照表・損益計算書作成に関する香港会社法の基本的規制であるが、会社が子会社を有している場合には、会社が他の法人の完全所

(2) イギリス会社法では現在に到るも、「グレート・ブリテンにおいて設立された」他の法人の完全所有子会社である会社が除かれることになっているが（CA 1948 s. 150(2), CA 1985 s. 229(2)）、香港会社法では「他の法人」の設立国を問わない。

有子会社である場合を除き⁽²⁹⁾、その会社及び子会社の業務状態及び利益もしくは損失を取扱う計算書もしくは報告書（これを総合計算書（group accounts）という）が会社自身の貸借対照表及び損益計算書が提出される社員総会に対して提出されなければならない（CO 1984 s. 124(1), (2), CA 1948 s. 150(1), (2)に同じ）。そして、ここにいう総合計算書は、原則として、連結貸借対照表（consolidated balance sheet）、連結損益計算書（consolidated profit and loss account）から成る連結計算書（consolidated accounts）でなければならないのである（CO 1984 s. 125(1), CA 1948 s. 151(1)に同じ）。

また、総合計算書もそれに全体として取扱われている会社及び子会社の業務状態及び利益もしくは損失につき真実かつ公正な写像を与えなければならない（CO 1984 s.126(1), CA 1948 s.152(1)に同じ）。のみならず、総合計算書も、連結計算書として作成されたときは、会社法附則の要求を遵守しなければならないが、この規定は真実かつ公正な写像伝達義務を害するものではない（CO 1984 s.126(3), CA 1948 s. 152(3)に同じ）。

なお、法律の要求を遵守した連結損益計算書を作成し、会計年度の連結損益の中のどれだけが会社の計算書で取扱われているかを開示するときは、個別損益計算書の作成は求められない（CO 1984 s. 123(5), CA 1948 s. 149(5)に同じ）。

(6) 個別財務諸表であれ連結財務諸表であれその作成上原則として遵守しなければならない要求を掲げる附則は香港会社法では第10附則となっていて、CA 1967 Sch 2による修正後のCA 1984 Sch 8の内容をほぼ再現し、貸借対照表・損益計算書（注記等を含む）における要開示事項を詳細に規定している（CO 1984 s. 161, s. 161Cも参照, CA 1948 s. 196, s. 198に同じ）。

一例に限って触れるならば、固定資産としての土地については、香港内外の土地に区分して、それぞれの保有形態別金額開示を要求するが（CO 1984 Sch 10 para. 12(9)）、イギリス会社法の場合は所在地別区分開示を要求しない

(CA1948 Sch 8 para 11 (6 C), CA 1967 Sch 2により追加)。

(7) そのほか、社員総会に対して提出されるすべての貸借対照表には、会計年度の会社の利益もしくは損失及び年度末の会社の業務状態に関する取締役の報告書 (report by the directors, directors' report) を添付しなければならない (CO 1984 s.129D(1))、これに記載すべき事項も詳しく規定されているが (CO1984 s.129D(2))、これはCA 1967 s.16の規定をかなりの程度とり入れたものとなっている。ただし、産業別セグメント情報の開示は要求されていない。

(8) 監査については、すべての会社は各社員総会において1人以上の会計監査人 (auditor) を選任しなければならない (CO 1984 s.131(1), CA 1976 s.14(1)にほぼ同じ)、その選任資格としては「職業会計士法 (Professional Accountants Ordinance, 後述)」のもとで会計監査人選任資格を有すること等が規定されている (CO 1984 s.140, CA 1948 s.161にほぼ同じ)。この会計監査人は検査した計算書に関し、並びに在任中の社員総会に対して提出されるすべての貸借対照表・損益計算書及びすべての総合計算書に関し社員に対し報告書を提出しなければならない (CO 1984 s. 141 (1), CA 1967 s. 14 (1)に同じ)、会計監査人報告書 (auditors' report) には、会社の貸借対照表・損益計算書及び総合計算書が会社法の規定に従って適正に (properly) 作成されているか否かについて並びに個別・連結計算書が業務状態及び利益もしくは損失につき真実かつ公正な写像を与えているか否かについての会計監査人の意見を記載しなければならない (CO 1984 s.141(3), CA 1967 s.14(3)に同じ)。その他の規定はおおむねCA 1976の規定にならって1984年に追加されたものである。

(9) 開示については、香港会社法にも社員総会に対して提出される損益計算書・総合計算書を貸借対照表に添付し、会計監査人の報告書をそれに添付しなければならない (CO 1984 s. 129 C(1), CA 1948 s. 136(1) に同じ)、また社員総会に対して提出されるすべての貸借対照表には、会社の業務状態及び利益もしくは損失に関する取締役の報告書を添付しなければならないとしたうえ (CO

1984 s. 129 D(1))、社員総会に対して提出すべき、法律により添付することを要するすべての文書を含んだすべての貸借対照表の謄本を会計監査人の報告書の謄本とともに総会の日の21日以上前に原則として会社の全社員、全社債権者等に送付しなければならないとする (CO 1984 s. 129G, CA 1948 s. 158 にほぼ同じ)。

のみならず、株式資本を有する会社はすべて毎年少なくとも1回第5附則第1部に定める事項を記載する年次届出書 (annual return) をその年度の年次社員総会后42日以内に作成し、その後直ちにこの謄本の登記官 (Registrar) に送付しなければならないことになっていて (CO 1984 s. 107(1), CA 1948 s. 124(1) にほぼ同じであるが、CA 1948 s. 126(1) が21日以内としているのに対し、CO 1984 s. 109(1) では CA 1929 s. 110 通りの42日以内である)、この年次届出書には、私会社である場合を除き、社員総会に対して提出されたすべての貸借対照表 (法律により貸借対照表に添付することを要求されるすべての文書を含む)、会計監査人報告書及び取締役報告書の謄本各1通を含まなければならない (CO 1984 s. 109(3), CA 1948 s. 127(1) に同じ)、僅かの手数料を払えば誰でもこれらを閲覧することができるのである (CO 1984 s. 305(1), CA 1929 s. 314 に同じ)。

(10) 外国会社の子会社であって、みずからが香港法上の子会社をもたず、かつ銀行業、証券業、保険業、国際貨物輸送業等に従事せず、しかも、全出資者からの書面による同意を得た私会社については、会計帳簿、財務諸表作成、取締役報告書、監査報告書等につき会社法の要求が著しく軽減される (CO 1984 s. 141 D)。

2. 香港会計士協会とその会計基準

(1) 上で触れたように、香港会社法の会計監査人として選任される者は職業会計士法のもとで法定会計監査人に任命される資格を有する者でなければなら

ない (CO 1984 s. 140(1))。1973年1月1日制定の「職業会計士法 (Professional Accountants Ordinance, Cap. 50, Laws of Hong Kong, Revised Edition 1985, 最終改正1985年, 以下PAOと略称)」は「香港会計士協会 (Hong Kong Society of Accountants)」を設立し職業会計士の活動を規制するための法律である。この法律の規定によると、21才以上の適格な人物であってオーストラリアもしくはイギリスの会計士協会のメンバーであるか、香港会計士協会とイギリスの公認会計士協会 (Chartered Association of Certified Accountants) が1982年以来香港で実施してきた共同試験 (3段階) に合格し実務経験 (3—5年) を有する者、またはPAO施行前に法定会計監査人であった者が香港会計士協会への登録により職業会計士 (professional accountant) と呼ばれる (PAO s. 22, s. 24)。そして経験・知識につき香港会計士協会理事会が適当と認めた職業会計士は開業免許状 (practising certificate) を取得することができる (PAO s. 29A, s. 30)。さらに、職業会計士として登録されていて開業免許状を有する者が公認会計士 (certified public accountant, 正規のルートを経た場合) もしくは公共会計士 (public accountant, PAO 施行前に法定会計監査人であった職業会計士の場合) と呼ばれることになる (PAO s. 2)。会社法上の会計監査人にはこれら公認会計士もしくは公共会計士を任命しなければならないのである⁽³⁰⁾。

(2) 周知のように、イギリスにおいてはアイルランドも含めて6職業会計士団体が構成する会計基準委員会 (Accounting Standards Committee, ASC) によって1987年末現在23件の標準会計実務書 (Statement of Standard Accounting Practice, 以下UK SSAP と略称) が発表されていた。私にはUK SSAPの香港における一般的地位については明らかにすることができないが、

⁽³⁰⁾ 香港会計士協会のメンバーは1987年1月1日現在、3,492名で、うち7年以上のメンバー歴を有する者 (fellow という) は776名であった。また、公認会計士は899名、公共会計士は9名であった。Cf. Hong Kong Society of Accountants, *Information Sheet*, January 1987.

香港の税務当局が棚卸資産の評価につき UK SSAP 9 に含まれている勧告に従う処理を税務計算上おおむね承認していることを指摘しておきたい⁽³¹⁾。

また、香港会計士協会は国際会計基準委員会 (International Accounting Standards Committee, IASC) のメンバーであるから、IASCの作業を支持することになる。

(3) 香港会計士協会理事会もイギリスASCに倣って、財政状態及び利益もしくは損失につき真実かつ公正な写像を伝達することを意図する財務諸表に適用する会計基準を SSAP (以下 HK SSAP と略称) として発表してきた。そこで、1987年10月1日現在理事会承認済であった HK SSAP と UK SSAP 及び IASC 国際会計基準 (International Accounting Standard, IAS) とを主題によって対照させてみると、表3の通りである。

そのほか1987年10月1日現在“Accounting for Leases and Hire Purchase Contracts” (UK SSAP 21及び IAS 17に対応)、“Depreciation Accounting” (UK SSAP 12及び IAS 4に対応) 並びに“Accounting for Goodwill” (UK SSAP 22及びIAS 22に対応)というHK SSAP公開草案が発表済であった⁽³²⁾。

ともあれ、HK SSAP が UK SSAP 及び IAS とよく対応していることは明らかである。HK SSAP の内容構成形式も UK SSAP と同じであって、「香港法規制に関するノート」、「IAS への適合性」も必ず含まれている。

③① Cf. *Inland Revenue Departmental Interpretation and Practice Notes*, Number 1, Part A, para.8.

③② ほかに“Accounting Guideline”が6編存在するが、これらは最善の実務を指示するものであって、その指示に従わなかったときも SSAP の場合と異なりその旨の開示は必ずしも要求されない。

表3 : HK SSAPとUK SSAP・IAS

HK SSAP	UK SSAP	IAS
1. Disclosure of Accounting Policies 2. Extraordinary Items and Prior Year Adjustments 3. Stocks and Work in Progress	2. Disclosure of Accounting Policies 6. Extraordinary Items and Prior Year Adjustments 9. Stocks and Work in Progress	1. Disclosure of Accounting Policies 8. Unusual and Prior Period Items and Changes in Accounting Policies 2. Valuation and Presentation of Inventories in the Context of the Historical Cost System 11. Accounting for Construction Contracts
4. Statement of Changes in Financial Position 5. Earnings per Share 6. Depreciation Accounting 7. Group Accounts	10. Statements of Source and Application of Funds 3. Earnings per Share 12. Accounting for Depreciation 14. Group Accounts	7. Statement of Changes in Financial Position 4. Depreciation Accounting 3. Consolidated Financial Statements
8. Accounting for Contingencies 9. Accounting for Post Balance Sheet Events	18. Accounting for Contingencies 17. Accounting for Post Balance Sheet Events	10. Contingencies and Events Occurring after the Balance Sheet Date 10. Contingencies and Events Occurring after the Balance Sheet Date
10. Accounting for the Results of Associated Companies 11. Foreign Currency Translation	1. Accounting for Associated Companies 20. Foreign Currency Translation	3. Consolidated Financial Statements 21. Accounting for the Effects of Changes in Foreign Exchange Rates
12. Accounting for Deferred Tax	15. Accounting for Deferred Tax	12. Accounting for Taxes on Income

(4) HK SSAP の具体的内容は、対応する UK SSAP とほぼ同じであるし、別に述べられているので、ここでは土地の取扱のみについて触れておきたい。香港の土地はすべて政庁の所有になり、政庁が売却するのは香港島及びカウロン地区の都市部土地については通例75年間の定期保有権、新界地区ではこれより長かったがやはり期限付の定期保有権である⁽³³⁾。

したがって、土地の取得原価といっても、それは借地契約の形態をとる定期保有権の取得原価を表わすから、香港の会社財務諸表上の土地は本来償却資産なのである。もっとも、HK SSAP 6 “Depreciation Accounting” によると、残余期限50年以上の土地については償却しないことも認める。ただし、それより短い、中・短期期限の土地については保有権取得原価を償却すべきものとしている。つまり、香港の会社が土地を償却資産として取扱うことがあるといっても驚く必要はまったくないのである。中国への復帰日が定められている現在の問題としては、場合によっては耐用年数を中国復帰日（1997年7月1日）もしくはその後50年までに短縮して土地を償却することが適正であるか否かということにあると思われる⁽³⁴⁾。それに対する答は究極的にはその取扱が真実かつ公正であるか否かによって定まるであろうから、容易に解答が得られるとは考えられない⁽³⁵⁾。

(5) 香港会社法には評価規定はまったくなく、適用した評価方法の開示が要求されているだけである。この評価基準についてのルールを確立しようとするのが HK SSAP である。しかし、香港会社法は HK SSAP には一切触れると

⁽³³⁾ Cf. Ismail, Aladin(ed.), *op.cit.*, pp.163-164.

⁽³⁴⁾ 土地問題は中国復帰に伴う諸問題中でも最も微妙な問題の一つであったといわれ、中英共同声明第3附属文書に両国間の合意事項がまとめられている。この問題については、岡田晃、前掲書、168ページ以下も参照。

⁽³⁵⁾ 事実「中英共同声明」とのからみで土地の償却問題を扱おうとする HK SSAP の “Depreciation Accounting” 第2次公開草案も1987年10月香港会計士協会理事会が採択する予定であったが、問題が多いため予定の時期には採択されなかった。

ころがないから、HK SSAP に会社法上の拘束力がないことも明らかである。そうではなくて、HK SSAP を遵守しなければならないのは香港会計士協会メンバーなのである。協会メンバーには、取締役その他役員として財務諸表作成にかかわりをもつ場合、HK SSAP の存在・意図が協会メンバーでない取締役等によって十分に理解され HK SSAP が遵守されるよう最善の努力を払う義務を負わされている。また、協会メンバーは、会計監査人として行動する場合、HK SSAP からの重要な離脱が確実に開示されるようにする義務も負う。つまり、会計基準設定・適用についてのイギリス流自主規制方式が香港会社会計の基本的特徴である。そして、香港会計士協会は監査のための一連の諸基準もみずから設定しているのである。

3. 証券取引所の開示規制

(1) 香港の証券行政は、「証券法 (Securities Ordinance, Cap. 333, Laws of Hong Kong, Revised Edition 1986, 以下 SO と略称)」の規定により、総督が任命する証券局長 (Commissioner for Securities) 等によって構成される証券委員会 (Securities Commission) が財務長官を補佐することによって実施される (SO s. 6-s. 12)。証券委員会は証券取引所の活動を監督することになっているが (SO s. 13)、實際上証券取引所は自律的に行動するようである。

(2) 統合香港証券取引所の「上場規則 (Rules Governing the Official Listing of Securities, Second Edition, June 1986)」によれば、有価証券の取引所上場会社は、会社法開示規制を超えて、取引所、証券局長、会社の各社員及び会社が発行した有価証券の各保有者に対して、会社法の規定に従う個別・連結財務諸表、会計監査人報告書及び取締役報告書の謄本を決算日後 6 ヶ月以内、年次社員総会日の前 21 日以前に送付しなければならない。のみならず、この取締役報告書には 1986 年 7 月 1 日以降連結売上高・営業損益の産業別・地理的区分別セグメント情報や各子会社の名称・その主要活動国等の記載も含めなけれ

ばならなくなっている。さらに、上場会社は、各会計年度の最初の6カ月の期間につき売上高、税引前利益、一株当たり利益その他の情報を含む中間報告書 (interim report, 監査不要) を作成しその謄本を当該期間末から4カ月以内に取引所、証券局長、各社員等に送付するとともに、中間報告書を有料広告として新聞に公表し新聞名・公表日を証券局長及び取引所に通知しなければならない。

(3) そのほか、とりわけ新規上場のための目論見書には不動産に関する詳細を記載した評価報告書 (valuation report) をも含めなければならない。

4. 香港の税制

(1) 香港の税法は Inland Revenue Ordinance (Cap. 112, Laws of Hong Kong, Revised Edition 1986、以下 IRO と略称) と称し、税務官庁は Inland Revenue Department である。所得に課される税金は香港税法上単一ではなく次の5種類の税金がある。すなわち、

- 1) 事業所得税 (Profits Tax)、香港で行われる事業から生じる利益 (ただし資本資産 capital assets の販売から生じる利益を除く) に課される税金 (IRO s. 14)、
 - 2) 給与所得税 (Salaries Tax)、香港における職務もしくは雇傭及び年金から生じる所得に課される税金 (IRO s. 8)、
 - 3) 利子所得税 (Interest Tax)、香港を源泉とする支払利子額を受取人に課される税金 (IRO s. 28) 及び
 - 4) 不動産所得税 (Property Tax)、香港に所在する土地・建物の所有者に課される税金 (IRO s. 5)
- がこれである。

(2) 香港税制の基本的特徴は、第一に、納税義務者が支払うべき税金が以上の所得を合算した額に課されるのではなくて、それぞれの種類の所得について

別個に課されることが原則であるから、一納税義務者が4種の税金を支払うべきことになる場合があるということである。ただし、香港で事業を行う法人については、不動産所得税及び利子所得税が一般に免除されるので法人はその全所得につき事業所得税を課されることになるという³⁶⁾。

第二の基本的特徴は、どの種類の税金も香港源泉の所得に対してしか課されないということであって、その場合重要なのは所得の源泉が香港内外のいずれにあるかということであり、納税義務者の居住地が香港内外のいずれにあるかということではない。税法は、香港源泉事業所得の要件を詳細に規定している。

(3) 事業所得とは要するに物品の販売納入、受取手数料から成り、これに主として香港における有形・無形資産から生じる所得を加算するが (IRO s. 15(1))、事業所得税を課される法人からの受取配当金 (IRO s. 26)、資本資産売却収入 (IRO s. 14) 及び政庁発行債権の受取利子・売却収入 (IRO s. 26 A) 等は除外される。

これらの収入から一定種類の金額を損金として控除した所得が課税対象となるのであるが、一般的に費用は損金算入が可能である (IRO s. 16)。もっとも、財務諸表上の減価償却費の損金算入は認められず、税法規定に従って算出した初年度償却額 (initial allowance) ・年次償却額 (annual allowance) を損金算入するのである。初年度償却額及び年次償却額は、工業用建物の場合それぞれ20%及び4% (IRO s. 34(1), (2))、機械設備の場合種類によって違うがそれぞれ20%から55%及び5%から30%に達する (IRO s. 37A)³⁷⁾。

(4) ほぼ以上のようにして算出した事業所得に課される税金の税率は、財務長官の権限によりしばしば変更されるが、法人の事業所得税の場合1987年3月

³⁶⁾ Cf. Yager, James M., David H. Southwood: "Taxation," The American Chamber of Commerce: *op.cit.*, p.57.

³⁷⁾ Cf. *Rates of Depreciation (Effective from 1978 / 79), as Prescribed by the Board of Inland Revenue Table, First Part.*

31日後に終了する事業年度につき税率は僅か18%という低率である³⁸⁾。

(5) そのほか、欠損金の繰戻しは認められないが、その繰越しは原則として無制限に許される (IRO s. 19)。多国籍企業がこのような税制を活用して節税を図ろうとすることは以上の税制概要から明らかであるが、香港がいかなる国とも租税条約を締結していないこと³⁹⁾、イギリス連邦所得税を除き外国税額控除をまったく認めないこと (IRO s. 45)、日系企業の場合租税特別措置法の規定によりその香港子会社の留保金額が親会社の益金に算入され合算課税されることになる場合があることに注意すべきである。また、会社法上財務諸表の登記義務が免除されるときも、税務当局は納税申告書に監査済財務諸表を添付することを要求するのが一般であるという⁴⁰⁾。

5. 公表財務諸表の実例

(1) さて、ここで、あまり役に立たないであろうが、*Jardine Matheson Holdings Limited Annual Report 1987* に公表されている同社連結財務諸表の一部を掲げておくことにしよう⁴¹⁾。同社はもともと William Jardine 及び James Matheson という2人のスコットランド人により1832年清朝中国の広州に Jardine, Matheson & Co. として設立され、1841年香港に本部を移転させ、1906年私会社となり、1961年以来香港証券取引所上場会社であるという事実が示すように現存する香港最古の会社である。しかし、1984年 Jardine, Matheson & Co. Ltd. 社の発行済株式をすべてキャンセルしその株主に1対1の割合で新会社株式を交付するという方式で Jardine Matheson Holdings Limited を

38) Cf. Yager, James M., David H. Southwood, : *op.cit.* ,p.57.

39) Cf. *ibid.* ,p.68.

40) Cf. Higgins, Mary Faith, Claudio de Bedin, Roy I. Delbyck : *op.cit.* ,p.18.

41) これについては、同社香港本部法務部門の了承を得ている。

ループ親会社としてバミューダに新設して現在に至っている⁽⁴²⁾。Jardine, Matheson & CO. は既に1841年初め頃香港で売りに出された最初の土地を購入していたのであり、現在香港最大の不動産会社 Hongkong Land Company Ltd は同グループの関連会社であって、親会社株主数も25,000人を超え、同グループは世界の22カ国で従業員76,000人を擁して活動する多国籍企業である。

(2) 1987年年次報告書には会社法及び HK SSAP に従って連結損益計算書、連結貸借対照表、連結財政状態変動表、親会社個別貸借対照表、注記その他の情報が公表されているが、親会社個別貸借対照表によると子会社投資・関連会社投資が資産総額の91.6%を占めているのでグループの実態を反映していると思われる連結損益計算書、連結貸借対照表（アメリカ・ドル換算数値略）及び地理的セグメント情報のみを掲げその他は省略する。

なお、会社法上の会計監査人は、Price Waterhouse で、その無限定監査報告書も掲載されている。

(42) 簡単な社史については、*Hong Kong Public Companies, An Inverstor's Guide to the Stock Market*, Hong Kong, 1986 (?), p. 399 を参照。

注記	1987年	1986年
	単位：百万ホンコン・ドル	
1. 売上高	<u>12,720</u>	<u>10,416</u>
営業利益	632	354
関連会社利益持分	<u>605</u>	<u>546</u>
税引前利益	1,237	900
4. 租税	<u>(342)</u>	<u>(343)</u>
税引後利益	895	557
少数株主帰属利益	<u>(111)</u>	<u>(78)</u>
税引・少数株主帰属利益控除後利益	784	479
5. 異常項目	<u>278</u>	<u>52</u>
株主帰属利益	1,062	531
6. 配当金	<u>(293)</u>	<u>(165)</u>
17. 準備金繰入額	<u>769</u>	<u>366</u>
	単位：ホンコン・ドル	
7. 一株当り利益	<u>1.47</u>	<u>0.90</u>

表5：連結貸借対照表

注記	1987年	1986年
	単位：百万ホンコン・ドル	
使用資産		
8. 固定資産	1,384	1,033
10. 関連会社投資	4,823	6,127
11. その他投資	239	216
12. 棚卸資産	1,241	850
債権	5,046	3,656
13. 現金預金	<u>3,602</u>	<u>2,832</u>
流動資産	9,889	7,338
控除		
債務	7,890	5,909
14. 短期借入金	660	345
未払税金	334	166
未払配当金(案)	<u>216</u>	<u>124</u>
流動負債	<u>9,100</u>	<u>6,544</u>
純流動資産	<u>789</u>	<u>794</u>
	<u>7,240</u>	<u>8,170</u>
調達資本		
15. 資本金	1,234	827
17. 準備金	5,012	4,192
株主資本	6,246	5,019
少数株主持分	310	245
18. 長期借入金	<u>684</u>	<u>2,906</u>
	<u>7,240</u>	<u>8,170</u>

表6：地理的セグメント情報（1986年度数値略）

	1987年			
	売上高		営業利益	
	百万ホンコ ン・ドル	%	百万ホンコ ン・ドル	%
ホンコン・中国	4,802	38	322	48
オーストラレイシア	511	4	17	3
ヨーロッパ	2,624	21	54	8
北アメリカ	1,827	14	94	14
東北アジア	1,728	13	213	32
東南アジア	1,228	10	48	7
グループ管理・サービス	—	—	(79)	(12)
	<u>12,720</u>	<u>100</u>	<u>669</u>	<u>100</u>

IV まとめに代えて

1. 世界の多くの国々の会計制度を対象とした分類研究においては、イギリス連邦=帝国の(旧)構成国を中心とするイギリス型会計制度類型の存在が指摘されることが多い⁽⁴³⁾。香港が従来このような分類研究の対象に明示的に含ま

(43) Cf.e.g. Seidler, Lee G., "International Accounting—The Ultimate Theory Course", *The Accounting Review*, Vol.43, No.4 (October 1967), pp.775—781; Previts, Gary John, "On the Subject of Methodology and Models for International Accountancy", *The International Journal of Accounting Education and Research*, Vol.10, No.2 (Spring 1975), pp. 1—12; Frank, Werner G., "An Empirical Analysis of International Accounting Principles", *Journal of Accounting Research*, Vol.17, No.2 (Autumn 1979), pp. 593—605; Nair, R.D., Werner G. Frank, "The Impact of Disclosure and Measurement Practices on International Accounting Practices", *The Accounting Review*, Vol.55, No.3 (July, 1980), pp.426—450.

れていた場合の結論と同様⁽⁴⁴⁾、本稿で述べてきたところからも、香港の会計制度をイギリス型会計制度類型に帰属させることにはまったく問題がない。

2. 二つの国（もしくは地域）の会計制度の異同を合理的に説明するための要因としては、法律制度、企業資金調達形態、株式市場の発達度、税法規制の介入度、職業会計士の影響力等をすぐ思い浮かべることができる⁽⁴⁵⁾。

しかし、これらの要因は複合して作用すると考えるのが適切であるし、これらの要因のみによっては会計制度間の類似性を合理的には説明することができない場合もある。事実、E E Cローマ条約に基づくE C理事会会計関係会社法指令の国内化による財務諸表制度の国際的調和化といっても、会計制度の不自然な移植以外の何物をも意味しないと解釈される場合がある。

3. 香港の場合、例えば株式市場は比較的によく発達していると考えることができる。また、香港の会社財務報告は、例えば税法規制の介入を受ける仕組みにもなっていない（確定決算主義の不在⁽⁴⁶⁾）。

ということは、イギリスの場合と類似もしくは同一の要因の存在を示すものではある。しかし、香港の株式市場が実は上場株式時価総額の54%を占める会社を支配するトップ10同族の支配下にあるのが事実であってみれば、投資者の数がたとえ多くても、その市場は実際はインサイダーによって運営されている

(44) Cf. e.g. Nair, R.D.: "Empirical Guidelines for Comparing International Accounting Data", *Journal of International Business Studies*, Vol. 13, No. 3 (Winter 1982), pp. 85-98.

(45) Cf. Nobes, Christopher, *International Classification of Financial Reporting*, London/Sydney, 1984, pp. 4-15.

(46) 香港税法上、例えば減価償却費については、財務諸表上の減価償却費とはまったく無関係に初年度償却額・年次償却額を税法規定に従って計算し、これを損金に算入する。税法上の損金算入償却額は年によって相違するし、変更されることも少なくないので、税法の償却額を財務諸表作成上そのまま計上することは真実かつ公正でないと懸命に説いていたある日系企業の経理担当マネジャー（中国人）を私は忘れることができない。

クラブであるといえるであろう⁽⁴⁷⁾。また、確定決算主義が存在しないにもかかわらず、HK SSAP の例示する減価償却率にも部分的には税法上の償却率をそのまま掲げた形跡が認められる。

4. 19世紀の植民地帝国主義時代に生まれたという概念を用いて香港会計制度が明らかにイギリス会計制度の「勢力圏 (sphere of influence)」内にあるといっても、その位置づけは香港がイギリスの直轄植民地であるという事実の当然の帰結であるにすぎない。ただし、会計制度を規律する法律が本来真空中の中で機能するはずがないことや、香港にイギリス型会計規範を受容する要件が整っていたと必ずしも考えられないことを考慮すると、ここに認められるのは会計制度の不自然な移植の典型例であろう⁽⁴⁸⁾。

5. 中英共同声明によると、中国復帰後の香港特別行政区においては50年間現行の法律制度を基本的にはそのまま維持し、終審権も特別行政区が有することになっている。特別行政区のミニ憲法としての基本法 (Basic Law) の第一次草案が1988年4月末発表されたけれども⁽⁴⁹⁾、これら中英共同声明合意が中国

(47) 事実、統合香港証券取引所初代理事長は、1987年10月の暴落時に4日間取引所を閉鎖した責任をとって12月辞任したが、1988年1月2日私利私慾を図ったとして反不正行為委員会 (Independent Commission Against Corruption) に逮捕された。その後、非営利組織とする等取引所改革案も発表されている。Cf. e.g. Mulcathy, John, "Casino or Stockmarket?" *Far Eastern Economic Review*, Vol. 136, No.16 (16. 4. 1987), pp. 45-46; Bowring, Philip, Eric Ellis, "One Applicant, Two Allocations", *Far Eastern Economic Review*, Vol. 138, No.50 (10. 12. 1987), pp. 100-101; unsigned, "Not before Time?," *The Economist*, Vol.306, No.7532 (9. 1. 1988), p.79; Bowring, Philip, "Distant Justice," *Far Eastern Economic Review*, Vol. 139, No.2 (14. 1. 1988), pp. 64-65; unsigned, "Wrong in Hongkong," *The Economist*, Vol. 307, No.7453 (4. 6. 1988), p.20; Bowring, Philip, "Hongkong's Test of Will", *Far Eastern Economic Review*, Vol. 140, No.24, (16.6.1988), pp. 127-128.

(48) 明治期日本商法に導入された株式会社監査役制度も不自然な移植の例であろう。これに該当する制度 (運用の実際を含む) はイギリス法・ドイツ法には存在しない。

(49) 「香港特別行政区基本法」第一次草案の英文テキストは、例えば、*Beijing Review*, Vol.31, No.19 (May 9-15, 1988), pp.19-47 にその全文が掲載されている。

側からなし崩し的に侵蝕されつつあるともいわれる⁵⁰。イギリス直轄植民地が前以って定められた日に社会主義国の主権下に入るのは歴史上初めての出来事であり、香港に高度の自治権を残すという合意も今後の両国政治・経済情勢の変化の有無によって左右されるであろうから、私に判断する能力がないのはもちろんであるが、現行香港会計制度の余命もあるいはあまり永くはないのかもしれない。

⁵⁰ Cf. Lau, Emily, "Doubts Emerge on Degree of Real Autonomy," *Far Eastern Economic Review*, Vol. 140, No.14 (7. 4. 1988), pp. 57-58; unsigned, "Basic Flaws," *The Economist*, Vol. 307, No.7548 (30. 4. 1988), p. 22; Lau, Emily, "Red Cards on the Table", *Far Eastern Economic Review*, Vol. 141, No.27 (7. 7. 1988), pp.21-22.

第2章 香港会社法概説

岸田 雅雄

I 総論

1. はじめに

香港会社法に関する規制は、会社法、税法、証券取引法などからなっている。香港会社法について論ずる前提として、香港の法律制度の概要を見ておく。香港はイギリスの直轄植民地である。従って最終的な法律制度の権限はイギリス政府にある。すなわちイギリス政府の監督に服する総督 (Governor) は委任立法という形で、立法評議会の助言と同意のもとで立法権限を有する。この総督の定めた法は条令 (Ordinance しかし以下「法」と訳す) と呼ばれる。

このように原則として香港の会社法はほとんどイギリス法によっている。その法形式は以下の通りである⁽¹⁾。1843年にイギリスが香港に立法の権限を委任した時イギリスで施行されていた法は原則として香港においても施行された。しかし1966年以降は、1966年イギリス法適用条令 (Application of English Law Ordinance) により、香港において適用されるイギリス法は限定されている。なおイギリスの公用語は英語と中国語である。

2. 憲法

イギリスの直轄植民地であるところから、通常の意味での憲法は存しない。しかし事実上枢密院の開封勅許状および勅令が憲法の機能を果している⁽²⁾。

3. 制定法

イギリス法適用条令第4条により、一定のイギリス法は香港において適用さ

(1) 山崎利男・安田信之・アジア諸国の法制度 315頁以下 (昭和55年)。

(2) 山崎・前掲 (注1) 323頁。

れる。それらのイギリス法としては、イギリス法適用条令の付表が掲げる34の制定法があげられる⁽³⁾。これらの法律は香港の状況に即応するように一部修正されることもある。付表にいずれのイギリス法を掲げるかを決定する権限は立法評議会にある。付表に掲げられていないイギリス法であっても、その法の明示の規定により、もしくはその解釈により、または枢密院令もしくは条令の規定にもとづいて香港において適用される。このような立法評議会の審議を経た法案は総督の同意を得て条令となり、法としての効力を生ずる。条令は香港の制定法の大部分をしめる。

4. 判例法

イギリス法適用条令第3条のもとで、イギリスのコモン・ロー及び衡平法の原則は香港においても効力を生ずる。しかしこのコモン・ロー及び衡平法の原則は、香港の状況及び香港の住民に適用することができる限りにおいてのみ、効力を有するものであって、すべてのものが当然に香港において効力を生ずるものではない⁽⁴⁾。

II 香港会社法

1. 総論⁽⁵⁾

香港の企業形態は次のようなものがある。①会社（公開会社及び非公開会社）、②外国会社の支店、③パートナーシップ（合弁会社を含む）、④個人営業。しかし以下においては会社を中心に検討する。

香港における会社は主として会社法（Companies Ordinance）によって規制

(3) 山崎・前掲（注1）323頁。

(4) 山崎・前掲（注1）325頁。

(5) 以下の記載はほとんど次の文献によっている。以下詳細に頁数を述べる。Pauline Wallace, *Company Law in Hong Kong* (1986)、また法令集として *Companies Chapter 32 of the revised edition 1984* (Ordinance No. 39 of 1932) を参照した。

される。香港会社法上会社の規制は次の二つすなわち非公開会社と公開会社に
分かれている。

(1) 非公開会社 (Private Companies)

非公開会社とは次の要件を満たす会社である (29条)。すなわち、①株式の譲
渡制限が行われている。②株主数は50人以下に制限されている。ただしこの制
限には会社の現・前従業員を含まない。③株式や社債の公募による発行を禁止
されている。なお2人以上の者が株式を共有する場合には1人と見なされる。
すなわち非公開会社とは、このような項目を定款で定めている会社である。
従って非公開会社の株式はすべて登録形式でなければならないこととなる。

ところでこのような非公開会社の特徴は次の通りである。すなわち設立手続
が容易であり、情報を一般に開示する必要がなく (年次報告書を公衆の閲覧に
供する必要はない)、その結果会計及び監査についての必要事項が軽減されて
いる、ということである。

(2) 公開会社

非公開会社以外の会社を公開会社といい、会社法が一般的に適用される。以
下においては、特に断りがない限り公開会社に関する規制である。(また、条文
の引用については特に断りのない限り会社法の条文である。なお、会社法に付
随して、スケジュールが1から11まであり、その1にテーブルAからEまであ
る。この条文についてはその都度明らかにする)。

Ⅲ 会社設立手続

1. 発起人

会社は一定の設立手続に従って設立される。その手続の概要は以下の通りで
ある。会社の設立は発起人によって行われる。発起人 (2人以上、4条(1)項)
の署名のある定款を会社登記所に提出しなければならない。発起人及び株主の
国籍・居住地は問わない (香港外であっても差し支えない)。このように香港

では会社設立はきわめて容易である。また最初非公開会社として設立しその後公開会社に変更することもできる。発起人及び設立時の取締役は弁護士となり、必要手続が終了次第株式を本来の所有者に譲渡することによる会社の設立手続もよく行われる。(弁護士による会社譲渡)。

2. 会社の定款⁽⁶⁾

会社の定款は、基本定款 (memorandum of association) と附属定款 (articles of association) からなる。基本定款は会社の基本的事項すなわち会社の目的等を定めるものでその会社と取引を行う第三者にとってはもっとも重要なものである。他方附属定款は会社の内部事項すなわち取締役の選任やその運営について定めるものであって、これは取締役や株主等会社の内部者にとってもっとも重要である。

会社の定款の記載内容は会社法で規定する。まず基本定款には次の事項を記載しなければならない(5条以下)。すなわち

- ① 会社の名称・目的 会社名及び会社名の変更については政府の承認が必要であるが、実務上は会社登記所がその承認を行う。なお原則として、有限責任制をとる会社名には最後にLimitedという語を入れなければならない。また会社名は既登録済名と同一もしくは類似のものであってはならない。会社の目的を記載しなければならない。
- ② 授権株式数 特別の場合を除き発行される株式は普通株式である。しかし定款の規定により特別の種類株式を発行することができる(優先株式、償還株式、転換株式等)。すべての株式は額面株式でなければならないが、最低額の定めはない。会社の自己株式取得は禁止される。
- ③ 株主の有限責任性の明示 会社の構成員が有限責任しか負わない場合にはその旨を記載しなければならない(以下では特に断わらない限り、会社は有

(6) P. Wallace, *supra* note 5, at 22.

限責任を負う会社のみを対象として論ずることとし、その構成員 (member) を「株主」、その地位を「株式 (share)」と称する。

④ 株式の譲渡

等がこれである。

さらに附属定款 (9条以下) には、テーブルAの規制事項が記載される。すなわち、株式、株主、株主総会、取締役の権限・責任、取締役会の運営に関する事項がこれである。

これを英文で作成し印刷し、発起人組合の記録等とともに登記所に届出る。これについて登記料を支払えば登記所は会社設立証明書を発行する。これで適法に会社は成立する。

さらに場合によっては、会社の設立に関与した高等裁判所の弁護士の法定証明書が必要である。

また公開会社は株式の募集前に目論見書を発行しなければならない。株式引受のため情報を投資家に開示する書類を目論見書という。これには一定の事項の記載が要求される。なお非公開会社は設立後一定の要件を備えれば公開会社になり得る。

IV 株主の権利⁽⁷⁾

1. 会社の構成員たる地位を株主というが、株主は多くの権利を有する。その中でもっとも重要なものが利益配当請求権と議決権である。他方株主の責任は株主となる際の出資責任のみであり以後は何らの責任を負わない。

2. 株主となるためには、株式を直接引き受けるか、又は他の株主から株式の取得を受けることが必要である。このような株主には原則として誰でもなりうるが、ただ未成年者は株主となりえない。他方会社 (法人) も、株主になる

(7) P. Wallace, *supra* note 5, at 198.

うとする会社の定款でそのことを認めている限り株主となりうる。少数株主権としては、①株主総会招集権（113条）、②決議請求権（115A条）、③会社清算請求権（177条(1), (F)、④調査人任命請求権（142条）等がある。

V 株主総会⁽⁸⁾

株主総会は会社の意思決定機関である（111条以下）。しかし会社の附属定款で主要事項を取締役会の権限となしうる。会社法は会社の重要事項を決定するため少くとも1年に1回は株主総会を開催することを要求している。会社法は最低限のことを定めるだけであって、詳細は定款で定めうる。

1. 株主総会の招集⁽⁹⁾

株主総会は一定の手続に従って招集されなければならない（114A条）。招集権者は取締役であると附属定款で定めることが多い。（テーブルA49条）。例外的に、定められた期間内に取締役が招集することができないときは、株主の申し立てにより裁判所に招集をさせることができる（114B条）。

さらに招集は一定の期日前に招集通知を発送して行わなければならない。株主総会の招集通知の発送期間は定款で定められるが、会社法ではその最低期限を次の通りに定めている。

- (a) 定時株主総会は21日（114条）。
- (b) 有限責任会社によって開催されるその他の株主総会は14日（114条）。
- (c) 無限責任会社によって開催されるその他の株主総会は7日（114条）。
- (d) 特別決議が提案された株主総会に付いては21日（116条）。
- (e) 特別の通知を要する決議を提案する株主総会については28日（116C条）。

なおこれらより長い期間を定款で定めることは何ら差し支えない。

(8) P. Wallace, *supra* note 5, at 183.

(9) P. Wallace, *supra* note 5, at 187.

2. 株主総会の種類⁽¹⁰⁾

株主総会には、定時株主総会（これは毎年一回必ず開催しなければならない）、臨時株主総会（これは一定の例外的な場合にのみ開催される）、種類株主総会（これは特定の種類の株主のみで行われる）の3種がある。

① 定時株主総会（111条）

設立後最初の株主総会は会社の設立後18月以内に、それ以後は前総会の15月以内に、毎年1回開催日を特定して通知して開催しなければならない。定時株主総会で決定しうべき権限は以下の通りである（114C条(7)項）。

- (a) 配当額の決定
- (b) 計算書類並びに取締役及び監査役の報告書の審査
- (c) 取締役の選任
- (d) 監査役の報酬額の決定

しかし、これらの事項が当然に株主総会で決定されなければならないことを意味するものではなく、ただこれについて決議する場合には通知が必要であることを定める。

② 臨時株主総会（113条）

臨時株主総会は取締役が必要あるいは適当と考える場合においてはいつでも招集することができる。また株主によっても招集することができる。臨時株主総会については決議事項の内容についてあらかじめ通知で明らかにすることが必要である。

③ 種類株主総会（114C条等）

会社が数種類の株式を発行する場合においては、それぞれの種類の株式毎に株主総会を開催することができる。そのような株主総会の開催が要求される場合においては、原則としてその定められた種類の株式を有する株主だけ

(10) P. Wallace, *supra* note 5, at 184.

が株主総会に出席することができる。これに関する法律の規定は少なく、もっぱら附属定款で詳細な規定がなされることが多い。

3. 株主総会の成立及び手続 (114A条)⁽¹⁾

(1) 定足数 株主総会は原則として少なくとも2名以上の株主が出席しなければ開催することはできない(114A条)。ここに2株主とは個人もしくは代理人を含む(テーブル55条)と解している。この定足数は必要不可欠なものである。従って株主総会開催の定時から30分以上経って定足数を満たさない場合において、その総会が株主の要求により招集されたものであるときは原則としてその総会は解散される(テーブルA56条)。その総会が通常の方法により招集されたものであるときは後日に延期される。総会が延期されたときは、次週の同じ日、同じ時間、同じ場所で行われる。

(2) 議長 議長は総会において秩序を保ち株主に発言を許可し、投票の指示等議事の進行を指揮する。テーブルA57条は取締役会に議長が欠けるとき、議長となるべき者が総会開催後15分以内に来ないとき、その者が議長となることを拒んだとき、その者が香港にいないとき、もしくはあらかじめ欠席の通知をしている場合には、総会に出席している取締役の中の一から議長を選任しなければならないことを規定する。議長の決定は、それが詐欺的であることもしくはそれが虚偽であると決議の過半数でそれを宣言しない限り最終的なものである。

(3) 決議 定款に別段の定めがない限り、投票は挙手による(テーブルA60条)。この手続は最初の投票で特にそれが日常的で急ぐ場合にはよく行われる。決議が挙手でなされた場合には、その株式保有数にかかわらず、各株主は単一の議決権しか有しない。通常、議決権の代理行使者は定款で認めている場合を除いて挙手による投票を認められない。決議が承認された、決議が全員一致も

(1) P. Wallace, *supra* note 5, at 189.

しくは特別多数で承認された、もしくは挙手によって否決されたとの議長の宣言、及びその旨の議事録の記載は、その決議に賛成あるいは反対として記録された議決権の数もしくは割合について証明なしにその事実があった旨の決定的な証拠とみなされる（60条）。

(4) 議決権の代理行使（114C条）株主総会に出席しうる権限を有するすべての株主は議決権の代理人による行使を行うことができる（114C条）。代理権の行使者は株主となるわけではないが、株主と同じ資格で出席できる。114C条は、株主総会のすべての招集通知には、会社が代理人を任命するために株主が代理人に委任できる権利に言及することを要求する。さらに同条は、取締役により発行された委任状は賛否の記載欄を要求する。

延会 株主総会は、種々の理由で延期される。例えば定足数の不足、等である。（テーブルA59条）

(5) 決議 決議は通常決議と特別決議とがある。

① 特別決議（116条）

特別決議は株主総会において有効投票件数の4分の3以上の賛成が必要である。これには以下のものがある。ただし定款に反対の規定がないことを要する。なおこの中でも特別の場合は特別の通知を必要とする。特別決議が必要とされる場合には21日前には通知を発しなければならない。なお95%以上の株主が同意したときは通知は不要である。

- (a) 目的の変更（8条）
- (b) 定款の変更（13条）
- (c) 商号の変更（22条）
- (d) 資本の減少（58条）
- (e) 資本剰余金の設定（52条）
- (f) 取締役の無限責任の免除（160条）
- (g) 裁判所による会社解散の決議（177条）

(h) 任意精算 (228条)

(i) 会社更生の手続において他の会社と引き換えにその資産の任意売却を精算人に指示すること (237条)。

(j) 任意精算における精算による権限行使の抑制 (251条)

(k) 任意精算における債権者との協定の締結 (254条)

(l) その任期終了前における取締役の解任 (157B条)

② 通常決議 (114A条)

通常決議は特別決議以外の事項すなわち会社法もしくは定款に定める事項について決議を行う。会社法は決議の内容に定義しない。すなわち単純決議事項が原則である。

VI 取締役

取締役は会社の経営を行う。取締役は取締役会を構成し会社の業務執行を行う。

1. 取締役の機能⁽¹²⁾

取締役の機能は会の規模や性質により異なる。大規模公開会社においては、取締役は監督的機能を有する。また取締役の一部は経営執行を行わないこともある。その場合これらの取締役は会社の日常業務から離れ、日常の経営は執行機関たる上級執行役員のみが行い、それらの上級執行役員らが、取締役に会社の経営活動や財務状態について通報を行う。これらの非執行取締役は直接に日常業務に責任を負わず独立した存在である。

他方小規模の非公開の企業においては、取締役は通常大株主でありその役割は異なっている。会社の受託者としての役割は少なく、取締役は直接会社の日常業務を行い、必ずしも会社とは独立していない。

(12) P. Wallace, *supra* note 5, at 147.

2. 取締役の資格⁽¹³⁾

すべての会社（小規模会社を含む）に少なくとも2人以上の取締役が必要である（153条）。しかしその最高員数を定められていない。さらに会社法は原則として21才以下の者の取締役就任を禁じている（157C条）。

3. 取締役の選任・辞任・解任

会社設立後最初の取締役は、会社の定款で株式引受人により任命される。それ以後の取締役は定時株主総会で選任される。会社が公開会社の場合は、各取締役は各別の決議によって選任される（157A条）。ただし株主総会が一つの決議で全部又は一部を選任することを全員一致で承認することができる。本規定は、1984年の会社法改正において株主の利益保護のため挿入されたものである。会社の定款は通常取締役の辞任について規定する。会社法90条は次のように規定する。すなわちテーブルAは取締役があらかじめ157D(3)(a)条に規定する通知を行うときは辞任することができる。取締役の解任に関しては定款に規定する。

4. 取締役と会社との関係⁽¹⁴⁾

取締役の報酬 会社の取締役は定款に定める場合のみ報酬を支払うことができる（Hutton v. West Cork Railway (1883)）事件による。

取締役に対する貸付 会社は特別の場合のみ取締役に対する貸付を行うことができる（157H条）。すなわち原則的に禁じられる。

5. 取締役の権限⁽¹⁵⁾

取締役の権限のうち主要なものは次の通りである。

- (a) 香港あるいは海外での会社の捺印を用いて会社を拘束する。
- (b) 取締役の欠員が生じた場合の取締役の任命

(13) P. Wallace, *supra* note 5, at 148.

(14) P. Wallace, *supra* note 5, at 155.

(15) P. Wallace, *supra* note 5, at 159.

- (c) 株主総会の招集
- (d) 会社の借入れ
- (e) 会社の認められた範囲内での株式あるいは債権の発行
- (f) 会社の利益からの配当
- (g) 株式の譲渡の拒否
- (h) 株式

6. 取締役の義務⁽¹⁰⁾

(1) 会社利益に関する権限行使の義務 取締役の会社に対する義務は会社の最良の利益を図ることである。これらが無視する責任は会社がそれから利益を得ることを確保する。例えば裁判所は、Parke v Daily News Ltd (1962) 事件において、会社売却に際し取締役がその剰余資産を従業員に分配することは認められない、と判示した。しかし実際上においては、会社が特定の株主や会社の利益にならなくても、間接的に株主や会社の利益のためになる行為が要求される場合も存じうる。従って会社が継続的企業を前提とする限り、間接的に会社の利益となるその従業員に対する利益分配は、取締役の義務に違反しないものと認められるとする見解も有力である⁽¹⁰⁾。

(2) 行動の自由を維持する義務 取締役は、相互にあるいは第三者と特別の契約を締結することによって、その法定権限を制限することは認められない。

(3) 会社との利益衝突を回避する義務 取締役は会社の承認なしに会社と利益衝突の生ずる行為をしてはならない。このことは取締役に對し以下のように多くの影響を与える。

- ① 取締役は、原則として、取締役が会社と直接、間接に利害関係を生ずる可能性のある契約を締結するに際し、直近の可能な取締役会でそれを開示することが要求される。

⁽¹⁰⁾ P. Wallace, *supra* note 5, at 161.

- ② 会社は定款において、取締役の利益衝突の生ずる行為についてより厳しい規定を設けることができる。
- ③ 会社は、普通法上、取締役と利益衝突を生ずる可能性のある契約を無効とすることができる。なぜなら利益衝突の生ずる可能性のある契約を締結することは、取締役の会社に対する忠実義務に違反する可能性があるからである。
- ④ 会社法においても、利益衝突の生ずる一連の行為を禁止するための多くの規定を有している。
- ⑤ 利益衝突を回避すべき義務の観点からさらに秘密利益の取扱が問題となる。すなわち取締役は会社資産の個人的運用によってあげた利益を会社の勘定に入れなければならない。

(4) 注意義務 会社に対する信認義務に加えて、取締役は他の義務の遂行に当たってもまた同様の善管注意義務を果たすことが期待されている。すなわち取締役は会社の事項の遂行に当たっては不注意のないように行動しなければならない。実務上この注意義務の程度は、合理的な人間が自己の行為を行う際に要求されると同程度の注意義務と解されている。従って取締役がこの注意義務、もしくは忠実義務に違反した場合には、会社は取締役に対して訴訟を提起できる。さらに株主も一定の条件のもとで同様の訴訟を提起できる。さらに債権者、清算人、公認管財人は会社が解散する場合には取締役の責任を追求できる。

7. 取締役会⁽¹⁷⁾

取締役会の権限はその決議を通じ合議体として行使しなければならない。ただし全取締役の書面による同意があればテーブルA108条により合議体によらなくても拘束されるべき決定として十分な効力を有する。取締役会の運営は定款による。なお定足数は通常定款で定められるが、テーブルA101条は取締役が定足数を決しない場合には2人とする。100条は決議要件を単純過半数とす

(17) P. Wallace, *supra* note 5, at 166.

る。可否同数の場合は議長が決する。また取締役会の一部の取締役にその権限を授与できる。119条は議事権限を有する。

8. 秘書役 (company secretary)⁽¹⁸⁾

すべての会社は、取締役の一を秘書役として任命しなければならない(154条)。なお秘書役は監査役であってはならない(140条2項)。秘書役はもし自然人であれば香港に住所を有する者でなければならず、それが会社の場合は香港に営業所を有しなければならない。会社の秘書役は種々の書類に秘書役として署名しなければならない。

Ⅶ 会計監査人 (auditor)

1. 会計監査人の機能⁽¹⁹⁾

香港会社法においても他の会社法と同様に会計監査人は会計の監査を行う者として重要な役割を演じている。すなわち監査役は会社の開示情報を監査してその正確性を担保するものである。

まず会社法は、その公表する財務諸表がその事業年度の末日において会社の営業成績及び会社の状態についての真実かつ公正な概観を表示することを保証するために、株主に対する計算書に関する報告を行うための独立の会計監査人を任命する。すべての会社に対するそのような会計監査人の任命の要求は最近変更されたが、1984年の改正法は会計監査人の任命、解任、辞任、権利についての規定を実質的に変更した。

2. 会計監査人の資格⁽²⁰⁾

会社法140条は、会計監査人は公認会計士法(職業会計士法)(Professional Accountants Ordinance)により任命の資格を与えられた者であることを要求

(18) P. Wallace, *supra* note 5, at 167.

(19) P. Wallace, *supra* note 5, at 169.

(20) P. Wallace, *supra* note 5, at 170.

する。この公認会計士法は1973年に成立したもので香港会計士協会を設立させ香港における公認会計士の登録、規制について規定する。公認会計士法24条は公認会計士の資格について次のように規定する。すなわち①少なくとも21才以上であること、②人格者であり、公認会計士となるにふさわしい適切かつ優れた者であること、③（i）認可された機関の構成員であること、もしくは（ii）認可された機関に対すると同様の基準として協議会の3分の2以上の賛成により承認された会計団体の構成員であること、（iii）会計及びその他の科目に関する試験に合格し、地方法に精通し実務に従事し実務経験に関する要求を満たしていること、である。

3. 会計監査人の選任・解任⁽²¹⁾

会社法131条は次期株主総会の決議があるまでその株主総会の決議により各年次総会において会計監査人を任命させることを要求する。会社株主が株主総会で会計監査人を任命しなかった場合は、その任命権限は会社の株主の委任により裁判所に移行する。通常の任命の場合においては、取締役は会計監査人を任命する何らの権限を有しない。会社法はその会計監査人の任期の終了前の会計監査人の解任に関する事項を定めている。すなわち131条はその任期終了前に会社は会計監査人を解任することができるとする。

4. 会計監査人の権限⁽²²⁾

会計監査人は会社法により一定の権利を与えられる。すなわち141条(5)項は会社の会計監査人は会社の帳簿、計算書、その他の書類についていつでも閲覧する権利を有する。さらに会計監査人は、その義務を履行するために必要と考えるあらゆる情報、説明を会社の役員に対して求める権利を有する。

さらに147条(7)項により、会計監査人は株主総会に出席する権利を有すると同時に株主が株主総会に出席する際に有するのと同様の通知や連絡を受ける権

(21) P. Wallace, *supra* note 5, at 171.

(22) P. Wallace, *supra* note 5, at 172.177.

利を有する。また会計監査人が株主総会に出席する場合においては、会計監査人として自己に影響を与えるすべての業務について発言する権利を与えられる。株主総会において、その解任や辞任が議題となるときは、発言が認められる。

5. 会計監査人の報酬⁽²³⁾

会計監査人の報酬はその任命に対する責任の大きさによって決定されなければならない。多くの場合には会計監査人が会社の株主総会によって任命される際同時にその報酬額を定めている。

6. 会計監査人の義務と責任⁽²⁴⁾

義務 会社法の141条は、会計監査人について二つの重要な義務を定めている。すなわち計算書類の監査とその監査結果の報告である。監査報告書は以下の事項について記載しなければならない。

(1) 貸借対照表がその事業年度の末において会社に事実状態を真実かつ公正に表示しているかどうか。

(2) 損益計算書が会計機関の会社の損益状況を真実かつ公正に表示しているかどうか。

(3) 持株会社によって提出される集団計算書がそれが持株会社の株主に関して集団の状況及び損益について真実かつ構成な状態を表示しているかどうか。

(4) 貸借対照表及び損益計算書が会社法の規定に適合しているかどうか。

会社法はしかし「真実かつ公正」が何を意味するか、また監査役がこれに関する意見に到達するために行った行為について、明確に定めていない。すなわちこのような分野は香港会計士協会の基準を基にして監査人の職業上の判断に委ねられているのである。しかし計算書の監査及び報告の義務は、たとえ会社の定款のそのような規定を有していても取締役や株主によって制限することはできない。監査役は会社法の要求する要件に合致するために必要と信じる職務

⁽²³⁾ P. Wallace, *supra* note 5, at 172.

⁽²⁴⁾ P. Wallace, *supra* note 5, at 172.

を行わなければならない。

7. 能力と注意義務⁽²⁵⁾

会計監査人が計算書に関する意見を表明する前に要求される職業的能力と業務の基準に関しては如何なる法律的要件も定められていない。

しかし以下のものは判例上会計監査人の義務と考えられている。

- (1) 株主に対し会社の計算書について報告すること。
- (2) 合理的な注意及び能力以上を行使する義務を有することなく、調査、捜査をする合理的な注意及び能力を用いること。
- (3) それぞれの各判例の状況に関して適正な注意及び能力と同視すること。
- (4) より深い注意力及び能力を行使するための疑いが存したこと。

8. 会計監査人の責任⁽²⁶⁾

会計監査人の責任はこれまで述べてきた会計監査人の義務と密接な関係がある。その第一次的義務は株主に対するものであって、これらの義務に関する懈怠あるいは契約の不履行について株主に対し責任を負う。しかし第三者に対しては従来原則として責任を負わなかった。すなわち会計監査人の義務と会計士の義務とは、区別されていた。すなわち *Candler v. Crane, Christmas & Co.* (1951) 事件においてそのように判示した。しかし *MLC Assurance Co. Ltd. v. Evatt* (1968) 事件においては公認会計士が見逃した問題を会計監査人も見逃したので両者共責任を負うこととなった。

⁽²⁵⁾ P. Wallace, *supra* note 5, at 172.

⁽²⁶⁾ P. Wallace, *supra* note 5, at 176.

Ⅶ 資本金

1. 資本金の機能²⁷⁾

会社の最低資本金額について会社法上の定めはない。しかし公開会社の設立時の資本金は、不動産の購入額及び運転費用及び運転資本を調達し、一定の事業を行うに足りる十分な額でなければならない。会社は授權資本制をとる。これは定款に記載される。株主の引受資本と払込資本とは区別される。社債として、社債担保抵当権証書の発行がなされる。なお株主総会で承認を得ない限り、会社の発行済み資本金額と同額までの額でしか取締役限りでは借入れをできないと定款で定めることができる。会社は定款変更により授權資本を変更できる。特定の場合には裁判所の認可を得て発行済株式を減少することもできる。減資を行うのは、会社の必要とする資本金額を超過している部分を株主に払い戻すため、累積欠損の解消、債権者と和解契約に関連する場合等である。

(1) 会社設立と資本金²⁸⁾

会社が設立されると、最初になすべき行為の一は事業に融資するために資本を確定することである。しかし資本それ自体は明確には定義されていない。会社が有しうる種々の型の資本は以下の通りである。

- ① 会社の授權されたまたは名目上の株式資本は、会社が登記するものとして明確にされた額であり、その基本定款に資本として記載されている(53条)。
- ② 会社の発行済み株式資本は、株主に対して発行された授權資本の総額である。
- ③ 会社の払込株式資本は、払込みがなされた発行済み株式の総額となる。
- ④ 会社の支払済株式資本は、支払がなされた払込株式資本の総額とする。
- ⑤ 会社の未払込株式は払込みがなされていない発行済み株式資本の総額とする。

²⁷⁾ P. Wallace, *supra* note 5, at 110.

²⁸⁾ P. Wallace, *supra* note 5, at 81.

- ⑥ 会社の持分株式資本は、配当や資産分配に参加する権利を有する株式からなる。
- ⑦ 優先株式資本は、配当宣告の際、優先的取扱を株主に与える株式資本からなる。
- ⑧ 会社は、貸付資本によりその資本金を上げることができる。

(2) 優先株式⁽²⁹⁾

優先株式は、定款で定められた利益配当について優先的に配当がなされるものである。優先株式についての条件は以下の通りである。①特別の配当が累積的であること、②非累積的無制限の配当は支払、③株主が優先配当をなしうる、④参加的であるか、否か、いずれかである。

(3) 資本の変更⁽³⁰⁾

会社の株式資本は、法律的に減少させるためには厳格な要件を満す必要はあるが、まったく変更できないものではない。

(4) 資本変更の方法

資本変更方法としては、次の2つが認められている。

- ① 名目的あるいは授權資本の増加
- ② 株式をより大きな額面への変更

2. 借入資本 (Loan Capital)

(1) 借入資本⁽³¹⁾ 借入資本とは資本構造の一部であり、会社の長期金融の一である。しかし借入資本は、普通の資本ではない。なぜならその投資家が会社の意思決定過程に参加することが認められておらず、清算の場合も会社の剰余財産を取得することはできないからである。すなわち借入資本は以下のものの集まったものである。すなわち借入資本は出資者に持分権を与えない半永久的

⁽²⁹⁾ P. Wallace, *supra* note 5, at 82.

⁽³⁰⁾ P. Wallace, *supra* note 5, at 110.

⁽³¹⁾ P. Wallace, *supra* note 5, at 131.

な会社金融の一形態であり、解散の場合は優先的地位を占める。通常は、債権者は期日に元本の償還、利息の支払を受ける権利のほかは何らの権利や権限を有しないが、会社とその債務不履行の状態に陥った場合には債権者は強大な力を有するに至る。

会社が資金を借入れるための通常の明白な借入能力は、借入についての保証を行うこと及び利息を支払うことを含むと考えられているが、香港の会社法では、定款で会社の借入資本の額を制限しているのが普通である。テーブルA81条では通常は借入資本額を発行済み株式資本の額まで制限しているが、この額は株主総会において拡大することができる。

(2) 権利能力外の借入 (Ultra vires)⁽³²⁾ 会社の定款で定められた借入資本の範囲を超える借入資本は無効である。すなわち会社はそのような借入資本を承認する法的権限を有しないのである。

(3) 債権（社債）の種類⁽³³⁾

債権についての定義はない。しかしそれらが会社の資産を構成するか否かは別としてディベンチャーストック (debenture stock)、ボンド (bond) 及び他の会社証券を意味する。単なる債権（ディベンチャー）が発行会社と応募者との契約により直接両者間に個別的な契約として成立するもので、会社の捺印証書となり、その資産により担保される。ディベンチャーストックとは、発行会社と受託者間の契約で、全借入額について一個の統一的債務として、受託者を契約上の債権者・担保権者として成立し、応募者は発行会社と直接の法律関係に立たず受託者の発行するディベンチャーストック証券を取得することにより信託の受益者として持分的利益を有する形式の社債を意味する。

(4) 債権保有者の権利⁽³⁴⁾

⁽³²⁾ P. Wallace, *supra* note 5, at 132.

⁽³³⁾ P. Wallace, *supra* note 5, at 133.

⁽³⁴⁾ P. Wallace, *supra* note 5, at 143.

このような債権保有者は株主ではなく、会社債権者である。債権はさまざまな形式を有する。公開会社は目論見書を発行して公衆に一連の債権を発行する。私的会社はその公募を禁止される。

債権の種類としては ①担保付き債権 債権は通常会社の資産によって担保される。②登録債権 登録債権は、その保有者も登録される。③償還債権 債権は通常特定の日において償還される。④無担保債権、⑤債権保有者、⑥永久かつ非償還債権、⑦転換債権、等がある。

K 配当規制

1. 配当の意義³⁵⁾

会社は事業活動を行いその結果生じた利益を構成員たる株主に配当することを主たる目的として設立されたものである。この意味で配当は会社にとって本質的なものである。香港会社法における配当規制は次のとおりである。配当の決定は、株主総会の承認による。また中間配当も可能である。さらに現金以外の配当すなわち手形や金銭による配当も可能である。会社の決算は株主に報告がなされるだけでその承認が求められない点に特徴がある。配当はその株式数に応じて会社の株主に利益から分配される。通常それは現金で支払われる。しかしテーブルA121条は株主総会で特定の資産から支払われることも認める。会社の定款は通常支払額を定めている。中間配当(116条)については取締役会が中間配当をなしうることを定める。

2. 配当の制限³⁶⁾

香港会社法はイギリス会社法のような配当可能利益についての相当詳細な配当可能利益の算定を規定する規定を置いていない。従って香港会社法においては配当可能利益の算定は実質的には定款の規定及び判例法によって決まること

³⁵⁾ P. Wallace, *supra* note 5, at 120.

³⁶⁾ P. Wallace, *supra* note 5, at 120.

となる。テーブルA117条は広く適用される規定であるが、これは、配当は利益以外から支払われなくてはならないと規定するだけで、その利益について如何なる定義も置いていない。従って利益をどう解するかが問題となる。

テーブルA117条に基づいてなされる規制は法律によって認められた原則による。また会社法58条の下で資本減少は一定の場合において会社及び裁判所の承認がある場合にのみ認められるだけである（すなわち資本の払戻しは原則として認められない）。

ところで配当規制に関する判例法は以下の通りである。

(1) 固定資産の減価償却を行うことなく利益から配当を支払うことができる。すなわち企業会計上、固定資産の減価償却は必ず行わなければならないが、配当利益の算定においては必ずしもこれを行わず利益を算出しても違法ではない。これについての判例は次の通りである。Lee v. Neuchatel Asphalte (1889)、およびVerner v. General Commercial Investment. Trust (1894)。

(2) 会計期間における循環資産（流動資産）の流出（減価）は必ず行わなければならない。すなわち流動資産は循環することにより費用化されるので配当利益の算定についてはこれを行わなければならない。これについての判例は以下の通りである。Ammonia v Soda Co. v. Chamberlain (1918)。

(3) 会社は通常その資本性資産の評価益を原資として配当を支払うことはできない。これは一般に評価益というものが不確実なものであるという原則に基づくものである。これについての判例は次の通りである。Dimbula Valley Tea Co. Ltd. v. Laurie (1961)

(4) 会社は過年度に生じた損失を控除することなく、当該事業年度の利益から配当を行うことができる。これは配当利益計算は各事業年度毎に行うことを意味する。その判例は以下の通りである。Ammonia Soda Co. v. Chamberlain (1918)。

(5) その資産について何ら現実の資産価値の減価が生じなかったであろう場

合においては、過去において資産の減価償却を行うために用いられてきた利益は、損益計算書に戻し入れ配当することができる。これは過去の償却見積の誤りなど、過剰減価の修正の場合は配当原資になることを定めたものである。この判例は以下のものである。Stapley v. Read Bros Ltd (1924)。

(6) 配当原資のための基金に充てるために留保された利益は、それが資本化されていない限りにおいて配当支払原資として有効に維持することができる。この判例として、以下のものがある。Stapley v. Read Bros Ltd (1924)。

(7) 収入と費用とは、配当可能利益の算定の目的のために数年間に渡って割り当てることができる。これについての判例は次の通りである。Re Country Marine Insurance Co, Rance' Case (1870)。

3. 配当規制の例外³⁷⁾

このように配当可能利益の算定は一定の原則に従うものであるが、これには次のような例外がある。

すなわち株主が会社の資本から利息の形式で会社から支払を受けることができる次の二つの場合の特例がこれである。

一は会社法51条のもとで、会社は、定款が認めておればあらかじめ求めれば支払を受けることができる。さらにテーブルA21条の下でその求めがあるまで株主に対する利益の支払を行うことができる場合である。すなわち21条は、株主が株主総会で同意しない限り年8%の利息に制限することができる。他の例外は会社法57条の建設利息の配当である。

X 開示規制

1. 総論³⁸⁾

すべての会社は会社法に従い一定の書類を作成しかつ保存しなければならない

³⁷⁾ P. Wallace, *supra* note 5, at 127.

³⁸⁾ P. Wallace, *supra* note 5, at 66.

い。それらの書類のあるものは公衆に公開され、あるいは株主・債権者の閲覧に供せられる。このような公開の目的は、情報を広く公開することにより、会社の利害関係者、すなわち、株主・債権者・投資家等にとり締役の経営責任を明らかにすることにある。その書類には以下のものがある。

2. 株主名簿³⁹⁾

会社は以下の情報を含む英文の株主名簿を備え付けなければならない。①株主の氏名・住所・職業・その他の記載（漢字で氏名の記載を希望する者は漢字での記載も）、②保有株式の総数、③株式の払い込み額及び払い込み予定額、④株主登録日、⑤株主資格喪失の場合はその氏名及び日付。株主名簿は会社の登録所（香港市内）に備え付けなければならない。

株主名簿の閲覧と閉鎖 株主名簿は一応あらゆる事項の証拠となるものであるから、会社法はその調査のための規定を設けている（102条）。会社は会社法の規定によりそれが閉鎖されていない限り、営業日において少額の手数料により株主及び公衆に閲覧を認めなければならない。またその謄本も10日以内に少額の料金を交付しなければならない（98条）。

株主名簿の修正 株主名簿の記載に過誤があるときは、株主は最初の許可によりその修正を求めることができる。また実質株主保護のため明示、黙示もしくは法定いずれの信託であるかを問わず株主の登記所において信託の通知の記載をなすことを禁ずる（101条）。

支店登録 会社は香港以外の地の支店を設けることができる。ただしその会社定款で認められかつ総督の許可を得ていることが必要である。

3. 債権保有者の譲渡不可能な登録⁴⁰⁾

ディベンチャー及びディベンチャーストックを発行する会社は、以下の事項を登録しなければならない。①債権保有者の氏名、住所、職業、その他の記載

³⁹⁾ P. Wallace, *supra* note 5, at 66.

⁴⁰⁾ P. Wallace, *supra* note 5, at 70.

(漢字名を希望するときは漢字名)、②保有者の有するディベンチャー及びディベンチャーストックの総額、④債権保有者の登録の日付、④保有を止めた日付。

(4) 登録料 会社は会社法89条により登録料を取ることができる。

(5) 取締役の登録 すべての会社は香港内で公衆に有効な取締役の登録をしなければならない。会社法158条は個人取締役の関する以下の事項の登録を要求する。①氏名、旧名(漢字の氏名のときはそれも)、②変名、通称、③住所、④国籍、⑤職業、⑥番号。

4. 年次報告書 (Annual Return)⁽⁴¹⁾

すべての会社は、年次報告書を作成し会社登録所に提出しなければならない(107条以下)。そしてこれは公衆に開示される。その内容は会社の利益のための債権者、潜在的投資者、株主、公衆の調査のために公開され、用いることができる。年次報告書の内容は以下の通りである(第5スケジュール)。①登録事務所所在地、②会社の商号以外の事業名称、③株主名簿の所在地、④債権者名簿の所在地、⑤株式の概要、⑥会社債務の総額、⑦株主の氏名、住所、職業等の詳細、⑧取締役及び秘書役の詳細。

5. 帳簿書類 (books of account)⁽⁴²⁾

会社はその経理の状況を明らかにするために帳簿書類を作成しなければならない。これは会計監査人によってのみ強制的に監査される。すなわち会社法121条によりその作成が要求されるものである。商業帳簿には、会社の収益、費用、主要な取引、売買高、資産・債務の状況等を記載しなければならない。なお会計帳簿は、会社の状況及びその取引結果の真実かつ公正な外観 (a true and fair view) を表示しなければならない。

(41) P. Wallace, *supra* note 5, at 73.

(42) P. Wallace, *supra* note 5, at 75.

6. 議事録 (minutes)⁽⁴³⁾

会社法119条は株主総会のすべての手続の議事録を保存することを要求する。これらの議事録は株主総会の議長の署名を経ることによりその総会が適正に行われたことの証明となる。議事録は会社の登録所その他の事務所に備え置かなければならない（香港市内）。議事録はその調査のため営業時間内に株主に公開される。

7. 計算書類 (company account)⁽⁴⁴⁾

(1) 会社の計算書類の意義 計算書類は、会社の経営にとって不可欠である。年次計算書類の重要性は、会社の性質による。小規模の私的会社にあつては株主はしばしば会社の取締役であり、常時取締役と株主とは、接触が行われている。従つて株主総会の開催されるはるか以前において債権者は通常十分に会社の状況を知っているので、銀行や内国歳入庁などの大口債権者がなお確認のためこれを見る意味は有するが、そのような監査済みの計算書類の公開は形式的なものとなっている。同様に完全に所有された子会社の計算書は、その所有会社が子会社に日常の業務に支配権を有しているところから、分離されて作成されることは重要ではない。

これに対して大規模会社特にその株式が証券取引所に上場されている会社にあつては、多くの株主を有するだけに、株主の大多数は会社の経営状態に疎いものといえよう。従つてそのような会社においては取締役の諸行為の記録として計算書類は重要である。なお香港会社法においては会社の重要性の程度により会社法の開示要求に対する例外規定を設けこれらの会社のあるものにつき、一定の情報開示の免除を認めている。さらに上場会社の株主は会社法で要求される以上の情報を要求することを認められるが、証券取引所及び証券委員会の定める証券取引所規則あるいは上場規則による省略が認められる。これらの要

⁽⁴³⁾ P. Wallace, *supra* note 5, at 76.

⁽⁴⁴⁾ P. Wallace, *supra* note 5, at 210.

求は半期報告書ばかりか半期及び臨時報告書も含む。

これらの計算書類は、定時株主総会に提出され、株主は会社の行為すなわち会社の経営や会社の将来性の問題と関連して計算書類について質問することができる。なお計算書類は株主総会に提出される前に、会計監査人の監査を受けなければならない。

(2) 帳簿書類の作成 会社は会社法によって一定の帳簿を保存することを義務付けられている(121条)。そのうちあるものは、要請があれば株主や公衆の調査のために用いられなければならない。そのような帳簿や記録の目的は情報が投資家や債権者等に提供されるようにするためである。特に利害関係人は会社の内容について詳細に知る権利がある。

8. 商業帳簿 (book of account)⁽⁴⁵⁾

会社法121条以下は会社の計算と監査について述べている。すなわち、

「(1) すべての会社は以下に関する事柄についての適当な書類もしくは帳簿を作成し保存しなければならない。

- (a) 会社の受け入れもしくは費消した金銭およびその原因に関する事項
- (b) 会社の製品のすべての売買
- (c) 会社の資産および負債

(2) 前項の目的を達成するために、その帳簿が、会社の事象の状態を真実かつ公正に (true and fair view) 表示しその取引を説明するために必要な事実を記載したものでない限り、前述の事項を適切に記載したものとは見なされない。」等と規定する。

(3) 帳簿書類の備置き 帳簿書類は、会社の登録事務所あるいは取締役の考える他の場所に備え置かれ取締役によっていつでも調査のために公開される。

(4) 年次計算書の提出 株主はその日常の取引を記録する会社の計算帳簿を

⁽⁴⁵⁾ P. Wallace, supra note 5, at 75.

検査することは認められない。それゆえ会社の財務状態の正確な記録を表示し年次ごとに記録するこの計算書は重要である。特別の要請は損益計算書及び貸借対照表の作成に関するものである。123条(7)項は、損益計算書及び貸借対照表に付随した附属明細書及びその他の書類を含む。

さらに122条により、会社は毎暦年の終了において損益計算書及び貸借対照表を作成しなければならない（最初は会社の成立後18月以内の計算書を作成するため本規定は適用されない）。年次報告書は株主総会において会社に提出しなければならない。貸借対照表は事業年度の終了時の会社の状態を、損益計算書は会社の損益状態を表示する。さらにその会社が海外で事業を行ったり、他の会社を有している場合には、必ずしもその会計期間が一致しなくても差し支えない。

(5) 年次計算書の開示 すべての会社は、年次計算書を作成しそれを会社登録所に提出する義務を負う。(123条) その提出された種類は公衆の閲覧に供せられる。この年次計算書の内容は次の通りである。

①登記された営業所の住所、②会社の商号以外のすべての事業名、③株主の登録のなされている住所、④社債権者の住所

A. 第10スケジュールの内容

貸借対照表及び損益計算書の詳細な内容については会社法の第10スケジュールにより定められている。そこでは資産・債務、償却・評価規則の開示、売上高・所得・費用の開示が規定されている。さらに貸借対照表が営業年度末における会社の状態の真実かつ公正な表示を行うこと、および損益計算書が営業期間の損益について真実かつ公正な表示を行うことを要求している。これは制定法によらない会計慣行等によるものであるが具体的内容の要請は必ずしも十分なものではない。次に会社の貸借対照表及び損益計算書に関する、第10スケジュール第1部の詳細な規定(123条2項)を以下簡単に見てみる。

(1) 貸借対照表

①授権株式資本、発行済株式資本、債務及び資本が記載されなければならない。

特に発行済株式資本を構成する、優先株式、株式払込剰余金勘定、償還債権の事項は詳細に記載される。

②また、予備費用、株式・債権発行費用、株式・債権発行手数料、債権割引費用総額、株式割引発行費用総額を記載しなければならない。

③剰余金、準備金、負債及び資産は適当な項目を付けて記載しなければならない。なおその項目が重要でない場合には他の項目と合わせて記載することができる。また資産の種類が分類困難な場合には他の資産と合わせて記載することができる。

④固定資産、流動資産、その他の資産（固定・流動いづれとも分類困難なもの）はそれぞれ分けて記載しなければならない。また固定資産の減価償却方法も記載される。

⑤剰余金及び準備金は、分けて記載しなければならない。

⑥さらに剰余金・準備金の総額は前事業年度の額と比較して表示される場合には、その増減の原因を表示しなければならない。

⑦会社の負債が一定の条件のもとで担保される場合には、それが担保されている事実を表示しなければならない。

⑧会社の債権が名義人もしくは信託によって保有されている場合にはその事実が表示されなければならない。

(2) 損益計算書

損益計算書には以下の事実が記載されなければならない。

①収益に対応する固定資産の減価償却費総額

②貸付金の利息

③公租、税金

④株式資本及び貸付金の此処の償還金

- ⑤ 剰余金の引出・流用金
- ⑥ 投資からの所得
- ⑦ 不動産賃貸収入
- ⑧ 設備費の減価償却費
- ⑨ 配当総額

(3) 第10スケジュールの評価

このように香港会社法において、会社の財務状態に表示すべき項目だけでなくどこに表示すべきかについても詳細に規定している。なお香港会社法は主としてイギリス会社法に準じて規定されているため、貸借対照表では報告方式が一般的である。

B. 子会社及び他の投資の詳細⁽⁴⁶⁾

その持株会社の有する子会社の名称、国籍、株式保有状況等の状況の詳細の開示が要求される(128条)。さらに子会社でなくてもその有する株式(投資)が重要なものである場合には、その投資についても開示しなければならない。この重要性の基準は株式の名目価額の20%を超える場合、及びその資産が10%を超えるときである。

C. 取締役の報酬⁽⁴⁷⁾

会社は取締役の報酬についての詳細な情報を開示しなければならない(161条)。すなわち取締役の報酬の総額、及びその報酬の内訳を開示しなければならない。ここに報酬とは、取締役の報酬、賞与、その他名称のいかんを問わずすべての費用、報酬額を含む。

D. 役員に対する貸付⁽⁴⁸⁾

取締役及び役員の財務情報に関する一定の情報、特に会社から取締役に対す

⁽⁴⁶⁾ P. Wallace, *supra* note 5, at 212.

⁽⁴⁷⁾ P. Wallace, *supra* note 5, at 213.

⁽⁴⁸⁾ P. Wallace, *supra* note 5, at 214.

る貸付情報の開示が要求される（161B条）。その詳細は以下の通りである。①融資を受けた者の氏名（その者が取締役でない場合にはそれに関与した取締役）、②融資条件、③事業年度の最初及び最後の融資残高及び期間中の最高融資額、④利息額。

E. 集団計算書⁽⁴⁹⁾

会社法は子会社を有する場合は追加的な要求がなされている。

すなわち会社法124条は、営業年度の終了時において子会社を有する会社、及びその他の会社の完全所有の子会社を有する会社は株主総会に会社に対し集団計算書を表示しなければならない。

集団計算書は通常連結財務諸表の形で提出される。すなわちそれは連結貸借対照表及び連結損益計算書を作成しなければならない。125条は以下のように規定する。すなわちその集団計算書の内容は取締役の裁量の範囲にあるが、この記載についてもその子会社等についても会社の状況、営業成績について公正かつ真実の内容を記載しなければならない。

F. 例外的開示方法⁽⁵⁰⁾

(1) 集団計算書 集団計算書においては、その会社の取締役が以下の一に該当すると考えた場合には、これを作成する必要はない。

- (a) それが実務的でないと考えるとき
- (b) そのような不十分な計算書類を添付することにより会社の株主に対して何ら真実の価値がない。
- (c) 株主の価値に比例する費用や遅延を含むとき。
- (d) 結果が誤解を生じると認められるとき。
- (e) 結果が会社もしくはその子会社の事業を害すると認められかつ財務長官がその承認を与えるとき。

⁽⁴⁹⁾ P. Wallace, *supra* note 5, at 216.

⁽⁵⁰⁾ P. Wallace, *supra* note 5, at 217.

(f) 持株会社及びその子会社の事業が単一体と見なしうる程度に取扱われるとき。

(2) 持株会社 会社が子会社を有しかつその子会社の決算が連結財務諸表に含まれるときは、持株会社それ自身はある条件のもとで損益計算書から排除することができる。

9. 取締役報告書 (directors' report)⁽⁵¹⁾

取締役はその取締役会により、その作成された貸借対照表及び損益計算書並びにこれらに付随する附属明細書を承認する (129D条)。そして承認された貸借対照表については取締役会が承認したのものとして2人の取締役が署名することが要求される。取締役会の承認後、取締役は、株主総会に提出する前にその計算書類を監査報告書及び取締役報告書とともに株主に回覧させる。取締役の報告書はその承認された取締役会の議長又は秘書役の署名が必要である。取締役報告書には、以下の事項を記載しなければならない。①会社及びその子会社の事業年度中の主活動、及びその期間中に生じたその活動の重大な変化、②取締役が配当として支払われるべき勧告された額、③組み入れられるべき剰余金の額、④会社及びその子会社によってなされた1000香港ドルを超える慈善その他の寄付金の額、⑤年度中の固定資産の重要な変化、⑥株券及び債権の発行理由並びに発行数並びに発行価額、⑦年度中の取締役であった者の氏名、⑧会社及びその子会社、関係会社が重要な利益を有する重要な契約の存在の詳細、⑨会社及びその子会社、関係会社との期間中の協定の詳細、⑩その他の重要な契約。等々である。

XI 調査⁽⁵²⁾

会社法142条及び152F条は財務長官により任命された独立調査役による調査

⁽⁵¹⁾ P. Wallace, *supra* note 5, at 222.

⁽⁵²⁾ P. Wallace, *supra* note 5, at 239.

を行うことができる旨を定める。

(1) 調査役の任命

会社の調査を行うための調査役は、香港財務長官又は株主総会の特別決議を経て会社自身によって任命されることができる。

(2) 調査役の権限

調査役は、当該会社のみならず、その子会社、持株会社等の事実についても調査を拡大することができる。

(3) 調査役の報告書

財務長官によって任命された調査役はその調査結果についての最終報告書を作成し、もし必要なら中間報告書を作成しなければならない。株主総会の特別決議による調査人についても同様である。会社法146条は、財務長官はその登記所に会社に対する報告書の謄本を送付しなければならないことを規定する。

XII 会社の再構成・合併・乗取り・清算⁽⁵³⁾

会社資本構造の変更には以下のものがある。

- (1) 資本減少
- (2) 株主の権利内容の変更
- (3) 無限会社から有限会社への組織変更
- (4) 会社更生、合併及び分割

合併においては会社はその被合併会社の資産と交換に合併会社の株券又は債券を引き渡す。これには2つの方法がある。すなわち吸収合併と新設合併とがこれである。

そのほか会社法166条ないし168条はその債権者と株主間の合意により会社更生を、会社法237条は任意清算につき規定し、166条及び168条は会社乗取りに

⁽⁵³⁾ P. Wallace, *supra* note 5, at 227.

ついて規定する。(以下詳細省略)。

Ⅷ 外国会社（香港以外で設立された会社）に対する規制⁶⁴⁾

香港は国際的金融の中心地であるため、特に外国会社の問題を無視できない。約2000の外国会社が香港で活動を行っている。

(1) 登録

会社法上の登録制度は香港で事業活動を行う全ての外国会社に対しても適用される。すなわち会社は以下の書類及び情報を、香港で事業所を設けてから1月以内の、必要ならその英語の翻訳を添付して、会社登記所に提出しなければならない(333条)。

- ①(香港会社の定款と同程度の内容の)会社の認証済み定款。
- ②会社の取締役及び秘書役の名簿(条文で規定するより詳細な情報とともに)。
- ③会社の利益のために香港で通知を受ける権限を与えられた少なくとも1人の香港に居住する者の氏名及び住所(その受領権限を証する書面とともに)。
- ④香港における主たる営業所及びその準拠国における登録場所の所在地。
- ⑤設立証明書の謄本
- ⑥当該会社が香港私的会社と同等とみなされ、かつその計算書類が設立準拠国で公開を求められていない限り、設立国で要求されている形式の計算書類の証明済みの謄本。

(2) 登録の継続的要求(333条)

海外会社は香港会社法の規定に拘束されないが、いったん登録すれば、多くの継続的開示義務を負う。

登録要求の一として、会社は香港に住居を有する者を権限ある代表者として選任しなければならないが、その代表者は会社のために手続を行いかつ通知を

⁶⁴⁾ P. Wallace, *supra* note 5, at 301.

受けなければならないこととなる。その代表者は、会社（法人）は認められず、また弁護士もしくは会計士以外の事務所も認められない。本要件は会社に継続的な義務を命ずるものである。またこのような代表者は香港における事業の終了後3年間は代表者として責任を課せられる。さらにその規定は香港法に従って海外の会社に対して訴訟を提起するためにも必要である。

(3) 解散と撤退

香港に登録された会社が設立国の法律手続に従い解散するときは、会社及びその役員は登記所に対してその解散及びその清算について通知しなければならない（337条）。登記所はその通知を受けてから7日以内に設立国に通知しなければならない。会社が香港から撤退するときも、登記所に通知しなければならない。

(4) 海外会社の経営上の評価

外国会社の支店は、香港に登録し、適正な会計帳簿を作成し納税申告を行わなければならない。香港に支店をおいて営業活動を行う場合には、会社を設立する場合と比較して経常的に発生する費用すなわち特に法定監査費用を節約できる長所がある。

Ⅳ 結 語

このように香港会社法はきわめてイギリス会社法に影響を受けていることが分かる。また今後1997年の香港の中国への返還が近づくことによりどのように改正されるかも興味あるところである。

第3章 香港の標準会計実務の検討

中野 勲

I はじめに

香港の企業会計実務は、その一般財務報告にかんしては、香港会社法（とくに、その第10付則）とともに、いわゆるイギリス型の「標準会計実務書」（Statement of Standard Accounting Practice…以下香港SSAPと略す）によって、大枠を規制されている。前者の会社法上の開示規制にかんしては、本書第2章 香港会社法 において、その第10節 開示規則 の中で、岸田雅雄教授がくわしく論じておられるところである。そこで、この第3章では、後者の香港SSAPの内容について、逐一くわしく検討することにした。

もっとも、よく知られているように、香港の会計ルールは、その多くが、支配国イギリスのそれに類似しているのである。しかし、その細部にかんしては、やはり相違点が色々見出されることが分かるであろう。

II 基礎的な会計概念と会計方針の開示

香港の財務会計のゆるやかな大枠を形成している香港SSAPは、1987年10月1日現在12を数えるが、その第1号は、“Disclosure of Accounting Policies”と題されている。そして、ここでは、財務会計実務をささえる重要な仮定として、下記の4つのものが提示され、その後で、当該企業の諸事象について「真実公正な写像」（a true and fair view）をもたらす上で必要な限りで、その企業によって採用された会計方針を財務諸表上で開示すべきだ、という要請が、立てられているのである。

さて、まずその4つの基礎的な会計概念ないし仮定であるが、それらは、

- (1) ゴーイング・コンサーン
- (2) 発生 (accruals)
- (3) 継続性 (consistency)
- (4) 慎重性 (prudence)

これらの4つだけが重要な基礎仮定として選ばれたのは、理論的ないし論理的な根拠にもとづくものではなく、実際的な重要性を考慮したものである。

第1のゴーイング・コンサーンであるが、これは、「当企業が、予見しうる将来にわたって、その営業を継続するであろう」ということを意味する。とくに、この仮定からの含意として、その損益計算書および貸借対照表は、当企業が清算したりその営業規模を著しく削減する意図も必要ももってはいない、と想定されるのである。

第2は、発生概念である。つまり、収益および費用は（現金収入および支出にもとづいて計上されるのではなく）それらの発生にもとづいて計上されるのである。ただし、この発生概念が慎重性概念と矛盾する場合には、後者が優越するものとする。

第3に、継続性であるが、これは、2つの意味を持っている。1つには、これは、各会計期間内において、類似した諸項目の会計処理が首尾一貫していなければならない、ということである。第2に、ある期から次の期に移る場合、上と同じく、類似項目の処理の間に一貫性がなければならない。

最後に来るのは慎重性の概念である。これは、いわゆる保守主義と同じであって、利益は予想にもとづいて計上してはならず、（現金または十分な確実性をもって現金に容易に換金されうるという意味で）実現した場合のみ、損益への計上がゆるされる。他方、損失や費用のほうは、知り得るすべての債務にかんして引当計上がなされるのであって、その金額が確実性をもって知られ得る場合は勿論のこと、見積り得るにすぎない場合にも、入手しうる最善の情報にもとづいて見積り計上をおこなわなければならないのである。

以上4個の基礎仮定にもとづいて会計制度が形成されるわけだが、ここで問題とされる会計方針とこれら基礎仮定との間の中間項として、基礎的会計方法 (accounting bases) というものが、導入されている。これは、上のごとき基礎仮定を具体的な諸取引に適用する場合に作成される諸方法である。つまり、かなり具体的な諸会計方法をそれは指すのであって、例えば、「減価償却費、棚卸資産の評価額、そしてまた繰延税金といったものを計算するための基礎 (bases)」(香港SSAP # 1, para 17) を表わすのである。しかし、これでも、まだ基礎的会計方法とは何であるかは、完全にはっきりはしない。そこで、もう少し原文を見ると、SSAPのpara21において、様々な基礎的会計方法が認められている重要な問題は例えばつぎのようなものである、として、例を示している。

- (1) 固定資産の減価償却
- (2) 例えば研究開発費、特許権、商標権などの無形資産の処理と償却
- (3) 商・製品および仕掛品
- (4) 長期の契約
- (5) 繰延税金
- (6) 貸借購入契約および割賦取引
- (7) リースおよびレンタル取引
- (8) 外貨の換算
- (9) 修繕および更新
- (10) 連結政策
- (11) 不動産開発取引
- (12) 製品およびサービスにたいする保証義務

つまり、これらの具体的な諸問題にたいしては様々な代替的な諸会計方法が存在し、そのいずれを適用することも自由であるから、その実際に採用された諸方法——それをこのSSAPでは「会計方針」(accounting policy) と呼んでい

る——を、企業に開示させよう、と言うのである。

このように、基礎的会計方法とは、減価償却方法、棚卸資産の諸原価配分方法、その他様々な具体的かつ代替的な諸会計方法を指すのである。そして、それら諸方法の集合体のうちから、当該企業が現実に採用した諸会計方法からなる部分集合が、ここで「会計方針」(accounting policies)と呼ばれているものである。

以上で、会計の基礎仮定、基礎的会計方法、そして会計方針のあいだの関係を明かにした。これをふまえて、この香港SSAP #1では、その中心部分 (para 5-6) においてつぎのように要請している。

第1に、もしも当該企業の財務諸表が、上の4個の基礎仮定のいずれかと、重要な点で相違するような仮定にもとづいて作成されたならば、その事実について説明がなされるべきである。もしも、そうでないという明瞭な表明がない場合には、上の4つの基礎概念は遵守されている、と想定される。

第2に、当企業の当期の損益及び財政状態ならびにその変動を決定するうえで重要と考えられる諸項目にかんして、いかなる会計方針が採用されたか、そしてそれに関してなんらかの変更が行なわれた場合にはその変更をも、財務諸表への脚注の形で、開示されるべきである。

これら2つの規定の目的は、会計数値の基礎に横たわっている諸仮定や諸作成方法を開示することにより、財務諸表の利用者の理解と解釈を促進させよう、と言う点にあるのである (香港SSAP #1, para 1)。

なお、この規定は、国際会計基準第1号、「会計方針の開示」(Disclosure of Accounting Policies) ときわめて強く一致している。

Ⅲ 臨時的な諸項目および前期損益修正項目について

臨時損益項目および前期損益修正項目を損益計算書のうえでどう取り扱い方かについては、周知のように、「当期業績主義」と「包括主義」という対立する考

え方がある。世界の趨勢としては、前者よりむしろ後者が支配的になりつつある。日本では、完全な包括主義、つまりすべての臨時項目ならびにすべての前期項目を純利益決定前に加減する、という損益計算書決定方式を採用している。それに対して、イギリスおよび香港では、以下示すように、全ての臨時項目は（経常的な諸項目と区別したうえで）当期純損益に含めるが、前期修正項目については（重要な）1部分のみは例外的に損益計算からは除外し、他の前期項目は損益に含めるという、いわば部分的な包括主義が採用されている。

この問題は、香港 SSAP # 2, "Extraordinary Items and Prior Year Adjustments" の中で取り扱われている。まず、当期業績主義について、この基準は、これは、歪曲を防ぐために、「正常で反復的な諸活動」のみを損益に含めるものである、と述べている。それ故ここでは、異常項目や前期項目は期間損益計算から除外され、直接に利益剰余金に計上されるか、または留保利益の当期首残高に計上修正されるのである。

ついで、このSSAPで採用されている包括主義について、こう説明する。当年度損益計算書は、当年度中に認識されたすべての臨時項目と——ある特定の例外を除いて——すべての前期項目を、当期利益の計算に含め、かつそれらを別個に表示すべきである。このように、それらを含めかつ別個に表示する理由は、次の3点にある。

- (1) そうするほうが、会社の収益性と成長を一層よく表現することができる。
- (2) 特定の諸項目を除外するのは主観的な判断であるから、それは、異なる会社間でバラツキや比較性の喪失をもたらす。
- (3) また、そのような除外は、一連の諸年度にわたっての経営成績の考察においてそれら臨時ないし前期項目を見落してしまう危険をまねく。

ここで問題となるのは、次の諸点であろう。

第1に、臨時項目とは、正確には、何であるか。

第2に、前期項目とは、正確には何であり、損益計算書に含められる諸項目

と除外されるものとは、どう異なるのか。

第3に、それら臨時項目と前期項目とは、損益計算書に、どのように表示されるのか。

第1の問題であるが、臨時項目とは、当企業の通常の諸活動の範囲外の諸事象および諸活動から生ずるものであって、重要性があり、かつ頻繁または規則的に発生するとは予想されないもの、と規定されている（SSAP #2, para 3）。特に注意すべき点は、これは、その金額または影響は例外的（に大きい）が、通常の経営活動から生じたものである項目——いわば金額的異常項目——とは区別されるのである。これら金額的異常項目も他の正常項目からは分離して損益計算書上表示されるべきなのだが、しかしこれらは、あくまで正常項目であって、他のノーマルな諸費用とともに、「臨時項目差引前損益」の計算に参加するのである。それに対して、ここで言及されているのは、いわば質的異常項目とでもいうべきものであって、これらは、「臨時項目差引前損益」のあとに、その下に計上され、その後、「臨時項目差引後損益」が表示されるのである。

かかる質的異常項目と金額的異常項目の例を、このSSAPは、para13と15において、つぎのように示している。

（臨時項目に該当する例）

- (1) ある営業の重要な一部分の中断。
- (2) 転売を意図して買ったのではない投資の売却
- (3) 当期中の異常な出来事又は動向による、暖簾をふくむ無形資産の償却
- (4) 企業資産の収用

（金額的異常項目の例）

- (1) 貸倒れにかんする異常な借記、商・製品および仕掛品の償却、研究・開発費の償却
- (2) 長期契約の損失にそなえての異常な引当て

(3) 前期納税引当金にたいする大半の修正

第2に、前期（修正）項目について解説しよう。これは、会計方針の変更ならびに基本的エラーの修正から生ずる、以前の諸年度にわりあてられるべき重要な修正である。ここには、正常で反復的な修正や、以前の諸年度に行なわれた会計上の見積りの訂正は、含まれない。

前者は、留保利益または利益剰余金の当期首残高にたいする加減として処理され、後者は、正常な他の費用項目のカテゴリーに含められる。後者がこのような取り扱いを与えられる理由は、かかる正常な範囲の見積り修正等は、新しい情報や新しい動向の発生に起因するものであって、過去の会計処理そのものの誤りではない、という立場によるものである。

香港の半包括的な損益計算書において、そこから除外されるべきである2つの項目のうち前者、つまり会計方針の変更について解説する。これは、継続性の原則を破ることになる、しかも正当な理由にもとづく会計方針の変更であって、以前とは異なった新しい事象や取引の発生による、それに対応した新しい会計方法の採用は、ここでいう会計方針の変更にはあたらない。後者は、所与の会計方針の範囲内での、当然の会計処理である。前者の例としては、新しいSSAPの発表により、従来この企業では使われていなかった、別の、または新しい会計方法が選好されるにいたった場合、などである。(Ex.間接費を全く原価にふくめない棚卸資産評価方法から、全部の製造間接費をふくめる方法へと、変更がなされた場合、などである)。このような場合には、かかる変更の影響額は、今年度に関係はないので、今年度の損益計算にはふくめずに、留保利益の当期首残高にたいする修正として処理するのである。

次に、前期修正の二番目の項目、基本的エラーの修正について述べる。これは、それと知られることなく、非常に大きなエラーを含んだ財務諸表が発表され、しかもそのエラーの程度がその報告書の、真実かつ公正な写像としての性格を否定するほど大きい場合である。しかも、もしも最初からそのエラーのこ

とが知られていたならば、その報告書は発表されなかったであろう程である場合、をいうのである。この場合には、かかる基本的エラーの修正は、今期の損益計算書に含めずに、むしろ前期修正として処理されるべきであり、したがって、その金額は留保利益の当期首残高に加減されるべきなのである。

最後に、第3の問題、すなわち上述の臨時項目および前期項目は、損益計算書上でどのように表示されるべきであるか。これについては、このSSAPのpara 9において、次のように述べられている。臨時項目が存在する場合、損益計算書は、次のようになるべきである。

——臨時項目前利益

——臨時項目（マイナスそれらに対する課税額）

——臨時項目後利益

この損益計算書の直後に、留保利益／剰余金計算書が接続される。そして、ここにおいて、上に述べた前期損益修正項目が計上されるのである。

かかる損益・剰余金計算書の一例は、この書の付録に収録してある全SSAPのうちのNo 2におけるAPPENDIXに、掲げられている。

最後に、この香港SSAP # 2は、国際会計基準第8号、“Unusual and Prior Period Items and Changes in Accounting Policies”と密接に合致していることが、言及されている。

IV 棚卸資産の評価について

この問題にかんしては、香港SSAP # 3、“Stocks and Work in Progress”が、詳細に取り扱っている。このような、財務会計における最も基本的な問題については、世界各国において殆ど同一であるように想像されるかも知れないが、日本の実情と比較してみると、かなり異なった面がみられるのである。

まず第1に、低価法が強制適用されることになっており、それが任意適用である日本とは、大いに異なっている。すなわち、商・製品および仕掛品が期末

財務諸表に計上される金額は、その個々の項目ごとの、または類似した諸項目をまとめたグループごとの、原価と純実現可能額とのうちの低いほうの諸金額の合計であるべきである (parallel)。ここから分かるように、その強制される低価法における時価の種類は、原則としては期末の取替原価ではなくて、期末の純実現可能額であるべきなのである。

このように、低価法上の時価の種類も、それが任意とされている日本の場合と比べて、売却時価に原則として限定されている香港（および英国）の実務は、異なっていることが分かる。ただし、まったく固定的にそう決められている訳ではなくて、特に材料 (materials) の場合には、期末取替原価が、純実現可能額にたいする近似値として、適用が要求されている。(しかし、これは例外である)。

取替原価ではなくて純実現可能額が選好されている理由は、(一般に前者は後者よりも利益分だけ低いから) 予想収益を過去支出がうわ回る差額が妥当な損失額であるとする、取替原価評価は利益分だけ過大な損失の計上となる、という点にあるようである。(このことを裏づける間接的な文章は、para43を参照すること)。

また、その適用すべき純実現可能額は、一応は期末のそれではあるが、期末決算日から会計報告完成日迄の間にこの時価がさらに変動した時は、それを織り込んで、最新の時価で評価がなされるべきである、といわれる (para42)。

なお、かかる純実現可能額が原価以下に下がる場合の、主要な状況は、次のようなものである。

- (1) 原価の上昇、または売価の下落。
- (2) 在庫品の物理的な質的低下 (physical deterioration)。
- (3) 製品の陳腐化。
- (4) 会社の販売政策の一環として、製品を作って、損失をこうむって販売しようという決定をおこなう場合。

(5) 生産または購買におけるエラー。

最後に、低価法評価をおこなうべき根拠であるが、それは、一言でいえば、回収不能原価（部分）を資産原価から落とす、ということである。つまり、純実現可能額の・原価以下への・低下は、未来収益から回収しえない過去支出部分をあらわす、とみなされるのである。

第2に、香港会計実務が日本のそれと比較して異なっているのは、いわゆる長期契約（long-term contract）——長期請負工事など——において、工事進行基準が排他的、絶対的に採用されるべきものとされ、工事完成基準はみとめられていない点である。

すなわち、長期契約における仕掛品——ex. 未成工事支出金——は、財務諸表上、原価プラス割当利益額、マイナス見積損失額ならびに中間収入金（および未収金）、の金額で計上されるべきである。（しかしまた、個々の諸契約にかんする予想損失額が上の計上金額をこえているならば、このような超過額は、別個に引当金として計上されるべきである）。

日本では工事進行基準だけではなく、また工事完成基準も承認されているのであるから、上のように前者だけを強制する香港会計基準はユニークである。このことの根拠であるが、かかる契約の完成にはかなりの期間がかかるとすると、その完成時まで利益を計上しないと、その会社活動についての公正な写像（a fair view）が提供されず、むしろたまたま期末までに完成した諸契約にかんする損益だけが報告される、という結果になるわけである。したがって、当決算日までに遂行された作業量を反映するように、そして、契約遂行の諸段階における収益性寄与の相違を——もしもあれば——考慮するかたちで、契約利益は前倒しの期間配分されるべきである（para45 and 46）。

もしも一契約の全体について純損失が予想されるならば、慎重性の原則にしたがって、その仕掛品の評価額を純実現可能額へと切り下げるべく、引き当て計上がなされるべきである（para 47）。ここから分かるように、この長期請負

契約にかんしても、通常の棚卸資産の場合と同じく、強制低価法の思考が適用されていることが明かである。

第3に、棚卸資産の原価決定方法について、そこで日本と香港でどういう相違が存在するかを考察しよう。後者においては、方法選択のさいの指導原理は、その採用された方法が「実際原価 (actual cost) にたいする可能な限りもっとも公正な近似」をもたらすべきだ、ということである。ここで実際原価とは何かは、まったく定義はされてはいないのだが、前後の文脈を参照すると、それは、物の流れにしたがった、個別法的な原価である、と推定できる。そして、ここからの系として、まず、後入先出法 (LIFO) や基礎在高法 (base stock method) などは、実際原価にたいする妥当な近似関係をもっていない、として、ネガティブな評価をおこなっている (もっとも、それはSSAP#3の本文においてではないが)。

また同じ根拠から、標準原価による評価も、無条件には認めず、定期的に点検を行なって、実際原価にたいして良好な関係を保っていることがチェックされるべきである。さらに、いわゆる最終仕入原価法は、とくに物価変動時には、実際原価とは異なる傾向が強いから、原則としてはみとめられない、とされている。また、売価還元法も、それが実際原価にたいする妥当な近似値を与えることが証明され得る場合のみ、承認される。

このような諸規定を日本の現状と比較すると、日本では、これほど明確にいわゆる実際原価だけが妥当な原価である、とは考えられてはいない、といえよう。物の流れは勿論重視されるが、しかし特に物価変動時には、収益費用の同一価格水準での対応という思考も尊重されており、そこから、後入先出法や基礎在高法も十分に正当な会計方法として認められている。

なお、このSSAPは、国際会計基準第2号、および第11号と密接に近似していることが自認されている。

V 財政状態変動表について

日本では、まだ資金運用表の公表は、正規の財務諸表の形では要求されていないが、香港では、イギリス流に、その定期的な公表が、SSAP #4, "Statements of Changes in Financial Position" において、規定されており、それは、会計士監査の対象書類ともされている (para 7)。その計算書の内容は、いわゆる運転資本を資金概念とする、きわめて常識的なものであるが、親会社と子会社との連結や関連会社の持分法処理を前提とした資金運用表の作成が例示されていて、興味がそそられる。

資金運用表は、ここでは財政状態変動表 (statement of changes in financial position) と名づけられている。これが財務諸表の一つとして要求されている理由は、会社活動についての一層完全な理解のためには、当年度中に生じた資産、負債および資本の変動、ならびに、それらが純流動資金におよぼした影響を明らかにすることが必要である、といわれる。また、当会社の営業活動がどういう資金によりまかなわれているか、また、それらの貨幣資金がどのように使用されてきたか、を明らかにしなければならない。

そこで、このSSAP #4では、監査証明された財務諸表の一環として、財政状態変動表の提供を会計実務として確立させ、その最小限度の開示の基準を示すことにある。

なお、このSSAPにおいて要請されている財政状態変動表は、次の3つのセクションから成る。

- (1) 資金の源泉——その明細と合計
- (2) 資金の運用——その明細と合計
- (3) 運転資本の増減——棚卸資産、債権および債務、そして純流動資金の各々の増減

ここで、純流動資金 (net liquid funds) とは、銀行預金、現金および現金同等物 (ex., 流動資産としての投資) マイナス当座借越ならびに他の、1年以内

に返済すべき借入金、を意味する (para 5)。

この財政状態変動表を公表しなくてもよい企業も存在する。それは、例えば、売上高または売上総利益が100万香港ドル以下である企業、その他である (para 6)。

資金の源泉の第一は、利益であるが、その他、資金を使用しない費用は資金源泉なので加え戻し、また資金をもたらない収益は資金源泉でないので控除する。その他、かならず表示すべき重要な資金源泉および資金運用の諸項目としては、つぎのものが掲げられている。

(1) 支払配当金

(2) 固定資産および他の非流動資産の取得と処分

(3) 中期または長期の借入金または当社の発行資本を増加することにより調達された資金、あるいはそれらを返済することにより減少した資金

(4) 運転資本の増減。それは、その諸構成要素に細分割され、また純流動資金はその諸変動にわけられねばならない (para 8)。

かかる表の作成にさいして注意すべき点として、諸項目の相殺は最小限度に留めるべきこと、また、資金計算書上に現われるすべての項目は、損益計算書、貸借対照表または、それらへの脚注に現われるべきである。それらの公表数値にたいして修正が必要とされた場合には、関連数値が発見されるように、その詳細が示されなければならない (para 9)。

つぎに、ある会社グループについて資金計算書を作成しなければならない場合についてである。たとえば、ある会社の子会社を取得した場合、それを財政状態変動表にどう記録するかについて、2通りの方法が規定されている (para 10)。1つは、それを(資金利用における)別項目として処理する方法であり、いま1つは、当該子会社を構成する様々の資産諸項目への資金の投資として分散記録する方法である。

(1) 前者の別項目法によれば、資金源泉の側では、支払われた現金や発行さ

れた株式などが計上され、資金利用の側では、子会社の購買という1項目が計上されるだけである。そして、その取得された子会社の明細については、“Analysis of Acquisition of Subsidiary Limited”といった分析表が添付されるのである。(なお、財政状態変動表上の運転資本の増減のセクションでは、別段、子会社関係の項目の別表示はなされない)。

(2) 後者の分散記録法によれば、資金源泉の側における記録は上の(1)と同じであるが、資金利用の側では、その子会社の取得にともなう固定資産の獲得や暖簾の取得がそれと明示された形で表示される。(運転資本の増減のセクションでの処理は(1)と同じである)。

最後に、投資先会社の利益にたいする当該会社(投資している会社)の持分がいわゆる持分法によって処理されている場合、それを資金計算書上どう取り扱うか。この問題についても2通りの方法が示され、検討されている。

(1) その利益持分の全額を、一旦は、経営活動によって提供された資金源泉の1部分として表示し、同時に、その内で送金されてこなかった部分は資金利用において再投資として計上する方法。

(2) その投資先会社から受け取られた、または受取可能となっている配当金の範囲において、それを資金源泉の区分に計上する方法。

このSSAPによれば、前者は持分法による会計処理と首尾一貫した方法である、として、それに反対はしていない。しかし、後者は、未送金の利益は当企業にとって利用可能な流動資金を表わさない、という立場から見て、資金計算書の目的上最善である、と結論されている。

なお、このSSAP#4は、国際会計基準第7号、“Statement of Changes in Financial Position”と密接に合致していることが、認められている。

財政状態変動表の具体例については、このSSAPのAPPENDIX(それは、この書の付録にも収録されている)に掲げられているので、参照して頂きたい。

VI 一株当たり利益について

SSAP#5, “Earnings per Share”は、当期の損益計算書上に、一株当たり利益の金額を報告することを要求している。株主にとって最も重要な企業情報は、一株当たり利益と一株当たり配当、ならびにそれら2つの数値の、一定期間にわたっての趨勢である。とりわけ一株当たり利益は、いわゆる株価収益率（price-earnings ratio）の計算のための基礎になる。この株価収益率は、投資家によって、しばしば用いられる情報である。

このように、一株当たり利益は、株主の目からみた企業の過去業績の評価を助けるものであって、その意味で、財務諸表とりわけ損益計算書の上で開示されるべきである。

一株当たり利益の意味であるが、利益または損失金額で各1株に割り当てられる額をいい、厳密には、税引後、少数株主持分配当と優先配当は控除後、しかし臨時項目は差引前の、連結損益を、発行済で当期配当を要求しうる持分株式数で割った数、である。

一部の例外を除く香港の株式取引所上場会社は、その監査済財務諸表、具体的にはその損益計算書において、当期および前期の一株当たり利益額を表示すべきである（para9）。また、その数値そのものだけでなく、その計算のベース、とくに利益額と株数、が損益計算書上、またはその脚注において開示されるべきである。（para10）。

さらに、やや複雑な場合、つまり当期末以後に追加株式を発行する契約をしている場合、または後になってから配当を要求する株式をすでに発行している場合、未来の一株当たり利益は希薄化されるであろう。ゆえに、上にのべた基礎的な一株当たり利益と並んで、完全希薄化一株当たり利益が、次の諸場合に、上場会社の損益計算書上で開示されるべきである（para11）。

(1) その会社が、ある別の種類の、持分権のある株式を発行しており、これは、当該期間には配当を要求しないけれども、未来には要求する場合。

(2) 当社またはその子会社が、当社の持分株式に転換されうる社債または優先株式を発行している場合。

(3) 当社またはその子会社が、当社の持分株式に応募することに関するオプションまたはワラントを認可または発行している場合。

上の3つのいずれの場合にも、希薄化の影響が重要である（基礎的一株当たり利益にたいする5%以上である）場合、完全希薄化一株当たり利益が開示されるべきである。その場合、基礎的数値と希薄化数値とは、損益計算書上で同等の明示性をあたえられるべきである。

Ⅶ 減価償却会計

日本の減価償却会計と比較する場合、ほとんど似たような規定がなされているのであるが、異なるのは、香港財務会計では、日本のように取得原価主義に依拠する必要はなく、時価を反映した評価替えが承認されていることである。

減価償却については、香港 SSAP #6, "Depreciation Accounting" において規定されている。税務目的上は税法において随分詳細な規定があるのだが、ここで取り扱うのは、あくまでも一般財務会計目的上の減価償却会計である。

まず、減価償却資産とは、1期間をこえて使用されると予想され、ある有限の耐用年数を持ち、そして非販売目的で保有されるものである（para 3）。また、重要な点として、要償却額（depreciable amount）とは、その歴史的原価、または「財務諸表上歴史的な原価にかえて用いられている他の金額」マイナス見積残存価額である（para 5）。「他の金額」と表現されている処に、評価替えを許容していることが現われている。

この定義を受けて、減価償却とは、ある資産の要償却額をその見積り耐用年数にわたって配分したものである、と定められている。これも、原価の配分と一方的に規定されていないことからわかるように、決算目的上で固定資産の再評価の可能性をあらかじめ考慮しているのである。

この SSAP において、減価償却は会計上強制されているものと解釈される。というのは、para 9 において、減価償却資産の要償却額は、その資産の耐用年数に含まれる各会計期間にたいして、系統的な方法で損益計算書に配分されるべきである、と規定されているからである。

一旦採用された償却方法は（原則として）継続適用が要求され、またその償却方法が変更された場合には、新しい残存簿価が残存耐用年数にわたって配分されるべきである。（para 10）。

決算時において減価償却資産の再評価が無制約的に許容されていることは、para 13 に示されている。つまり、資産が財務諸表上再評価される場合には、減価償却の引当金（the provision for depreciation）は、その評価替えされた金額とその時のカレントな残存耐用年数の見積りにもとづくべきであり、また、その再評価の影響がもしも重要なならば、その変更年度に開示されるべきである、と規定されている（para 13）。

なお、かかる再評価がなされた場合、たんに貸借対照表上の資産額だけを評価替えすべきではなく、その時には減価償却の計算もまたその再評価額にもとづくべきである。そして、その再評価年度において、脚注において、総減価償却額が、原価（または期首の価額）にもとづく額と再評価による差額にもとづく額とに、細区分されねばならない（para 30）。

さらに、固定資産再評価時には、当該中古資産の市価がその純帳簿価額よりも上昇している時にも、だからといって減価償却の計上を止めてはならない（para 31）。

かかる再評価における時価とは、何か。SSAP には明文はない。しかし、S. J. Gray 他 International Financial Reporting によると、原則は、取替原価ではなくて、評価額（valuation）、すなわち評価鑑定価値（appraisal value）である。また、売却可能額（realizable value）によることも認められる。それは、取締役または他の役員により、または外部の独立した第三者により、見積もられ

ることが許される。

香港以外の国では、土地はいわゆる freehold land であり、企業がそれを取得したということは、無限の期間にわたってその所有権を取得した、ということである。したがって、かかる所有されている土地については、通常は減価償却は行なわれないのである。

しかるに、香港内部では、土地は英国女王のものであるとみなされ、その所有権の売買は行なわれない。売買される実質内容は、一種の賃借権である（たとえば99年間の leasehold）。我々がおこなった会社インタビューによると、香港が Red China に返還される1997年までの諸年度にこの賃借権を償却するという実務もかなり広範におこなわれているようである。というのは、共産中国に返還された後に実際に土地の私的保有の問題がどうなるかは、かなり不透明だからである。

さて、このように、香港における企業保有の土地は、日本の場合とはまったく異なり、たんなる賃借権の所有であるから、その法的な有効期限までの諸年度にわたって減価償却されるべきである。これが原則なのであるが、しかし実際には、当該決算日においてなお50年間以上の未経過期間をもつ土地については、いわゆる長期リースと定義され、その要償却額を減価償却しないことが認められるのである。

ここで1つの問題は、土地つき建物について、建物は減価してゆくのだが、土地のほうは価格が上昇しているので、そのことを理由にして、この土地・建物について、まったく減価償却を行なわないという実務がおこなわれた、ということである。これについて、この SSAP は、土地と建物とは別の資産であり、土地の価格上昇と建物の価値低下とは相殺されてはならない、として、この場合にも減価償却を要求している。

特殊な問題として、(再)開発中の土地・建物について、それをいかに評価すべきか、という問題が取り扱われている (para 19)。もしもそれが転売を意図

したものならば、その本質は棚卸資産であり、したがって、それは低価法により評価されるべきである。他の目的（生産用、レンタル用、管理活動用）あるいは、まだ転売するかどうか決めていない場合には、固定資産とかがえて、減価償却を行なうべきである。

減価償却方法の種類としては、日本でもよく知られた諸方法が列挙されており、代わり映えはしない。

最後に、この SSAP #6 は、国際会計基準、第4号、“Depreciation accounting”と密接に類似していることが自認されている。

Ⅶ 企業集団会計

いわゆる持株会社とそれに属する子会社との財務諸表を一体化して、グループ報告書を作成すべし、ということの規定しているのが、ここで取り扱う SSAP #7, “Group Accounts”である。このグループ報告書は通常、連結財務諸表の形をとる。この連結財務諸表は、親会社と子会社のそれぞれの個別財務諸表に含まれる情報を、あたかもそれらが単一の企業実体の財務諸表であるかのように提示することを目的としている。もっとも、ある場合には、連結報告書以外の形でのグループ報告書の提示がその企業グループについてのヨリ良い写像を提供する場合には、その、別の形のグループ報告書が提供されてよいのである (para 1 and 2)。これは、香港会社法の定めにより許される場合についてである。

かかるグループ報告において、その目的は、そのグループについての財政状態と経営成績にかんする「真実公正な写像」を提供することである。したがって、かかるヨリよい写像を提供しうる場合にのみ、上の代替的な報告方法の採用 (ex. 個別財務諸表の提供あるいは、連結財務諸表上での持分法の適用) が、正当化されうるのである。

当該グループの損益と財政状態についての真実公正な写像を提供する目的の

ために、連結の実施上、個別財務諸表を作成する場合に適用されるものと同じ会計原則が適用されるのである。したがって、個別財務諸表で開示を要求されるいかなる項目も、連結財務諸表でも開示されるべきである (para 6)。

いくつかの術語の定義にひきつづいて、この SSAP #7 は、まず、連結財務諸表について次のような諸規定を行なっている。

まず、持株会社、すなわち親会社は、国内および海外の子会社を含めた企業グループについて、連結財務諸表を作成することが、(任意選択ではなく)義務づけられている。

ただし、いくつかの例外的なケースにおいてはそれを作る必要はない (para 15)。

次の para 16 では、連結財務諸表作成上、原則的には、統一的な会計諸方法が適用されるべきであること、もしもかかる統一化ができない側面に関しては、連結諸表の上で調整がなされるべきこと、もしもかかる調整も不可能であるならば、その相互に不統一な会計方法が、そのいずれも一般に認められた方法であるかぎり、(十分な開示をつけた上で) 適用されることが許される、と規定されている。

第3に、このグループ会計に関する会計期間と決算日の問題が定められている。

原則は、連結されるべきすべての子会社の決算日と会計期間は、親会社のそれらと同じにされなければならない。決算日が親子間で異なり、子会社の決算日を親会社に合致させた財務諸表が利用できない場合には、そのズレである中間期間に生じた諸取引および諸事象について、連結諸表の上で調整がなされるべきである。それとともに、若干の追加的な開示が要求されている (para 18)。

第4の問題は、どのような会社が、当該グループに属するのに、連結から除外されることが許されるか、または除外されるべきであるか。

まず、前者の、除外が許されるのは、持株会社すなわち親会社自身が、他の

ある会社の100%被保有子会社である場合である。

この理由以外の、香港会社法 (Companies Ordinance) 上で認められた、他の理由から、そのすべての子会社について連結報告を行なわない場合には、その子会社の除外の理由を明かにしなければならない (para 20)。

上のような、除外が許されるというのではなく、連結から除外される「べき」なのは、つぎの諸場合である (para 21)。

(1) ある会社の営業内容が、他から、異質的であって、連結によると誤解をもたらす場合。

(2) 持株会社が、当該子会社の持分株式の過半数を直接に、または（他の子会社をつうじて）間接的に保有してはいるが、(a)その保有する議決権が過半数に達しない場合、または (b)取締役の過半数を指名する力について契約上または他の何等かの制約が課せられている場合。

(3) 将来において、当該子会社の諸資産および経営活動にたいするその持株会社の支配を著しく損なうような厳しい制約のもとでその子会社が活動する場合。

(4) 支配が一時的であることが意図されている場合。

これら4つの場合には、その子会社を連結の範囲からはずすことが、強制されるのである。

第5の問題として、上の第4でのべた、連結除外会社について、いかなる会計処理が行なわれるべきか、ということである。この問題は、その除外理由の如何により異なる。

上の(1)の、異質性による場合には、グループ報告書は、その子会社についての個別財務諸表を含むべきである。そこには、親会社とその子会社との関係の明細が開示されねばならない。

上の(2)の、親会社が有効な支配を行なえない場合には、関連会社の場合と同様に、持分法 (equity method) により、会計処理されるべきである。

上の(3)、すなわち、厳しい制約の発生の場合には、その発生以後の子会社損益については通常の持分法による発生主義的な計上はしてはならない。しかし、その制約の発生した時点において、その時の子会社損益および留保利益への親会社持分は、持分法的な方法のもとで計上されていたであろう投資評価額で、連結財務諸表上、計上されるべきである。また、その制約発生後、もしも当該投資の価値下落が発生して、それが一時的なものではないならば、それら個々の投資勘定ごとに、連結損益計算書にチャージする形で、その損失にたいする引き当てが、おこなわれるべきである。

最後に、上の(4)の理由、つまり親会社の支配が一時的である場合には、その子会社への投資勘定は、連結貸借対照表上、流動資産として処理され、原価と純実現可能額の比較にもとづく低価法によって、評価されるべきである。

なお、連結からの除外会社についての最後の問題として、除外会社については、次の情報の開示が要求されるのである。(a)その除外理由。(b)その除外される主要な子会社の名前。(c)未償却の、子会社取得価格と取得資産価値との差額。(d)香港会社法上で要求される、それ以外の情報。

6番目の問題は、ある子会社の購買取得または売却処分が行なわれた場合の、会計処理をどうするか、である。このSSAPによればまず、取得時の処理としては、その購入のための支払対価を、その被取得会社の純資産の（有形および暖簾を除く無形の）各項目に、それらの公正価値にもとづいて配分すべきである、と規定されている。そして、その結果、その配分額の合計と支払対価との間に差額が生じた場合には、その差額は、企業取得にさいしてのプレミアムまたは割引額として、計上されるのである。

この文章で、購入対価の配分という概念は、やや分かり難いが、実際には支出額を配分するわけではなく、持株会社が取得した個々の資産（暖簾以外の無形資産をふくむ）をその公正価値額で評価し、その評価合計額とその子会社取得対価とのあいだの差額を、上記のプレミアムまたは割引額とみなす、という

ことである。

なお、以上の会計処理が被取得子会社の会計帳簿上でおこなわれなければならないならば、それは、連結にさいしておこなわれるべきである（以上は para 29）。

当該企業グループへの重要な子会社の追加、または重要なその処分が発生した場合には、その取得または処分された子会社についての経営成績を、連結財務諸表上で十分に開示しなければならない。

とりわけ、重要な子会社処分が発生した場合には、連結損益計算書において、次の個別的情報が開示されるべきである（para 31）。

(a) その子会社の、その売却時点までの損益額。

(b) その投資の売却損益。それは、その売却からの収入額と、その子会社純資産額にたいする親会社の持分割合額プラス（マイナス）取得プレミアム（または割引額）——これは結局その子会社への取得支出額となる——の間の差額。

最後に、かかる親子会社会計をいつから実施するべきか、という問題がある。それは、常識的にいえば、取得または処分が発生した時点から、ということになるわけであるが、では、それはいつか、ということが、オペレーショナルに明確化されねばならない。この点について、para 32 は、それは、次の2つの時点のうちの早いほうの時点である、と規定している。(a)対価が移行する時点。(b)その付値が絶対的に定まった、または定まったものと宣言された時点。

グループに含まれる主要な子会社について、次の諸情報とそのグループ報告書の中で提供されるべきである。(a)そのグループ内の諸子会社の発行済資本の名目額中の、各子会社資本の割合。(b)その事業の性質。(c)その法人格があたえられた場所。

第7の問題は、少数株主持分をどう取り扱うか、である。香港 SSAP によれば、まず、連結される各会社の資本金および剰余金にたいする少数株主持分は、連結貸借対照表上で別項目として表示されるべきであって、（親会社の）株式

資本金として表示されてはならない。また、当期の損益の中で少数株式持分に帰属する部分についても、これは、連結損益計算書上で、別項目として表示されるべきである。その表示位置は、税引後・臨時項目差引前損益の直後である。

最後の8番目として、通常の連結財務諸表では親会社とそのグループ内の子会社の留保利益を自由に分配できる（ただし分配不能として表示されている部分のはぞく）と仮定されているのである。したがって、その仮定が崩れて、そのような親会社の分配能力について著しい制限が発生しているならば、その制限の範囲、つまり分配不能額が明示されるべきである。これは、法律上、契約上、為替管理上、または課税上の諸理由から生じ得る、といわれる（para 36）。

最後に Part 4 において、香港会社法上、連結財務諸表が持株会社の株主総会において提示されなければならない、ということが、言及されている。さらに、その他の、イギリス会社法上でグループ報告書について定めている諸条文が香港会社法でも規定されていることが、具体的に言及されているのである（para 38-46）。

なお、この香港 SSAP 7 は、国際会計基準第3号、“Consolidated Financial Statements”と次の諸点の除いて、ほとんど合致していることが指摘されている。その合致しない点とは、この国際会計基準における para 40-42 の諸項目であって、これらは、いわゆる関連会社にかんする持分法の適用を規定したものである。関連会社についての規定は、香港 SSAP では#11においておこなわれている。

IX 偶発事象にかんする会計

ここで偶発事象とは、「決算日現在において存在するある状態であって、その状態からの結果（outcome）が、1つ以上の不確実な未来事象が発生するかしないかだけに依存して確証されるもの」と定義されている。かかる偶発事象をいかに会計処理すべきか。これをさだめたのが、香港 SSAP #8、

“Accounting for Contingencies”である。

上の定義から分かるであろうが、偶発事象とは、例えば、当会社にたいして、ある法律的な抗議が提起されている場合などである（para 17）。この場合、引当金を計上すべきか、脚注表示を行なうべきか、それとも無視すべきか。このような問題を、この規定は取り扱うのである。

いわゆる慎重性の原則が適用されるために、偶発事象のうちでも、偶発損失と偶発利得とは、会計的な取り扱いを異にしている。また、かかる偶発事象の判断レベルに関して、定性的要件と定量的要件とが区別されるべきである（この点の指摘は、菊谷正人著、英国会計基準の研究、同文館出版、83頁による）。

まず、偶発損失のほうである。重要な偶発損失であって、損失発生の見込みが大きく（——定性的要件）財務諸表が取締役会で承認されたその日において、ある程度の正確性で見積られ得る損失（——定量的要件）をある未来事象が確実化すると予想される時は、それは、（引当金として）見越し計上されるべきである（para 7）。

つぎに、同じように重要な偶発損失ではあるが、そして上の定量的要件は満たされていて、そこそこの見積り可能性は存在するが、損失発生の可能性が小さい場合（定性的要件は満たされていない）、ここでは、単に開示がなされるべきである、と規定されている。その趣旨は、注表示を意味するものと理解される（para 8）。

したがって、上の2つの規定からの論理的推論として、上述の定性的要件も定量的要件もともに満たされていない場合には、つまり、損失の発生可能性も小さく、かつその正確な見積り可能性も与えられていないならば、まったく財務諸表上への計上はなされないのである。

つぎに、偶発利得の会計処理について見よう。これは、偶発損失の場合の処理とは非対称的であって、いかなる時にも見越し計上されてはならない。（し

たがって、たかだか注表示されるか、まったくどんな開示もなされないか、いずれかである、と解される)。重要な偶発利得は、それが実現されるであろうと予想され得る場合のみ、財務諸表に開示されるべきである、とあるので、この定性的要件が満たされた場合のみ、注表示がなされるべきだ、と解される (para 9)。

以上の諸規定において、偶発事象の見積り可能性ということが言及されている。その具体的な意味は何か。para 17によれば、これは、当社の取締役会により、それが当該財務諸表を承認するまでの間に入手可能な情報にもとづいて、見積もる、という意味である。なお、この場合、決算日以後に生じた諸事象、つまり、いわゆる後発事象を十分に検討すべきである。たとえば、上にのべた法律的抗議の場合には、その偶発損失を見積るためには、現在までのその進展、エキスパートの意見、そしてかかる問題についての当社の経験、などを考慮して、見積るべきである。

さて、かかる偶発損失ならびに利得が（見越し計上はなされずに）注記がなされる場合には、次の情報が脚注開示されるべきである (para 10)。

- (a) その偶発事象の性質。
- (b) 究極の結果に影響すると予想される不確実性。
- (c) 財務諸表が取締役会において承認された日においてなされた、その財務的影響についての慎重な見積り。または、かかる見積りを行なうことは実行可能ではないという旨の言明。

財務諸表上または脚注で金額の見積り計上がなされる場合には、その開示される金額は、財務的影響額 (potential financial effect) である。偶発損失の場合には、この金額から、さらに、既計上額と（その損失中の）損失可能性が小さい要素のその損失見積り額は、控除して、純額で開示すべきである (para 11)。

以下は、付随的な個別問題である。第1に、1つの偶発事象が多数の類似し

た諸取引にたいして共通的に影響する場合、その財務的影響の見積りの仕方は、個々の取引ベースでなくてもよく、類似した諸取引の一括グループにたいしておこなってもよい (para 13)。

また、ある偶発事象にたいして反対抗議 (a counter-claim) を当社が提起している場合、または第3者による、または第3者にたいする抗議がだされている場合、それ(ら)によって元の当該偶発損失または利得の純額が減少せしめられる、または回避されうるかもしれない場合には、かかるクレームの予想結果を織り込むことにより、その見越し計上額または脚注表示額は、その分、減額されるべきである。しかし、それら対立する2つの要素は、別々に見積られ、開示されるべきである (para 21)。

以上の諸規定は、国際会計基準第10号、“Contingencies and Events Occurring after the Balance Sheet Date”と密接に合致していることが認められている。

X 後発事象にかんする会計

後発事象とは、「当該決算日と、当該財務諸表が取締役会で承認される日との間に発生するような、有利あるいは不利な、諸事象」(para 9 of Hongkong SSAP #9)をいうのである。かかる諸事象は、ある場合には、前年度の会計報告書に計上されねばならない。どのような後発事象を、いかなる場合に、いかなる方法で、開示すべきか。これを規定するのが、香港SSAP #9、“Accounting for Post Balance Sheet Events”である。

後発事象というものが、このようなものであるから、財務諸表の承認日より後に発生する諸事象は、この会計基準の範囲には入らないのである。この諸事象を取締役が開示するべく考慮するのは、勿論望ましいことであり、許される。

また、財務諸表の承認日とは、企業グループ報告書の場合には、持株会社の

取締役会でそれが承認される日をいうのである。

後発事象には、調整事象 (adjusting events) と、非調整事象 (non-adjusting events) とに区分される。

まず、前者の調整事象とは、当該決算日に存在したある状態について、それが存在したことを指し示す追加的な証拠をもたらすような、後発事象である。かかる調整事象は、重要性がある場合には、当該決算日をもって終わる会計年度の財務諸表に、金額 (修正) として、反映されねばならない。

なお、このように財務諸表の修正を要求する第2の類型として、それ自体は明確な1つの (調整) 事象とはいえなくとも、それが、当企業がもはやゴイング・コンサーンとはいえ、ということの証拠を提供する場合、——新年度に入ってから経営成績や財政状態の悪化——ここでも、その事態に対応した会計報告書の修正がなされなければならない (para 14)。

次に、非調整事象であるが、重要性がある場合には、注表示されなければならない。また、ある取引が、前年度に取り決められたが、当年度になってから取り消されたり、満期解消されたりする場合、そしてその本質が当社の貸借対照表の見かけをよくするためだけの、window dressing にすぎない場合、かかる取り消しや解消は注記されて、読者の注意を喚起しなければならない (para 15)。

上の2つの、注記をおこなうべき場合、その内容は、(a)その事象の性質と、(b)それがもたらす財務的影響の見積り額、または、かかる見積りが実行不可能である旨の言明、である (para 16)。

その財務的影響の見積りは、課税を控除する前の金額で、示されるべきである。

また、当該財務諸表が取締役会で承認された日付が、その財務諸表の中で開示されるべきである。

なお、このSSAPの補足的説明において、上述の調整事象および非調整事象

について説明がなされている。

調整事象には、例えば、次のようなものがある (para 27)。(a)当該決算日前に売買された固定資産の価額が、その決算日以後に決定された場合。(b)ある不動産の価値が当該決算日の価値よりも永続的に下落したという証拠が、決算日後に現われた場合。(c)ある非上場会社への長期投資について、その価値が当該決算日のそれよりも、永続的に下落したことを示す、財務諸表のコピーまたは他の会計情報が入手された場合。(d)当該棚卸資産の純実現可能額について、当該決算日以後にそれが実際に売却された等により、証拠が得られた場合。(e)長期契約（未収金）について、そこに見越し計上されていた利益がひどく不正確であったことを示す証拠が得られた場合。(f)債権の支払不能等が発生した場合。(g)持株会社の当該決算日より前の期間にかんする、子会社および関連会社等の、配当の宣言。(h)税率にかんする情報を事後に入手した場合。（香港では法人税率は毎年変更されうる）。(i)当決算日にはまだ交渉中だった保険請求権にかんして、受け取った額または未収の額。(j)当該財務諸表が不正確であったことを示すエラーまたは詐欺を、決算日後に発見した場合。

また、非調整事象には、次のものが例示されている (para 28)。(a)合併や企業買収。(b)改築および改築の提案。(c)株式および社債の発行。(d)固定資産および投資の購入および売却。(e)災害による固定資産や棚卸資産の減失。(f)新しい営業の開始、または旧営業活動の拡大。(g)当年度末には予想されていなかったような、営業活動の重要な1部分が閉鎖された場合。(h)不動産および投資の価値が、当年度末以後に下落した場合。(i)外国為替相場の変動。(j)強制収用のような政府行動。(k)ストライキおよび労働争議。(l)年金給付額の増大。

この香港SSAP #9は、国際会計基準第9号、“Contingencies and Events Occurring after the Balance Sheet Date”と密接に合致していることが、認められている。

XI 関連会社の損益にかんする会計

香港においても、損益認識にかんする一般原則は、他の会社の利益への参加分のうち未分配分は、自己の損益計算書および貸借対照表には認識しない、ということが、原則とされている。しかし、ある会社が営業活動のうちの重要な部分を他のある会社の媒介をつうじて行なっている場合、その会社からの配当所得だけの開示では、その企業を含む企業グループの資源の運用成果について十分な情報を報告したことにはならない（たとえ、その企業にたいする議決権保有割合が50%以下であっても）、という認識が広がっているのである。

子会社についての連結財務諸表という問題とは別に、最近2つの重要な動きが見られている。(1)ある会社が、その経営活動の1部分を、それが支配的なだけの持分を持たない他の会社を通じて行なうという慣行が発達してきた。(2)さらに、情報利用者の側における事情として、単に配当額だけでなく、活動グループ全体としての利益額、株価収益率(PER)、さらに1株あたり利益といった諸情報にもとづいて、投資意思決定を行なう傾向がある。そして、上の諸比率をもっとも意義のある方法で計算するためには、損益情報にかんして、連結の範囲を拡大して、支配的なだけの持分を所有してはいない、いわゆる関連会社をも連結の範囲にふくめることが、適切と考えられるのである。

このような、いわゆる関連会社にかんする会計を規定しているものが、香港SSAP #11, "Accounting for the Results of Associated Companies"である。これら関連会社投資がおこなわれている場合には、我々の投資会社は、ある程度の、取引上および政策上の意思決定に参加するのであり、したがって、当該関連会社にたいする投資利益率の大きさにかんして、ある程度の受託責任を負っている。しかし、子会社にたいするようには、その経営政策にたいして直接的なマネジメントを発揮しはしないのである。

このようにして、当該投資会社は、関連会社にたいして、ある修正された形の連結会計を採用することになる。つまり、完全な連結はおこなわれないが、

(1)関連会社の当期損益のうちの当該投資グループ参加分 (share) は、連結損益計算書に計上される。また、(2)その投資取得後の関連会社の留保利益または累積損失にたいするそのグループの参加分は、連結貸借対照表に計上されるのである。(ただし、連結でない、当該グループの貸借対照表には、それは、計上されない)。

まず、用語の厳密な定義が大切であるが、「関連会社」とは、子会社ではなく、当該投資会社の・それへの・持分は、合弁事業または事業団におけるパートナーのごときのものであって、当該投資会社 (または投資グループ) は、その会社にたいして、かなりの影響力を行使し得るのである。あるいは、その投資持分が、長期的なもので、またかなりの大きさのものであり、さらに、他の株式保有の状況から見て、かなりの影響力を行使することができること、である。

(この場合、かなりの影響力とは、その会社の財務的および営業的諸政策についての意思決定に参加しうることを意味する)。

形式基準として、もしも20%以上の議決権保有があるならば、明確な反証がない限り、当該投資会社 (グループ) は、かなりの影響力を行使する力をもっている、と想定されるべきである (para 9)。また、20%以下の議決権保有にすぎず、しかも合弁または事業団のパートナーではない場合、反証がないかぎり、当該グループは、ここでいう影響力の行使能力はないものと、想定されるべきなのである (para 10)。

上の形式基準によって関連会社がどうかを決定する場合、その議決権保有の計算には、当該投資会社とその子会社 (そしてそれのみ——関連会社は含まない) による保有分のみを含めるのである (para 11)。

関連会社にかんする会計の具体的な内容は、つぎのようになっている (para 13)。

第1に、当該投資会社自身の財務諸表には、

(1) その投資会社の決算日までに受け取られた配当額、

(2) 上の日までに終わった会計期間にかんして受取り可能であり、当該投資会社の財務諸表が取締役会で承認される前に宣言された、配当額が、含まれるべきである。

第2に、当該投資会社の連結財務諸表（または、それが作成されない場合には、自己の財務諸表を適当に改変したもの、または、別個に作成された財務諸表）において、関連会社の諸利益マイナス諸損失に対する、当投資グループの参加分が、開示されるべきである。

損益計算書にかんして、上の「第2」と述べられた部分について、ヨリ詳しくのべると、つぎのようである。

(1) 連結財務諸表上、諸関連会社の（税引前）諸利益マイナス諸損失にたいする参加分が、区分の上、別表示されるべきである（para 14）。

(2) 連結財務諸表上、諸関連会社利益の参加分にたいする課税額が、当該投資グループの租税費用の項目内において、別表示されるべきである（para 15）。

(3) 関連会社上の臨時項目合計にたいする、当該投資グループの参加分が、原則として、連結財務諸表に、当該投資グループの分に含めて（重要な場合には別表示して）計上されるべきである（para 16）。

(4) 諸関連会社の諸利益マイナス諸損失の総計のうちの留保分にたいする、当該投資グループの参加分は、連結財務諸表上で別表示されるべきである（para 17）。

(5) 関連会社の売上高、減価償却費など、上記以外の諸項目は、その連結損益計算書には計上されるべきではない。（あくまでも、税引前利益から計上を開始されるべきである）。

なお、連結財務諸表を作成しない投資会社は、上の(1)から(5)までの諸情報を、自己の損益計算書を改変することにより、または別個の損益計算書を作成することにより、含めるべきである。

次に、貸借対照表の上で計上されるべき諸項目（投資グループの貸借対照表

にかんしての場合と、連結貸借対照表の場合との、2通りがある)については、つぎのように規定されている。

(1) 当該投資会社の貸借対照表において、関連会社へのその会社の持分は、その投資の原価額（マイナス進—もしもあれば—償却額）にもとづいて、計上されるべきである（para 20）。

(2) 投資会社の連結貸借対照表の上では、関連会社への当該投資会社（グループ）の持分は、

(a) その投資の原価マイナス（もしもあれば）償却額、と

(b) その持分取得後の、関連会社留保利益および剰余金にたいする、当該投資グループの参加分

に分けて、表示されるべきである（持分法 para 21）。

(3) 連結財務諸表上、関連会社と当該グループとの間の貸借金は、別表示されるべきである。また、ある関連会社にたいする貸付金と、他の関連会社からの借入金を、相殺消去してはならない（para 22）。

(4) 連結貸借対照表上、諸関連会社と当該投資グループとの間の、正常な販売取引から生じた掛残高は、流動資産または流動負債の部に計上されるべきである。また、重要性がある場合には、別表示されるべきである（para 23）。

(5) 連結貸借対照表上の累積利益剰余金の表示にかんしては、当該グループにより留保されたものと、関連会社によって留保されたものとに、区分されるべきである。（また、海外関連会社の留保利益であって、分配にさいしては、さらに税がかかるものについては、それにたいする引当てが、なされるべきである（para 25）。

(6) 関連会社への投資の計上金額について、それが永続的な低下をこうむった場合には、それが切り下げられるべきであり、また、その切り下げ金額は別表示されるべきである（para 26）。

(7) 連結表を作成しない投資会社は、上記の諸情報（上の(1)–(6)）を、その

自己の貸借対照表にたいする注記において、または別個の貸借対照表を作成することによって、開示すべきである (para 27)。

ある会社を関連会社として認定するか否かの問題について、次の規定がある。もしも当該投資会社（グループ）が20%以上の議決権を保有しているのに、それを関連会社として処理しないならば、その理由と、おこなわれた処理内容を、注で表示すべきである。又、逆に、ある会社にたいして、20%以下の議決権保有であるにもかかわらず、それを関連会社として処理しているならば、重要な影響力が行使されている理由が表示されるべきである。

影響が重要である場合、関連会社についても、連結財務諸表の作成の場合と類似したような修正が、おこなわれるべきである。例えば、当該投資会社（グループ）と関連会社との間の商・製品の振り替え（販売）にさいして、その販売益を未実現損益として排除する、等である。また、当該投資グループと関連会社との間の会計方針が一致することも要請されている (para 31)。

関連会社がその留保利益を分配することについて、法律上、契約上、または為替管理上の制限が発生している場合には、その制限の範囲が表示されるべきである (para 32)。

関連会社への投資持分が当該投資会社ではなく、その子会社により保有されている場合、そして、その子会社に少数株主持分が存在する場合、その投資会社とその子会社をカバーする連結財務諸表において、そこに表示される少数株主持分は、その関連会社への投資持分にたいする当該少数株主参加分を含むべきである (para 33)。

当該投資会社の関連会社が子会社または関連会社をもっている場合、その投資会社の連結財務諸表の上で計上されるべき他社損益は、いくらか。それは、その関連会社が親会社となっているグループの、その親から見た損益にたいする、当該投資会社の参加分である (para 34)。

いままで関連会社であったのが今やそうでなくなった場合、その変更日現在

における持分法評価額が、その投資原価とみなされ、その時点以後は、その会社の利益にたいする、当該投資会社（グループ）の、未分配参加分は、もはや持分法的に計上はしないのである。また、その変更日以後に、その変更日以前の利益から配当がなされた場合には、その分、当該投資の計上金額を切り下げるのである（para 37）。

関連会社にたいする持分の取得または売却にかんする会計は、何時実施されるべきか。その時点は、(a)対価が授受される日、と(b)付値が絶対的となる日、とのうちの早いほう、である（para 38）。

当該投資グループの財務諸表において、主要な関連会社の明細情報が、開示されるべきである。その内容は、それらの名前と法人化された場所、ならびに、(a)関連会社の発行している、各クラスの株式の名目価額のうちに、当該グループにより保有されている比率、および(b)その関連会社の営業の性質についての説明、となっている（para 39）。

だいたい以上の内容をもつ香港SSAP #10は、国際会計基準第3号、“Consolidated Financial Statement”のうちで関連会社をカバーしている部分と密接に合致していることが自認されている。

なお、連結財務諸表（および個別損益計算書）において、関連会社の会計情報をいかに開示すべきか、について、上の香港SSAP #10のAPPENDIX 1, 2, 3が、その具体的な例示を行なっている。これは、本書にも収録されている。

XII 外貨換算会計

よく知られているように、ある企業が外国通貨と関わりをもつのは、次の2つの場合である。(1)外貨で表示された営業取引をおこなう（ex. 外国に販売を行なって、売掛金を外貨表示としている場合）。(2)ある企業が、在外企業（子会社、関連会社、または支店）をつうじて対外活動を行なう場合。この(2)の場合には、その在外企業の財務諸表情報の全部または1部を、当該投資会社の財務

諸表に組み込む必要があるであろう。

上の2つのいずれのケースにおいても、何等かの適切な方法で、それら外貨情報を当該投資会社の報告通貨に換算しなければならない。この問題を取り扱っているのが、香港SSAP #11, “Foreign Currency Translation”である。

上記の、外貨建取引ならびに外貨表示財務諸表を換算する場合の、その目的は、次の2つである。(1)為替相場の変動が、当該会社のキャッシュフローとその自己資本におよぼす影響と調和・両立しうるような結果を生み出すべきであり、また、換算後の財務諸表は経営行動の真実・公正な写像を作り出すべきである。(2)外貨換算を含む連結財務諸表は、換算前の外貨建財務諸表において測定された損益ならびに諸関係を反映すべきである (para 2)。

この SSAP において、換算手続は次の2つの段階を追って、考察されている。

- (1) 個別会社の財務諸表の作成における外貨換算。
- (2) 連結財務諸表の作成における外貨換算。

まず、第1の、個別会社の財務諸表における外貨換算について考えよう。

外貨で表示されている資産、負債、収益または費用は、その取引が発生した日に成立していた為替レートで、当該報告通貨に換算されるべきである。レートの変動がいちじるしくない場合には、当年度平均レートで換算することも許される。決済レートが契約で決まっているものについては、そのレートが用いられるべきである (para 19)。

非貨幣資産については、原則として、それが一旦外貨から報告通貨に換算され、記録されると、以後は、いかなる換算もなされるべきではない (para 20)。

各決算日において、外貨表示された貨幣資産および負債は、その日の「締めりレート」で換算されるべきである。なお、当該取引の条項によって固定された為替レートが用いられるべきことになっている場合には、そのレートが使用されるべきである (para 21)。

上において、「締切りレート」とは、当該決算日に成立している即時渡しの為替レートであって、その日の取引の終わりにおける、売りレートと買いレートとの平均である (para 11)。

為替差損益は、ある取引が、その取引記録時のレート（または前決算日レート）とは異なるレートで決済された場合、または、未決済取引については、その今決算日に用いられるレートが前に用いられたレートと異なっている場合に生ずる。かかる為替差損益は、通常の場合には営業損益として計上されるが、それが臨時的な (extraordinary) 活動から生じた場合には、その為替差損益も、損益計算書上、臨時項目として計上される (para 22)。

貨幣項目から発生した為替差損益であって、しかもその通貨の交換可能性あるいは売却可能性について疑いがある場合には、損益計算書に計上されるべき、その為替差益の額が制限されるべきか否かを、慎重性の立場から、よく考えるべきである (para 23)。

外国通貨資産を期末に保有しており、そして、それが外貨借入金によってファイナンスされているか、または、それが先物外貨（売りまたは買い）契約によってヘッジされている場合、下の2つの条件が成立している場合には、その外貨資産は、当該期末の締切りレートで、貸借対照表に計上されるべきである。そして、それに関して発生した為替差額は、損益計算書ではなくて、利益剰余金に振り替えられる。そして、上の外貨借入金または外貨先物契約に発生した為替差額も、その剰余金変動にたいする相殺項目として、やはり、利益剰余金に振り替えられる。

上の剰余金調整がおこなわれるための2つの条件とは、次のものである。

- (a) どの会計期間においても、上の借入金または先物契約に生じた為替差損益が相殺されるのは、借方側の外国通貨資産に発生した為替差損益の範囲までである。(それをこえた、前者の差損益は、もしもあっても、なんらかの、他の為替差額と相殺はされないのである)。

(b) その外国通貨借入金または先物契約は、当該外貨資産にたいするヘッジだ、として表明されており、また（かかるものとして）有効でなければならない（para 25）。

また、このように、ある先物契約が、ある外貨資産にたいするヘッジとして用いられる場合、その契約に生ずる「割引額またはプレミアム」をいかに会計処理するか、が問題となる。この割引額またはプレミアムとは、その契約上の外貨額についての、固定された未来の先物レートでの換算額と、契約締結時の即時レートでの換算額との間の差額である。

これについての会計処理は、その金額を、その契約期間にわたって償却してゆくか、またはその利得額またはその損失額をもって、利益剰余金に直接に計上されるのである（para 25）。

さらに、先物契約について、次の規定がある。もしもある非投機的な先物契約が、——特定の外貨資産のヘッジではなくて——（貨幣資産合計マイナス貨幣負債合計を意味する）純貨幣資産または負債額にたいするヘッジとして用いられるならば、そこに発生した為替差損益は、——剰余金ではなく——損益計算書に計上されるべきである。そして、そこでの割引額またはプレミアムは、その契約期間にわたって償却されるか、または——剰余金勘定ではなく——損益勘定に計上される（para 26）。

契約上の固定した、未来外貨支出額にたいするヘッジとして、非投機的な先物契約が用いられる場合、その途中期間中は、為替相場の変動があっても、損益は認識されない。その期間末には、その損益が、もしもあれば、当該取引額（の本国通貨換算額）にたいして加減される。割引額またはプレミアム額は、その契約期間にわたって償却されるかまたはその利得額又は損失額を繰り延べられる（para 27）。

では、つぎに、第2の問題、在外企業の換算・連結について見てみよう。これについての香港、したがってまたイギリスの会計基準は、アメリカのそ

れ (FASB #52) と類似して、当該在外企業の経営活動に影響し、それを規定している通貨がどの国の通貨であるか、に応じて、換算方法を異にするのである。つまり、その支配通貨 (dominant currency) —— アメリカの会計基準でいう機能通貨 (functional currency) —— が当該在外企業が現に所在する国の通貨である場合には、その期末貸借対照表上の諸金額は、当該決算日における締切りレートで換算されるのである。そして、ここから生じ得る換算差額は、損益計算書に損益として計上されるのではなくて、直接に貸借対照表に、剰余金区分の1項目として計上される (para 29)。

この換算法を、このSSAPは、締切りレート／純投資換算法 (the closing rate/net investment method of translation) と呼んでいる。

この方法による、損益計算書の諸項目の換算は、期末締切りレート、または当期中平均レートにより換算されるべきである。貸借対照表上の諸項目は、上述のように、期末レートによっているので、損益計算書が期中平均レートによる場合には、若干のズレが生ずる。これは、剰余金調整として処理するのである (para 30)。

以上の、いわば期末カレント・レート法は、当該在外企業を支配する通貨がその所在国の通貨である場合であるが、そうではなくて、投資会社ないし親会社の所在する国の通貨がその在外企業の経営活動を支配する機能通貨である場合には、いわゆるテンポラル法が適用されるのである (para 31)。

この場合にテンポラル法が適用される理由は、ここでは、経営活動が根本的に当該本国通貨によって規定されているのだから、もともとその在外企業の活動は、その親会社の報告通貨によって測定されるべきであったのである。その本来の測定の在り方へと再測定する必要がある、かかる再測定をおこなうための方法が、テンポラル法なのだ、と考えられる。

なお、アメリカの会計基準 (FASB #52) では、機能通貨が親会社の報告通貨でもなく、さりとて当該子会社のローカル・カレンシーでもなく、第3

国通貨である場合もありうるとして、その場合をも考慮しているが、香港SSAPでは、かかる可能性については、まったく言及されていない。

かかる換算方法については、当該在外企業と親会社との関係が変化しないかぎり、いわゆる継続性の原則が適用されるべきことが、要請されている（para 32）。

また、在外企業（子会社、関連会社等）への純投資をファイナンスするために、または、それにたいするヘッジングのために、外貨建借入金または外貨（売買）先物契約が締結されている場合、それら外貨借入金または外貨売買先物契約に発生した為替損益は、他の場合のように損益計算書に計上されずに、剰余金調整の1項目として計上され、その純投資の上に生じた為替差額と相殺されるのである。ただし、この方法が適用されるのは、次の3つの条件が妥当する場合のみである。

(1) 当該投資会社とその在外企業との関係が、連結のために締切レート法を用いることを正当化するものであること。

(2) どの会計期間においても、上の外貨借入金または先物契約に生じた為替差損益が上の相殺に用いられるのは、上述の純投資額に発生した為替差額の範囲内のみであること。

(3) その外貨借入金または外貨先物契約は、それが当該純投資額にたいするヘッジであるとして表明されており、かつ、そのようなものとして有効であること。

さらに、先物契約がある純投資額にたいするヘッジとして用いられている場合には、その契約にかんする割引額またはプレミアムは、その契約期間にわたって償却されるか、または、その利得額または損失額をもって利益剰余金に計上されるべきである（以上para 33）。

持株会社が在外企業にたいして行なう純投資は、株式投資という形をとるのが典型的ではあるが、しかし、それ以外にも長期貸付金や当該グループ内

での営業債権繰延高としてなされる場合もあるのである。つまり、後2者が自己資本と同じぐらい永続的な意図をもって行なわれた場合には、それは、純投資額とみなされる。したがって、その場合、それら2者に発生した為替差損益は、損益計算書に計上されるのではなく、利益剰余金にたいする調整として処理されるのである (para 34)。

ディスクロージャの問題については、まず、在外企業財務諸表の換算方法と為替差損益の処理方法は、財務諸表に開示されるべきである (para 35)。

また、銀行、保険業および船会社を除いて、次の諸情報が、財務諸表に開示されるべきである (para 36)。

- (1) 外貨建借入金マイナス外貨建預金に生じた為替差損益の純額。
- (2) 外貨先物契約に発生した為替差損益の純額と、それに関連した割引額またはプレミアムの金額。
- (3) 諸為替差額から生じた利益剰余金の純変動額。

なお、香港会社法上、外貨の換算方法が、貸借対照表への注として開示されるべきことになっている (—the 10th schedule, para 12 (4))。

最後に、この香港SSAP #11は、国際会計基準 第21号、“Accounting for the Effects of Changes in Foreign Exchange Rates”と密接に一致していることが、認められている。

Ⅷ 租税繰延にかんする会計

これは、香港SSAP #12, “Accounting for deferred tax”において論ぜられ、規定されている問題である。会計原則にしたがって財務諸表上で決定される純利益と、税法にしたがって決定される、企業の課税所得 (taxable income) との間には、現実問題として差異が存在する。そして、利害関係者に提供されるべき、経営成績を適正に反映する、当該企業の (税引後) 純利益情報としては、あくまでも、前者の財務諸表上の純利益にたいする課税額

を差し引くべきである、と考えられるのである。しかし、この方法にしたがって損益計算書上の課税額を決定すると、その額は実際の課税額とは相違することになる。もしもこの差異が永続的なものではなくて一時的なタイミング上の差異に過ぎないならば、ある程度の長期にわたって見るとその差異は逆転・解消されるであろうから、そのタイミング差額を負債（後者の税額のほうが小さい場合）または資産（後者のほうがより大きい場合）として、繰り延べることが、意味をもってくる。（Ex.加速減価償却が税法上認められ、財務諸表上は定額法が適用される場合）。

それに反して、両課税額の差異が、将来においても解消しない場合、かかる永続的な差異は、未来においても、逆転による将来支出または将来支出節約（という1種の収入）は発生しない。したがって、この場合には、その税額の差異を繰り延べることには、意味はないわけである。

かかる企業利益にたいする課税額についてのタイミング差異を繰り延べる場合、その差異の全額について繰延経理を行なう方法を、「全額計上方式」（full provision method）という。しかし、このSSAPでは、これは適切ではない、と規定している（para 45）。その理由は、たとえば初年度に大きな償却費を計上し、後年度に相対的により少ない償却費を計上して逆転・相殺を一応は考えていても、固定資産の取替や追加がある程度継続的に行なわれていくと、その後年度における過少償却による相殺は新しい資産にかんする過大な加速償却の計上により補正され、なんら逆転は発生しない、ということもありうる。かかる場合には、このタイミング差異には、いわば固い芯（a hard core）が残ることになり、利益課税における延期が永続的に残ることになるのである。したがって、このように租税負債が形成されない場合に課税差額について繰延をおこなうことは、実体に反する、といわねばならない。

この様に考えると、繰延税金が今期に計上されるべきであるのは、タイミング差異の逆転の結果として、その租税額が支払うべきものとなると予想さ

れる場合のみであることが分かる。例えば上のような理由でこの条件が満たされないときには租税繰延を行なわないことが、妥当視されるわけである。このように、タイミング差異のうちの1部分のみを繰延処理する方法を、このSSAPは、「部分計上法」(partial provision method)と呼び、これを採用しているのである。

このことを、このSSAPは、つぎのように規定している。

タイミング差異の影響によって繰り延べられた、または早められた租税額は、負債または資産が形成され(crystallize)ないと予想されるかぎり、計上されるべきではない(para 15)。

かかる繰延租税負債または資産が形成されないか否かについての評価は、合理的な仮定にもとづいて行なわれるべきである(para 16)。

その仮定は、当該財務諸表が取締役会で承認されるまでに利用可能な、すべての情報を考慮に入れて決定されるべきである。とくに、一連の未来年度にわたっての財務計画や諸予測を含めることにより、未来の租税債務の予想されるパターンを見積もるべきである。設備取替といった、かかる未来の計画が高度の不確実性にさらされている場合には、租税債務が形成されうであろうかを見積もる場合には、慎重な考慮がはらわれるべきである(para 17)。

繰延租税負債引当金は、別のカテゴリーの繰延租税資産と、相殺され、その分、減少されるべきである(para 18)。

今期(まで)の課税所得が対応する会計利益よりも大きいことにより、租税資産が形成されることになる場合、実際にかかる資産が貸借対照表に計上されるべきかいはなかば、未来の逆転(未来の課税所得がヨリ少となる)が未来の収入の(相対的な)増加により実現するであろうか、つまり、そのような租税資産の未来の回収可能性がある場合にのみ、計上する、という風にすべきである(para 19)。

なお、かかる未来の追加税額または未来の租税節約額は、どのような税率を用いて計算されるべきであるか。この問題については、「繰延法」と「負債法」という2つの方法がある。そして、この香港SSAPは、後者を採用するのである。

前者の繰延法によれば、そのタイミング差異が発生した期間に適用されていた税率がその負債または資産の見積りに適用され、以後たとえ税率の変更がなされたとしても、その負債または資産の見積り変更は行なわれない。というのは、この見解によれば、その資産の本質は、繰延租税費用であり、また、その負債とは、未来支出というよりは繰延租税収益（deferred tax credit）というべきだからである。

後者の負債法によれば、タイミング差異は、未来期間にその逆転が発生するときに適用されるであろう税率を見積もって、それにより計算されるのである。勿論、税率の変更が事前に知られていない限り、当期の税率が、その未来の税率にたいする最善の見積りとして、使用されるのである。この負債法は、このSSAPにおいて適用されている「部分計上法」の目的である、将来において支払うべき、または受け取りうべき、繰延税額を確定するという目的に、一層よく適合する、と主張される（para 48 and 49）。

このような繰延税額を、まず損益計算書において、いかに開示すべきであるか。その会社の、通常の営業活動に関連する繰延税額は、通常の営業活動からの損益にたいする税額の1部として、損益計算書またはその注で区分表示されるべきである（para 20）。臨時項目に関連する繰延税額は、かかる項目にたいする税額の1部として、損益計算書上、またはその注で、区分表示されるべきである（para 21）。

当期にかんする未計上の繰延税金の金額は、注に表示されるべきであり、また、その主要な構成要素に分解されるべきである（para 22）。

税率および控除額の変更から生ずる繰延税金への修正は、当期の租税費用

の1部として区分表示されるべきである。しかし、課税基準の変更、または政府の財政政策の変更からの影響額は、重要な場合には、臨時項目として取り扱われるべきである (para 23)。

繰延税金残高とその構成要素は、貸借対照表上またはその注において、開示されるべきである (para 24)。また、繰延税金への繰入額または控除額は、注において開示されるべきである (para 25)。未計上の繰延税金の全金額は、注記されるべきであり、その構成要素に分解して示されるべきである (para 27)。

最後に、このSSAP #12は、国際会計基準#12、“Accounting for Taxes on Income”の内容と密接に合致していることが、認められている。

Ⅳ 結論

以上の考察から分かるように、香港SSAPは、対応するイギリスのSSAPときわめて類似しているのである。しかし、例えば土地についての会計処理では、香港の特殊事情を反映して、貸借対照表上で「土地」として計上されていても、それはおおむね長期リースホールドであり、したがって、原則として減価償却がおこなわれる、といった点は、非常にユニークであり、なお一層の研究にあたいするであろう。

第2の点として、香港SSAPは、イギリスのそれにもまして、少なくとも規則上は、取得原価主義の拘束が弱い。たとえば減価償却にしても、原価配分としてとらえる必要はなく、時価評価にもとづくことも可能である、と思われる。原価評価がどの程度おこなわれ、また時価評価はどのぐらい実践されているか、こういった研究も意義があるであろう。

〔 付 録 I 〕

香港会社法 (Companies Ordinance) 中の会計関係条文—
—第10付則 (会計に関する詳細規定) を含む

Accounts and Audit

121. (1) Every company shall cause to be kept proper books of account with respect to—

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company;
- (c) the assets and liabilities of the company.

(2) For the purposes of subsection (1), proper books of account shall not be deemed to be kept with respect to the matters aforesaid if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(3) The books of account shall be kept at the registered office of the company or at such other place as the directors think fit, and shall at all times be open to inspection by the directors:

Provided that if books of account are kept at a place outside Hong Kong there shall be sent to, and kept at a place in, Hong Kong and be at all times open to inspection by the directors such accounts and returns with respect to the business dealt with in the books of account so kept as will disclose with reasonable accuracy the financial position of that business at intervals not exceeding 6 months and will enable to be prepared in accordance with this Ordinance the company's balance sheet, its profit and loss account or income and expenditure account, and any document annexed to any of those documents giving information which is required by this Ordinance and is thereby allowed to be so given.

(3A) Any books of account which a company is required by this section to keep shall be preserved by it for 7 years from the end of the financial year to which the last entry made or matter recorded therein relates. (*Added, 6 of 1984, s. 87*)

(4) If any person being a director of a company fails to take all reasonable steps to secure compliance by the company with the requirements of this section, or has by his own wilful act been the cause of any default by the company thereunder, he shall, in respect

Keeping of
books of
account.
1948 c. 38, s. 147.

of each offence, be liable on summary conviction to imprisonment for 6 months and to a fine of \$10,000:

Provided that—

- (a) in any proceedings against a person in respect of an offence under this section consisting of a failure to take reasonable steps to secure compliance by the company with the requirements of this section, it shall be a defence to prove that he had reasonable ground to believe and did believe that a competent and reliable person was charged with the duty of seeing that those requirements were complied with and was in a position to discharge that duty; and
- (b) a person shall not be sentenced to imprisonment for such an offence unless, in the opinion of the court dealing with the case, the offence was committed wilfully.

(Replaced, 80 of 1974, s. 12)

Profit and loss
account and
balance sheet.
1948 c. 38, s. 148.

122. (1) The directors of every company shall at some date not later than 18 months after the incorporation of the company and subsequently once at least in every calendar year lay before the company in general meeting a profit and loss account or, in the case of a company not trading for profit, an income and expenditure account for the period, in the case of the first account, since the incorporation of the company, and, in any other case, since the preceding account, made up to a date not earlier than the date of the meeting by more than 9 months, or, in the case of a company carrying on business or having interests abroad, by more than 12 months:

Provided that the court, if for any special reason it thinks fit so to do, may, in the case of any company, extend the period of 18 months aforesaid, and in the case of any company and with respect to any year extend the periods of 9 and 12 months aforesaid.

(2) The directors shall cause to be made out in every calendar year, and to be laid before the company in general meeting, a balance sheet as at the date to which the profit and loss account, or the income and expenditure account, as the case may be, is made up.

(3) If any person being a director of a company fails to take all reasonable steps to comply with the provisions of this section he

shall, in respect of each offence, be liable on summary conviction to imprisonment for 6 months and to a fine of \$10,000:

Provided that—

- (a) in any proceedings against a person in respect of an offence under this section, it shall be a defence to prove that he had reasonable ground to believe and did believe that a competent and reliable person was charged with the duty of seeing that the provisions of this section were complied with and was in a position to discharge that duty; and
- (b) a person shall not be sentenced to imprisonment for such an offence unless, in the opinion of the court dealing with the case, the offence was committed wilfully.

(Replaced, 80 of 1974, s. 12)

123. (1) Every balance sheet of a company shall give a true and fair view of the state of affairs of the company as at the end of its financial year, and every profit and loss account of a company shall give a true and fair view of the profit or loss of the company for the financial year.

General provisions as to contents and form of accounts. 1948 c. 38, s. 149.

(2) A company's balance sheet and profit and loss account shall comply with the requirements of the Tenth Schedule, so far as applicable thereto.

Tenth Schedule.

(3) Save as expressly provided in the following provisions of this section or in Part III of the Tenth Schedule, the requirements of subsection (2) and the said Schedule shall be without prejudice either to the general requirements of subsection (1) or to any other requirements of this Ordinance.

(4) The Financial Secretary may, on the application or with the consent of a company's directors, modify in relation to that company any of the requirements of this Ordinance as to the matters to be stated in a company's balance sheet or profit and loss account (except the requirements of subsection (1)) for the purpose of adapting them to the circumstances of the company.

(5) Subsections (1) and (2) shall not apply to a company's profit and loss account if—

- (a) the company has subsidiaries; and

(b) the profit and loss account is framed as a consolidated profit and loss account dealing with all or any of the company's subsidiaries as well as the company and—

(i) complies with the requirements of this Ordinance relating to consolidated profit and loss accounts; and

(ii) shows how much of the consolidated profit or loss for the financial year is dealt with in the accounts of the company.

(6) If any person being a director of a company fails to take all reasonable steps to secure compliance as respects any accounts laid before the company in general meeting with the provisions of this section and with the other requirements of this Ordinance as to the matters to be stated in accounts, he shall, in respect of each offence, be liable on summary conviction to imprisonment for 6 months and to a fine of \$10,000:

Provided that—

(a) in any proceedings against a person in respect of an offence under this section, it shall be a defence to prove that he had reasonable ground to believe and did believe that a competent and reliable person was charged with the duty of seeing that the said provisions or the said other requirements, as the case may be, were complied with and was in a position to discharge that duty; and

(b) a person shall not be sentenced to imprisonment for any such offence unless, in the opinion of the court dealing with the case, the offence was committed wilfully.

(7) For the purposes of this section and the following provisions of this Ordinance, except where the context otherwise requires,—

(a) any reference to a balance sheet or profit and loss account shall include any notes thereon or document annexed thereto giving information which is required by this Ordinance and is thereby allowed to be so given; and

(b) any reference to a profit and loss account shall be taken, in the case of a company not trading for profit, as referring to its income and expenditure account, and references to profit or to loss and, if the company has subsidiaries,

references to a consolidated profit and loss account shall be construed accordingly.

(Replaced, 80 of 1974, s. 12)

124. (1) Where at the end of its financial year a company has subsidiaries, accounts or statements (in this Ordinance referred to as "group accounts") dealing as hereinafter mentioned with the state of affairs and profit or loss of the company and the subsidiaries shall, subject to subsection (2), be laid before the company in general meeting when the company's own balance sheet and profit and loss account are so laid.

Obligation to lay group accounts before holding company.

1948 c. 38, s. 150.

- (2) Notwithstanding anything in subsection (1)—
- (a) group accounts shall not be required where the company is at the end of its financial year the wholly owned subsidiary of another body corporate; and *(Amended, 6 of 1984, s. 88)*
- (b) group accounts need not deal with a subsidiary of the company if the company's directors are of opinion that—
- (i) it is impracticable, or would be of no real value to members of the company, in view of the insignificant amount involved, or would involve expense or delay out of proportion to the value to members of the company; or
 - (ii) the result would be misleading, or harmful to the business of the company or any of its subsidiaries; or
 - (iii) the business of the holding company and that of the subsidiary are so different that they cannot reasonably be treated as a single undertaking;
- and, if the directors are of such an opinion about each of the company's subsidiaries, group accounts shall not be required:

Provided that the approval of the Financial Secretary shall be required for not dealing in group accounts with a subsidiary on the ground that the result would be harmful or on the ground of the difference between the business of the holding company and that of the subsidiary.

(3) If any person being a director of a company fails to take all reasonable steps to secure compliance as respects the company with the provisions of this section, he shall, in respect of each offence, be liable on summary conviction to imprisonment for 6 months and to

a fine of \$10,000:

Provided that—

- (a) in any proceedings against a person in respect of an offence under this section, it shall be a defence to prove that he had reasonable ground to believe and did believe that a competent and reliable person was charged with the duty of seeing that the requirements of this section were complied with and was in a position to discharge that duty; and
- (b) a person shall not be sentenced to imprisonment for an offence under this section unless, in the opinion of the court dealing with the case, the offence was committed wilfully.

(4) For the purposes of this section a body corporate shall be deemed to be the wholly owned subsidiary of another if it has no members except that other and that other's wholly owned subsidiaries and its or their nominees.

(Replaced, 80 of 1974, s. 12)

Form of group
accounts.
1948 c. 38, s. 151.

125. (1) Subject to subsection (2), the group accounts laid before a holding company shall be consolidated accounts comprising—

- (a) a consolidated balance sheet dealing with the state of affairs of the company and all the subsidiaries to be dealt with in group accounts;
- (b) a consolidated profit and loss account dealing with the profit or loss of the company and those subsidiaries.

(2) If the company's directors are of opinion that it is better for the purpose—

- (a) of presenting the same or equivalent information about the state of affairs and profit or loss of the company and those subsidiaries; and
- (b) of so presenting it that it may be readily appreciated by the company's members,

the group accounts may be prepared in a form other than that required by subsection (1), and in particular may consist of more than one set of consolidated accounts dealing respectively with the company and one group of subsidiaries and with other groups of subsidiaries, or of separate accounts dealing with each of the subsidiaries,

or of statements expanding the information about the subsidiaries in the company's own accounts, or any combination of those forms.

(3) The group accounts may be wholly or partly incorporated in the company's own balance sheet and profit and loss account.

(Replaced, 80 of 1974, s. 12)

126. (1) The group accounts laid before a company shall give a true and fair view of the state of affairs and profit or loss of the company and the subsidiaries dealt with thereby as a whole, so far as concerns members of the company.

Contents of
group accounts.
1948 c. 38, s. 152.

(2) Where the financial year of a subsidiary does not coincide with that of the holding company, the group accounts shall, unless the Financial Secretary on the application or with the consent of the holding company's directors otherwise directs, deal with the subsidiary's state of affairs as at the end of its financial year ending with or last before that of the holding company, and with the subsidiary's profit or loss for that financial year.

(3) Without prejudice to subsection (1), the group accounts, if prepared as consolidated accounts, shall comply with the requirements of the Tenth Schedule, so far as applicable thereto, and if not so prepared shall give the same or equivalent information:

Tenth Schedule.

Provided that the Financial Secretary may, on the application or with the consent of a company's directors, modify the said requirements in relation to that company for the purpose of adapting them to the circumstances of the company.

(Replaced, 80 of 1974, s. 12)

127. (1) A holding company's directors shall secure that except where in their opinion there are good reasons against it, the financial year of each of its subsidiaries shall coincide with the company's own financial year.

Financial year of
holding company
and subsidiary.
1948 c. 38, s. 153.

(2) Where a holding company or a holding company's subsidiary wishes to extend its financial year so that the subsidiary's financial year may end with that of the holding company, and for that purpose to postpone the submission of the relevant accounts to a general meeting from one calendar year to the next, the Registrar may on the application of the directors of the company whose financial year is to be extended direct that, in the case of that company, the submission of accounts to a general meeting, the holding of a general meeting in order to comply with section 111(1),

or the making of an annual return shall not be required in the earlier of the said calendar years.

(Replaced, 80 of 1974, s. 12)

Statement in holding company's accounts of identities and places of incorporation of subsidiaries, and particulars of share-holdings therein.

1967 c. 81, s. 3.

128. (1) Subject to the provisions of this section, where, at the end of its financial year, a company has subsidiaries, there shall, in the case of each subsidiary, be stated in, or in a note on, or statement annexed to, the company's accounts laid before it in general meeting—

- (a) the subsidiary's name;
 - (b) the country in which it is incorporated; and
 - (c) in relation to shares of each class of the subsidiary held by the company, the identity of the class and the proportion of the nominal value of the issued shares of that class represented by the shares held.
- (2) For the purposes of subsection (1)—
- (a) shares of a body corporate shall be treated as being held, or as not being held, by another such body if they would, by virtue of section 2(4) to (7), be treated as being held or, as the case may be, as not being held by that other body for the purpose of determining whether the first-mentioned body is its subsidiary;
 - (b) the proportion of the nominal value of the issued shares of any class represented by the shares held by the company shall be stated by way of a percentage, and any such percentage may be stated to the nearest whole number *per cent* except where it is between 49% and 50% or between 50% and 51%, in either of which events it shall be stated to as many decimal places as would be required to indicate the percentage, to one significant figure, of the proportion of the nominal value of the issued shares of that class represented by one share; and
 - (c) to the particulars required by subsection (1) there shall be added, with reference to the proportion of the nominal value of the issued shares of a class represented by shares held by a company, a statement of the extent (if any) to which it consists in shares held by, or by a nominee for, a subsidiary of the company and the extent (if any) to which it consists in shares held by, or by a nominee for, the company itself.

(3) Subsection (1) shall not require the disclosure of information with respect to a body corporate which is the subsidiary of another and is incorporated outside Hong Kong or, being incorporated in Hong Kong, carries on business outside Hong Kong if the disclosure would, in the opinion of the directors of that other, be harmful to the business of that other or of any of its subsidiaries and the Financial Secretary agrees that the information need not be disclosed.

(4) If, in the opinion of the directors of a company having, at the end of its financial year, subsidiaries, the number of them is such that compliance with subsection (1) would result in particulars of excessive length being given, compliance with that subsection shall not be requisite except in the case of the subsidiaries carrying on the businesses the results of the carrying on of which, in the opinion of the directors, principally affected the amount of the profit or loss of the company and its subsidiaries or the amount of the assets of the company and its subsidiaries.

(5) Where, in the case of a company, advantage is taken of subsection (4),---

(a) there must be included in the statement required by this section the information that it deals only with the subsidiaries carrying on such businesses as are referred to in that subsection; and

(b) the particulars given in compliance with subsection (1), together with those which, but for the fact that advantage is so taken, would have to be so given, shall be annexed to the annual return first made by the company after its accounts have been laid before it in general meeting.

(6) If a company fails to satisfy an obligation imposed on it by subsection (5) to annex particulars to a return, the company and every officer of the company who is in default shall be liable to a default fine.

(Replaced, 80 of 1974, s. 12)

129. (1) Subject to the provisions of this section, where, at the end of its financial year, a company holds shares of any class comprised in the equity share capital of another body corporate (not being its subsidiary) exceeding in nominal value one fifth of the

Statement in company's accounts of identities and places of

incorporation of companies not subsidiaries whose shares it holds, and particulars of those shares.
1967 c. 81, s. 4.

nominal value of the issued shares of that class, there shall be stated in, or in a note on, or statement annexed to, the accounts of the company laid before it in general meeting:—

- (a) the name of that other body corporate;
- (b) the country in which it is incorporated;
- (c) the identity of the class and the proportion of the nominal value of the issued shares of that class represented by the shares held; and
- (d) if the company also holds shares in that other body corporate of another class (whether or not comprised in its equity share capital), or of other classes (whether or not so comprised), the like particulars as respects that other class or, as the case may be, each of those other classes.

(2) If, at the end of its financial year, a company holds shares in another body corporate (not being its subsidiary) and the amount of all the shares therein which it holds (as stated or included in its accounts laid before it in general meeting) exceeds one tenth of the amount of its assets (as so stated), there shall be stated in, or in a note on, or statement annexed to, those accounts—

- (a) the name of that other body corporate;
- (b) the country in which it is incorporated; and
- (c) in relation to shares in that other body corporate of each class held, the identity of the class and the proportion of the nominal value of the issued shares of that class represented by the shares held.

(3) Neither subsection (1) nor subsection (2) shall require the disclosure by a company of information with respect to another body corporate if that other body is incorporated outside Hong Kong or, being incorporated in Hong Kong, carries on business outside Hong Kong if the disclosure would, in the opinion of the directors of the company, be harmful to the business of the company or of that other body and the Financial Secretary agrees that the information need not be disclosed.

(4) If, at the end of its financial year, a company falls within subsection (1) in relation to more bodies corporate than one, and the number of them is such that, in the opinion of the directors, compliance with that subsection would result in particulars of

excessive length being given, compliance with that subsection shall not be requisite except in the case of the bodies, carrying on the businesses the results of the carrying on of which, in the opinion of the directors, principally affected the amount of the profit or loss of the company or the amount of its assets.

(5) Where, in the case of a company, advantage is taken of subsection (4)—

- (a) there must be included in the statement dealing with the bodies last mentioned in that subsection the information that it deals only with them; and
- (b) the particulars given in compliance with subsection (1), together with those which, but for the fact that advantage is so taken, would have to be so given, shall be annexed to the annual return first made by the company after its accounts have been laid before it in general meeting.

(6) If a company fails to satisfy an obligation imposed on it by subsection (5) to annex particulars to a return, the company and every officer of the company who is in default shall be liable to a default fine.

(7) For the purposes of this section—

- (a) shares of a body corporate shall be treated as being held, or as not being held, by another such body if they would, by virtue of section 2(4) to (7) (but on the assumption that paragraph (b)(ii) of subsection (6) had been omitted therefrom), be treated as being held or, as the case may be, as not being held by that other body for the purpose of determining whether the first-mentioned body is its subsidiary; and
- (b) the proportion of the nominal value of the issued shares of any class represented by the shares held by the company shall be stated by way of a percentage, and any such percentage may be stated to the nearest whole number *per cent* except where it is between 49% and 50%, in which event it shall be stated to as many decimal places as would be required to indicate the percentage, to one significant figure, of the proportion of the nominal value of the issued shares of that class represented by one share.

(8) In this section “equity share capital” means, in relation to a company, its issued share capital excluding any part thereof which

does not, either as respects dividends or as respects capital, carry any right to participate beyond a specified amount in a distribution.

(Replaced, 80 of 1974, s. 12)

Statement in subsidiary company's accounts of name and place of incorporation of its ultimate holding company.
1967 c. 81, s. 5.

129A. (1) Subject to subsection (2), where, at the end of its financial year, a company is the subsidiary of another body corporate, there shall be stated in, or in a note on, or statement annexed to, the company's accounts laid before it in general meeting the name of the body corporate regarded by the directors as being the company's ultimate holding company and, if known to them, the country in which it is incorporated.

(2) Subsection (1) shall not require the disclosure by a company which carries on business outside Hong Kong of information with respect to the body corporate regarded by the directors as being its ultimate holding company if the disclosure would, in their opinion, be harmful to the business of that holding company or of the first-mentioned company or any other of that holding company's subsidiaries and the Financial Secretary agrees that the information need not be disclosed.

(Added, 80 of 1974, s. 12)

Signing of balance sheet.
1948 c. 38, s. 155.

129B. (1) Every balance sheet of a company shall be approved by the board of directors of the company and signed on behalf of the board by 2 of the directors. *(Amended, 6 of 1984, s. 89)*

(2) In the case of a company carrying on banking business, the balance sheet shall be signed by the secretary or manager, if any, and where there are more than 3 directors of the company by at least 3 of those directors, and where there are not more than 3 directors by all the directors.

(3) If any copy of a balance sheet which has not been signed as required by this section is issued, circulated or published, the company and every officer of the company who is in default shall be liable to a fine of \$2,000.

(Added, 80 of 1974, s. 12)

Accounts to be annexed, and auditors' report to be attached, to balance sheet.
1948 c. 38, s. 156.

129C. (1) The profit and loss account and, so far as not incorporated in the balance sheet or profit and loss account, any group accounts laid before the company in general meeting, shall be annexed to the balance sheet, and the auditors' report shall be attached thereto.

(2) Any accounts so annexed shall be approved by the board of directors before the balance sheet is signed on their behalf.

(3) If any copy of a balance sheet is issued, circulated or published without having annexed thereto a copy of the profit and loss account or any group accounts required by this section to be so annexed, or without having attached thereto a copy of the auditors' report, the company and every officer of the company who is in default shall be liable to a fine of \$2,000.

(Added, 80 of 1974, s. 12)

129D. (1) There shall be attached to every balance sheet laid before a company in general meeting a report by the directors with respect to the profit or loss of the company for the financial year and the state of the company's affairs as at the end thereof.

Directors' report
to be attached to
balance sheet.

(2) Every directors' report so attached shall be approved by the board of directors and signed on behalf of the board either by the chairman of the meeting at which it was approved or by the secretary of the company.

(3) The report shall—

- (a) state the principal activities of the company and of its subsidiaries in the course of the financial year and any significant change in those activities in that year;
- (b) state the amount, if any, which the directors recommend should be paid by way of dividend;
- (c) state the amount, if any, which the directors propose to carry to reserves within the meaning of the Tenth Schedule;
- (d) if the company (not being the wholly owned subsidiary of a company incorporated in Hong Kong) has no subsidiaries and has in the financial year made donations for charitable or other purposes to a total amount of not less than \$1,000, state the total amount of such donations;
- (e) if the company (not being the wholly owned subsidiary of a company incorporated in Hong Kong) has subsidiaries and the company and its subsidiaries have between them made donations for charitable or other purposes to a total amount of not less than \$1,000, state the total amount of such donations;
- (f) if significant changes in the fixed assets of the company or

Tenth Schedule.

of any of its subsidiaries have occurred in the financial year, contain particulars of the changes;

- (g) if, in the financial year, the company has issued any shares, state the reason for making the issue, the classes of shares issued and, as respects each class of shares, the number issued and the consideration received by the company for the issue;
- (h) if, in the financial year, it has issued any debentures, state the reason for making the issue, the classes of debentures issued and, as respects each class of debentures, the amount issued and the consideration received by the company for the issue;
- (i) state the names of the persons who, at any time during the financial year, were directors of the company;
- (ia) contain in respect of any contract referred to in section 162A(1)(a) the information required to be included in the report by that section; (*Added, 6 of 1984, s. 90*)
- (j) if, at the end of the financial year, there subsists a contract with the company or the company's subsidiary or holding company or a subsidiary of the company's holding company in which a director of the company has, or at any time in that year had, in any way, whether directly or indirectly, an interest, or there has, at any time in that year, subsisted a contract with the company or the company's subsidiary or holding company or a subsidiary of the company's holding company in which a director of the company had, at any time in that year, in any way, whether directly or indirectly, an interest (being, in either case, in the opinion of the directors, a contract of significance in relation to the company's business and in which the director's interest is or was material), contain— (*Amended, 6 of 1984, s. 90*)
 - (i) a statement of the fact of the contract's subsisting or, as the case may be, having subsisted;
 - (ii) the names of the parties to the contract (other than the company);
 - (iii) the name of the director (if not a party to the contract);

- (iv) an indication of the nature of the contract; and
- (v) an indication of the nature of the director's interest in the contract;

(k) if, at the end of the financial year, there subsist arrangements to which the company or the company's subsidiary or holding company or a subsidiary of the company's holding company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the company to acquire benefits by means of the acquisition of shares in, or debentures of, the company or any other body corporate, or there have, at any time in that year, subsisted such arrangements as aforesaid to which the company or the company's subsidiary or holding company or a subsidiary of the company's holding company was a party, contain a statement explaining the effect of the arrangements and giving the names of the persons who at any time in that year were directors of the company and held, or whose nominees held, shares or debentures acquired in pursuance of the arrangements; (*Amended, 6 of 1984, s. 90*)

(l) contain particulars of any other matters so far as they are material for the appreciation of the state of the company's affairs by its members, being matters the disclosure of which will not, in the opinion of the directors, be harmful to the business of the company or of any of its subsidiaries.

(4) As respect a company entitled to the benefit of any provision contained in Part III (exceptions for special classes of company) of the Tenth Schedule, subsection (3) shall have effect as if paragraph (f) were omitted.

Tenth Schedule.

(5) For the purposes of subsection (3)(d) and (e), "wholly owned subsidiary" shall be construed in accordance with section 124(4).

(6) The references in subsection (3)(j) to a contract do not include references to a director's contract of service or to a contract between the company and another body corporate, being a contract in which a director of the company has or had an interest by virtue only of his being a director of that other body.

(*Added, 80 of 1974, s. 12*)

Directors' report to show, for items included under authority of proviso to section 141C corresponding amounts for preceding financial year.

129E. Where advantage is taken of the proviso to section 141C to show an item in the directors' report instead of in the accounts, the report shall also show the corresponding amount of that item for (or, as the case may require, as at the end of) the immediately preceding financial year, except where that amount would not have had to be shown had the item been shown in the accounts.

(Added, 80 of 1974, s. 12)

Penalization of failure by directors to secure compliance with requirements of sections 129D and 129E.
1967 c. 81, s. 23.

129F. If any person being a director of a company fails to take all reasonable steps to secure compliance with the requirements of sections 129D and 129E, he shall, in respect of each offence, be liable on summary conviction to a fine of \$10,000 and to imprisonment for 6 months:

Provide that—

- (a) in any proceedings against a person in respect of an offence under this section, it shall be a defence to prove that he had reasonable ground to believe, and did believe, that a competent and reliable person was charged with the duty of seeing that the said sections were complied with and was in a position to discharge that duty; and
- (b) a person shall not be sentenced to imprisonment for any such offence unless, in the opinion of the court dealing with the case, the offence was committed wilfully.

(Added, 80 of 1974, s. 12)

Right to receive copies of balance sheets and directors' and auditors' reports.
1948 c. 38, s. 158.

129G. (1) A copy of every balance sheet, including every document required by law to be annexed thereto, which it to be laid before a company in general meeting, together with a copy of the directors' report and a copy of the auditors' report, shall, not less than 21 days before the date of the meeting, be sent to every member of the company (whether he is or is not entitled to receive notices of general meetings of the company) every holder of debentures of the company (whether he is or is not so entitled) and all persons other than members or holders of debentures of the company, being persons so entitled:

Provided that—

- (a) in the case of a company not having a share capital this subsection shall not require the sending of a copy of the

documents aforesaid to a member of the company who is not entitled to receive notices of general meetings of the company or to a holder of debentures of the company who is not so entitled;

(b) this subsection shall not require a copy of those documents to be sent—

(i) to a member of the company or a holder of debentures of the company, being in either case a person who is not entitled to receive notices of general meetings of the company and of whose address the company is unaware;

(ii) to more than one of the joint holders of any shares or debentures none of whom are entitled to receive such notices; or

(iii) in the case of joint holders of any shares or debentures some of whom are and some of whom are not entitled to receive such notices, to those who are not so entitled; and

(c) if the copies of the documents aforesaid are sent less than 21 days before the date of the meeting, they shall, notwithstanding that fact, be deemed to have been duly sent if it is so agreed by all the members entitled to attend and vote at the meeting. (*Amended, 6 of 1984, s. 91*)

(2) Any member of a company, whether he is or is not entitled to have sent to him copies of the company's balance sheets, the personal representatives of any such member who has died, and any holder of debentures of the company, whether he is or is not so entitled, shall be entitled to be furnished on demand without charge with a copy of the last balance sheet of the company, including every document required by law to be annexed thereto, together with a copy of the directors' report and a copy of the auditors' report.

(2A) Any member of a company who is not entitled to vote at a general meeting of the company shall, notwithstanding subsection (1), be furnished with a copy of any statement issued by the company as a chairman's statement, and of any other document intended for the purpose of providing information about the affairs of the company, which is circulated by the company with the documents required to be sent to members under subsection(1). (*Added. 6 of 1984, s. 91*)

(3) If default is made in complying with subsection (1) or (2A), the company and every officer of the company who is in default shall be liable to a fine of \$200, and if, when any person makes a demand for any document with which he is by virtue of subsection (2) entitled to be furnished, default is made in complying with the demand within 7 days after the making thereof, the company and every officer of the company who is in default shall be liable to a default fine, unless it is proved that that person has already made a demand for and been furnished with a copy of the document.
(Amended, 6 of 1984, s. 91)

(4) Subsections (1), (2) and (3) shall not have effect in relation to a balance sheet of a private company laid before it before 1 October 1975, but the provisions of this Ordinance which were in force immediately before the said date shall apply in relation to—

- (a) the right of any person to be furnished with a copy of any such balance sheet, and
- (b) the liability of the company and any officer thereof in respect of a failure to satisfy that right.

(Added, 80 of 1974, s. 12)

130. [Repealed, 6 of 1983, s. 60]

Appointment
and removal of
auditors.
[cf. 1976 c. 69, s. 14.]

131. (1) Every company shall at each annual general meeting of the company appoint an auditor or auditors to hold office from the conclusion of that meeting until the conclusion of the next annual general meeting of the company.

(2) Where at an annual general meeting of a company no auditors are appointed or reappointed, the court may, on the application of any member of the company, appoint a person to fill the vacancy.

(3) The first auditors of a company may be appointed by the directors at any time before the first annual general meeting of the company, and auditors so appointed shall hold office until the conclusion of that meeting.

(4) If the directors fail to exercise their powers under subsection (3), those powers may be exercised by the company in general meeting.

(5) The directors, or the company in general meeting, may fill any casual vacancy in the office of auditor, but while any such

vacancy continues, the surviving or continuing auditor or auditors, if any, may act.

(6) A company may by ordinary resolution remove an auditor before the expiration of his term of office, notwithstanding anything in any agreement between it and him; and, except in the case of a private company, where a resolution removing an auditor is passed at a general meeting of a company, the company shall within 14 days give notice of that fact in the prescribed form to the Registrar.

(7) If a company fails to give notice as required by subsection (6), the company and every officer of the company who is in default shall be guilty of an offence and liable to a default fine.

(8) The remuneration of the auditor of a company—

(a) in the case of an auditor appointed by the directors or by the court, may be fixed by the directors or by the court, as the case may be;

(b) subject to paragraph (a), shall be fixed by the company in general meeting or in such manner as the company in general meeting may determine.

For the purpose of this subsection "remuneration" includes any sums paid by the company in respect of the auditor's expenses.

(9) The appointment of a firm by its firm name to be the auditors of a company shall be deemed to be an appointment of those persons who shall from time to time during the currency of the appointment be the partners in that firm as from time to time constituted and who are qualified for appointment as auditors of that company:

Provided that any such appointment shall lapse, and thereby create a casual vacancy in the office of auditor, if all those persons who were partners in the firm and qualified as aforesaid at the date of the appointment cease to be partners or so qualified before the period of the appointment expires.

(10) Nothing in subsection (6) shall be taken as depriving a person removed thereunder of compensation or damages payable to him in respect of the termination of his appointment as auditor or of any appointment terminating with that as auditor.

(11) Where a company's auditor or auditors are holding office

(6 of 1984.)
[*31.8.84.]

at the date of commencement* of the Companies (Amendment) Ordinance 1984, nothing in this section as amended by that Ordinance shall be taken as terminating their appointment, or as requiring either their reappointment or the appointment of other auditors, before the conclusion of the annual general meeting of the company held next after that date.

(Replaced, 6 of 1984, s. 92)

Supplementary provisions relating to appointment and removal of auditors.
1976 c. 69, s. 15.

132. (1) Special notice shall be required for a resolution at a general meeting of a company—

- (a) appointing as auditor a person other than a retiring auditor; or
- (b) filling a casual vacancy in the office of auditor; or
- (c) reappointing as auditor a retiring auditor who was appointed by the directors to fill a casual vacancy; or
- (d) removing an auditor before the expiration of his term of office.

(2) On receipt of notice of such an intended resolution as aforesaid the company shall forthwith send a copy thereof—

- (a) to the person proposed to be appointed or removed, as the case may be;
- (b) in a case within subsection (1)(a), to the retiring auditor; and
- (c) where, in a case within subsection (1)(b) or (c), the casual vacancy was caused by the resignation of an auditor, to the auditor who resigned.

(3) Where notice is given of such a resolution as is mentioned in subsection (1)(a) or (d) and the retiring auditor or, as the case may be, the auditor proposed to be removed makes with respect to the intended resolution representations in writing to the company (not exceeding a reasonable length) and requests their notification to members of the company, the company shall (unless the representations are received by it too late for it to do so)—

- (a) in any notice of the resolution given to members of the company state the fact of the representations having been made; and

(b) send a copy of the representations to every member of the company to whom notice of the meeting is or has been sent.

(4) If a copy of any such representations as are mentioned in subsection (3) is not sent out as required by that subsection because received too late or because of the company's default, the auditor may (without prejudice to his right to be heard orally) require that the representations shall be read out at the meeting.

(5) Copies of the representations need not be sent out and the representations need not be read out at the meeting if, on the application either of the company or of any other person who claims to be aggrieved, the court is satisfied that the rights conferred by this section are being abused to secure needless publicity for defamatory matter; and the court may order the company's costs on an application under this subsection to be paid in whole or in part by the auditor, notwithstanding that he is not a party to the application.

(6) An auditor of a company who has been removed shall be entitled to attend—

- (a) the general meeting at which his term of office would otherwise have expired; and
- (b) any general meeting at which it is proposed to fill the vacancy caused by his removal,

and to receive all notices of, and other communications relating to, any such meeting which any member of the company is entitled to receive, and to be heard at any such meeting which he attends on any part of the business of the meeting which concerns him as former auditor of the company.

(Added, 6 of 1984, s. 93)

133. (1) Where a company ("the holding company") has a subsidiary, then—

- (a) if the subsidiary is a body corporate incorporated in Hong Kong, it shall be the duty of the subsidiary and its auditors to give to the auditors of the holding company such information and explanation as those auditors may reasonably require for the purposes of their duties as auditors of the holding company;

Powers of auditors in relation to subsidiaries.
1976 c. 69, s. 18.

(b) in any other case, it shall be the duty of the holding company, if required by its auditors to do so, to take all such steps as are reasonably open to it to obtain from the subsidiary such information and explanation as aforesaid.

(2) If a subsidiary or holding company fails to comply with subsection (1) the subsidiary or holding company and every officer thereof who is in default shall be guilty of an offence; and if an auditor fails without reasonable excuse to comply with paragraph (a) of that subsection he shall be guilty of an offence.

(3) A person guilty of an offence under this section shall be liable to a fine of \$5,000.

(Added, 6 of 1984, s. 93)

False statements
etc. to auditors.
1976 c. 69, s. 19.

134. (1) An officer of a company who knowingly or recklessly makes a statement which—

(a) is misleading, false or deceptive in a material particular; and

(b) is a statement to which this section applies,

shall be guilty of an offence and liable—

(i) on conviction upon indictment, to a fine of \$50,000 and to imprisonment for 2 years;

(ii) on summary conviction, to a fine of \$10,000 and to imprisonment for 6 months.

(2) This section applies to any statement made to the auditors of the company (whether orally or in writing) which conveys, or purports to convey, any information or explanation which they require, or are entitled to require, as auditors of the company.

(Added, 6 of 1984, s. 93)

135–139. [*Repealed, 68 of 1972, s. 52*]

Disqualifications
for appointment
as auditor.

[*cf.* 1948 c. 38, s. 161;
1967 c. 81, s. 13.]
(Cap. 50.)

140. (1) A person shall not be appointed as auditor of a company unless—

(a) he is qualified for appointment as such auditor under the Professional Accountants Ordinance; and

(b) he is not disqualified under subsection (2).

(2) None of the following persons shall be qualified for appointment as auditor of a company—

- (a) an officer or servant of the company;
- (b) a person who is a partner of or in the employment of an officer or servant of the company;
- (c) a body corporate;
- (d) a person who is, by virtue of paragraph (a), (b) or (c), disqualified for appointment as auditor of any other body corporate which is the company's subsidiary or holding company or a subsidiary of the company's holding company, or would be so disqualified if the body corporate were a company,

and references in this subsection to an officer or servant shall be construed as not including references to an auditor.

(3) A person shall not be disqualified by virtue of subsection (2)(b) or (d) for appointment as auditor of a company at any time during the period of 3 years beginning on the day* on which the Companies (Amendment) Ordinance 1984 comes into operation if—

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[*31.8.84.]

- (a) on that day, the company is a private company and he is a duly appointed auditor thereof;
- (b) at the time of his appointment, no shares or debentures of the company, or of a body corporate of which it is a subsidiary, have been listed on a stock exchange (whether in Hong Kong or elsewhere) or offered (whether in Hong Kong or elsewhere) to the public for subscription or purchase; and
- (c) he would not, but for subsection (2)(b), be disqualified for appointment as such auditor by virtue of subsection (2)(d).

(4) Any person appointed as auditor of a company who ceases to be qualified, or who becomes disqualified, for appointment as auditor of the company before the period of his appointment expires shall forthwith vacate his office as such auditor.

(5) Any body corporate which acts as auditor of a company shall be liable to a fine of \$5,000.

(Replaced, 6 of 1984, s. 94)

140A. (1) An auditor of a company may resign his office by depositing a notice in writing to that effect at the registered office of the company; and any such notice shall operate to bring his term of office to an end on the date on which the notice is deposited or on such later date as may be specified therein.

(2) An auditor's notice of resignation shall not be effective unless it contains either—

(a) a statement to the effect that there are no circumstances connected with his resignation which he considers should be brought to the notice of the members or creditors of the company; or

(b) a statement of any such circumstances as aforesaid.

(3) Where a notice having effect under this section is deposited at a company's registered office the company shall within 14 days send a copy of the notice—

(a) except in the case of a private company, to the Registrar; and

(b) if the notice contained a statement under subsection (2)(b), to every person who under section 129G(1) is entitled to be sent copies of the documents there mentioned.

(4) The company or any person who claims to be aggrieved may, within 14 days of the receipt by the company of a notice containing a statement under subsection (2)(b), apply to the court for an order under subsection (5).

(5) If the court, on an application under subsection (4), is satisfied that the auditor is using the notice to secure needless publicity for defamatory matter, it may by order direct that copies of the notice need not be sent out; and the court may further order the company's costs on the application to be paid in whole or in part by the auditor, notwithstanding that he is not a party to the application.

(6) The company shall, within 14 days of the court's decision, send to the persons mentioned in subsection (3)—

(a) if the court makes an order under subsection (5), a statement setting out the effect of the order;

(b) if the court does not make an order under that subsection,

a copy of the notice containing the statement under subsection (2)(b).

(7) If default is made in complying with subsection (3) or (6), the company and every officer of the company who is in default shall be guilty of an offence and liable---

- (a) on conviction upon indictment to a fine of \$50,000 and, in the case of an individual, to imprisonment for 2 years; and
- (b) on summary conviction to a fine of \$10,000 and, in the case of an individual, to imprisonment for 6 months.

(Added, 6 of 1984, s. 95)

140B. (1) Where an auditor's notice of resignation contains a statement under section 140A(2)(b), there may be deposited with the notice a requisition signed by the auditor calling on the directors of the company forthwith duly to convene an extraordinary general meeting of the company for the purpose of receiving and considering such explanation of the circumstances connected with his resignation as he may wish to place before the meeting.

Right of auditor who resigns to requisition meeting of company, etc.
1976 c. 69, s. 17.

(2) Where an auditor's notice of resignation contains any such statement as aforesaid and the auditor requests the company to circulate to its members---

- (a) before the general meeting at which his term of office would otherwise have expired; or
- (b) before any general meeting at which it is proposed to fill the vacancy caused by his resignation or convened on his requisition,

a statement in writing (not exceeding a reasonable length) of the circumstances connected with his resignation, the company shall (unless the statement is received by it too late for it to do so)---

- (i) in any notice of the meeting given to members of the company state the fact of the statement having been made; and
- (ii) send a copy of the statement to every member of the company to whom notice of the meeting is or has been sent.

(3) If the directors do not within 21 days from the date of the

deposit of a requisition under this section proceed duly to convene a meeting for a day not more than 28 days after the date on which the notice convening the meeting is given, every director who failed to take all reasonable steps to secure that a meeting was convened as mentioned above shall be guilty of an offence and liable—

- (a) on conviction upon indictment to a fine of \$50,000 and to imprisonment for 2 years; and
- (b) on summary conviction to a fine of \$10,000 and to imprisonment for 6 months,

and if a copy of any such statement as is mentioned in subsection (2) is not sent out as required by that subsection because received too late or because of the company's default, the auditor may (without prejudice to his right to be heard orally) require that the statement shall be read out at the meeting.

(4) Copies of a statement need not be sent out and the statement need not be read out at the meeting if, on the application either of the company or of any other person who claims to be aggrieved, the court is satisfied that the rights conferred by this section are being abused to secure needless publicity for defamatory matter; and the court may order the company's costs on an application under this subsection to be paid in whole or in part by the auditor, notwithstanding that he is not a party to the application.

(5) An auditor of a company who has resigned his office shall be entitled to attend any such meeting as is mentioned in subsection (2)(a) or (b) and to receive all notices of, and other communications relating to, any such meeting which any member of the company is entitled to receive, and to be heard at any such meeting which he attends on any part of the business of the meeting which concerns him as former auditor of the company.

(Added, 6 of 1984, s. 95)

Auditors' report
and rights of
access to books
and to attend
and be heard
at meetings.
1967 c. 81, s. 14.

141. (1) The auditors of a company shall make a report to the members on the accounts examined by them, and on every balance sheet, every profit and loss account and all group accounts laid before the company in general meeting during their tenure of office.

(2) The auditors' report shall be read before the company in general meeting and shall be open to inspection by any member.

(3) The report shall—

(a) except in the case of a company that is entitled to avail itself, and has availed itself, of the benefit of any of the provisions of Part III of the Tenth Schedule, state whether in the auditors' opinion the company's balance sheet and profit and loss account and (if it is a holding company submitting group accounts) the group accounts have been properly prepared in accordance with the provisions of this Ordinance and whether in their opinion a true and fair view is given—

(i) in the case of the balance sheet, of the state of the company's affairs as at the end of its financial year;

(ii) in the case of the profit and loss account (if it is not framed as a consolidated profit and loss account), of the company's profit or loss for its financial year;

(iii) in the case of group accounts submitted by a holding company, of the state of affairs and profit or loss of the company and its subsidiaries dealt with thereby, so far as concerns members of the company;

(b) in the said excepted case, state whether in the auditors' opinion the company's balance sheet and profit and loss account and (if it is a holding company submitting group accounts) the group accounts have been properly prepared in accordance with the provisions of this Ordinance applicable to such companies and whether in their opinion, on the basis aforesaid, a true and fair view is given—

(i) in the case of the balance sheet, of the state of the company's affairs as at the end of its financial year;

(ii) in the case of the profit and loss account (if it is not framed as a consolidated profit and loss account), of the company's profit or loss for its financial year;

(iii) in the case of group accounts submitted by a holding company, of the state of affairs and profit or loss of the company and its subsidiaries dealt with thereby, so far as concerns members of the company.

(4) It shall be the duty of the auditors of a company, in preparing their report under this section, to carry out such investigations as will enable them to form an opinion as to the following matters, that is to say,—

(a) whether proper books of account have been kept by the company and proper returns adequate for their audit have

been received from branches not visited by them; and

- (b) whether the company's balance sheet and (unless it is framed as a consolidated profit and loss account) profit and loss account are in agreement with the books of account and returns;

and if the auditors are of opinion that proper books of account have not been kept by the company or that proper returns adequate for their audit have not been received from branches not visited by them, or if the balance sheet and (unless it is framed as a consolidated profit and loss account) profit and loss account are not in agreement with the books of account and returns, the auditors shall state that fact in their report.

(5) Every auditor of a company shall have a right of access at all times to the books and accounts and vouchers of the company, and shall be entitled to require from the officers of the company such information and explanations as he thinks necessary for the performance of the duties of the auditors:

Provided that, in the case of a banking company which has branch banks beyond the limits of Hong Kong, it shall be sufficient (subject to the powers of the auditors under subsections (4) and (6)) if the auditor is allowed access to such copies and extracts from such books and accounts of any such branch as have been transmitted to the head office of the company in Hong Kong. (*Amended, 6 of 1984, s. 259*)

(6) If the auditors fail to obtain all the information and explanations which, to the best of their knowledge and belief, are necessary for the purposes of their audit, they shall state that fact in their report.

(7) The auditors of a company shall be entitled to attend any general meeting of the company and to receive all notices of, and other communications relating to, any general meeting which any member of the company is entitled to receive, and to be heard at any general meeting which they attend on any part of the business of the meeting which concerns them as auditors.

(*Replaced, 80 of 1974, s. 13*)

Special provisions in respect of financial years ending before 30.9.75.

141A. (1) Sections 123, 128, 129 and 129A shall not apply to a balance sheet or profit and loss account of a company laid before it in general meeting in respect of a financial year ending before 30 September 1975, but all the provisions of this Ordinance which were in force at the end of the financial year in relation to a balance sheet

or profit and loss account required to be laid before a company in general meeting shall apply in relation to any balance sheet or profit and loss account laid before a company in general meeting in respect of a financial year ending before 30 September 1975.

(2) Section 124 shall not operate so as to require group accounts to be laid before a company in general meeting along with the company's own balance sheet and profit and loss account in any case where the company's own balance sheet and profit and loss account which are being laid before the company in general meeting are in respect of a financial year ending before 30 September 1975, and sections 125, 126 and 127 shall accordingly not apply in any such case.

(3) Section 129D shall not apply to a directors' report in respect of a financial year ending before 30 September 1975, but all the provisions of this Ordinance which were in force at the end of the financial year in relation to the attaching of a directors' report to every balance sheet of a company laid before it in general meeting and to the contents of such a report shall apply in relation to a directors' report in respect of a financial year ending before 30 September 1975.

(4) Section 141 (3) and (6) shall not apply in relation to an auditors' report on a balance sheet or other accounts of a company laid before it in general meeting in respect of a financial year ending before 30 September 1975, but the provisions of this Ordinance which were in force at the end of the financial year in relation to the auditors' report on accounts examined by them and on every balance sheet laid before a company in general meeting during their tenure of office shall apply in relation to the auditors' report on any such balance sheet or other accounts laid before a company in general meeting in respect of a financial year ending before 30 September 1975.

(Added, 80 of 1974, s. 13)

141B. (1) In relation to the first balance sheet of a company laid before it in general meeting in respect of a financial year ending after 29 September 1975, paragraph 12(16) of the Tenth Schedule shall not have effect so as to require there to be shown corresponding amounts at the end of the immediately preceding financial year of items which would not have had to be shown in the balance sheet if it had been a balance sheet in respect of a financial year ending before 30 September 1975.

Special provisions in respect of first financial year ending after 29.9.75.
Tenth Schedule.

(2) In relation to the first profit and loss account of a company laid before it in general meeting in respect of a financial year ending after 29 September 1975, paragraph 17(5) of the Tenth Schedule shall not have effect so as to require there to be shown corresponding amounts for the immediately preceding financial year of items which would not have had to be shown in the profit and loss account if it had been a profit and loss account in respect of a financial year ending before 30 September 1975.

(Added, 80 of 1974, s. 13)

Construction of references to documents annexed to accounts.
1948 c. 38, s. 163.

141C. References in this Ordinance to a document annexed or required to be annexed to a company's accounts or any of them shall not include the directors' report or the auditors' report:

Provided that any information which is required by this Ordinance to be given in accounts, and is thereby allowed to be given in a statement annexed, may be given in the directors' report instead of in the accounts and, if any such information is so given, the report shall be annexed to the accounts and this Ordinance shall apply in relation thereto accordingly, except that the auditors shall report thereon only so far as it gives the said information.

(Added, 80 of 1974, s. 13)

Accounts of certain private companies

Power of shareholders of certain private companies to waive compliance with requirements as to accounts.

141D. (1) Where all the shareholders of a private company agree in writing that this section shall apply with respect to a financial year of that company—

- (a) the following provisions of this Ordinance shall not apply with respect to that financial year, that is to say, sections 121(2), 123, 129, 129A, 129D, 129E and 141(3);
- (b) the company's balance sheet as at the end of that financial year shall comply with the requirements of the Eleventh Schedule;
- (c) there shall be attached to the balance sheet a report by the directors with respect to—
 - (i) the state of the company's affairs;
 - (ii) the amount (if any) which they recommend should be paid by way of dividend;

Eleventh Schedule.

(iii) the amount of (if any) which they propose to carry to the reserve fund, general reserve or reserve account shown specifically on the balance sheet or to a reserve fund, general reserve or reserve account to be shown specifically on a subsequent balance sheet;

(d) the directors' report so attached shall be approved by the board of directors and signed on behalf of the board either by the chairman of the meeting at which it was approved or by the secretary of the company;

(e) the auditors' report shall state—

(i) whether or not the auditors have obtained all the information and explanations which they have required; and

(ii) whether, in their opinion, the balance sheet referred to in the report is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs according to the best of their information and the explanations given to them, and as shown by the books of the company.

(2) The shareholders shall not in any financial year of the company enter into an agreement for the purposes of subsection (1) with respect to more than one such financial year.

(3) This section does not apply to a private company which—

(a) has any subsidiary or is a subsidiary of another company formed and registered under this Ordinance or an existing company; or (*Amended, 6 of 1984, s. 96*)

(b) carries on banking business and holds a valid licence granted under the Banking Ordinance; or

(Cap. 155.)

(c) is a dealer registered under the Securities Ordinance; or

(Cap. 333.)

either solely or in common with any other business,

(d) carries on any insurance business otherwise than solely as an agent; or

(e) by way of trade or business, other than banking business, accepts loans of money at interest, or repayable at a premium, otherwise than on terms involving the issue of debentures or other securities; or

(f) owns and operates ships or aircraft engaged in the carriage of cargo between Hong Kong and places outside Hong Kong.

(4) Without prejudice to any other provision of this Ordinance, if any person being a director of a company fails to take all reasonable steps to secure compliance with the requirements of subsection (1)(c) and (d), he shall, in respect of each offence, be liable on summary conviction to a fine of \$10,000 and to imprisonment for 6 months:

Provided that—

- (a) in any proceedings against the person in respect of an offence under this subsection, it shall be a defence to prove that he had reasonable ground to believe, and did believe, that a competent and reliable person was charged with the duty of seeing that the said paragraphs were complied with and was in a position to discharge that duty; and
- (b) a person shall not be sentenced to imprisonment for any such offence unless, in the opinion of the court dealing with the case, the offence was committed wilfully.

(Added, 80 of 1974, s. 13)

Inspection

142. (1) The Financial Secretary may appoint one or more competent inspectors to investigate the affairs of a company and to report thereon in such manner as the Financial Secretary may direct—

- (a) in the case of a company having a share capital, on the application either of not less than 100 members or of members holding not less than one-tenth of the shares issued;
- (b) in the case of a company not having a share capital, on the application of not less than one-tenth in number of the persons on the company's register of members.

(2) The application shall be supported by such evidence as the Financial Secretary may require for the purpose of showing that the applicants have good reason for requiring the investigation, and the Financial Secretary may, before appointing an inspector,

require that applicants to give security in such amount as he may require for payment of the costs of the investigation. (*Amended, 6 of 1984, s. 97*)

(*Replaced, 4 of 1963, s. 8*)

143. (1) Without prejudice to his powers under section 142, the Financial Secretary—

- (a) shall appoint one or more competent inspectors to investigate the affairs of a company and to report thereon in such manner as the Financial Secretary may direct, if the court by order declares that its affairs ought to be investigated by an inspector appointed by the Financial Secretary; and
- (b) may do so if the company by special resolution declares that its affairs ought to be investigated by an inspector appointed by the Financial Secretary and the company gives security in such amount as the Financial Secretary may require; and (*Amended, 6 of 1984, s. 98*)
- (c) may also do so if it appears to the Financial Secretary that there are circumstances suggesting—
 - (i) that the business of the company has been or is being conducted with intent to defraud its creditors or the creditors of any other person or otherwise for a fraudulent or unlawful purpose or in a manner oppressive of any part of its members or that it was formed for any fraudulent or unlawful purpose; or (*Amended, 78 of 1972, s. 16*)
 - (ii) that persons concerned with its formation or the management of its affairs have in connexion therewith been guilty of fraud, misfeasance or other misconduct towards it or towards its members; or
 - (iii) that its members have not been given all the information with respect to its affairs that they might reasonably expect. (*Added, 4 of 1963, s. 8*)

(2) The power of the Financial Secretary under subsection (1)(c) shall be exercisable with respect to a body corporate notwithstanding that it is in course of being voluntarily wound up. (*Added, 6 of 1984, s. 98*)

Investigation of the affairs of a company in other cases.
1948 c. 38, s. 165.

Power of an
inspector to
investigate affairs
of related
company.
1948 c. 38, s. 166.

144. If an inspector appointed under section 142 or 143 to investigate the affairs of a company thinks it necessary for the purposes of his investigation to investigate also the affairs of any other body corporate that is or has at any relevant time been—

- (a) a subsidiary or a holding company of the company,
- (b) a subsidiary of its holding company,
- (c) a holding company of its subsidiary, or
- (d) substantially under the control of the same person as the first-mentioned company,

he shall have power so to do, and shall report on the affairs of the other body corporate so far as he thinks the results of his investigation thereof are relevant to the investigation of the affairs of the first-mentioned company.

(Added, 4 of 1963, s. 8)

Production of
documents, and
evidence, on
investigation.
1948 c. 38, s. 167.

145. (1) It shall be the duty of all officers and agents of the company and of all officers and agents of any other body corporate whose affairs are investigated by virtue of section 144 to produce to the inspector all books and documents of or relating to the company or, as the case may be, the other body corporate that are in their custody or power, to attend before the inspector when required so to do and otherwise to give to the inspector all assistance in connexion with the investigation that they are reasonably able to give.
(Amended, 6 of 1984, s. 99)

(2) An inspector may examine on oath the officers and agents and any employee of the company or other body corporate in relating to its business, and may administer an oath accordingly.
(Amended, 6 of 1984, s. 99)

(3) If any officer or agent of the company or other body corporate refuses to produce to the inspector any book or document which it is his duty under this section so to produce, refuses to attend before the inspector when required so to do, or refuses to answer any question that is put to him by the inspector with respect to the affairs of the company or other body corporate, as the case may be, the inspector may certify the fact under his hand to the court, and the court may thereupon inquire into the case, and, after hearing any witnesses who may be produced against or on behalf of the alleged offender and after hearing any statement that may be offered in

defence, punish the offender in like manner as if he had been guilty of contempt of the court. (*Amended, 6 of 1984, s. 99*)

(3A) A person is not excused from answering a question put to him under this section by an inspector on the ground that the answer might tend to incriminate him but, where such person claims, before answering the question, that the answer might tend to incriminate him, neither the question nor the answer shall be admissible in evidence against him in criminal proceedings other than proceedings in relation to a charge of perjury in respect of the answer. (*Added, 6 of 1984, s. 99*)

(3B) A person who complies with any requirement under this section of an inspector investigating the affairs of a company shall not incur any liability to any person by reason only of that compliance, and a certificate by the inspector under his hand stating that he is investigating the affairs of the company and that the person to whom the requirement is made is an officer, agent or employee, as the case may be, of the company shall be conclusive evidence of those facts. (*Added, 6 of 1984, s. 99*)

(4) If an inspector thinks it necessary for the purpose of his investigation that a person whom he has no power to examine on oath should be so examined, he may apply to the court and the court may if it sees fit order that person to attend and be examined on oath before it on any matter relevant to the investigation, and on any such examination—

- (a) the inspector may take part therein either personally or by solicitor or counsel;
- (b) the court may put such questions to the person examined as the court thinks fit;
- (c) the person examined shall answer all such questions as the court may put or allow to be put to him, but may at his own cost employ a solicitor with or without counsel, who shall be at liberty to put to him such questions as the court may deem just for the purpose of enabling him to explain or qualify any answers given by him;

and notes of the examination shall be taken down in writing, and shall be read over to or by, and signed by, the person examined, and may thereafter be used in evidence against him:

Provided that, notwithstanding anything in paragraph (c), the

court may allow the person examined such costs as in its discretion it may think fit, and any costs so allowed shall be paid as part of the expenses of the investigation.

(4A) Section 222A shall apply in relation to the powers and duties of the court on an examination under subsection (4) as it applies to the powers and duties conferred or imposed upon the court by sections 221 and 222 in respect of examinations under those sections, and, for the purposes of this subsection, any reference in section 222A to those sections shall be deemed to include a reference to subsection (4). (*Added, 6 of 1984, s. 99*)

(5) In this section, any reference to officers or to agents shall include past, as well as present, officers or agents, as the case may be, and for the purposes of this section the expression "agents", in relation to a company or other body corporate, shall include the bankers and solicitors of the company or other body corporate and any person employed by the company or other body corporate as auditor, whether any such person is or is not an officer of the company or other body corporate.

(*Replaced, 4 of 1963, s. 8*)

Delegation of
powers by
inspector.

145A. (1) An inspector appointed under section 142 or 143 to investigate the affairs of a company may, by instrument in writing, delegate to any person the powers conferred by section 145 to require the production of any books or documents and to put questions to officers and agents otherwise than on oath, or either of those powers, and a refusal to produce any such books or documents or to give the answer to any such question to the person to whom the power in that behalf is so delegated shall be treated as a refusal to produce such books or documents or to give the answer to such question, as the case may be, to the inspector by whom the power is delegated.

(2) Where 2 or more inspectors are appointed as aforesaid in respect of the same investigation, the power conferred by this section may be exercised by any of them.

(*Added, 6 of 1984, s. 100*)

Inspector's
report.
1948 c. 38, s. 168.

146. (1) The inspector may, and, if so directed by the Financial Secretary, shall, make interim reports to the Financial Secretary, and on the conclusion of the investigation shall make a final report to the Financial Secretary.

(2) Any such report shall be written or printed, as the Financial Secretary directs.

(3) The Financial Secretary—

(a) shall—

(i) forward a copy of any report made by the inspector to the company at its registered office;

(ii) if he thinks fit, furnish a copy thereof, on request and on payment of the fee appointed under section 305 for a certified copy of a document where the copy has been prepared in the office of the Registrar, to any person who is a member of the company or of any other body corporate dealt with in the report by virtue of section 144 or whose interests as a creditor of the company or of any such other body corporate appear to the Financial Secretary to be affected;

(iii) where the inspector is appointed under section 142, furnish, at the request of the applicants for the investigation, a copy to them; and

(iv) where the inspector is appointed under section 143 in pursuance of an order of the court, file a copy in the court; (*Added, 6 of 1984, s. 101*)

(b) may cause the report or any part thereof to be printed and published; (*Replaced, 6 of 1984, s. 101*)

(c) may, or if such report or any part thereof is printed and published shall, cause a copy to be delivered to the Registrar. (*Replaced, 6 of 1984, s. 101*)

(4) The inspector may at any time in the course of his investigation, without the necessity of making an interim report, inform the Financial Secretary of matters coming to his knowledge as a result of the investigation tending to show that an offence has been committed. (*Added, 6 of 1984, s. 101*)

146A. Sections 143 to 149 and section 150 shall apply to all bodies corporate incorporated outside Hong Kong which have a place of business in Hong Kong or have at any time had a place of business therein as if they were companies registered under this Ordinance, but subject to such (if any) adaptations and modifications as may be specified by regulations made by the Financial Secretary.

(*Added, 6 of 1984, s. 102*)

Extension of
Financial
Secretary's
powers of
investigation to
certain bodies
incorporated
outside
Hong Kong.
1967 c. 81, s. 42.

Proceedings on
inspector's
report.
[cf. 1967 c. 81,
ss. 35 & 37.]

147. (1) In relation to any prosecution arising from any report made under section 146 or from any information or document obtained under section 152A or 152B, it shall be the duty of all officers and agents of the company or other body corporate whose affairs have been investigated by virtue of section 144, other than the defendant in the proceedings, to give to the Attorney General all assistance in connexion with the prosecution that they are reasonably able to give, and section 145(5) shall apply for the purposes of this subsection as it applies for the purposes of that section.

(2) If, in the case of any body corporate liable to be wound up under this Ordinance, it appears to the Financial Secretary from any report made under section 146 or from any information or document obtained under section 152A or 152B—

- (a) that it is expedient in the public interest that the body should be wound up, he may present a petition for it to be wound up if the court thinks it just and equitable for it to be so wound up;
- (b) that the business of such body corporate is being conducted in a manner unfairly prejudicial to the interests of any part of its members, he may (in addition to, or instead of, presenting a petition under paragraph (a)) present a petition for an order under section 168A.

(3) If from any report made under section 146 or from any information or document obtained under section 152A or 152B it appears to the Financial Secretary that any civil proceedings ought in the public interest to be brought by any body corporate, he may himself bring such proceedings in the name of and on behalf of the body corporate.

(4) The Government shall indemnify the body corporate against any costs or expenses incurred by it in or in connexion with any proceedings brought by virtue of subsection (3).

(Replaced, 51 of 1978, s. 4. Amended, 6 of 1984, s. 103)

Expenses of
investigation of
the affairs of a
company.
1948 c. 38, s. 170.

148. (1) The expenses of and incidental to an investigation by an inspector appointed by the Financial Secretary under section 142 or 143 shall be defrayed in the first instance out of the general revenue of Hong Kong, but the following persons shall, to the extent mentioned, be liable to repay such expenses to the Government—
(Amended, 6 of 1984, s. 259)

- (a) any person who is convicted by a court or magistrate on a prosecution instituted as a result of the investigation, or who is ordered by a court or magistrate to pay damages or restore any property in proceedings brought by virtue of section 147(3) or to pay the whole or any part of the costs of any such proceedings, to such extent as may be ordered by such court or magistrate; (*Replaced, 6 of 1984, s. 104*)
- (b) any body corporate in whose name proceedings are brought as aforesaid, to the amount or value of any sums or property recovered by it as a result of those proceedings;
- (c) any body corporate dealt with by the report, where the inspector was appointed otherwise than of the Financial Secretary's own motion, shall be liable, except so far as the Financial Secretary otherwise directs; and (*Replaced, 6 of 1984, s. 104*)
- (d) the applicants for the investigation, where the inspector was appointed under section 142, shall be liable to such extent (if any) as the Financial Secretary may direct; (*Added, 6 of 1984 s. 104*)

and any amount for which a body corporate is liable by virtue of paragraph (b) shall be a first charge on the sums or property mentioned in that paragraph.

(2) The report of an inspector appointed otherwise than of the motion of the Financial Secretary may, if he thinks fit, and shall, if the Financial Secretary so directs, include a recommendation as to the directions, if any, that he thinks appropriate, in the light of his investigation, to be given under subsection (1)(c) and (d). (*Amended, 6 of 1984, s. 104*)

(3) For the purposes of this section, any costs or expenses incurred by the Financial Secretary in or in connexion with proceedings brought by virtue of section 147(3), including expenses incurred by virtue of subsection (4) thereof, shall be treated as expenses of the investigation giving rise to the proceedings. (*Amended, 51 of 1978, s. 5*)

(4) Any liability to repay the Government imposed by paragraphs (a) and (b) of subsection (1) shall, subject to the satisfaction of the right of Government to repayment, be a liability also to indemnify all persons against liability under paragraphs (c) and (d)

thereof, and any such liability imposed by the said paragraph (a) shall, subject as aforesaid, be a liability also to indemnify all persons against liability under the said paragraph (b); and any person liable under any of the said paragraphs shall be entitled to contribution from any other person liable under the same paragraph, according to the amount of their respective liabilities thereunder. (*Amended, 6 of 1984, s. 104*)

(*Replaced, 4 of 1963, s. 8*)

Inspector's
report to be
evidence.
1948 c. 38, s. 171.

149. A copy of any report of an inspector appointed under section 142 or 143, signed by the inspector and counter-signed by the Financial Secretary, shall be admissible in any legal proceedings as evidence of the opinion of the inspector in relation to any matter contained in the report.

(*Added, 4 of 1963, s. 8*)

Admissibility in
evidence of
certain matter.
1967 c. 81, s. 50.

149A. An answer given by a person to a question put to him in exercise of powers conferred by—

(a) section 145; or

(b) general rules made under section 296(1) for carrying into effect the objects of this Ordinance so far as relates to the winding up of companies,

may be used in evidence against him, and a statement required by section 190 may be used in evidence against any person making or concurring in making it.

(*Added, 74 of 1975, s. 2*)

Saving for
solicitors and
bankers.
1948 c. 38, s. 175.

150. Nothing in sections 142 to 149 shall require disclosure to the Financial Secretary or to an inspector appointed by him—

(a) by a solicitor of any privileged communication made to him in that capacity, except as respects the name and address of his client; or

(b) by a body corporate's bankers as such of any information as to the affairs of any of their customers other than the body corporate. (*Amended, 6 of 1984, s. 105*)

(*Added, 4 of 1963, s. 8*)

Notice to
Registrar.

151. Upon the appointment of an inspector under section 142 or 143 and upon the submission of his final report, the inspector shall forward to the Registrar a notice in writing under his hand of

such appointment or of such submission, as the case may be.

(Replaced, 4 of 1963, s. 8)

152. (1) A company may, by special resolution, appoint an inspector to investigate its affairs.

Power of company to appoint inspector.

(2) It shall be the duty of all officers and agents of the company to produce to the inspector all books and documents in their custody or power.

(3) An inspector may examine on oath the officers and agents of the company in relation to its business, and may administer an oath accordingly.

(4) If any officer or agent of the company refuses to produce to the inspector any book or document which it is his duty under this section so to produce, refuses to attend before the inspector when required so to do, or refuses to answer any question that is put to him by the inspector with respect to the affairs of the company, the inspector may certify the fact under his hand to the court, and the court may thereupon inquire into the case, and, after hearing any witnesses who may be produced against or on behalf of the alleged offender and after hearing any statement that may be offered in defence, punish the offender in like manner as if he had been guilty of contempt of the court. *(Amended, 6 of 1984, s. 106)*

(5) On the conclusion of the investigation the inspector shall report his opinion in such manner and to such persons as the company in general meeting may direct.

(6) A copy of the report of an inspector appointed under this section, signed by the inspector and sealed with the seal of the company to which the report relates, shall be admissible in any legal proceedings as evidence of the opinion of the inspector in relation to any matter contained in the report.

(Added, 4 of 1963, s. 8)

Inspection of Companies' Books and Papers

152A. (1) Where—

- (a) an application is made to the Financial Secretary under section 142 to appoint an inspector to investigate the affairs of a company;
- (b) in the case of any company, or in the case of any body

Power of Financial Secretary to require production of documents.
1967 c. 81, s. 109.

corporate incorporated outside Hong Kong which is carrying on business in Hong Kong or has at any time carried on business therein, it appears to the Financial Secretary that any of the circumstances referred to in section 143(c) are present,

the Financial Secretary may give directions to the company or body corporate, as the case may be, requiring it, at such time and place as may be specified in the directions, to produce such books or papers as may be so specified, or may at any time, if the Financial Secretary thinks there is good reason so to do, authorize any public officer, on producing (if required to do so) evidence of his authority, to require any such company or body corporate as aforesaid to produce to him forthwith any books or papers which the officer may specify.

(2) Where by virtue of subsection (1) the Financial Secretary or any public officer has power to require the production of any books or papers from any company or body corporate, the Financial Secretary or public officer shall have the like power to require production of those books or papers from any person who appears to the Financial Secretary or such public officer to be in possession of them; but where any such person claims a lien on books or papers produced by him, the production shall be without prejudice to the lien.

(3) Any power conferred by or by virtue of this section to require a company or body corporate or other person to produce books or papers shall include power—

- (a) if the books or papers are produced—
 - (i) to take copies of them or extracts from them; and
 - (ii) to require that person, or any other person who is a present or past officer of, or is or was at any time employed by, the company or body corporate in question, to provide an explanation of any of them;
- (b) if the books or papers are not produced, to require the person who was required to produce them to state, to the best of his knowledge and belief, where they are.

(4) If a requirement to produce books or papers or provide an explanation or make a statement which is imposed by virtue of this section is not complied with, the company or body corporate or other person on whom the requirement was so imposed shall be guilty of an offence and liable to a fine of \$10,000 and, in the case of an individual,

to imprisonment for 6 months; but where a person is charged with an offence under this subsection in respect of a requirement to produce any books or papers, it shall be a defence to prove that they were not in his possession or under his control and that it was not reasonably practicable for him to comply with the requirement.

(5) A statement made by a person in compliance with a requirement imposed by virtue of this section may be used in evidence against him.

(Added, 6 of 1984, s. 107)

152B. (1) If a magistrate is satisfied on information on oath laid by an inspector appointed by the Financial Secretary, or by any public officer acting under the authority of the Financial Secretary, that there are reasonable grounds for suspecting that there are on any premises any books or papers of which production ought to be made but has not been made under section 145 or of which production has been required by virtue of section 152A and which have not been produced in compliance with that requirement, the magistrate may issue a warrant authorizing any police officer, together with other persons named in the warrant and any other police officer, to enter the premises specified in the information (using such force as is reasonably necessary for the purpose) and to search the premises and take possession of any books or papers appearing to be such books or papers as aforesaid, or to take, in relation to any books or papers so appearing, any other steps which may appear necessary for preserving them and preventing interference with them.

Entry and search
of premises.
1967 c. 81, s. 110.

(2) Every warrant issued under this section shall continue in force until the end of the period of 1 month after the date on which it is issued.

(3) Any books or papers of which possession is taken under this section may be retained for a period of 3 months or, if within that period any criminal proceedings to which the books and papers are relevant are commenced, until the conclusion of those proceedings.

(4) A person who obstructs the exercise of a right of entry or search conferred by virtue of a warrant issued under this section, or who obstructs the exercise of a right so conferred to take possession of any books or papers, shall be guilty of an offence and liable on conviction to a fine of \$10,000 and to imprisonment for 6 months.

(Added, 6 of 1984, s. 107)

Provision for
security of
information.
[*cf.* 1967 c. 81, s. 111.]

152C. (1) No information or document relating to a company or body corporate which has been obtained under section 152A or 152B shall, without the previous consent in writing of the company or body corporate, as the case may be, be published or disclosed, except to a competent authority, unless the publication or disclosure is required with a view to the institution of, or otherwise for the purposes of, any criminal proceedings.

(2) Any person who publishes or discloses any information or document in contravention of subsection (1) shall be guilty of an offence and liable—

(a) on conviction upon indictment to a fine of \$50,000 and to imprisonment for 2 years; and

(b) on summary conviction to a fine of \$10,000 and to imprisonment for 6 months.

(3) For the purposes of this section, "competent authority" means any of the following—

(a) the Financial Secretary;

(b) an inspector appointed under this Ordinance by the Financial Secretary;

(c) any public officer acting under the authority of the Financial Secretary.

(Added, 6 of 1984, s. 107)

Penalization of
destruction,
mutilation, etc.
of company
documents.
[*cf.* 1967 c. 81, s. 113.]

152D. (1) A person who—

(a) conceals, destroys, mutilates or falsifies, or is privy to the concealment, destruction, mutilation or falsification of a book or paper affecting or relating to the property or affairs of any company or body corporate mentioned in section 152A(1); or

(b) parts with, alters or makes an omission in any such book or paper, or who is privy to parting with, altering or making an omission in any such book or paper; or

(c) sends, causes to be sent or conspires with another person to send, out of Hong Kong such a book or paper or any property belonging to or under the control of the company,

shall be guilty of an offence and liable—

(i) on conviction upon indictment to a fine of \$50,000 and to

imprisonment for 2 years; and

- (ii) on summary conviction to a fine of \$10,000 and to imprisonment for 6 months.

(2) In a prosecution for an offence under subsection (1), it shall be a defence if the person charged with the offence proves that he did not act with intent to defeat the purposes of sections 142 to 152B.

(Added, 6 of 1984, s. 107)

152E. A person who, in purported compliance with a requirement imposed under section 152A to provide an explanation or make a statement, provides or makes an explanation or statement which he knows to be false in a material particular or recklessly provides or makes an explanation or statement which is so false shall be guilty of an offence and liable—

- (a) on conviction upon indictment to a fine of \$50,000 and to imprisonment for 2 years; and
- (b) on summary conviction to a fine of \$10,000 and to imprisonment for 6 months.

(Added, 6 of 1984, s. 107)

152F. (1) Nothing in section 152A, 152B, 152C, 152D or 152E shall compel the production by a solicitor of a document containing a privileged communication made by or to him in that capacity or authorize the taking of possession of any such document which is in his possession.

(2) The Financial Secretary shall not, under section 152A, require, or authorize any public officer to require, the production by a person carrying on the business of banking of a document relating to the affairs of a customer of his unless either it appears to the Financial Secretary that it is necessary so to do for the purpose of investigating the affairs of the first-mentioned person or the customer is a person on whom a requirement has been imposed by virtue of that section.

(Added, 6 of 1984, s. 107)

Penalization of
furnishing false
information
under section
152A.

1967 c. 81, s. 114.

Saving for
solicitors and
bankers.

1967 c. 81, s. 116.

TENTH SCHEDULE

ACCOUNTS.

Preliminary

1. Paragraphs 2 to 12 apply to the balance sheet and 13 to 17 to the profit and loss account, and are subject to the exceptions and modifications provided for by Part II in the case of a holding or subsidiary company and by Part III in the case of companies of the classes there mentioned; and this Schedule has effect in addition to the provisions of sections 161 to 161C of this Ordinance.

PART I

GENERAL PROVISIONS AS TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Balance Sheet

2. The authorized share capital, issued share capital, liabilities and assets shall be summarized, with such particulars as are necessary to disclose the general nature of the assets and liabilities, and there shall be specified—

- (a) any part of the issued capital that consists of redeemable preference shares, the earliest and latest dates on which the company has power to redeem those shares, whether those shares must be redeemed in any event or are liable to be redeemed at the option of the company and whether any (and, if so, what) premium is payable on redemption;
- (b) so far as the information is not given in the profit and loss account, any share capital on which interest has been paid out of capital during the financial year, and the rate at which interest has been so paid;
- (c) the amount of the share premium account;
- (d) particulars of any redeemed debentures which the company has power to reissue.

3. There shall be stated under separate headings, so far as they are not written off,—

- (a) the preliminary expenses;
- (b) any expenses incurred in connexion with any issue of share capital or debentures;
- (c) any sums paid by way of commission in respect of any shares or debentures;
- (d) any sums allowed by way of discount in respect of any debentures; and
- (e) the amount of the discount allowed on any issue of shares at a discount.

4. (1) The reserves, provisions, liabilities and assets shall be classified under headings appropriate to the company's business:

Provided that—

(a) where the amount of any class is not material, it may be included under the same heading as some other class; and

(b) where any assets of one class are not separable from assets of another class, those assets may be included under the same heading.

(2) Fixed assets, current assets and assets that are neither fixed nor current shall be separately identified.

(3) The method or methods used to arrive at the amount of the fixed assets under each heading shall be stated.

5. (1) The method of arriving at the amount of any fixed asset shall, subject to sub-paragraph (2), be to take the difference between—

(a) its cost or, if it stands in the company's books at a valuation, the amount of the valuation; and

(b) the aggregate amount provided or written off since the date of acquisition or valuation, as the case may be, for depreciation or diminution in value;

and for the purposes of this paragraph the net amount at which any assets stand in the company's books at 1st October 1975 (after deduction of the amounts previously provided or written off for depreciation or diminution in value) shall, if the figures relating to the period before 1st October 1975 cannot be obtained without unreasonable expense or delay, be treated as if it were the amount of a valuation of those assets made at 1st October 1975 and, where any of those assets are sold, the said net amount less the amount of the sales shall be treated as if it were the amount of a valuation so made of the remaining assets.

(2) Sub-paragraph (1) shall not apply—

(a) to assets for which the figures relating to the period beginning with 1st October 1975 cannot be obtained without unreasonable expense or delay; or

(b) to assets the replacement of which is provided for wholly or partly—

(i) by making provision for renewals and charging the cost of replacement against the provision so made; or

(ii) by charging the cost of replacement direct to revenue; or

(c) to any listed investments or to any unlisted investments of which the value as estimated by the directors is shown either as the amount of the investments or by way of note; or (*Amended, 6 of 1984, s. 259*)

(d) to goodwill, patents or trade marks.

(3) For the assets under each heading whose amount is arrived at in accordance with sub-paragraph (1), there shall be shown—

(a) the aggregate of the amounts referred to in paragraph (a) of that sub-paragraph; and

(b) the aggregate of the amounts referred to in paragraph (b) thereof.

(4) As respects the assets under each heading whose amount is not arrived at in accordance with sub-paragraph (1) because their replacement is provided for as mentioned in sub-paragraph (2)(b), there shall be stated—

(a) the means by which their replacement is provided for; and

- (b) the aggregate amount of the provision (if any) made for renewals and not used.

6. The aggregate amounts respectively of reserves and provisions (other than provisions for depreciation, renewals or diminution in value of assets) shall be stated under separate headings:

Provided that—

- (a) this paragraph shall not require a separate statement of either of the said amounts which is not material; and
- (b) the Financial Secretary may direct that it shall not require a separate statement of the amount of provisions where he is satisfied that that is not required in the public interest and would prejudice the company, but subject to the condition that any heading stating an amount arrived at after taking into account a provision (other than as aforesaid) shall be so framed or marked as to indicate that fact.

7. (1) There shall also be shown (unless it is shown in the profit and loss account or a statement or report annexed thereto, or the amount involved is not material)—

- (a) where the amount of the reserves or of the provisions (other than provisions for depreciation, renewals or diminution in value of assets) shows an increase as compared with the amount at the end of the immediately preceding financial year, the source from which the amount of the increase has been derived; and

(b) where—

(i) the amount of the reserves shows a decrease as compared with the amount at the end of the immediately preceding financial year; or

(ii) the amount at the end of the immediately preceding financial year of the provisions (other than provisions for depreciation, renewals or diminution in value of assets) exceeded the aggregate of the sums since applied and amounts still retained for the purposes thereof;

the application of the amounts derived from the difference.

(2) Where the heading showing the reserves or any of the provisions aforesaid is divided into sub-headings, this paragraph shall apply to each of the separate amounts shown in the sub-headings instead of applying to the aggregate amount thereof.

8. If an amount is set aside for the purpose of its being used to prevent undue fluctuations in charges for taxation, it shall be stated.

9. (1) There shall be shown under separate headings—

- (a) the aggregate amounts respectively of the company's listed investments and unlisted investments; (*Amended, 6 of 1984, s. 259*)

- (b) if the amount of the goodwill and of any patents and trade marks or part of that amount is shown as a separate item in or is otherwise ascertainable from the books of the company, or from any contract for the sale or purchase of any property to be acquired by the company, or from any documents in the possession of the company relating to the stamp duty payable in respect of any such contract or the conveyance of any such property, the said amount so shown or ascertained so far as not written off or, as the case may be, the said amount so far as it is so shown or ascertainable and as so shown or ascertained, as the case may be;

- (c) the aggregate amount of any outstanding loans made under the authority of provisos (b) and (c) to section 48(1);
- (d) the aggregate amount of bank loans and overdrafts, and the aggregate amount of loans, other than bank loans or overdrafts, made to the company which—
 - (i) are repayable otherwise than by instalments and fall due for repayment after the expiration of the period of 5 years beginning with the day next following the expiration of the financial year; or
 - (ii) are repayable by instalments any of which fall due for payment after the expiration of that period;
- (e) the aggregate amount which is recommended for distribution by way of dividend.

(2) Nothing in head (b) of sub-paragraph (1) shall be taken as requiring the amount of the goodwill, patents and trade marks to be stated otherwise than as a single item.

(3) The heading showing the amount of the listed investments shall be subdivided, where necessary, to distinguish the investments as respects which there has, and those as respects which there has not, been granted a listing on a recognized stock exchange. (*Amended, 6 of 1984, s. 259*)

(4) In relation to each loan falling within head (d) of sub-paragraph (1) (other than a bank loan or overdraft), there shall be stated by way of note (if not otherwise stated) the terms on which it is repayable and the rate at which interest is payable thereon:

Provided that if the number of loans is such that, in the opinion of the directors, compliance with the foregoing requirement would result in a statement of excessive length, it shall be sufficient to give a general indication of the terms on which the loans are repayable and the rates at which interest is payable thereon.

10. Where any liability of the company is secured otherwise than by operation of law on any assets of the company, the fact that that liability is so secured shall be stated, but it shall not be necessary to specify the assets on which the liability is secured.

11. Where any of the company's debentures are held by a nominee of or trustee for the company, the nominal amount of the debentures and the amount at which they are stated in the books of the company shall be stated.

12. (1) The matters referred to in the following sub-paragraphs shall be stated by way of note, or in a statement or report annexed, if not otherwise shown.

(2) The number, description and amount of any shares in the company which any person has an option to subscribe for, together with the following particulars of the option, that is to say—

- (a) the period during which it is exercisable;
- (b) the price to be paid or shares subscribed for under it.

(3) The amount of any arrears of fixed cumulative dividends on the company's shares and the period for which the dividends or, if there is more than one class, each class of them are in arrear.

(4) Particulars of any charge on the assets of the company to secure the liabilities of any other person, including, where practicable, the amount secured.

(5) The general nature of any other contingent liabilities not provided for and, where practicable, the aggregate amount or estimated amount of those liabilities, if it is material.

(6) Where practicable the aggregate amount or estimated amount, if it is material, of contracts for capital expenditure, so far as not provided for and, where practicable, the aggregate amount or estimated amount, if it is material, of capital expenditure authorized by the directors which has not been contracted for.

(7) In the case of fixed assets under any heading whose amount is required to be arrived at in accordance with paragraph 5(1) (other than unlisted investments) and is so arrived at by reference to a valuation, the years (so far as they are known to the directors) in which the assets were severally valued and the several values, and, in the case of assets that have been valued during the financial year,— (*Amended, 6 of 1984, s. 259*)

(a) the names of the persons who valued them or particulars of their qualifications for doing so, and

(b) the bases of valuation used by such persons.

(8) If there are included amongst fixed assets under any heading (other than investments) assets that have been acquired during the financial year, the aggregate amount of the assets acquired as determined for the purpose of making up the balance sheet, and if during that year any fixed assets included under a heading in the balance sheet made up with respect to the immediately preceding financial year (other than investments) have been disposed of or destroyed, the aggregate amount thereof as determined for the purpose of making up that balance sheet.

(9) Of the amount of fixed assets consisting of land, how much is ascribable to—

(a) land in Hong Kong in each of the following categories—

- (i) land held on long lease;
- (ii) land held on medium-term lease;
- (iii) land held on short lease;

(b) land outside Hong Kong in each of the following categories—

- (i) land held freehold;
- (ii) land held on long lease;
- (iii) land held on medium-term lease;
- (iv) land held on short lease.

(10) If in the opinion of the directors any of the current assets have not a value, on realization in the ordinary course of the company's business, at least equal to the amount at which they are stated, the fact that the directors are of that opinion.

(11) The aggregate market value of the company's listed investments where it differs from the amount of the investments as stated, and the stock exchange value of any investments of which the market value is shown (whether separately or not) and is taken as being higher than their stock exchange value. (*Amended, 6 of 1984, s. 259*)

(12) If a sum set aside for the purpose of its being used to prevent undue fluctuations in charges for taxation has been used during the financial year for another purpose, the amount thereof and the fact that it has been so used.

(13) If the amount carried forward for stock in trade or work in progress is material for the appreciation by its members of the company's state of affairs or of its profit or loss for the financial year, the manner in which that amount has been computed.

(14) The basis on which other currencies have been converted into the currency in which the balance sheet is expressed, where the amount of the assets or liabilities affected is material.

(15) The basis on which the amount, if any, set aside for Hong Kong profits tax is computed.

(16) Except in the case of the first balance sheet laid before the company after 1st October 1975, the corresponding amounts at the end of the immediately preceding financial year for all items shown in the balance sheet other than any item the amount for which is shown—

- (a) in pursuance of sub-paragraph (8), or
- (b) as an amount the source or application of which is required by paragraph 7 to be shown.

Profit and Loss Account

13. (1) There shall be shown—

- (a) the amount charged to revenue by way of provision for depreciation, renewals or diminution in value of fixed assets;
- (b) the amount of the interest on loans of the following kinds made to the company (whether on the security of debentures or not), namely, bank loans, overdrafts and loans which, not being bank loans or overdrafts,—
 - (i) are repayable otherwise than by instalments and fall due for repayment before the expiration of the period of 5 years beginning with the day next following the expiration of the financial year; or
 - (ii) are repayable by instalments the last of which falls due for payment before the expiration of that period;
 and the amount of the interest on loans of other kinds so made (whether on the security of debentures or not);
- (c) the amount of the charge to revenue for taxes imposed by the Inland Revenue Ordinance and, if that amount would have been greater but for relief from double taxation, the amount which it would have been but for such relief, and the amount of the charge for taxation imposed outside Hong Kong of profits, income and (so far as charged to revenue) capital gains;
- (d) the amounts respectively provided for redemption of share capital and for redemption of loans;
- (e) the amount, if material, set aside or proposed to be set aside to, or withdrawn from, reserves;
- (f) subject to sub-paragraph (2), the amount, if material, set aside to provisions other than provisions for depreciation, renewals or diminution in value of assets or, as the case may be, the amount, if material, withdrawn from such provisions and not applied for the purposes thereof;
- (g) the amounts respectively of income from listed investments and income from unlisted investments; (*Amended, 6 of 1984, s. 259*)

- (h) if a substantial part of the company's revenue for the financial year consists in rents from land and buildings, the amount thereof (after deduction of ground-rents, rates and other out-goings);
- (i) the amount, if material, charged to revenue in respect of sums payable in respect of the hire of plant and machinery;
- (j) the aggregate amount of the dividends paid and proposed.

(2) The Financial Secretary may direct that a company shall not be obliged to show an amount set aside to provisions in accordance with sub-paragraph (1)(f), if he is satisfied that that is not required in the public interest and would prejudice the company, but subject to the condition that any heading stating an amount arrived at after taking into account the amount set aside as aforesaid shall be so framed or marked as to indicate that fact.

(3) If, in the case of any assets in whose case an amount is charged to revenue by way of provision for depreciation or diminution in value, an amount is also charged by way of provision for renewal thereof, the last-mentioned amount shall be shown separately.

(4) If the amount charged to revenue by way of provision for depreciation or diminution in value of any fixed assets (other than investments) has been determined otherwise than by reference to the amount of those assets as determined for the purpose of making up the balance sheet, that fact shall be stated.

14. The amount of any charge arising in consequence of the occurrence of an event in a preceding financial year and of any credit so arising shall, if not included in a heading relating to other matters, be stated under a separate heading.

15. The amount of the remuneration of the auditors shall be shown under a separate heading, and for the purposes of this paragraph, any sums paid by the company in respect of the auditors' expenses shall be deemed to be included in the expression "remuneration".

16. (1) The matters referred to in sub-paragraphs (2) to (4) shall be stated by way of note, if not otherwise shown.

(2) The turnover for the financial year, except in so far as it is attributable to the business of banking or to business of such other class as may be prescribed for the purposes of this sub-paragraph.

(3) If some or all of the turnover is omitted by reason of its being attributable as aforesaid, the fact that it is so omitted.

(4) The method by which turnover stated is arrived at.

17. (1) The matters referred to in sub-paragraphs (2) to (6) shall be stated by way of note, if not otherwise shown.

(2) If depreciation or replacement of fixed assets is provided for by some method other than a depreciation charge or provision for renewals, or is not provided for, the method by which it is provided for or the fact that it is not provided for, as the case may be.

(3) The basis on which the charge for Hong Kong profits tax is computed.

(4) Any special circumstances which affect liability in respect of taxation of profits, income or capital gains for the financial year or liability in respect of taxation of profits, income or capital gains for succeeding financial years.

(5) Except in the case of the first profit and loss account laid before the company after 1st October 1975 the corresponding amounts for the immediately

preceding financial year for all items shown in the profit and loss account.

(6) Any material respects in which any items shown in the profit and loss account are affected—

- (a) by transactions of a sort not usually undertaken by the company or otherwise by circumstances of an exceptional or non-recurrent nature; or
- (b) by any change in the basis of accounting.

PART II

SPECIAL PROVISIONS WHERE THE COMPANY IS A HOLDING OR SUBSIDIARY COMPANY

Modifications of and Additions to Requirements as to Company's own Accounts

18. (1) This paragraph shall apply where the company is a holding company, whether or not it is itself a subsidiary of another body corporate.

(2) The aggregate amount of assets consisting of shares in, or amounts owing (whether on account of a loan or otherwise) from, the company's subsidiaries, distinguishing shares from indebtedness, shall be set out in the balance sheet separately from all the other assets of the company, and the aggregate amount of indebtedness (whether on account of a loan or otherwise) to the company's subsidiaries shall be so set out separately from all its other liabilities and—

- (a) the references in Part I to the company's investments (except those in paragraphs 12(8) and 13(4)) shall not include investments in its subsidiaries required by this paragraph to be separately set out; and
- (b) paragraphs 5, 13(1)(a) and 17(2) shall not apply in relation to fixed assets consisting of interests in the company's subsidiaries.

(3) There shall be shown by way of note on the balance sheet or in a statement or report annexed thereto the number, description and amount of the shares in and debentures of the company held by its subsidiaries or their nominees, but excluding any of those shares or debentures in the case of which the subsidiary is concerned as personal representative or in the case of which it is concerned as trustee and neither the company nor any subsidiary thereof is beneficially interested under the trust, otherwise than by way of security only for the purposes of a transaction entered into by it in the ordinary course of a business which includes the lending of money.

(4) Where group accounts are not submitted, there shall be annexed to the balance sheet a statement showing—

- (a) the reasons why subsidiaries are not dealt with in group accounts;
- (b) the net aggregate amount, so far as it concerns members of the holding company and is not dealt with in the company's accounts, of the subsidiaries' profits after deducting the subsidiaries' losses (or vice versa)—
 - (i) for the respective financial years of the subsidiaries ending with or during the financial year of the company; and
 - (ii) for their previous financial years since they respectively became the holding company's subsidiary;
- (c) the net aggregate amount of the subsidiaries' profits after deducting the subsidiaries' losses (or vice versa)—

(i) for the respective financial years of the subsidiaries ending with or during the financial year of the company; and

(ii) for their other financial years since they respectively became the holding company's subsidiary; so far as those profits are dealt with, or provision is made for those losses, in the company's accounts;

- (d) any qualifications contained in the report of the auditors of the subsidiaries on their accounts for their respective financial years ending as aforesaid, and any note or saving contained in those accounts to call attention to a matter which, apart from the note or saving, would properly have been referred to in such a qualification, in so far as the matter which is the subject of the qualification or note is not covered by the company's own accounts and is material from the point of view of its members;

or, in so far as the information required by this sub-paragraph is not obtainable, a statement that it is not obtainable:

Provided that the Financial Secretary may, on the application or with the consent of the company's directors, direct that in relation to any subsidiary this sub-paragraph shall not apply or shall apply only to such extent as may be provided by the direction.

(5) Sub-paragraph (4)(b) and (c) shall apply only to profits and losses of a subsidiary which may properly be treated in the holding company's accounts as revenue profits or losses, and the profits or losses attributable to any shares in a subsidiary for the time being held by the holding company or any other of its subsidiaries shall not (for that or any other purpose) be treated as aforesaid so far as they are profits or losses for the period before the date on or as from which the shares were acquired by the company or any of its subsidiaries, except that they may in a proper case be so treated where—

- (a) the company is itself the subsidiary of another body corporate; and
 (b) the shares were acquired from that body corporate or a subsidiary of it;

and for the purpose of determining whether any profits or losses are to be treated as profits or losses for the said period the profit or loss for any financial year of the subsidiary may, if it is not practicable to apportion it with reasonable accuracy by reference to the facts, be treated as accruing from day to day during that year and be apportioned accordingly.

(6) Where group accounts are not submitted, there shall be annexed to the balance sheet a statement showing, in relation to the subsidiaries (if any) whose financial years did not end with that of the company—

- (a) the reasons why the company's directors consider that the subsidiaries' financial years should not end with that of the company; and
 (b) the dates on which the subsidiaries' financial years ending last before that of the company respectively ended or the earliest and latest of those dates.

19. (1) The balance sheet of a company which is a subsidiary of another body corporate, whether or not it is itself a holding company, shall show the aggregate amount of its indebtedness to all bodies corporate of which it is a subsidiary or a fellow subsidiary and the aggregate amount of indebtedness of all such bodies corporate to it, distinguishing in each case between indebtedness in respect of debentures and otherwise, and the aggregate amount of assets consisting of shares in fellow subsidiaries.

(2) For the purposes of this paragraph a company shall be deemed to be a fellow subsidiary of another body corporate if both are subsidiaries of the same body corporate but neither is the other's subsidiary.

Consolidated Accounts of Holding Company and Subsidiaries

20. Subject to the following paragraphs of this Part, the consolidated balance sheet and profit and loss account shall combine the information contained in the separate balance sheets and profit and loss accounts of the holding company and of the subsidiaries dealt with by the consolidated accounts, but with such adjustments (if any) as the directors of the holding company think necessary.

21. Subject as aforesaid and to Part III, the consolidated accounts shall, in giving the said information, comply so far as practicable, with the requirements of this Ordinance as if they were the accounts of an actual company.

22. Sections 161 and 161B shall not, by virtue of paragraphs 20 and 21, apply for the purpose of the consolidated accounts.

23. Paragraph 7 shall not apply for the purpose of any consolidated accounts laid before a company with the first balance sheet so laid after 1st October 1975.

24. In relation to any subsidiaries of the holding company not dealt with by the consolidated accounts—

- (a) paragraph 18(2) and (3) shall apply for the purpose of those accounts as if those accounts were the accounts of an actual company of which they were subsidiaries; and
- (b) there shall be annexed the like statement as is required by paragraph 18(4) where there are no group accounts, but as if references therein to the holding company's accounts were references to the consolidated accounts.

25. In relation to any subsidiaries (whether or not dealt with by the consolidated accounts), whose financial years did not end with that of the company, there shall be annexed the like statement as is required by paragraph 18(6) where there are no group accounts.

PART III

EXCEPTIONS FOR SPECIAL CLASSES OF COMPANY

26. (1) A banking company shall not be subject to the requirements of Part I other than—

- (a) as respects its balance sheet, those of paragraphs 2 and 3, paragraph 4 (so far as it relates to assets), paragraph 9 (except sub-paragraphs (1)(d) and (4)), paragraphs 10 and 11 and paragraph 12 (except sub-paragraphs (7), (8), (9), (11) and (12)); and
- (b) as respect its profit and loss account, those of sub-paragraph (1)(h) and (j) of paragraph 13, paragraphs 14 and 15 and sub-paragraphs (1) and (5) of paragraph 17;

but, where in its balance sheet reserves or provisions (other than provisions for depreciation, renewals or diminution in value of assets) are not stated separately, any heading stating an amount arrived at after taking into account a reserve or such a

provision shall be so framed or marked as to indicate that fact, and its profit and loss account shall indicate by appropriate words the manner in which the amount stated for the company's profit or loss has been arrived at.

(2) The accounts of a banking company shall not be deemed, by reason only of the fact that they do not comply with any requirements of Part I from which the company is exempt by virtue of this paragraph, not to give the true and fair view required by this Ordinance.

(3) In this paragraph the expression "banking company" means any company which carries on banking business and holds a valid licence granted under the Banking Ordinance authorizing it to do so in Hong Kong.

(Cap. 155.)

27. (1) An insurance company shall not be subject to the following requirements of Part I, that is to say—

- (a) as respects its balance sheet, those of paragraphs 4 to 7, sub-paragraphs (1)(a) and (3) of paragraph 9 and sub-paragraphs (4), (5) and (7) to (11) of paragraph 12;
- (b) as respects its profit and loss account, those of paragraph 13 (except sub-paragraph (1)(b), (c), (d) and (j)) and paragraph 17(2);

but, where in its balance sheet reserves or provisions (other than provisions for depreciation, renewals or diminution in value of assets) are not stated separately, any heading stating an amount arrived at after taking into account a reserve or such a provision shall be so framed or marked as to indicate that fact, and its profit and loss account shall indicate by appropriate words the manner in which the amount stated for the company's profit or loss has been arrived at:

Provided that the Financial Secretary may direct that any such insurance company whose business includes to a substantial extent business other than insurance business shall comply with all the requirements of Part I or such of them as may be specified in the direction and shall comply therewith as respects either the whole of its business or such part thereof as may be so specified.

(2) Where an insurance company is entitled to the benefit of this paragraph, then any wholly owned subsidiary thereof shall also be so entitled if its business consists only of business which is complementary to insurance business of the classes carried on by the insurance company.

(3) The accounts of a company shall not be deemed, by reason only of the fact that they do not comply with any requirement of Part I from which the company is exempt by virtue of this paragraph, not to give the true and fair view required by this Ordinance.

(4) For the purposes of this paragraph a company shall be deemed to be the wholly owned subsidiary of an insurance company if it has no members except the insurance company and the insurance company's wholly owned subsidiaries and its or their nominees.

28. (1) A shipping company shall not be subject to the following requirements of Part I, that is to say—

- (a) as respects its balance sheet, those of paragraph 4 (except so far as it relates to assets), paragraphs 5, 6 and 7 and sub-paragraphs (7) and (8) of paragraph 12;
- (b) as respects its profit and loss account, those of sub-paragraph (1)(a), (e) and (f) and sub-paragraphs (3) and (4) of paragraph 13 and paragraph 16.

(2) The accounts of a company shall not be deemed, by reason only of the fact that they do not comply with any requirements of Part I from which the company is exempt by virtue of this paragraph, not to give the true and fair view required by this Ordinance.

(3) In this paragraph the expression "shipping company" means a company which, or a subsidiary of which, owns ships or includes amongst its activities the management or operation of ships, being a company which satisfies the Financial Secretary that it ought to be treated for the purposes of this paragraph as a shipping company.

29. Where a company entitled to the benefit of any provision contained in this Part is a holding company, the reference in Part II to consolidated accounts complying with the requirements of this Ordinance shall, in relation to consolidated accounts of that company, be construed as referring to those requirements in so far only as they apply to the separate accounts of that company.

PART IV

INTERPRETATION OF SCHEDULE

30. (1) For the purposes of this Schedule, unless the context otherwise requires,—

- (a) the expression "provision" shall, subject to sub-paragraph (2), mean any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets or retained by way of providing for any known liability of which the amount cannot be determined with substantial accuracy;
- (b) the expression "reserve" shall not, subject as aforesaid, include any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets or retained by way of providing for any known liability or any sum set aside for the purpose of its being used to prevent undue fluctuations in charges for taxation;

and in this paragraph the expression "liability" shall include all liabilities in respect of expenditure contracted for and all disputed or contingent liabilities.

(2) Where—

- (a) any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets, not being an amount written off in relation to fixed assets before 1st October 1975; or
- (b) any amount retained by way of providing for any known liability,

is in excess of that which in the opinion of the directors is reasonably necessary for the purpose, the excess shall be treated for the purposes of this Schedule as a reserve and not as a provision.

31. For the purposes aforesaid,—

- (a) the expression "listed investment" means an investment as respects which there has been granted a listing on a recognized stock exchange, or on any stock exchange of repute outside Hong Kong, and the expression "unlisted investment" shall be construed accordingly; (*Amended, 6 of 1984, s. 259*)

- (b) the expression "lease" includes an agreement for a lease;
- (c) in relation to land in Hong Kong—
 - (i) the expression "long lease" means a lease in the case of which either—
 - (A) the portion of the term for which it was granted remaining unexpired at the end of the financial year is not less than 50 years, or
 - (B) if the lease is a renewable Crown lease, the portion of the said term remaining unexpired at the said date when added to the term for which the lessee is entitled to renew the lease amounts to a period of not less than 50 years from the said date;
 - (ii) the expression "medium-term lease" means a lease in the case of which either—
 - (A) the portion of the term for which it was granted remaining unexpired at the end of the financial year is less than 50 years but not less than 10 years, or
 - (B) if the lease is a renewable Crown lease, the portion of the said term remaining unexpired at the said date when added to the term for which the lessee is entitled to renew the lease amounts to a period of less than 50 years but not less than 10 years from the said date;
 - (iii) the expression "short lease" means a lease which is not a long or a medium-term lease;
- (d) in relation to land outside Hong Kong—
 - (i) the expression "long lease" means a lease in the case of which the portion of the term for which it was granted remaining unexpired at the end of the financial year is not less than 50 years,
 - (ii) the expression "medium-term lease" means a lease in the case of which the portion of the term for which it was granted remaining unexpired at the end of the financial year is less than 50 years but not less than 10 years,
 - (iii) the expression "short lease" means a lease which is not a long or a medium-term lease;
- (e) a loan shall be deemed to fall due for repayment, and an instalment of a loan shall be deemed to fall due for payment, on the earliest date on which the lender could require repayment or, as the case may be, payment if he exercised all options and rights available to him.

(Tenth Schedule added, 80 of 1974, s. 22)

〔 付 録 Ⅱ 〕

香港標準會計實務書*

(No. 1 ~12)

* Acknowledgment is due to the Hong Kong Society of Accountants for the permission given for this reprint.

STATEMENT 2.0

STATEMENTS OF STANDARD ACCOUNTING PRACTICE
EXPLANATORY FOREWORD

Authority and scope

1. Statements of Standard Accounting Practice ('accounting standards') describe methods of accounting approved by the Council of the Hong Kong Society of Accountants for application to all financial statements intended to give a true and fair view of financial position and profit or loss. Any limitation of general scope will be made clear as necessary in the texts of the Statements.

Disclosure of significant departures

2. Significant departures in financial statements from applicable accounting standards should be disclosed and explained. The financial effects should be estimated and disclosed unless this would be impracticable or misleading in the context of giving a true and fair view. If the financial effects of departures from standard are not disclosed, the reasons should be stated.

Obligation for members of the Society to observe accounting standards or justify departures

3. The Council expects members of the Society who assume responsibilities in respect of financial statements to observe accounting standards.
4. When this responsibility is evidenced by the association of their names with such financial statements in the capacity of directors or other officers the onus will be on them to ensure that the existence and purpose of standards are fully understood by non-member directors and other officers, and to use their best endeavours to ensure that standards are observed or, if they are not observed, that significant departures from them are disclosed and explained in the financial statements and their effect, if material, disclosed.
5. Where members act as auditors or reporting accountants the onus will be on them not only to ensure disclosure of significant departures but also, to the extent that their concurrence is stated or implied, to be prepared to justify them.

6. The Council, through its Accounting Standards Committee, may inquire into apparent failures by members of the Society to observe accounting standards or to disclose departures therefrom.

Date from which effective

7. The date from which members are expected to observe accounting standards will be declared in each Statement of Standard Accounting Practice.

Exceptional and borderline cases

8. Accounting standards are not intended to be a comprehensive code of rigid rules. It would be impracticable to establish a code sufficiently elaborate to cater for all business situations and circumstances and every exceptional or marginal case. Nor could any code of rules provide in advance for innovations in business and financial practice.
9. Moreover it must be recognised that there may be situations in which for justifiable reasons accounting standards are not strictly applicable because they are impracticable or, exceptionally, having regard to the circumstances, would be inappropriate or give a misleading view.
10. In such cases modified or alternative treatment must be adopted and, as noted, departure from standard disclosed and explained. In judging exceptional and borderline cases it will be important to have regard to the spirit of accounting standards as well as their precise terms, and to bear in mind the overriding requirement to give a true and fair view.
11. Where accounting standards prescribe specific information to be contained in financial statements, such disclosure requirements do not override exemptions from disclosure requirements given to and utilised by special classes of companies under Statute. Examples of such special classes of company are contained in Part III of the Tenth Schedule to the Companies Ordinance Chapter 32, viz., the banking, insurance and shipping companies.

Future developments

12. Methods of financial accounting evolve and alter in response to changing business and economic needs. From time to time new accounting standards will be drawn at progressive levels, and established standards will be reviewed with the object of improvement in the light of new needs and developments.

Status of accounting guidelines

13. In so far as they are not replaced by Statements of Standard Accounting Practice, accounting guidelines will have effect as guidance statements and indicators of best practice. They are persuasive in intent and departures from them do not necessarily require disclosure as do departures from accounting standards.

Application of accounting standards

14. Statements of Standard Accounting Practice are not intended to apply to financial statements prepared and audited in overseas territories for local purposes where different requirements of law or generally accepted practice prevail, but are intended to be applied where financial statements of overseas subsidiaries and associated companies are incorporated in Hong Kong group accounts.

STATEMENT 2.101
STATEMENT OF STANDARD ACCOUNTING PRACTICE
DISCLOSURE OF ACCOUNTING POLICIES

The provisions of this statement of standard accounting practice should be read in conjunction with the Explanatory Foreword to accounting standards and need not be applied to immaterial items.

Part 1 — Introduction

1. It is fundamental to the understanding and interpretation of financial statements that those who use them should be aware of the main assumptions on which they are based. The purpose of the Statement which follows is to assist such understanding by promoting improvement in the quality of information disclosed. It seeks to achieve this by establishing as standard accounting practice the disclosure in financial statements of clear explanations of the accounting policies followed in so far as these are significant for the purpose of giving a true and fair view. The Statement does not seek to establish accounting standards for individual items; these will be dealt with in separate Statements of Accounting Practice issued from time to time.

Part 2 — Definition of Terms

2. *Fundamental accounting concepts* are the broad basic assumptions which underlie the periodic financial statements of business enterprises. At the present time the four following fundamental concepts (the relative importance of which will vary according to the circumstances of the particular case) are regarded as having general acceptability:
 - (a) the 'going concern' concept: the enterprise will continue in operational existence for the foreseeable future. This means in particular that the profit and loss account and balance sheet assume no intention or necessity to liquidate or curtail significantly the scale of operation;
 - (b) the 'accruals' concept: revenue and costs are accrued (that is recognised as they are earned or incurred, not as money is received or paid), matched with one another so far as their relationship can be established or justifiably assumed, and dealt with in the profit and loss account of the period to which they relate; provided that where the accruals concept is inconsistent with the 'prudence' concept (paragraph (d) below), the latter prevails. The accruals concept implies that

the profit and loss account and statement of changes reflects changes in the amount of net assets that arise out of the transactions of the relevant period (other than distributions or subscriptions of capital and unrealised surpluses arising on revaluation of fixed assets). Revenue and profits dealt with in the profit and loss account are matched with associated costs and expenses by including in the same account the costs incurred in earning them (so far as these are material and identifiable);

- (c) the 'consistency' concept: there is consistency of accounting treatment of like items within each accounting period and from one period to the next;
 - (d) the concept of 'prudence'; revenue and profits are not anticipated, but are recognised by inclusion in the profit and loss account only when realised in the form either of cash or of other assets the ultimate cash realisation of which can be assessed with reasonable certainty; provision is made for all known liabilities (expenses and losses) whether the amount of these is known with certainty or is a best estimate in the light of the information available.
3. *Accounting bases* are the methods developed for applying fundamental accounting concepts to financial transactions and items, for the purpose of financial accounts, and in particular (a) for determining the accounting periods in which revenue and costs should be recognised in the profit and loss account and (b) for determining the amounts at which material items should be stated in the balance sheet.
 4. *Accounting policies* are the specific accounting bases selected and consistently followed by a business enterprise as being, in the opinion of the management, appropriate to its circumstances and best suited to present fairly its results and financial position.

Part 3— Standard Accounting Practice

Disclosure of adoption of concepts which differ from those generally accepted

5. If financial statements are prepared on the basis of assumptions which differ in material respects from any of the generally accepted fundamental concepts defined in paragraph 2 above, the facts should be explained. In the absence of a clear statement to the contrary, there is a presumption that the four fundamental concepts have been observed.

Disclosure of accounting policies

6. The accounting policies and any changes thereto (as defined in paragraph 4 above) followed for dealing with items which are judged material or critical in determining profit or loss for the year and in stating the financial position and changes therein should be disclosed by way of note to the accounts. The explanations should be clear, fair, and as brief as possible.

Date from which effective

7. The accounting practices set out in this statement should be adopted as soon as possible and regarded as standard in respect of financial statements relating to accounting periods starting on or after 1st July, 1975.

Part 4 — Compliance with International Accounting Standards

8. The requirements of International Accounting Standard No. 1 "Disclosure of accounting policies" accord very closely with the content of this Statement. Accordingly compliance with this Statement will ensure compliance with IAS 1 in all material respects.

Part 5 — Explanatory Note

This explanatory note is for general guidance only and does not form part of the statement of standard accounting practice.

Fundamental accounting concepts, accounting bases and accounting policies

9. In accounting usage terms such as 'accounting principles', 'practices', 'rules', 'conventions', 'methods' or 'procedures' have often been treated as interchangeable. For the purpose of this Statement it is convenient to distinguish between fundamental accounting concepts, accounting bases and accounting policies.
10. Fundamental accounting concepts are here defined as broad basic assumptions which underlie the periodic financial statements of business enterprises. It is expedient to single out for special mention four in particular: (a) the 'going concern' concept (b) the 'accruals' concept (c) the 'consistency' concept and (d) the 'prudence' concept. The use of these concepts is not necessarily self-evident from an examination of financial statements, but they have such general acceptance that they call for no explanation in published financial statements and their observance is presumed unless stated otherwise. They are practical rules rather than theoretical ideals and are capable of variation and evolution as accounting thought and practice develop, but their present generally accepted meanings are restated in paragraph 2 above.

11. Accounting bases are the methods which have been developed for expressing or applying fundamental accounting concepts to financial transactions and items. By their nature accounting bases are more diverse and numerous than fundamental concepts, since they have evolved in response to the variety and complexity of types of business and business transactions, and for this reason there may justifiably exist more than one recognised accounting basis for dealing with particular items.
12. Accounting policies are the specific accounting bases judged by business enterprises to be most appropriate to their circumstances and adopted by them for the purpose of preparing their financial statements.

Particular problems in application of the fundamental concepts

13. The main difficulty in applying the fundamental accounting concepts arises from the fact that many business transactions have financial effects spreading over a number of years. Decisions have to be made on the extent to which expenditure incurred in one year can reasonably be expected to produce benefits in the form of revenue in other years and should therefore be carried forward, in whole or in part; that is, should be dealt with in the closing balance sheet, as distinct from being dealt with as an expense of the current year in the profit and loss account because the benefit has been exhausted in that year.
14. In some cases revenue is received for goods or services the production or supply of which will involve some later expenditure. In this case a decision must be made regarding how much of the revenue should be carried forward, to be dealt with in subsequent profit and loss accounts when the relevant costs are incurred.
15. All such decisions require consideration of future events of uncertain financial effect, and to this extent an element of commercial judgement is unavoidable in the assessment.
16. Examples of matters which give rise to particular difficulty are: the future benefits to be derived from stocks and all types of work in progress at the end of the year; the future benefits to be derived from fixed assets, and the period of years over which these will be fruitful; the extent to which expenditure on research and development can be expected to produce future benefits.

Purpose and limitations of accounting bases

17. In the course of practice there have developed a variety of accounting bases designed to provide consistent, fair and as nearly as possible objective solutions to these problems in particular

circumstances; for instance bases for calculating such items as depreciation, the amounts at which stocks and work in progress are to be stated, and deferred taxation.

18. Accounting bases provide an orderly and consistent framework for periodic reporting of a concern's results and financial position, but they do not, and are not intended to, substitute for the exercise of commercial judgement in the preparation of financial reports. Where a choice of acceptable accounting bases is available judgement must be exercised in choosing those which are appropriate to the circumstances and are best suited to present fairly the concern's results and financial position; the bases thus adopted then become the concern's accounting policies. The significance of accounting bases is that they provide limits to the area subject to the exercise of judgement, and a check against arbitrary, excessive or unjustifiable adjustments where no other objective yardstick is available. By definition it is not possible to develop generalised rules for the exercise of judgement, though practical working rules may be evolved on a pragmatic basis for limited use in particular circumstances. Broadly, the longer a concern's normal business cycle - the period between initiation of business transactions and their completion - the greater the area subject to judgement and its effect on periodic financial statements, and the less its susceptibility to close regulation by accounting bases. These limitations to the regulating powers of accounting bases must be recognised.

Significance of disclosure of accounting policies

19. In circumstances where more than one accounting basis is acceptable in principle, the accounting policy followed can significantly affect a concern's reported results and financial position and the view presented can be properly appreciated only if the policies followed in dealing with material items are also explained. For this reason adequate disclosure of the accounting policies is essential to the fair presentation of financial accounts. As accounting standards become established through publication of Statements of Standard Accounting Practice, the choice of accounting bases regarded as generally available will diminish, but it has to be recognised that the complexity and diversity of business renders total and rigid uniformity of bases impracticable.
20. The items with which this Statement is mainly concerned are those which are subject to the exercise of judgement as to how far they should be dealt with in the profit and loss account for the period under review or how far all or part should be carried forward in the balance sheet as attributable to the operations of future periods. The determination of the annual profit or loss of nearly every business substantially depends on a systematic approach to a few

material items of this type. For the better appreciation of the view they give, financial statements should include a clear explanation of the accounting policies followed for dealing with these few key items (some examples of which are given in paragraph 21 below). The intention and spirit of this Statement are that management should identify those items of the type described which are judged material or critical for the purpose of determining and fully appreciating the company's profit or loss and its financial position, and should make clear the accounting policies followed for dealing with them.

Examples of matters for which different accounting bases are recognised

21. Significant matters for which different accounting bases are recognised and which may have a material effect on reported results and financial position include:
- depreciation of fixed assets
 - treatment and amortisation of intangibles such as research and development expenditure, patents and trademarks,
 - stocks and work in progress
 - long-term contracts
 - deferred taxation
 - hire-purchase or instalment transactions
 - leasing and rental transactions
 - conversion of foreign currencies
 - repairs and renewals
 - consolidation policies
 - property development transactions
 - warranties for products or services

This list is not exhaustive, and may vary according to the nature of the operations conducted.

STATEMENT 2.102**STATEMENT OF STANDARD ACCOUNTING PRACTICE
EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS**

The provisions of this statement of standard accounting practice should be read in conjunction with the Explanatory Foreword to accounting standards and need not be applied to immaterial items.

Part 1 — Introduction

1. There are currently two different points of view on the treatment of extraordinary and prior year items. One view is that in order to avoid distortion, the profit and loss account for the year should include only the normal recurring activities of the business. It should therefore exclude extraordinary and prior year items, which should be taken direct to reserves or adjusted against the opening balance of retained profits.
2. The other view, on which this Statement is based, is that the profit and loss account for the year should include and show separately all extraordinary items which are recognised in that year and, with certain specified exceptions, all prior year items. The main reasons for accepting this view are that:
 - (a) inclusion and disclosure of extraordinary and prior year items will enable the profit and loss account for the year to give a better view of a company's profitability and progress;
 - (b) exclusion, being a matter of subjective judgement, could lead to variations and to a loss of comparability between the reported results of companies; and
 - (c) exclusion could result in extraordinary and prior year items being overlooked in any consideration of results over a series of years.

Part 2 — Definition of Terms

3. *Extraordinary items*, for the purposes of this Statement, are those items which derive from events or transactions outside the ordinary activities of the business and which are both material and expected not to recur frequently or regularly. They do not include items which, though exceptional on account of size and incidence (and

which may therefore require separate disclosure), derive from the ordinary activities of the business. Neither do they include prior year items merely because they relate to a prior year.

4. *Prior year adjustments* are those material adjustments applicable to prior years arising from changes in accounting policies and from the correction of fundamental errors. They do not include the normal recurring corrections and adjustments of accounting estimates made in prior years.

Part 3 — Standard Accounting Practice

Profit after extraordinary items

5. The profit and loss account for the year should show a profit or loss after extraordinary items, reflecting all profits and losses recognised in the accounts of the year other than prior year adjustments as defined in Paragraph 4 and unrealised surpluses on revaluation of fixed assets, which should be credited direct to reserves.
6. Items of an abnormal size and incidence which are derived from the ordinary activities of the business should be included in arriving at the profit for the year before taxation and extraordinary items, and their nature and size disclosed.

Extraordinary items

7. Extraordinary items as defined in Paragraph 3 (less attributable taxation) should be shown separately in the profit and loss account for the year after the results derived from ordinary activities and their nature and size disclosed.

Prior year adjustments

8. Prior year adjustments as defined in Paragraph 4 (less attributable taxation) should be accounted for by restating prior years, with the result that the opening balance of retained profits will be adjusted accordingly. The effect of the change should be disclosed where practicable by showing separately in the restatement of the previous year the amount involved. Items which represent the normal recurring corrections and adjustments of accounting estimates made in prior years should be included in the profit and loss account for the year and, if material, their nature and size should be disclosed.

Profit and loss account presentation

9. As a result of the foregoing, the profit and loss account for the year should, if there are extraordinary items, include the following elements:
- profit before extraordinary items;
 - extraordinary items (less taxation attributable thereto);
 - profit after extraordinary items.

A statement of retained profits/reserves showing any prior year adjustments should immediately follow the profit and loss account for the year. An example of a statement of profit and loss for the year and a statement of retained profits/reserves is set out in the appendix.

Date from which effective

10. The accounting practices set out in this Statement should be adopted as soon as possible and regarded as standard in respect of financial statements relating to accounting periods beginning on or after 1st January 1977.

Part 4 — Note on Legal Requirements in Hong Kong

11. The application of the foregoing standard accounting practice will provide the disclosure required by paragraph 17 (6) of Schedule 10 to the Companies Ordinance which requires the following to be stated by way of note if not otherwise shown:

‘Any material respects in which any items shown in the profit and loss account are affected —

- (a) by transactions of a sort not usually undertaken by the company or otherwise by circumstances of an exceptional or non-recurrent nature; or
- (b) by any change in the basis of accounting.’

Part 5 — Compliance with International Accounting Standards

12. The requirements of International Accounting Standard No. 8 “Unusual and prior period items and changes in accounting policies” accord very closely with the content of this Statement. Accordingly, compliance with this Statement will ensure compliance with IAS 8 in all material respects.

Part 6 — Explanatory Note

This explanatory note is for general guidance only and does not form part of the statement of standard accounting practice.

Extraordinary Items

13. Extraordinary items are defined in paragraph 3 of the Statement. They derive from events outside the ordinary activities of the business; they do not include items of abnormal size and incidence which derive from the ordinary activities of the business. The classification of items as extraordinary will depend on the particular circumstances — what is extraordinary in one business will not necessarily be extraordinary in another. Subject to this, examples of extraordinary items could be the profits or losses arising from the following:
 - (a) the discontinuance of a significant part of a business;
 - (b) the sale of an investment not acquired with the intention of resale;
 - (c) writing off intangibles, including goodwill, because of unusual events or developments during the period; and
 - (d) the expropriation of assets.
14. In order to present fairly the results from the ordinary activities of the business, extraordinary items require to be disclosed in the profit and loss account after the ordinary results have been ascertained.
15. Items which, though abnormal in size and incidence, are not extraordinary items (as defined in paragraph 3) because they derive from the ordinary activities of the business would include:
 - (a) abnormal charges for bad debts and write-offs of stocks and work in progress and research and development expenditure;
 - (b) abnormal provisions for losses on long-term contracts; and
 - (c) most adjustments of prior year taxation provisions.

These items, because they derive from the ordinary activities, should be reflected in the ascertainment of profit before extraordinary items although, because of their unusual size and incidence, they may require disclosure if a true and fair view is to be given.

16. At a time of frequent movement of currency exchange rates, the accounting treatment of foreign currency transactions and conversions and the distinguishing of items that are extraordinary present many problems. The accounting policies adopted should be disclosed and explained in accordance with Statement No. 2.101 (SSAP 1) "Disclosure of Accounting Policies."

Prior year adjustments

17. Prior year adjustments, that is prior year items which should be adjusted against the opening balance of retained profits or reserves, are rare and limited to items arising from changes in accounting policies and from the correction of fundamental errors. They are discussed in the paragraphs that follow. The majority of prior year items however should be dealt with in the profit and loss account of the year in which they are recognised and shown separately if material. They arise mainly from the corrections and adjustments which are the natural result of estimates inherent in accounting and more particularly in the periodic preparation of financial statements. Estimating future events and their effects requires the exercise of judgement and will require reappraisal as new events occur, as more experience is acquired or as additional information is obtained. Since a change in estimate arises from new information or developments it should not be given retrospective effect by a restatement of prior years. Sometimes a change in estimate may have the appearance of a change in accounting policy and care is necessary in order to avoid confusing the two. For example, the future benefits of a cost may have become doubtful and a change may be made from amortising the cost over the period of those benefits to writing it off when incurred. Such a change should be treated as a change in estimate and not as a change in accounting policy. Prior year items are not extraordinary merely because they relate to a prior year; their nature will determine their classification.

Changes in accounting policies

18. It is a fundamental accounting concept that there is consistency of accounting treatment within each accounting period and from one period to the next. A change in accounting policy should therefore not be made unless it can be justified on the ground that the new policy is preferable to the one it replaces because it will give a fairer presentation of the results and of the financial position of the business. For example, the issue of a Statement of Standard Accounting Practice that creates a new accounting basis or expresses a preference for a basis not at present in use in the company is sufficient ground for making a change. It is a characteristic of a

change in accounting policy that it is the result of a choice between two or more accounting bases. It therefore does not arise from the adoption or modification of an accounting basis necessitated by transactions or events that are clearly different in substance from those previously occurring. An example of a change in accounting policy would be a change in the method of computing the cost of stock and work in progress from one which includes no overheads to one which includes all production overheads. In the case of a change in accounting policy, the cumulative adjustments applicable to prior years have no bearing on the results of the current year and they should therefore not be included in arriving at the profit for the current year. They should be accounted for by restating prior years with the result that the opening balance of retained profits will be adjusted accordingly. The effect of the change should be disclosed where practicable by showing separately in the restatement of the previous year the amount involved.

Corrections of fundamental errors

19. In exceptional circumstances financial statements may have been issued containing errors which are of such significance as to destroy the true and fair view and hence the validity of those financial statements and which would have led to their withdrawal had the errors been recognised at the time. The corrections of such fundamental errors should be accounted for not by inclusion in the profit and loss account of the current year but by restating the prior year(s) with the result that the opening balance of retained profits will be adjusted accordingly.

Special cases

20. There are a few special instances where items of a revenue or expense nature are permitted or required, either by law or by a company's constitution, to be taken to reserves. For example, Section 48B of the Companies Ordinance permits the preliminary expenses of a company or the expenses of, or the commission paid or discount allowed on, any issue of its shares or debentures to be written off against the share premium account. It also permits the share premium account to be used in providing for the premium payable on redemption of any redeemable preference shares or of any debentures of the company. Another example is the common requirement in the Articles of Association of many property and investment holding companies to take the profits on sale of properties or investments to capital reserve. So as to reflect the effect of all such items on the profit or loss for the year, they should be dealt with by taking them, on an amortised basis where appropriate, to the profit and loss account and by transferring an equivalent amount between reserves and the profit for the year.

Appendix

This appendix is illustrative only and does not form part of the statement of standard accounting practice.

Example of a Statement of Profit and Loss for the year and a Statement of Retained profits/Reserves

Statement of Profit and Loss for the year ended 31st December 1975

	1975 \$000	\$000	1974 \$000	\$000
Turnover	183,000		158,000	
Operating profit after charging or including:	19,400		18,100	
Depreciation	(4,100)		(4,000)	
Exceptional loss on major contract (see note 2) ..	(1,000)		—	
Other items	(325)		(310)	
Other income:				
Investment income		300		500
Profit before taxation and extraordinary items		19,700		18,600
Taxation		9,850		8,835
Profit before extraordinary items		9,850		9,765
Extraordinary items less taxation (see note 3)		835		850
Profit after extraordinary items		9,015		8,915
Dividends		4,410		4,200
Retained profit		4,605		4,715
Statement of Retained Profits/Reserves				
Retained profit for the year		4,605		4,715
Retained profits/reserves at beginning of year:				
As previously reported ...	48,890		44,000	
Prior year adjustment (see note 1)	450		275	
As restated		48,440		43,725
Retained profits/reserves at end of year		53,045		48,440

Notes

(1) The policy followed in accounting for research and development expenditure, which in prior years was written off over a period of four years, was changed during the year ended 31st December 1975 and such expenditure is now written off in the year in which it is incurred. It is considered that the new policy will give a better presentation of the results and the financial position of the company. Research and development expenditure carried forward at 31st December 1974 (less attributable taxation \$340,000) amounted to \$450,000. In restating the results for 1974 on the basis of the new policy, the charge for research and development in that year has been increased by \$175,000 out of the expenditure carried forward at the end of 1974. The remainder \$275,000 relating to 1973 and earlier years, has been charged against retained profits at the beginning of 1974.

(2) Items within the normal activities of the company which require disclosure on account of their abnormal size and incidence.

(3) Description of actual items.

STATEMENT 2.103
STATEMENT OF STANDARD ACCOUNTING PRACTICE
STOCKS AND WORK IN PROGRESS

The provisions of this statement of standard accounting practice should be read in conjunction with the Explanatory Foreword to accounting standards and need not be applied to immaterial items.

Part 1 — Introduction

1. No area of accounting has produced wider differences in practice than the computation of the amount at which stocks and work in progress are stated in financial statements. This Statement of Standard Accounting Practice seeks to define the practices, to narrow the differences and variations in those practices and to ensure adequate disclosure in financial statements.

Part 2 — Definition of Terms

2. *Stocks and work in progress* comprise:
 - (a) goods or other assets purchased for resale;
 - (b) consumable stores;
 - (c) raw materials and components purchased for incorporation into products for sale;
 - (d) products and services in intermediate stages of completion;
 - (e) finished goods.
3. *Cost* is defined in relation to the different categories of stocks and work in progress as being that expenditure which has been incurred in the normal course of business in bringing the product or service to its present location and condition. This expenditure should include, in addition to cost of purchase (as defined in paragraph 4) such costs of conversion (as defined in paragraph 5) as are appropriate to that location and condition.
4. *Cost of purchase* comprises purchase price including import duties, inward transport and handling costs and any other directly attributable costs, less trade discounts, rebates and subsidies.

5. *Cost of conversion* comprises:
 - (a) costs which are specifically attributable to units of production, i.e. direct labour, direct expenses and sub-contracted work;
 - (b) production overheads (as defined in paragraph 6);
 - (c) other overheads, if any, attributable in the particular circumstances of the business to bringing the product or service to its present location and condition.
6. *Production overheads* are overheads incurred in respect of materials, labour or services for production, based on the normal level of activity, taking one year with another. For this purpose each overhead should be classified according to function (e.g. production, selling or administration) so as to ensure the inclusion in cost of conversion of those overheads (including depreciation) which relate to production, notwithstanding that these may accrue wholly or partly on a time basis.
7. *Net realisable value* is the actual or estimated selling price (net of trade but before settlement discounts) less:
 - (a) all further costs to completion; and
 - (b) all direct costs to be incurred in marketing, selling and distributing.
8. *A long-term contract* is a contract entered into for manufacture or building of a single substantial entity or the provision of a service where the time taken to manufacture, build or provide is such that a substantial proportion of all such contract work will extend for a period exceeding one year.
9. *Attributable profit* is that part of the total profit currently estimated to arise over the duration of the contract (after allowing for likely increases in costs so far as not recoverable under the terms of the contract) which fairly reflects the profit attributable to that part of the work performed at the accounting date. (There can be no attributable profit until the outcome of the contract can be assessed with reasonable certainty.)
10. *Foreseeable losses* are those losses which are currently estimated to arise over the duration of the contract (after allowing for estimated remedial and maintenance costs, and increases in costs so far as not recoverable under the terms of the contract). This estimate is required irrespective of:
 - (a) whether or not work has yet commenced on such contracts;
 - (b) the proportion of work carried out at the accounting date;
 - (c) the amount of profits expected to arise on other contracts.

Part 3 — Standard Accounting Practice

Stocks and work in progress other than long-term contract work in progress

11. The amount at which stocks and work in progress, other than long-term contract work in progress, is stated in periodic financial statements should be the total of the lower of cost and net realisable value of the separate items of stock and work in progress or of groups of similar items.

Long-term contract work in progress

12. The amount at which long-term contract work in progress is stated in periodic financial statements should be cost plus any attributable profit, less any foreseeable losses and progress payments received and receivable. If, however, anticipated losses on individual contracts exceed cost incurred to date less progress payments received and receivable, such excesses should be shown separately as provisions.

Disclosure in financial statements

13. The accounting policies which have been used in calculating cost, net realisable value, attributable profit and foreseeable losses (as appropriate) should be stated.
14. Stocks and work in progress should be sub-classified in balance sheets or in notes to the financial statements in a manner which is appropriate to the business and so as to indicate the amounts held in each of the main categories.
15. In relation to the amount at which long-term contracts are stated in the balance sheet there should be stated:
 - (a) the amount of work in progress at cost plus attributable profit, less foreseeable losses;
 - (b) cash received and receivable at the accounting date as progress payments on account of contracts in progress.

Date from which effective

16. The accounting practice set out in this statement should be adopted as soon as possible and regarded as standard in respect of financial statements relating to accounting periods beginning on or after 1st January 1977.

Part 4 — Compliance with International Accounting Standards

17. The requirements of International Accounting Standard No. 2 "Valuation and presentation of inventories in the context of the historical cost system" and of International Accounting Standard No. 11 "Accounting for construction contracts" accord very closely with the content of this Statement. Accordingly compliance with this Statement will automatically ensure compliance with IAS 2 and IAS 11 in all material respects.

Part 5 — Explanatory Note

This explanatory note is for general guidance only and does not form part of the statement of standard accounting practice.

Introduction

18. Many of the problems involved in arriving at the amount at which stocks and work in progress are stated in financial statements are of a practical nature rather than resulting from matters of principle. This explanatory note discusses some particular areas in which difficulty may be encountered.
19. The determination of profit for an accounting year requires the matching of costs with related revenues. The cost of unsold or unconsumed stocks and work in progress will have been incurred in the expectation of future revenue, and when this will not arise until a later year it is appropriate to carry forward this cost to be matched with the revenue when it arises; the applicable concept is the matching of cost and revenue in the year in which the revenue arises rather than in the year in which the cost is incurred. If there is no reasonable expectation of sufficient future revenue to cover cost incurred (e.g. as a result of deterioration, obsolescence or a change in demand), the irrecoverable cost should be charged to revenue in the year under review. Thus, stocks and work in progress normally need to be stated at cost, or, if lower, at net realisable value.
20. The comparison of cost and net realisable value needs to be made in respect of each item of stock separately. Where this is impracticable, groups or categories of stocks items which are similar will need to be taken together. To compare the total realisable value of stocks with the total cost could result in an unacceptable setting off of foreseeable losses against unrealised profits.
21. In order to match costs and revenue, 'costs' of stocks and work in progress should comprise that expenditure which has been incurred in the normal course of business in bringing the product

or service to its present location and condition. Such costs will include all related production overheads, even though these may accrue on a time basis.

22. The methods used in allocating costs to stocks and work in progress need to be selected with a view to providing the fairest possible approximation to the expenditure actually incurred in bringing the product to its present location and condition. For example, in the case of retail stores holding a large number of rapidly changing individual items, stocks on the shelves have often been stated at current selling prices less the normal gross profit margin. In these particular circumstances this may be acceptable as being the only practical method of arriving at a figure which approximates to cost.

The allocation of overheads

23. Production overheads are included in cost of conversion (as defined in Part 2) together with direct labour, direct expenses and sub-contracted work. This inclusion is a necessary corollary of the principle that expenditure should be included to the extent to which it has been incurred in bringing the product 'to its present location and condition' (paragraph 3 of Part 2). All abnormal conversion costs, however (such as exceptional spoilage, idle capacity and other losses), which are avoidable under normal operating conditions need, for the same reason, to be excluded.
24. Where firm sales contracts have been entered into for the provision of goods or services to customer's specification, overheads relating to design, and marketing and selling costs incurred before manufacture may be included in arriving at cost.
25. The costing methods adopted by a business are usually designed to ensure that all direct material, direct labour, direct expenses and sub-contracted work are identified and charged on a reasonable and consistent basis, but problems arise on the allocation of overheads which must usually involve the exercise of personal judgement in the selection of an appropriate convention.
26. The classification of overheads necessary to achieve this allocation takes the function of the overheads as its distinguishing characteristic (e.g. whether it is a function of production, marketing, selling or administration), rather than whether the overhead tends to vary with time or with volume.
27. The cost of general management, as distinct from functional management, are not directly related to current production and are, therefore, excluded from cost of conversion and hence from the cost of stocks and work in progress.

28. In the case of smaller organisations whose management may be involved in the daily administration of each of the various functions, particular problems may arise in practice in distinguishing these general management overheads. In such organisations the cost of management may fairly be allocated on suitable bases to the functions of production, marketing, selling and administration.
29. Problems may also arise in allocating the cost of central service departments, the allocation of which should depend on the function or functions that the department is serving. For example the accounts department will normally support the following functions:
- (a) production — by paying production direct and indirect wages and salaries, by controlling purchases and by preparing periodic accounts for the production units;
 - (b) marketing and distribution — by analysing sales and by controlling the sales ledger;
 - (c) general administration — by preparing management and annual accounts and budgets, by controlling cash resources and by planning investments.

Only those costs of the accounts department that can reasonably be allocated to the production function fall to be included in the cost of conversion.

30. The allocation of overheads included in the valuation of stocks and work in progress needs to be based on the company's normal level of activity, taking one year with another. The governing factor is that the cost of unused capacity should be written off in the current year. In determining what constitutes 'normal' the following factors need to be considered:
- (a) the volume of production which the production facilities are intended by their designers and by management to produce under the working conditions (e.g. single or double shift) prevailing during the year;
 - (b) the budgeted level of activity for the year under review and for the ensuing year;
 - (c) the level of activity achieved both in the year under review and in previous years.

Although temporary changes in the load of activity may be ignored, persistent variation should lead to a revision of the previous norm.

31. Where management accounts are prepared on a marginal cost basis, it will be necessary to add to the figure of stock so arrived at the appropriate proportion of those production overheads not already included in the marginal cost.
32. The adoption of a conservative approach to the valuation of stocks and work in progress has sometimes been used as one of the reasons for omitting selected production overheads. In so far as the circumstances of the business require an element of prudence in determining the amount at which stocks and work in progress are stated, this needs to be taken into account in the determination of net realisable value and not by the exclusion from cost of selected overheads.

Methods of costing

33. It is frequently not practicable to relate expenditure to specific units of stocks and work in progress. The ascertainment of the nearest approximation to cost gives rise to two problems:
 - (a) the selection of an appropriate method for relating costs to stocks and work in progress (e.g. job costing, batch costing, process costing, standard costing);
 - (b) the selection of an appropriate method for calculating the related cost where a number of identical items have been purchased or made at different times (e.g. unit cost, average cost or FIFO).
34. In selecting the methods referred to in paragraphs 33 (a) and (b) above, management must exercise judgement to ensure that the methods chosen provide the fairest practicable approximation to 'actual cost'. Furthermore, where standard costs are used they need to be reviewed frequently to ensure that they bear a reasonable relationship to actual costs obtaining during the period. Methods such as base stock and LIFO do not usually bear such a relationship.
35. The method of arriving at cost by applying the latest purchase price to the total number of units in stock is unacceptable in principle because it is not necessarily the same as actual cost and, in times of rising prices, will result in the taking of a profit which has not been realised.
36. One method of arriving at cost, in the absence of a satisfactory costing system, is the use of selling price less an estimated profit margin. This is acceptable only if it can be demonstrated that the method gives a reasonable approximation of the actual cost.

37. In industries where the cost of minor by-products is not separable from the cost of the principal products, stocks of such by-products may be stated in accounts at their net realisable value. In this case the costs of the main products are calculated after deducting the net realisable value of the by-products.

The determination of net realisable value

38. Net realisable value is the amount at which it is expected that items of stocks and work in progress can be disposed of without creating either profit or loss in the year of sale, i.e., the estimated proceeds of sale less all further costs to completion and less all costs to be incurred in marketing, selling and distributing directly related to the items in question.
39. The initial calculation of provisions to reduce stocks from cost to net realisable value may often be made by the use of formulae based on predetermined criteria. The formulae normally take account of the age, movements during the past, expected future movements and estimated scrap values of the stock, as appropriate. Whilst the use of such formulae establishes a basis for making a provision which can be consistently applied, it is still necessary for the results to be reviewed in the light of any special circumstances which cannot be anticipated in the formulae, such as changes in the state of the order book.
40. Where a provision is required to reduce the value of finish goods below cost, the stocks of the parts and sub-assemblies held for the purpose of the manufacture of such products, together with stocks on order, need to be reviewed to determine if provision is also required against such items.
41. Where stocks of spares are held for sale special consideration of the factors in paragraph 39 above will be required in the context of:
- (a) the number of units sold to which they are applicable;
 - (b) the estimated frequency with which a replacement spare is required;
 - (c) the expected useful life of the unit to which they are applicable.
42. Events occurring between the balance sheet date and the date of completion of the accounts need to be considered in arriving at the net realisable value at the balance sheet date (e.g. a subsequent reduction in selling prices). However, no reduction falls to be made when the realisable value of material stocks is less than the

purchase price provided that the goods into which the materials are to be incorporated can still be sold at a profit after incorporating materials at cost price.

Replacement cost

43. Items of stocks and work in progress have sometimes been stated in financial statements at estimated replacement cost where this is lower than net realisable value. Where the effect is to take account of a loss greater than that which is expected to be incurred, the use of replacement cost is not regarded as acceptable. However, in some circumstances (e.g., in the case of materials whose price has fluctuated considerably and which have not become the subject of firm sales contracts by the time the financial statements are prepared) replacement cost may be the best measure of net realisable value.

The application of net realisable value

44. The principal situations in which net realisable value is likely to be less than cost are where there has been:
- (a) an increase in costs or a fall in selling price;
 - (b) physical deterioration of stocks;
 - (c) obsolescence of products;
 - (d) a decision as part of a company's marketing strategy to manufacture and sell products at a loss;
 - (e) errors in production or purchasing.

Furthermore, when stocks are held which are unlikely to be sold within the turnover period normal in that company (i.e. excess stocks), the impending delay in realisation increases the risk that the situations outlined in (a) to (c) above may occur before the stocks are sold and needs to be taken into account in assessing net realisable value.

Long-term contract work in progress

45. Separate consideration needs to be given to work in progress arising from long-term contracts. Owing to the length of time taken to complete such contracts, to defer taking profit into account until completion may result in the profit and loss account reflecting not so much a fair view of the activity of the company during the year but rather the results relating to contracts which have been completed by the year end. It is therefore appropriate to take credit for ascertainable profit while contracts are in progress, subject to the limitations in paragraph 46 below.

46. The profit, if any, taken up needs to reflect the proportion of the work carried out at the accounting date and to take into account any known inequalities of profitability in the various stages of a contract. Many businesses, however, carry out contracts where the outcome cannot reasonably be assessed before the conclusion of the contract and in such cases it is prudent not to take up any profit. Where the business carries out contracts and it is considered that their outcome can be assessed with reasonable certainty before their conclusion, then the attributable profit should be taken up, but the judgement involved should be exercised with prudence.
47. If, however, it is expected that there will be a loss on a contract as a whole, provision needs to be made (in accordance with the prudence concept), for the whole of the loss as soon as it is recognised. This has the effect of reducing the work done to date to its net realisable value. Where unprofitable contracts are of such magnitude that they can be expected to absorb a considerable part of the company's capacity for a substantial period, related administration overheads to be incurred during the period to the completion of those contracts should also be included in the calculation of the provision for losses.
48. Thus, the gross amount of long-term contract work in progress should be stated in financial statements at cost plus attributable profits (if any) less foreseeable losses (if any). In arriving at a decision as to whether there are attributable profits, a company should consider whether having regard to the nature of the contracts undertaken it is reasonable to foresee profits in advance of the completion of the contracts.
49. In ascertaining cost of long-term contract work in progress it is not normally appropriate to include interest payable on borrowed money. However, in those infrequent circumstances where sums borrowed can be identified as financing specific long-term contracts, it may be appropriate to include such related interest in cost, in which circumstances the facts should be clearly stated.
50. In some businesses, long-term contracts for the supply of services or manufacture and supply of goods exist where the prices are determined and invoiced according to separate parts of the contract. In these businesses the most appropriate method of reflecting profits on each contract is usually to match costs against performance of the separable parts of the contract, treating each such separable part as a separate contract. In such instances, however, future revenues from the contract need to be compared with future estimated costs and provision made for any foreseen loss.

51. In determining whether there is attributable profit to be included in the amount at which long-term contract work in progress is stated in the financial statements, and in calculating such attributable profit, account should be taken of the type of business concerned. It is necessary to define the earliest point for each particular contract before which no profit is taken up, the overriding principle being that there can be no attributable profit until the outcome of a contract can reasonably be foreseen. Of the profit which in the light of all the circumstances can be foreseen with a reasonable degree of certainty to arise on completion of the contract, there should be regarded as earned to date only that part which prudently reflects the amount of work performed to date. The method used for taking up such profits needs to be consistently applied.
52. In calculating the total estimated profit on the contract, it is necessary to take into account not only the total costs to date and the total estimated further costs to completion (calculated by reference to the same principles as were applied to cost to date) but also the estimated future costs of rectification and guarantee work, and any other future work to be undertaken under the terms of the contract. These are then compared with the total sales value of the contract. In considering future costs it is necessary to have regard to likely increases in wages and salaries, to likely increases in the price of raw materials and to rises in general overheads so far as these items are not recoverable from the customer under the terms of the contract.
53. Where approved variations have been made to a contract in the course of it and the amount to be received in respect of these variations has not yet been settled and is likely to be a material factor in the outcome, it is necessary to make a conservative estimate of the amount likely to be received and this is then treated as part of the total sales value. On the other hand, provision needs to be made for foreseen claims or penalties payable arising out of delays in completion or from other causes.
54. The settlement of claims arising from circumstances not envisaged in the contract or arising as an indirect consequence of approved variations is subject to a high level of uncertainty relating to the outcome of future negotiations. In view of this, it is generally prudent to make provision for receipts in respect of such claims only when negotiations have reached an advanced state and there is evidence in writing of the acceptability of the claim in principle to the purchaser, an indication of the magnitude of the sum involved also being available.

55. The amount to be reflected in the year's profit and loss account will be the appropriate proportion of this total profit by reference to the work done to date, less any profit already taken up in prior years. The estimated outcome of a contract which extends over several accounting years will nearly always vary in the light of changes in circumstances and for this reason the result of the year will not necessarily represent the proportion of the total profit on the contract which is appropriate to the amount of work carried out in the period: it may also reflect the effect of changes in circumstances during the year which affect the total profit estimated to accrue on completion.

Disclosure in financial statements

56. A suitable description of the amount at which stocks and work in progress are stated in financial statements might be 'at the lower of cost and net realisable value' or, in the case of long-term contract work in progress 'at cost plus attributable profit (if any) less foreseeable losses (if any) and progress payments received and receivable'.
57. In order to give an adequate explanation of the affairs of the company the accounting policies followed in arriving at the amount at which stocks and work in progress are stated in the financial statements should be set out in a note. Where differing bases have been adopted for different types of stocks and work in progress the amount included in the financial statements in respect of each type will need to be stated.
58. In the case of long-term contract work in progress the terms of a contract usually involve progress payments which reduce the amount at which the contract is stated in the financial statements. The financial position of a company may be materially dependent on the outcome of such contracts despite this lessening of their apparent significance. A related note should, therefore, indicate the amount of progress payments received and receivable separately from the net amount of cost plus attributable profit, less foreseeable losses as appropriate.
59. The use of the following terms in describing the accounting policies adopted in arriving at the amount at which stocks and work in progress are stated in financial statements should be restricted in conformity with the definitions given to each. Where these definitions are inapplicable, alternative expression should be used and explained.
- (a) *Unit cost*: the cost of purchasing or manufacturing identifiable units of stock.

- (b) ***Average cost***: the calculation of the cost of stocks and work in progress on the basis of the application to the unit of stocks on hand of an average price computed by dividing the total cost of units by the total number of such units. This average price may be arrived at by means of a continuous calculation, a periodic calculation or a moving periodic calculation.
- (c) ***FIFO (first in, first out)***: the calculation of the cost of stocks and work in progress on the basis that the quantities in hand represent the latest purchases or production.
- (d) ***LIFO (last in, first out)***: the calculation of the cost of stocks and work in progress on the basis that the quantities in hand represent the earliest purchases or production.
- (e) ***Base stock***: the calculation of the cost of stocks and work in progress on the basis that a fixed unit value is ascribed to a predetermined number of units of stock, any excess over this number being valued on the basis of some other method. If the number of units in stocks is less than the predetermined minimum, the fixed unit value is applied to the number in stock.
- (f) ***Replacement cost***: the cost at which an identical asset could be purchased or manufactured.
- (g) ***Standard cost***: the calculation of the cost of stocks and work in progress on the basis of periodically predetermined costs and of operations and operational efficiency and the related expenditure.
- (h) ***Completed long-term contract***: a long-term contract on which no further work, apart from maintenance work, is expected to take place.

STATEMENT 2.104
STATEMENT OF STANDARD ACCOUNTING PRACTICE
STATEMENTS OF CHANGES IN FINANCIAL POSITION

The provisions of this statement of standard accounting practice should be read in conjunction with the Explanatory Foreword to accounting standards and need not be applied to immaterial items.

Part 1 — Introduction

1. The profit and loss account and the balance sheet of a company show, inter alia, the amount of profit or loss made during the year and the disposition of the company's resources at the beginning and the end of that year. However, for a fuller understanding of a company's affairs it is necessary also to identify the movements in assets, liabilities and capital which have taken place during the year and the resultant effect on net liquid funds. This information is not specifically disclosed by a profit and loss account and balance sheet but can be made available in the form of a statement of changes in financial position which will show the source and application of funds (a 'funds statement').
2. The funds statement is in no way a replacement for the profit and loss account and balance sheet although the information which it contains is a selection, reclassification and summarisation of information contained in those two statements. The objective of such a statement is to show the manner in which the operations of a company have been financed and in which its financial resources have been used and the format selected should be designed to achieve this objective. A funds statement does not purport to indicate the requirements of a business for capital nor the extent of seasonal peaks of stocks, debtors, etc.
3. A funds statement should show the sources from which funds have flowed into the company and the way in which they have been used. It should show clearly the funds generated or absorbed by the operations of the business and the manner in which any resulting surplus of liquid assets has been applied or any deficiency of such assets has been financed, distinguishing the long term from the

short term. The statement should distinguish the use of funds for the purchase of new fixed assets from funds used in increasing the working capital of the company.

4. The object of this Statement is to establish the practice of providing statements of changes in financial position as a part of audited financial statements and to lay down a minimum standard of disclosure in such statements.

Part 2 — Definition of Terms

5. *Net liquid funds* are cash at bank and in hand and cash equivalents (e.g. investments held as current assets) less bank overdrafts and other borrowings repayable within one year of the accounting date.

Part 3 — Standard Accounting Practice

6. This accounting standard shall apply to all financial statements intended to give a true and fair view of financial position and profit or loss other than:
 - (a) those of enterprises with turnover or gross income of less than HK\$1,000,000 per annum;
 - (b) Companies who have obtained exemption under Section 141D of the Companies Ordinance Cap. 32 being companies who do not comply with a true and fair view in their financial statements.
 - (c) licensed banks, deposit-taking, insurance and shipping companies;
 - (d) charities and non-profit making entities (entities whose long-term financial objective is other than to achieve an operating profit; examples of such entities are trade associations, clubs and pension funds).

In the case of those enterprises exempted from the requirements of this Statement, consideration should nevertheless be given to the particular circumstances of such enterprises with a view to furnishing the funds statement wherever it is desirable.

7. Audited financial statements should, subject to paragraph 6 above, include a statement of changes in financial position both for the period under review and for the corresponding previous period.

8. The statement should show the profit or loss for the period together with the adjustments required for items which did not use (or provide) funds in the period. The following other sources and applications of funds should, where material, also be shown:
 - (a) dividends paid;
 - (b) acquisitions and disposals of fixed and other non-current assets;
 - (c) funds raised by increasing, or expended in repaying or redeeming, medium or long-term loans or the issued capital of the company;
 - (d) increase or decrease in working capital sub-divided into its components, and movements in net liquid funds.
9. The funds statement will provide a link between the balance sheet at the beginning of the period, the profit and loss account for the period and the balance sheet at the end of the period. A minimum of 'netting off' should take place as this may tend to mask the significance of individually important figures; for example, the sale of one building and the purchase of another should generally be kept separate in a funds statement. The figures from which a funds statement is constructed should generally be identifiable in the profit and loss account, balance sheet and related notes. If adjustments to those published figures are necessary, details should be given to enable the related figures to be rapidly located.
10. Where the financial statements are those of a group, the statement of changes in financial position should be so framed as to reflect the operations of the group. It should reflect any purchases or disposals of subsidiary companies either (a) as separate items, or (b) by reflecting the effects on the separate assets and liabilities dealt with in the statement, so that the acquisition of a subsidiary company would be dealt with as an application of funds in acquiring the fixed assets (including goodwill) of that subsidiary and as a change in working capital. In either case, in the interests of clarity, it will generally also be necessary to summarise the effects of the acquisition or disposal by way of a footnote indicating, in the case of an acquisition, how much of the purchase price has been discharged in cash and how much by the issue of shares. Examples of the alternative treatments are shown in examples 2 and 3 in the Appendix.

11. The investor's interest in the earnings of an investee company accounted for under the equity method could be presented in the funds statement as part of the funds provided by operations, either in total with a corresponding application of funds representing reinvestment of the unremitted portion of those earnings, or to the extent that dividends are received or receivable from the investee. Inclusion of the investor's share of earnings of an investee as funds from operations is consistent with the application of the equity method in the measurement of income. On the other hand, the funds from operations may be restricted to the dividends received or currently receivable because the unremitted earnings of such an investee do not represent current resources available to the enterprise; this latter practice is generally considered to be the best way of achieving the objective of the funds statement.

Date from which effective

12. The accounting practices set out in this Statement should be adopted as soon as possible and regarded as standard in respect of financial statements relating to accounting periods commencing on or after 1st January 1978.

Part 4 — Compliance with International Accounting Standards

13. The requirements of International Accounting Standard No. 7 "Statement of changes in financial position" accord very closely with the content of this Statement. Accordingly compliance with this Statement will ensure compliance with IAS 7 in all material respects.

Appendix

This appendix is for general guidance and does not form part of the Statement of Standard Accounting Practice. The methods of presentation used are illustrative only and in no way prescriptive and other methods of presentation may equally comply with the accounting standard. The format used should be selected with a view to demonstrating clearly the manner in which the operations of the company have been financed and in which its financial resources have been utilised.

Example 1

COMPANY WITHOUT SUBSIDIARIES LTD.

STATEMENT OF CHANGES IN FINANCIAL POSITION

	\$'000	This Year \$'000	\$'000	\$'000	Last Year \$'000	\$'000
SOURCE OF FUNDS						
Profit before tax			1,430			440
Adjustments for items not involving the movement of funds:						
Depreciation			<u>380</u>			<u>325</u>
TOTAL GENERATED FROM OPERATIONS			1,810			765
FUNDS FROM OTHER SOURCES						
Issue of shares for cash			<u>100</u>			<u>80</u>
			1,910			845
APPLICATION OF FUNDS						
Dividends paid		(400)			(400)	
Tax paid		(690)			(230)	
Purchase of fixed assets		(460)			(236)	
		<u> </u>	(1,550)		<u> </u>	(866)
			360			(21)

INCREASE/DECREASE IN WORKING
CAPITAL

Increase in stocks	80		114
Increase in debtors	120		22
(Increase) decrease in creditors — ex- cluding taxation and proposed dividends	115		(107)
Movement in net liquid funds:			
Increase (decrease) in:			
Cash balances	(5)	35	
Short-term investments	50	(85)	
	—	45	(50)
	—	<u>360</u>	<u>(21)</u>

Example 2

GROUPS LIMITED
STATEMENT OF CHANGES IN FINANCIAL POSITION

(based on the accounts of the Group and showing the effects of acquiring a subsidiary on the separate assets and liabilities of the Group.)

	This Year		Last Year	
	\$'000	\$'000	\$'000	\$'000
SOURCE OF FUNDS				
Profit before tax and extraordinary items,				
less minority interests		2,025		2,610
Extraordinary items		<u>450</u>		<u>(170)</u>
		2,475		2,440
Adjustments for items not involving the movement of funds:				
Minority interests in the retained profits of the year		25		30
Depreciation		345		295
Profits retained in associated companies		<u>(40)</u>		<u>—</u>
TOTAL GENERATED FROM OPERATIONS		2,805		2,765

FUNDS FROM OTHER SOURCES

Shares issued in part consideration of the acquisition of subsidiary*	290	—
Capital raised under executive option scheme	<u>100</u>	<u>80</u>
	3,195	2,845

APPLICATION OF FUNDS

Dividends paid	(650)	(650)
Tax paid	(770)	(970)
Purchase of fixed assets*	(660)	(736)
Purchase of goodwill on acquisition of subsidiary*	(30)	—
Debentures redeemed	(890)	—
	<u>—</u> (3,000)	<u>—</u> (2,356)
	195	489

INCREASE/DECREASE IN WORKING CAPITAL

Increase in stocks*	120			166
Increase in debtors*	100			122
Decrease in creditors—excluding taxation and proposed dividends*	75			17
Movement in net liquid funds:				
Increase (decrease) in cash balance* (35)			10	
Increase (decrease) in short-term investments (65)			174	
	(100)		<u>184</u>	
		<u>195</u>		<u>489</u>

* SUMMARY OF THE EFFECTS OF THE ACQUISITION OF SUBSIDIARY LIMITED

NET ASSETS ACQUIRED

Fixed assets	290
Goodwill	30
Stocks	40
Debtors	30
Creditors	<u>(40)</u>
	<u>350</u>

DISCHARGED BY

Shares issued	290
Cash paid	60
	<u>350</u>

Example 3

GROUPS LIMITED**STATEMENT OF CHANGES IN FINANCIAL POSITION**

(based on the accounts of the Group
and showing the acquisition of a
subsidiary as a separate item).

		This Year			Last Year	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
SOURCE OF FUNDS						
Profit before tax and extraordinary items, less minority interests			2,025			2,610
Extraordinary items			<u>450</u>			<u>(170)</u>
			2,475			2,440
Adjustments for items not involving the movement of funds:						
Minority interests in the retained profits of the year			25			30
Depreciation			345			295
Profits retained in associated companies			<u>(40)</u>			<u>—</u>
TOTAL GENERATED FROM OPERATIONS			2,805			2,765

FUNDS FROM OTHER SOURCES

Shares issued in part consideration of the acquisition of subsidiary*	290	—
Capital raised under executive option scheme	<u>100</u>	<u>80</u>
	3,195	2,845

APPLICATION OF FUNDS

Dividends paid	(650)	(650)
Tax paid	(770)	(970)
Purchase of fixed assets	(370)	(736)
Purchase of Subsidiary Ltd.*	(350)	—
Debentures redeemed	(890)	—
	<u>—</u>	<u>(2,356)</u>
	165	489

INCREASE/DECREASE IN WORKING CAPITAL

Increase in stocks	80	166
Increase in debtors	70	122
Decrease in creditors — excluding taxation and proposed dividends	115	17
Movement in net liquid funds:		
Increase (decrease) in cash balance* (35)		10
Increase (decrease) in short-term investments (65)		174
	<u>(100)</u>	<u>184</u>
	<u>165</u>	<u>489</u>

* ANALYSIS OF THE ACQUISITION OF SUBSIDIARY LIMITED

NET ASSETS ACQUIRED

Fixed assets	290
Goodwill	30
Stocks	40
Debtors	30
Creditors	<u>(40)</u>
	<u>350</u>

DISCHARGED BY

Shares issued	290
Cash paid	60
	<u>350</u>

STATEMENT 2.105
STATEMENT OF STANDARD ACCOUNTING PRACTICE
EARNINGS PER SHARE

The provisions of this statement of standard accounting practice should be read in conjunction with the Explanatory Foreword to accounting standards and need not be applied to immaterial items.

Part 1 — Introduction

1. A fundamental requirement of financial reporting is the disclosure of the salient features of the financial statements in the clearest possible form. Outstanding among the matters of interest to shareholders in quoted companies are earnings per share, dividends per share and the trend of these two figures over a number of years.
2. Where a company is enlarged by amalgamation or by issues of shares for cash, a statement of company profits over a number of years is not by itself a sufficient basis on which to assess past profit performance. As new shares are issued, either for the purpose of acquisition or by way of rights issues, a company may well show rising profits without reflecting a corresponding growth in earnings per share.
3. Earnings per share forms the basis for calculating the 'price-earnings ratio' which is a standard stock-market indicator. Price-earnings ratios relating to both past and prospective profits are widely used by investors in judging the relative worth of a share.
4. The annual financial statements of a quoted company should therefore disclose earnings per share calculated in accordance with accepted standards; the record of adjusted earnings per share will assist in the assessment of the past performance of a company so far as concerns its equity shareholders.
5. Earnings may be calculated either in terms of dollars and cents per share or in terms of a percentage yield on the issued equity capital corresponding with the way in which dividends are generally declared. The need for clarity makes it desirable that both dividends and earnings should be expressed in the form of dollars and cents per share, rather than as a percentage of the nominal value of the shares.
6. The concept of earnings per share is a simple one and, except where there are changes in the capital structure, the calculation is straightforward.

Part 2 — Definition of Terms

7. *Earnings per share* means the profit or loss in dollars and cents attributable to each equity share, based on the consolidated profit or loss of the period after tax and after deducting minority interests and preference dividends, but before taking into account extraordinary items, divided by the number of equity shares in issue and ranking for dividend in respect of the period.

Part 3 — Standard Accounting Practice

8. This accounting standard shall apply to companies having a quotation on a recognised stock exchange in Hong Kong for any class of equity, other than companies claiming exemption from the disclosure requirements under Part III of the Tenth Schedule of the Companies Ordinance Cap. 32.
9. In the audited financial statements of such quoted companies, the earnings per share should be shown on the face of the profit and loss account both for the period under review and for the corresponding previous period.
10. The basis of calculating earnings per share should be disclosed, either in the profit and loss account or in a note thereto. In particular, the amount of the earnings and the number of equity shares used in the calculation should be shown.
11. Where a company has at the balance sheet date contracted to issue further shares after the end of the period, or where it has already issued shares which will rank for dividend later, the effect may be to dilute future earnings per share. In addition, therefore, to the basic earnings per share, as set out above, the fully diluted earnings per share should be shown on the face of the profit and loss account of quoted companies in the following circumstances:
 - (a) where the company has issued a separate class of equity shares which do not rank for any dividend in the period under review, but which will do so in the future;
 - (b) where the company or any of its subsidiaries has issued debentures or loan stock (or preference shares) convertible into equity shares of the company;
 - (c) where the company or any of its subsidiaries has granted options or issued warrants to subscribe for equity shares of the company.

In each case:

- (i) the basis of calculation of fully diluted earnings per share should be disclosed;
- (ii) the fully diluted earnings per share need not be given unless the dilution is material: dilution amounting to 5 per cent or more of the basic earnings per share is regarded as material for this purpose;
- (iii) fully diluted earnings per share for the corresponding previous period should not be shown unless the assumptions on which it was based still apply;
- (iv) equal prominence should be given to basic and fully diluted earnings per share wherever both are disclosed.

Date from which effective

12. The accounting practices set out in this Statement should be adopted as soon as possible and regarded as standard in respect of financial statements relating to periods beginning on or after 1st January 1978.

STATEMENT 2.106
STATEMENT OF STANDARD ACCOUNTING PRACTICE
DEPRECIATION ACCOUNTING

The provisions of this statement of standard accounting practice should be read in conjunction with the Explanatory Foreword to accounting standards and need not be applied to immaterial items.

Part 1 — Introduction

1. This Statement deals with depreciation accounting and applies to all depreciable assets. This Statement does not deal with:
 - (a) forests and similar regenerative natural resources;
 - (b) expenditure on the exploration for and extraction of minerals, oil, natural gas and similar non-regenerative resources;
 - (c) expenditure on research and development;
 - (d) investment properties (which is covered by SSAP 13); and
 - (e) goodwill (which is covered by SSAP 14).
2. In order to match revenues with costs and charges more accurately period by period, it is necessary to allocate the depreciable amounts of depreciable assets over their estimated useful lives on a systematic basis.

Part 2 — Definition of Terms

3. *Depreciable assets* are assets which:
 - (a) are expected to be used during more than one accounting period;
 - (b) have a limited useful life, as defined in paragraph 4; and
 - (c) are held by a company for use in the production or supply of goods and services, for rental to others (e.g. plant and machinery for hire), or for administrative purposes (e.g. a company's own office premises or office furniture and equipment).
4. *Useful life* is either
 - (a) the period over which a depreciable asset is expected to be used; or
 - (b) the number of production or similar units that is expected to be obtained from the asset.

6. *Depreciation* is the allocation of the depreciable amount of an asset over its estimated useful life.
7. *Accumulated depreciation* is the aggregate of depreciation allocated up to a given point of time.

Part 3 — Standard Accounting Practice

8. Charitable, Government subvented and non-profit making entities (entities whose long-term financial objective is other than to achieve an operating profit; examples of such entities are trade associations, clubs and pension funds) are exempted from compliance with this standard provided that full disclosure of accounting policies is made.
9. The depreciable amount of a depreciable asset should be allocated to the Profit and Loss Account on a systematic basis for each accounting period during the useful life of the asset.
10. The depreciation method selected should be applied consistently from period to period unless altered circumstances justify a change. Where there is a change from one method of depreciation to another, the net book value of the asset should be written down to its residual value over the remaining useful life on the new basis, commencing with the period in which the change is made. The reason, and the effect of the change if material, should be disclosed in the period of change.
11. The useful life of a depreciable asset should be estimated after considering the following factors:
 - (a) expected physical wear and tear;
 - (b) obsolescence;
 - (c) legal or other limits on the use of an asset.
12. The useful lives of major depreciable assets or classes of depreciable assets should be reviewed periodically, and depreciation rates for current and future accounting periods adjusted if current expectations are significantly different from the previous estimates. If the estimate of the useful life of an asset is revised, the depreciation rate should be adjusted so as to allocate the depreciable amount of the asset, less accumulated depreciation at the date of the change, over the remaining useful life of the asset. If material, the effect of the change should be disclosed in the period of change.
13. Where assets are revalued in the financial statements, the provision for depreciation should be based on the revalued amount and current estimate of remaining useful life, with disclosure in the period of change of the effect of the revaluation, if material.

14. Where depreciable assets are disposed of for an amount different from their net book value, the surplus or deficiency should be reflected in the result for the period and disclosed separately if material. Where such disposals arise because of the discontinuance of a significant part of the business, they should be dealt with as extraordinary items in accordance with Statement 2.102 (SSAP 2).

Land and Buildings

15. In countries other than Hong Kong, land is normally freehold land and has an indefinite useful life and, in most cases, it retains its value indefinitely; it is accordingly not usually regarded as a depreciable asset.
16. Where land is held and the relevant lease has an unexpired term of not less than 50 years (including the renewal period) at the balance sheet date (defined as a long lease in the Hong Kong Companies Ordinance Cap. 32), it is permissible not to amortise the depreciable amount of the land although it is of a depreciable nature.
17. Buildings have limited useful lives and therefore are depreciable assets.
18. Some enterprises have not treated buildings as depreciable assets for the reason that the aggregate value of the building and the land on which it stands has not declined. As land and buildings are separate assets, recognition for accounting purposes of any increase in value of the land is a separate issue from the determination of the depreciable amount of the buildings. If the separate cost of the separate amounts at which land and buildings have been previously revalued are not known, they should be estimated, preferably based on professional valuations.
19. Land and buildings in the course of development or redevelopment should be treated as follows:

(a) Held with the intention to re-sell

Where land and buildings in the course of development or re-development are held for re-sale, they may be regarded as trading stocks of an enterprise and, as such, should be stated at the lower of cost and net realisable value in accordance with Statement 2.103 (SSAP 3) on accounting for stocks and work in progress.

(b) Held for other purposes

Where land and buildings in the course of development or re-development are held for production, rental or administra-

tive purposes or in circumstances where no decision has yet been taken to re-sell the property, depreciation of the buildings (and of the land where applicable) should be provided from the date the buildings can be put to effective use by the enterprise (e.g. the date of issue of the occupation permit).

Disclosure in financial statements

20. The following should be disclosed for each major class of depreciable assets:
 - (a) the basis of arriving at the amounts at which depreciable assets are stated in the financial statements;
 - (b) the depreciation methods used;
 - (c) the useful lives or the depreciation rates used;
 - (d) total depreciation for the period; and
 - (e) the gross amount of depreciable assets and the related accumulated depreciation, distinguishing between the gross amount of depreciable assets included in the financial statements at cost, those included at directors' valuation and those included at professional valuation.

Transitional arrangements

21. Where assets are depreciated for the first time under the terms of this Statement, it will represent a change in accounting policy and therefore the amount of depreciation charged relating to prior periods should properly be treated as a prior year adjustment and charged against the opening balance of retained profits in accordance with Statement 2.102 (SSAP 2). Alternatively, the changes in policy may be applied only to the current and future financial statements (see example 2 of the Appendix). In this case, it is necessary to show the following in the financial statements, or a note thereto:
 - (a) the effect on the results of prior accounting periods had assets been depreciated from the time of acquisition, and
 - (b) the effect on the results of current and future accounting periods.

Date from which effective

22. The accounting practices set out in this Statement should be adopted as soon as possible and regarded as standard in respect of financial statements relating to periods beginning on or after 1st April 1978.

Part 4 — Compliance with International Accounting Standards

23. The requirements of International Accounting Standard No. 4 “Depreciation accounting” accord very closely with the content of this Statement. Accordingly compliance with this Statement will ensure compliance with IAS 4 in all material respects.

Part 5 — Explanatory Note

This explanatory note is for general guidance only and does not form part of the statement of standard accounting practice.

Useful Life and Residual Value

24. Estimation of the useful life of a depreciable asset is a matter of judgement ordinarily based on experience with similar types of assets. For an asset using new technology or used in the production of a new product or in the provision of a new service with which there is little experience, estimation of the useful life is more difficult but is nevertheless required.
25. The useful life of a depreciable asset for an individual enterprise may be shorter than its physical life. In addition to physical wear and tear, which depends on operational factors such as the number of shifts for which the asset is to be used, other factors need to be taken into consideration. These include technical obsolescence, economic obsolescence, and legal limits such as the expiry dates of related leases.
26. In those circumstances in which the residual value of an asset is likely to be small in relation to cost, it can be ignored. If the residual value is likely to be significant, it should be estimated at the date of acquisition, or the date of any subsequent revaluation of the asset, on the basis of realisable values prevailing at that date for similar assets which have been used in conditions similar to those in which the asset will be used. The gross residual value in all cases is reduced by the expected costs of disposal at the end of the useful life.

Depreciation Allocation Methods

27. Depreciable amounts are allocated to accounting periods using various systematic methods of allocation of which the following are the more commonly used:
- (a) the straight line method, under which periodic depreciation is computed by dividing the depreciable amount of the asset by the expected number of accounting periods during its useful life;

- (b) the production or service output method, under which periodic depreciation is computed by reference to the use or output of the asset period by period; and
 - (c) the reducing balance method, under which periodic depreciation is computed as a constant proportion of the asset's historical cost or substituted amount, less accumulated depreciation.
28. Other methods include the sum of the years digits method and the sinking fund and annuity methods, which involve the inclusion of imputed interest in the computations.
29. The straight line method is the one most commonly used and should be adopted where appropriate. Whichever method of depreciation is selected, its consistent use is necessary in order to provide comparability of the results of operations of the enterprise from period to period.

Revaluation of Assets

30. Where assets are revalued and effect is given to the revaluation in the financial statements, depreciation should be based on the revalued amount and there should be disclosed, by way of a note in the financial statements for the period of change, the subdivision of the depreciation charge between that applicable to the original cost (or valuation if previously revalued), and that applicable to the change in value arising from the current revaluation.
31. It is not appropriate to omit charging depreciation of a depreciable asset on the ground that its market value is greater than its net book value (see paragraph 2 above). Further, if account is taken of such increased value by writing up the net book value of the asset, an increased depreciation, as indicated in paragraph 30, will become necessary.

Disclosure

32. In order that users of financial statements may be properly informed, it is necessary to disclose the depreciation policy used in the financial statements of an enterprise and the estimated useful lives or depreciation rates adopted for major classes of depreciable assets. For the same reason, it is necessary to disclose the charge for depreciation in the period and the accumulated depreciation at the end of that period.

Appendix

This appendix is for general guidance only and does not form part of the statement of standard accounting practice. The methods of presentation used are illustrative only and are in no way prescriptive, as other methods of presentation may equally comply with the accounting standard.

Example 1

General Accounting Policy Note on Depreciation

Depreciation is provided at rates calculated to write off the cost of fixed assets over their estimated useful lives on a straight line basis.

The annual rates of depreciation adopted are as follows:

Land held on long leases (i.e. with an unexpired term in excess of 50 years)	Nil
Land held on medium-term and short leases	Over the unexpired terms of the leases
Buildings	2½% or over the unexpired terms of the leases, if less than 40 years
Motor vehicles	25%
Plant and machinery	15%
Other fixed assets	10%

Example 2

Note on Changes in Accounting Policy (where the prior year adjustment treatment is not adopted)

No depreciation was previously provided for buildings constructed on land held on long leases. With effect from the beginning of the current financial year, buildings on land held on long leases were depreciated and the depreciation charge in respect of those buildings for the current accounting period and future years is \$M per annum. Had depreciation been applied to those buildings from the dates of acquisition, the depreciation for prior years would have been \$N per annum.

Example 3**Note on the Effect of Revaluation**

A revaluation of certain properties during the year was carried out as at 1st July 19X0 by AB & Co., Chartered Surveyors, on the "existing use" basis. The valuation was adopted by the directors and reflected in the company's records on 4th July 19X0.

The surplus of \$X arising on revaluation has been transferred to capital reserve. The charge to Profit and Loss Account for the current year includes an amount of \$Y, which represents the additional depreciation required as a result of the revaluation.

Example 4**Note on Change in Method of Depreciation**

Plant and machinery, previously depreciated at 10% per annum on a reducing balance method, are with effect from the current financial year being depreciated at the same rate on a straight line method. The directors consider the straight line method to be more appropriate having regard to the circumstances of the business. For an item already in use at the beginning of the current financial year, its net book value at that date is to be written off by an equal annual charge over its remaining useful life. This change in depreciation method results in an additional charge of \$Z for the current year.

Example 5**Split between Land and Building**

DATA: Book value of property = \$1,000,000

Directors' estimate of the current market value:

Land	\$1,800,000
Building	\$1,200,000
Total value	\$3,000,000

If it is decided to retain the book value of the property at \$1,000,000, then the value attributable to land and to the building is as follows:—

$$\begin{aligned} \text{Land} &= \$1,000,000 \times \frac{1,800,000}{3,000,000} = \$600,000 \\ \text{Building} &= \$1,000,000 \times \frac{1,200,000}{3,000,000} = \$400,000 \end{aligned}$$

STATEMENT 2.107
STATEMENT OF STANDARD ACCOUNTING PRACTICE
GROUP ACCOUNTS

The provisions of this statement of standard accounting practice should be read in conjunction with the Explanatory Foreword to accounting standards and need not be applied to immaterial items.

Part 1 — Introduction

1. Group accounts showing the state of affairs and profit or loss of a holding company and its subsidiaries have been required by law in Hong Kong since 1974. In practice group accounts usually take the form of consolidated financial statements which present the information contained in the separate financial statements of the holding company and its subsidiaries as if they were the financial statements of a single entity. Alternative forms of presentation are, however, permitted by the Companies Ordinance under certain conditions.
2. It is generally accepted that consolidated financial statements are usually the best means of achieving the objective of group accounts which is to give a true and fair view of the profit or loss and of the state of affairs of the group. This accounting standard recognises, therefore, that only exceptionally will alternative forms of group accounts give a better view than consolidated financial statements.
3. The method of preparation of consolidated financial statements on an item by item basis, eliminating intra-group balances and transactions and unrealised intra-group profit, is well understood and this statement is not intended to be a detailed text on the subject.
4. Except to a limited extent this statement does not deal with the subjects of acquisitions and mergers or goodwill. This statement also does not deal with the accounting of and the reporting on translation of foreign currency financial statements into the reporting currency for presenting consolidated financial statements.
5. The statement has been drafted to apply to companies incorporated under the Companies Ordinance. The principles laid down in it are nevertheless applicable to the financial statements of any entity, whether incorporated or not, which controls another entity or entities and which wishes or is required to present financial statements reflecting the activities of the undertaking as a whole.

6. In giving a true and fair view of the profit or loss and of the state of affairs of the group as a whole, the same principles apply to consolidated financial statements as would apply to the financial statements of a single entity. Disclosure should therefore be made in the consolidated financial statements of any matters which would be required to be disclosed in the financial statements of a single entity.

Part 2 — Definition of Terms

7. Under the Companies Ordinance, a company shall be deemed to be a *subsidiary* of another company, if —
 - (a) that other company:
 - (i) controls the composition of the board of directors of the first mentioned company;
 - (ii) controls more than half of the voting power of the first mentioned company; or
 - (iii) holds more than half of the issued share capital of the first mentioned company (excluding any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital); or
 - (b) the first mentioned company is a subsidiary of any company which is that other company's subsidiary.
8. A company is a *holding company* of another if that other is its subsidiary as defined above.
9. A *group* consists of a holding company and its subsidiaries.
10. *Financial statements* are balance sheets, profit and loss accounts, statements of changes in financial position, notes and other statements, which collectively are intended to give a true and fair view of financial position and profit or loss.
11. *Group accounts* are the financial statements of a group.
12. *Consolidated financial statements* are one form of group accounts which presents the information contained in the separate financial statements of a holding company and its subsidiaries as if they were the financial statements of a single entity.
13. *Equity share capital* is the issued share capital of a company excluding any part thereof which, neither as respects dividends nor as respects capital, carries any right to participate beyond a specified amount in a distribution.

14. *The equity method of accounting* is a method of accounting under which the investment in a company is shown in the consolidated balance sheet at:
- (a) the cost of investment;
- and
- (b) the investing company or group's share of the post-acquisition retained profits and reserves/accumulated losses of the company;
- less
- (c) any amount written off in respect of (a) and (b) above;
- and under which the investing company accounts separately in its profit and loss account for its share of the profits/losses before taxation, taxation and extraordinary items of the company concerned.

Part 3 — Standard Accounting Practice

Consolidated financial statements

15. A holding company should prepare group accounts in the form of a single set of consolidated financial statements covering the holding company and its subsidiary companies, at home and overseas. The only exceptions to this practice are in the circumstances set out in paragraphs 19 to 22 below.

Uniform accounting policies

16. Uniform group accounting policies should be followed by a holding company in preparing its consolidated financial statements. Where such group accounting policies are not adopted in the financial statements of a subsidiary, appropriate adjustments should be made in the consolidated financial statements. In exceptional cases where this is impracticable, different accounting policies may be used provided they are generally acceptable and there is disclosure of:
- (a) the different accounting policies used;
 - (b) an indication of the amounts of the assets and liabilities involved, and an indication of the effect on results and net assets of the adoption of policies different from those of the group; and
 - (c) the reasons for the different treatment.

Group accounting periods and dates

17. For the purposes of consolidated financial statements the financial statements of all subsidiaries should wherever practicable be prepared:
 - (a) to the same accounting date; and
 - (b) for identical accounting periods as the holding company.

18. If a subsidiary does not prepare its formal financial statements to the same date as the holding company and if it is not practicable to use for consolidation purposes financial statements drawn up to the same date as those of the holding company, appropriate adjustments should be made to the consolidated financial statements for any transactions and events in the intervening period necessary to ensure a true and fair view. The following additional information should be given for each principal subsidiary with a different accounting date:
 - (a) its name;
 - (b) its accounting date; and
 - (c) the reason for using a different accounting date.

Where the accounting period of a principal subsidiary was of a different length from that of the holding company the accounting period involved should be stated.

Exclusion of subsidiaries from group accounts and consolidation

19. Group accounts need not be prepared, unless required by law, where the holding company itself is at the end of its financial year a wholly-owned subsidiary.

20. When a company is not a wholly-owned subsidiary and it does not prepare group accounts dealing with all its subsidiaries for one of the other reasons permitted under the Companies Ordinance, the reason for the exclusion of any subsidiary must be stated. Consideration will need to be given to whether the resulting financial statements give a true and fair view of the position of the group as a whole.

21. A subsidiary should be excluded from consolidation if:
 - (a) its activities are so dissimilar from those of other companies within the group that consolidated financial statements would be misleading and that information for the holding company's shareholders and other users of the statements would be better provided by presenting separate financial statements for such a subsidiary; or

- (b) the holding company, although owning directly or through other subsidiaries more than half the equity share capital of the subsidiary, either:
 - (i) does not own share capital carrying more than half the votes; or
 - (ii) has contractual or other restrictions imposed on its ability to appoint the majority of the board of directors; or
 - (c) the subsidiary operates under severe restrictions which significantly impair control by the holding company over the subsidiary's assets and operations for the foreseeable future; or
 - (d) control is intended to be temporary.
22. If a group prepares group accounts in a form other than consolidated financial statements in circumstances different from those set out in paragraph 21, the onus is on the directors to justify and state in the accounts the reasons for reaching the conclusion that the resulting group accounts give a fairer view of the financial position of the group as a whole. Similar considerations apply where consolidated financial statements are prepared dealing with a subsidiary which comes within the scope of the circumstances set out in paragraph 21.

Accounting treatment of subsidiaries excluded from consolidation

23. Where a subsidiary is excluded from consolidation on the grounds set out in paragraph 21(a), the group accounts should include separate financial statements for that subsidiary. They may be combined with the financial statements of other subsidiaries with similar operations, if appropriate. The separate financial statements should include the following information:
- (a) details of the holding company's interest;
 - (b) particulars of intra-group balances;
 - (c) the nature of transactions with the rest of the group; and
 - (d) a reconciliation with the amount included in the consolidated financial statements for the group's investment in the subsidiary, which it is recommended be stated under the equity method of accounting.
24. Where a subsidiary is excluded from consolidation on the grounds of lack of effective control as set out in paragraph 21(b), it is recommended that it be dealt with in the consolidated financial statements under the equity method of accounting. Separate financial information about it should be included in the group accounts to meet the requirements of the Companies Ordinance.

25. Where a subsidiary is excluded from consolidation on the grounds set out in paragraph 21(c), it is recommended that the amount of the group's investment in the subsidiary be stated in the consolidated balance sheet at the amount at which it would have been included under the equity method of accounting at the date the restrictions came into force. No further accruals should be made for its profits or losses. However, if the amount at which the investment is stated in the consolidated financial statements on this basis has been impaired by a decline in value of the investment (other than temporarily), provision for the loss should be made through the consolidated profit and loss account. For this purpose, investments should be considered individually and not in aggregate.
26. Where a subsidiary is excluded from consolidation on the grounds set out in paragraph 21(c), the following information should be disclosed:
 - (a) its net assets;
 - (b) its profits or losses for the period; and
 - (c) any amounts included in the consolidated profit and loss account in respect of:
 - (i) dividends received;
 - (ii) writing down of the investment.
27. Where a subsidiary is excluded from consolidation on the grounds set out in paragraph 21(d), the temporary investment in the subsidiary should be stated in the consolidated balance sheet as a current asset at the lower of cost and net realisable value.

Disclosure in respect of subsidiaries excluded from consolidation

28. In respect of subsidiaries excluded from consolidation, the following information should be disclosed in the group accounts:
 - (a) the reasons for excluding a subsidiary from consolidation;
 - (b) the names of the principal subsidiaries excluded;
 - (c) any premium or discount on acquisition (the difference between the purchase consideration and the fair value of assets acquired) to the extent not written off; and
 - (d) any further detailed information required by the Companies Ordinance.

Changes in composition of the group

29. When subsidiaries are purchased on or after the date from which this standard becomes effective, the purchase consideration should be allocated amongst the underlying net assets, both tangible and intangible, other than goodwill on the basis of the fair value to the acquiring company. If this is not done by means of adjusting the values in the books of the acquired company, it should be done on consolidation. Any difference between the purchase consideration and the value ascribed to net tangible assets and identifiable intangible assets will represent premium (goodwill) or discount on acquisition.
30. In the case of material additions to or disposals from the group, the consolidated financial statements should contain sufficient information about the results of the subsidiaries acquired or sold to enable shareholders to appreciate the effect on the consolidated results.
31. Where there is a material disposal, the consolidated profit and loss account should include:
 - (a) the subsidiary's results up to the date of disposal; and
 - (b) the gain or loss on sale of the investment, being the difference at the time of sale between:
 - (i) the proceeds of the sale; and
 - (ii) the holding company's share of its net assets together with any premium (less any amounts written off) or discount on acquisition.

Effective date of acquisition or disposal

32. The effective date for accounting for both acquisition and disposal of a subsidiary should be the earlier of:
 - (a) the date on which consideration passes; or
 - (b) the date on which an offer becomes or is declared unconditional.

This applies even if the acquiring company has the right under the agreement to share in the profits of the acquired business from an earlier date.

Disclosure of principal subsidiaries

33. The names of the principal subsidiaries should be disclosed in the group accounts, showing for each of these subsidiaries:
- (a) the proportion of the nominal value of the issued shares of each class held by the group;
 - (b) an indication of the nature of its business; and
 - (c) the place of incorporation.

Outside or minority interests

34. Outside or minority interests in the share capital and reserves of companies consolidated should be disclosed as a separate amount in the consolidated balance sheet and should not be shown as part of the shareholders' funds; debit balances should be recognised only if there is a binding obligation on minority shareholders to make good losses incurred which they are able to meet.
35. Similarly, the profits or losses of such companies attributable to outside interests should be shown separately in the consolidated profit and loss account after arriving at group profit or loss after tax but before extraordinary items. Minority interests in extraordinary items should be deducted from the related amounts in the consolidated profit and loss account.

Restrictions on distributions

36. If there are significant restrictions on the ability of the holding company to distribute the retained profits of the group (other than those shown as non-distributable) because of statutory, contractual, exchange control or taxation restrictions the extent of the restrictions should be indicated. If retained profits of subsidiary companies overseas would be subject to further tax on distribution, full provision should be made for such tax unless circumstances justify a lower or no provision.

Date from which effective

37. The accounting and disclosure requirements set out in this statement should be adopted as soon as possible and regarded as standard in respect of group accounts relating to periods commencing on or after 1st January 1982.

Part 4 — Note on Legal Requirements in Hong Kong

38. The obligation to lay group accounts before the members of a holding company in general meeting is set out in Section 124(1) of the Companies Ordinance, Chapter 32 of the revised edition 1975. In general terms the form and content of group accounts are dealt with inter alia in Sections 125 and 126 of the Companies Ordinance and in Schedule 10 to the Companies Ordinance.
39. Under Section 124(2)(a) of the Companies Ordinance group accounts shall not be required where the holding company is at the end of its financial year the wholly-owned subsidiary of another body corporate incorporated in Hong Kong. Paragraph 19 of the standard encompasses this exemption.
40. Section 124(2)(b) of the Companies Ordinance also allows group accounts (subject to approval of the Financial Secretary in certain instances) not to deal with a subsidiary if the company's directors are of the opinion that:
 - (i) it is impracticable, or would be of no real value to members of the company, in view of the insignificant amount involved, or would involve expense or delay out of proportion to the value to members of the company; or
 - (ii) the result would be misleading, or harmful to the business of the company or any of its subsidiaries; or
 - (iii) the business of the holding company and that of the subsidiary are so different that they cannot reasonably be treated as a single undertaking.
41. It should be noted that, where subsidiaries are not dealt with in group accounts or are being dealt with in a form of group accounts other than consolidated financial statements, information may still be required by law about the results of these subsidiaries and the extent to which they have been dealt with in the accounts of the holding company (paragraphs 18(4) and 24 of Schedule 10 to the Companies Ordinance).
42. In the case of a subsidiary excluded from consolidation under paragraph 21(a), the information set out in paragraph 23 should satisfy the requirements of the Companies Ordinance about group accounts provided adequate detail is given. Where a subsidiary is excluded from consolidation on the grounds set out in paragraphs 21(b) to 21(d) of the standard, additional information to that set out in paragraphs 24 to 27 may be needed in order to satisfy the requirements of the Companies Ordinance about group accounts.

43. The definition of a subsidiary company given in paragraph 7 of this statement conforms with the statutory definition given in full in the Companies Ordinance, Section 2(4) — (6).
44. Section 127(1) of the Companies Ordinance states that a holding company's directors shall secure that except where in their opinion there are good reasons against it, the financial year of each of its subsidiaries shall coincide with the company's own financial year. Paragraph 18 of the standard specifies the action to be taken in preparing consolidated accounts where accounting periods do not coincide.
45. Under the provision of Section 126(2) of the Companies Ordinance the consent of the Financial Secretary will be required to the use of financial statements of subsidiaries for consolidation purposes covering a period ending after the financial year end of the holding company.
46. Section 128(3) of the Companies Ordinance provides that disclosure of the name of a subsidiary which is either incorporated outside Hong Kong or carries on business outside Hong Kong need not be made if in the opinion of the directors and with the concurrence of the Financial Secretary such disclosure would be harmful.

Part 5 — Compliance with International Accounting Standards

47. The requirements of International Accounting Standard No. 3 "Consolidated financial statements", excluding paragraphs 40 to 42 inclusive, accord very closely with the content of this Statement. Accordingly compliance with this Statement will ensure compliance with IAS 3 in these respects. Paragraphs 40 to 42 of IAS 3 deal with the equity method of accounting for associated companies.

STATEMENT 2.108
STATEMENT OF STANDARD ACCOUNTING PRACTICE
ACCOUNTING FOR CONTINGENCIES

The provisions of this statement of standard accounting practice should be read in conjunction with the Explanatory Foreword to accounting standards and need not be applied to immaterial items.

Part 1 — Introduction

1. The term contingency used in this statement is applied to a condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. It is not intended that uncertainties connected with accounting estimates should fall within the scope of this statement, for example the lives of fixed assets, the amount of bad debts, the net realisable value of inventories, the expected outcome of long-term contracts or the valuation of properties and foreign currency balances.

Part 2 — Definition of Terms

2. *Financial statements* are balance sheets, profit and loss accounts, statements of changes in financial position, notes and other statements, which collectively are intended to give a true and fair view of financial position and profit or loss.
3. *Company* includes any enterprise which comes within the scope of statements of standard accounting practice.
4. *Directors* include the corresponding officers of organisations which do not have directors.
5. *The date on which the financial statements are approved by the board of directors* is the date the board of directors formally approves a set of documents as the financial statements. In respect of unincorporated enterprises, the date of approval is the corresponding date. In respect of group accounts, the date of approval is the date when the group accounts are formally approved by the board of directors of the holding company.
6. *Contingency* is a condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Part 3 — Standard Accounting Practice

7. In addition to amounts accrued under the fundamental concept of prudence (see Statement No. 2.101 (SSAP 1) "Disclosure of accounting policies"), a material contingent loss should be accrued in financial statements where it is probable that a future event will confirm a loss which can be estimated with reasonable accuracy at the date on which the financial statements are approved by the board of directors.
8. The material contingent loss not accrued under paragraph 7 above should be disclosed except where the possibility of loss is remote.
9. Contingent gains should not be accrued in financial statements. A material contingent gain should be disclosed in financial statements only if it is probable that the gain will be realised.
10. In respect of each contingency which is required to be disclosed under paragraphs 8 and 9 above, the following information should be stated by way of notes in financial statements:
 - (a) the nature of the contingency;
 - (b) the uncertainties which are expected to affect the ultimate outcome; and
 - (c) a prudent estimate of the financial effect, made at the date on which the financial statements are approved by the board of directors; or a statement that it is not practicable to make such an estimate.
11. Where there is disclosure of an estimate of the financial effect of a contingency, the amount disclosed should be the potential financial effect. In the case of a contingent loss, this should be reduced by:
 - (a) any amounts accrued; and
 - (b) the amount of any components where the possibility of loss is remote.The net amount only need be disclosed.
12. The estimate of the financial effect should be disclosed before taking account of taxation, and the taxation implications of a contingency crystallising should be explained where necessary for a proper understanding of the financial position.
13. Where both the nature of, and the uncertainties which affect, a contingency in respect of an individual transaction are common to a large number of similar transactions, the financial effect of the

contingency need not be individually estimated but may be based on the group of similar transactions. In these circumstances the separate contingencies need not be individually disclosed.

Date from which effective

14. The accounting practices set out in this statement should be adopted as soon as possible and regarded as standard in respect of financial statements relating to accounting periods beginning on or after 1st January, 1983.

Part 4 — Note on Legal Requirements in Hong Kong

15. Paragraph 12(5) of the Tenth Schedule to the Companies Ordinance requires the following to be stated by way of note on, or in a statement or report annexed to, the balance sheet:

“The general nature of any other contingent liabilities not provided for and, where practicable, the aggregate amount or estimated amount of those liabilities, if it is material”.

Part 5 — Compliance with International Accounting Standards

16. The requirements of International Accounting Standard No. 10 “Contingencies and events occurring after the balance sheet date” concerning contingencies accord very closely with the content of this Statement. Accordingly compliance with this Statement will ensure compliance with IAS 10 in all material respects so far as contingencies are concerned.

Part 6 — Explanatory Note

This explanatory note is for general guidance only and does not form part of the statement of standard accounting practice.

17. Contingencies existing at the balance sheet date should be taken into consideration when preparing financial statements. Estimates of the outcome and of the financial effect of contingencies should be made by the board of directors of the company. These estimates will be based on consideration of information available up to the date on which the financial statements are approved by the board of directors and will include a review of events occurring after the balance sheet date. As an example, in the case of a substantial legal claim against a company, the factors to be considered would include the progress of the claim at the date on which the financial statements are approved, the opinion of legal experts or other advisers and the experience of the company in similar cases.

18. The treatment of a contingency existing at the balance sheet date is determined by its expected outcome. In addition to accruals under the fundamental concept of prudence (see Statement No. 2.101 (SSAP 1) "Disclosure of accounting policies"), contingent losses will be accrued in financial statements where it is probable that a future event will confirm a loss which can be estimated with reasonable accuracy at the date on which the financial statements are approved by the board of directors.
19. Existing conventions preclude contingent gains from being accrued in financial statements. The existence of a contingent gain should be disclosed only if it is probable that the gain will be realised. When the realisation of the gain becomes reasonably certain, then such a gain is not a contingency and accrual is appropriate.
20. Subject to paragraphs 18 and 19 above, a material contingency which is not accounted for under existing requirements should be disclosed by way of notes in order to ensure that financial statements do not present a misleading position. Such disclosures should indicate the nature of the contingency, the uncertainties which are expected to affect the ultimate outcome and either a prudent estimate of the financial effect or a statement that it is not practicable to make such an estimate.
21. A contingency may be reduced or avoided because it is matched by a related counter-claim or claim by or against a third party. In such cases any accrual, or the amount to be disclosed in financial statements by way of notes, should be reduced by taking into account the probable outcome of the claim. However, the likelihood of success, and the probable amounts of the claim and the counter-claim, should be separately assessed, and separately disclosed where appropriate.
22. In disclosing the financial effect of a contingency, the amount should be stated before taking account of taxation, and the taxation implications of a contingency crystallising should be explained where necessary for a proper understanding of the financial position.
23. There are some contingencies where the possibility of the ultimate outcome having a material effect on the financial statements is so remote that disclosure could be misleading. This statement does not require disclosure of remote contingencies.

STATEMENT 2.109**STATEMENT OF STANDARD ACCOUNTING PRACTICE
ACCOUNTING FOR POST BALANCE SHEET EVENTS**

The provisions of this statement of standard accounting practice should be read in conjunction with the Explanatory Foreword to accounting standards and need not be applied to immaterial items.

Part 1 — Introduction

1. Events arising after the balance sheet date need to be reflected in financial statements if they provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included.
2. Additionally, disclosure needs to be made by way of notes of material events arising after the balance sheet date which provide evidence of conditions not existing at the balance sheet date.
3. A post balance sheet event for the purpose of this standard is an event which occurs between the balance sheet date and the date on which the financial statements are approved by the board of directors. It is not intended that the preliminary consideration of a matter which may lead to a decision by the board of directors in the future should fall within the scope of this standard.
4. Events which occur after the date on which the financial statements are approved by the board of directors do not come within the scope of this standard. If such events are material the directors should consider publishing the relevant information.
5. The process involved in the approval of financial statements by the directors will vary depending on the management structure and procedures followed in preparing and finalising financial statements. However, the date of approval will normally be the date of the board meeting at which the financial statements are formally approved, or in respect of unincorporated enterprises the corresponding date. In respect of group accounts, the date of approval is the date the group accounts are formally approved by the board of directors of the holding company.

Part 2 — Definition of Terms

6. *Financial statements* are balance sheets, profit and loss accounts, statements of changes in financial position, notes and other statements, which collectively are intended to give a true and fair view of financial position and profit or loss.

7. *Company* includes any enterprise which comes within the scope of statements of standard accounting practice.
8. *Directors* include the corresponding officers of organisations which do not have directors.
9. *The date on which the financial statements are approved by the board of directors* is the date the board of directors formally approves a set of documents as the financial statements. In respect of unincorporated enterprises, the date of approval is the corresponding date. In respect of group accounts, the date of approval is the date when the group accounts are formally approved by the board of directors of the holding company.
10. *Post balance sheet events* are those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the financial statements are approved by the board of directors.
11. *Adjusting events* are post balance sheet events which provide additional evidence of conditions existing at the balance sheet date. They include events which because of statutory or conventional requirements are reflected in financial statements.
12. *Non-adjusting events* are post balance sheet events which concern conditions which did not exist at the balance sheet date.

Part 3 — Standard Accounting Practice

13. Financial statements should be prepared on the basis of events occurring up to the balance sheet date and conditions existing at that date.
14. A material post balance sheet event requires changes in the amounts to be included in financial statements where:
 - (a) it is an adjusting event; or
 - (b) it indicates that application of the going concern concept to the whole or a material part of the company is not appropriate.
15. A material post balance sheet event should be disclosed where:
 - (a) it is a non-adjusting event of such materiality that its non-disclosure would affect the ability of the user of financial statements to reach a proper understanding of the financial position; or

- (b) it is the reversal or maturity after the year end of a transaction entered into before the year end, the substance of which was primarily to alter the appearance of the company's balance sheet.
16. In respect of each post balance sheet event which is required to be disclosed under paragraph 15 above, the following information should be stated by way of notes in financial statements:
- (a) the nature of the event; and
 - (b) an estimate of the financial effect, or a statement that it is not practicable to make such an estimate.
17. The estimate of the financial effect should be disclosed before taking account of taxation, and the taxation implications should be explained where necessary for a proper understanding of the financial position.
18. The date on which the financial statements are approved by the board of directors should be disclosed in the financial statements.

Date from which effective

19. The accounting practices set out in this statement should be adopted as soon as possible and regarded as standard in respect of financial statements relating to accounting periods beginning on or after 1st January, 1983.

Part 4 — Compliance with International Accounting Standards

20. The requirements of International Accounting Standard No. 10 "Contingencies and events occurring after the balance sheet date" concerning post balance sheet events accord very closely with the content of this Statement. Accordingly compliance with this Statement will ensure compliance with IAS 10 in all material respects so far as post balance sheet events are concerned.

Part 5 — Explanatory Note

This explanatory note is for general guidance and does not form part of the statement of standard accounting practice. The examples in paragraphs 27 and 28 are merely illustrative and the lists are not exhaustive.

The examples listed distinguish between those normally classified as adjusting events and as non-adjusting events. However, in exceptional circumstances, to accord with the prudence concept, an adverse event which would normally be classified as non-adjusting may need to be reclassified as adjusting. In such circumstances, full disclosure of the adjustment would be required.

Classification of post balance sheet events

21. Events occurring after the balance sheet date may be classified into two categories: 'adjusting events' and 'non-adjusting events'.
22. Adjusting events are events which provide additional evidence relating to conditions existing at the balance sheet date. They require changes in amounts to be included in financial statements. Examples of adjusting events are given in paragraph 27.
23. Some events occurring after the balance sheet date, such as a deterioration in the operating results and in the financial position, may indicate a need to consider whether it is appropriate to use the going concern concept in the preparation of financial statements. Consequently these may fall to be treated as adjusting events.
24. Non-adjusting events are events which arise after the balance sheet date and concern conditions which did not exist at that time. Consequently they do not result in changes in amounts in financial statements. They may, however, be of such materiality that their disclosure is required by way of notes to ensure that financial statements are not misleading. Examples of non-adjusting events which may require disclosure are given in paragraph 28.
25. Disclosure would be required of the reversal or maturity after the year end of transactions entered into before the year end, the substance of which was primarily to alter the appearance of the company's balance sheet. Such alterations include those commonly known as 'window dressing'.
26. There are certain post balance sheet events which, because of statutory requirements or customary accounting practice, are reflected in financial statements and so fall to be treated as adjusting events. These include proposed dividends, amounts appropriated to reserves, the effects of changes in taxation and dividends receivable from subsidiary and associated companies.

Adjusting events

27. The following are examples of post balance sheet events which normally should be classified as adjusting events:
 - (a) Fixed assets. The subsequent determination of the purchase price or of the proceeds of sale of assets purchased or sold before the balance sheet date.
 - (b) Property. A valuation which provides evidence of a permanent diminution in value as at the balance sheet date.

- (c) **Investments.** The receipt of a copy of the financial statements or other information in respect of an unquoted company which provides evidence of a permanent diminution in the value of a long-term investment as at the balance sheet date.
- (d) **Stocks and work in progress**
 - (i) The receipt of proceeds of sales after the balance sheet date or other evidence concerning the net realisable value of stocks.
 - (ii) The receipt of evidence that the previous estimate of accrued profit on a long-term contract was materially inaccurate.
- (e) **Debtors.** The renegotiation of amounts owing by debtors, or the insolvency of a debtor.
- (f) **Dividends receivable.** The declaration of dividends by subsidiaries and associated companies relating to periods prior to the balance sheet date of the holding company.
- (g) **Taxation.** The receipt of information regarding rates of taxation.
- (h) **Claims.** Amounts received or receivable in respect of insurance claims which were in the course of negotiation at the balance sheet date.
- (i) **Discoveries.** The discovery of errors or frauds which show that the financial statements were incorrect.

Non-adjusting events

28. The following are examples of post balance sheet events which normally should be classified as non-adjusting events.
- (a) Mergers and acquisitions.
 - (b) Reconstructions and proposed reconstructions.
 - (c) Issues of shares and debentures.
 - (d) Purchases and sales of fixed assets and investments.
 - (e) Losses of fixed assets or stocks as a result of a catastrophe such as fire or flood.
 - (f) Opening new trading activities or extending existing trading activities.

- (g) Closing a significant part of the trading activities if this was not anticipated at the year end.
- (h) Decline in the value of property and investments held as fixed assets, if it can be demonstrated that the decline occurred after the year end.
- (i) Changes in rates of foreign exchange.
- (j) Government action, such as compulsory acquisition.
- (k) Strikes and other labour disputes.
- (l) Augmentation of pension benefits.

Disclosure in financial statements

- 29. Separate disclosure of adjusting events is not normally required as they do no more than provide additional evidence in support of items in financial statements.
- 30. In determining which non-adjusting events are of sufficient materiality to require disclosure, regard should be had to those matters which are necessary to enable users of financial statements to assess the financial position.

STATEMENT 2.110**STATEMENT OF STANDARD ACCOUNTING PRACTICE
ACCOUNTING FOR THE RESULTS OF
ASSOCIATED COMPANIES**

The provisions of this statement of standard accounting practice should be read in conjunction with the Explanatory Foreword to accounting standards and need not be applied to immaterial items.

Part 1 — Introduction

1. It is accepted accounting practice in Hong Kong for a company not to take credit in its own (i.e., non-consolidated) profit and loss account and balance sheet for its share of the profits of other companies (subsidiary or otherwise) which have not been distributed. The view is taken that the inclusion of undistributed profits would ignore the separate legal entities of the companies concerned and, as regards the investing company, be in breach of the principle that credit should not be taken for investment income until it is received or receivable.
2. However, where a company conducts a significant part of its business through the medium of other companies, whether more or less than 50% owned, the mere disclosure of dividend income (or mere inclusion of dividend income alone) is unlikely to be sufficient to give shareholders adequate information regarding the total results of the employment of resources of the group.
3. At one time such operations were usually carried out through the medium of subsidiary companies. It was for this reason that the Companies Ordinance required the preparation of group accounts, normally in the form of consolidated financial statements. In recent years there have been two important developments. One has been the growing practice of companies to conduct parts of their business through other companies (frequently consortium or joint venture companies) in which they have a substantial but not a controlling interest. The other is the importance which investors have come to attach to earnings (as distinct from dividends), the price/earnings ratio (P/E ratio) and, increasingly, earnings per share. Thus in order that the investing company's financial statements as a whole may give adequate information, and provide a total of earnings from which the most meaningful ratios can be

calculated, it is considered appropriate that the coverage of consolidated financial statements be extended so that they shall include (within the framework of the existing law) the share of earnings or losses of companies which are defined in this statement as associated companies.

4. This approach recognises a difference in principle between the nature of investments in associated companies (as defined in this statement) and other forms of trade investment. The essence of the distinction is that the investing company actively participates in the commercial and policy decisions of its associated companies; it thus has a measure of direct responsibility for the return on its investment, and should account for its stewardship accordingly, whereas it will not normally seek to exert direct management influence over the operating policy of other companies in which it invests, and should continue to deal with them in accordance with traditional accounting methods.
5. The broad concept underlying the accounting treatment of the results of associated companies here stated is the adoption in modified form of the consolidation procedures used for subsidiary companies. It follows from this that the investing group's share of associated companies' profits and losses will be reflected in its consolidated profit and loss account, and its share of their post-acquisition retained profits/accumulated losses will be reflected in its consolidated balance sheet, though not in its own balance sheet as a legal entity. This is generally referred to as the equity method of accounting.

Part 2 — Definition of terms

6. A *company* includes any enterprise which comes within the scope of statements of standard accounting practice. In particular, references to investments in companies include not only investments in corporate enterprises but can include investments in non-corporate joint ventures and consortia.
7. A *group* comprises a holding company and its subsidiaries.
8. An *associated company* is a company not being a subsidiary of the investing group or company in which:
 - (a) the investing group or company's interest is effectively that of a partner in a joint venture or consortium and the investing group or company is in a position to exercise a significant influence over the associated company; or

- (b) the investing group or company's interest is for the long term and is substantial, and, having regard to the disposition of the other shareholdings, the investing group or company is in a position to exercise a significant influence over the associated company.

Significant influence over a company essentially involves participation in the financial and operating policy decisions of that company (including dividend policy) but not necessarily control of those policies. Representation on the board of directors is indicative of such participation, but will neither necessarily give conclusive evidence of it nor be the only method by which the investing company may participate in policy decisions.

9. Where the investing group or company holds 20% or more of the equity voting rights of a company, it should be presumed that the investing group or company has the ability to exercise significant influence over that company unless it can clearly be demonstrated that the investing group or company is not in a position to exercise significant influence. For example, there may exist one or more other large shareholdings which prevent the investing company exerting such influence.
10. Where there is an investment by the investing group or company in less than 20% of the equity voting rights of a company, and the investing group or company's interest is not effectively that of a partner in a joint venture or consortium, it should be presumed that the investing group or company does not have the ability to exercise significant influence unless it can clearly demonstrate, and the associated company concurs, that it is in a position to exercise influence under the terms of this statement.
11. Where different companies in a group hold shares in a company, for the purposes of establishing whether or not significant influence is presumed to exist, the investment in that company should be taken as the aggregate of the holdings of the investing company and of those of its subsidiaries but not its associated companies.
12. Use of the term 'associated company' should be restricted to the meaning defined in this statement.

Part 3 — Standard accounting practice

Bases of accounting for income of associated companies

13. Income from investments by a company or its subsidiaries in associated companies (as defined in part 2 above) should be brought into account on the following bases:

- (a) in the investing company's own financial statements
 - (i) dividends received up to the accounting date of the investing company; and
 - (ii) dividends receivable in respect of accounting periods ending on or before that date and declared before the financial statements of the investing company are approved by the directors.
- (b) in the investing group's consolidated financial statements (or the equivalent prepared in accordance with paragraph 19 below) the investing group's share of profits less losses of associated companies.

Profit and loss account items*

14. *Profit before tax.* The investing group should include in its consolidated financial statements the aggregate of its share of before-tax profits less losses of associated companies. The item should be shown separately and suitably described, for example as 'share of profits less losses of associated companies'.
15. *Taxation.* The tax attributed to the share of profits of associated companies should be disclosed separately within the group tax charge in the consolidated financial statements.
16. *Extraordinary items.* The investing group's share of aggregate extraordinary items dealt with in associated companies' financial statements should be included with the group's extraordinary items to the extent that the group's share of the items involved would be classified, on the basis of the criteria set out in SSAP 2, as extraordinary in the context of the financial statements of the investing group. Where that share is material in the context of the group's results it should be disclosed separately from extraordinary items arising from companies belonging to the group.
17. *Net profit retained by associated companies.* There should be shown separately the investing group's share of aggregate net profits less losses retained by associated companies.
18. *Other items.* The investing group should not include its attributable share of associated companies' items such as turnover and depreciation in the aggregate amounts of these items disclosed in its consolidated financial statements. If the results of one or more

* *Examples of profit and loss accounts drawn up to give the information required are shown in appendices 1 and 2.*

associated companies are so material in the context of the investing group's financial statements that more detailed information about them would assist in giving a true and fair view, this information should be given by separate disclosure of the total turnover of the associated companies concerned, their total depreciation charge, their total profits less losses before taxation, and the amounts of such profits attributable to the investing group. In judging materiality regard should be had not merely to the group's share of the net profit of an associated company but also to the scale of its operations in relation to those of the group.

19. An investing company (other than a wholly owned subsidiary), which does not prepare consolidated financial statements, should show the paragraph 14 to 18 information by adapting its own profit and loss account if practicable, or by preparing a separate profit and loss account. References in this statement to investing groups and consolidated financial statements are to be taken as embracing such additional information in the case of investing companies which do not have subsidiaries or which do not otherwise prepare consolidated financial statements.

Balance sheet items*

20. *Investing company's interests in associated companies.* Unless shown at a valuation, the amount at which the investing company's interests in associated companies should be shown in the investing company's own financial statements is the cost of the investment less any amounts written off.
21. *Investing group's interests in associated companies.* The amount at which the investing group's interests in associated companies should be shown in the consolidated balance sheet is:
- (a) the cost of the investments less any amounts written off; and
 - (b) the investing group's share of the post-acquisition retained profits and reserves of associated companies.

The two items should be disclosed separately.

22. *Loans between investing companies.* Loans between associated companies and the group should be separately disclosed in the consolidated balance sheet together with the group's interests in the associated companies. Amounts owed by associated companies to the investing group should not be netted against amounts owed by the investing group to other associated companies.

* An example of a consolidated balance sheet drawn up to give the information required is shown in appendix 3.

23. *Trading balances.* Balances representing normal trading transactions between the associated companies and the investing group should be included under current assets or liabilities as appropriate, with separate disclosure if material in the context of the investing group's financial statements.
24. *Other items.* More detailed information about the associated companies' tangible and intangible assets and liabilities should be given if the interests in the associated companies are material in the context of the investing group's financial statements. In judging materiality, regard should be had not merely to the net carrying amount of the investment in an associated company, but also to the scale of its operations in relation to those of the group.
25. *Accumulated reserves.* The amount at which the investing group's interests in accumulated reserves is shown in the consolidated financial statements should distinguish between profits retained by the group and profits retained by associated companies. If retained profits of associated companies overseas would be subject to further tax on distribution, full provision should be made for such tax unless circumstances justify a lower or no provision. It will also be necessary to take account of and disclose movements on associated companies' other reserves, e.g., surplus on revaluation of fixed assets.
26. *Permanent impairment in value.* Where there has been permanent impairment in the carrying value of an investment in an associated company, it should be written down and the amount written off in the accounting period separately disclosed. Because an impairment in value of the underlying net assets would normally be reflected in the books of the associated company, further provision against the investing group's share of these net assets should not usually be necessary.
27. An investing company (other than a wholly owned subsidiary) which does not prepare consolidated financial statements should show the above information by way of note to the balance sheet or by preparing a separate balance sheet.

Inclusion of associated companies' results in consolidated financial statements of investing group

28. The financial statements used for the purposes of including associated companies' results should be either coterminous with those of the investing company or made up to a date which is not more than six months before, or shortly after, the date of the investing group's financial statements. In the case of associated companies

which are listed on a recognised stock exchange, financial information used for incorporation in the financial statements of the investing company should be consistent with information published by the associated company.

29. Before incorporating results of an associated company based on financial statements issued some appreciable time before the completion of those of the investing company, care should be taken to ensure that later information has not materially affected the view shown by the financial statements of the associated company. If financial statements not coterminous with those of the investing company, or unaudited financial statements, are used and the effect is material the facts and the dates of year ends should be disclosed.
30. Where the investing group or company holds 20% or more of the equity voting rights of any company other than a subsidiary and does not account for that company as an associated company, details of the accounting treatment adopted, and the reason for doing so, should be stated by way of note to the financial statements; conversely, where the investing group or company holds less than 20% of the equity voting rights of a company but accounts for that company as an associated company, the basis on which significant influence is exercised should be stated.

Accounting adjustments

31. Wherever the effect is material, adjustments similar to those adopted for the purpose of presenting consolidated financial statements should be made to exclude from the investing group's consolidated financial statements such items as unrealised profits on stocks transferred to or from associated companies and to achieve reasonable consistency with the accounting policies adopted by the investing group.

Restrictions on distribution

32. If there are restrictions on the ability of an associated company to distribute its retained profits (other than those which are shown as non-distributable) because of statutory, contractual or exchange control restrictions the extent of the restrictions should be indicated.

Minority interests

33. Where the investment in an associated company is held by an investing company's subsidiary in which there are minority interests, the minority interests shown in the consolidated financial statements of the investing company should include the minority share of the subsidiary's interest in the results and net assets of the associated companies.

Investments by associates

34. Where an associated company itself has subsidiary or associated companies, the profits or losses to be dealt with in the investing group's consolidated financial statements are its attributable proportion of the profits or losses of the group (including the appropriate proportion of the results and net assets of its associated companies) of which the associated company is parent.

Deficiency of net assets

35. Where an associated company has a deficiency of net assets but is still regarded as a long term investment, it will usually have been supported by loans from the shareholders or by an agreement, either formal or informal, to support it. In these circumstances, the investing company should reflect its share of the deficiency of net assets in its consolidated financial statements.

Investment in an unincorporated entity

36. Where an investment is made in an unincorporated entity, a liability could arise which would be in excess of that resulting from taking account only of the investing group's share of net assets of the associated company (e.g., as a result of joint and several liability in a partnership). In such circumstances it may be necessary to consider whether it would be prudent either to include an additional provision, or to recognise a contingent liability for this excess.

Change of status

37. When an investment in a company ceases to fall within the definition of an associated company, an amount equal to the carrying amount of that company under the equity method at that date should be treated as the effective cost of the investment and no further account should be taken of the company's share of subsequent profits and losses. Any dividends declared out of profits earned prior to the change of status should be deducted in arriving at the carrying value. Provision should be made against the investment if there has been any impairment in value.

Effective date of acquisition or disposal

38. The effective date for accounting for both acquisition and disposal of an interest, or any portion of an interest, in an associated company should be the earlier of:
- (a) the date on which consideration passes; or
 - (b) the date on which an offer becomes unconditional.

This applies even if the acquiring company has the right under the agreement to share in the profits of the acquired business from an earlier date.

Disclosure of particulars of associated companies

39. Subject to Part 4, the names and places of incorporation of the principal associated companies should be disclosed in the group financial statements showing for each of these associated companies:
- (a) the proportion of the nominal value of the issued shares of each class held by the group; and
 - (b) an indication of the nature of its business.

Corresponding amounts

40. On first introduction of the standard method of accounting set out in this statement the corresponding amounts for the preceding period should be appropriately stated on a comparable basis.

Date from which effective

41. The accounting practices set out in this statement should be adopted as soon as possible and regarded as standard in respect of financial statements relating to accounting periods beginning on or after 1st January 1985.

Part 4 — Note on legal requirements in Hong Kong

42. In dealing with the results of associated companies, regard should be had to the provisions of paragraph 13(1)(g) of the Tenth Schedule of the Companies Ordinance which requires the amounts respectively of income from listed investments and income from unlisted investments to be shown in the profit and loss account.
43. In the case of an associated company which is either incorporated outside Hong Kong or carries on business outside Hong Kong, section 129(3) of the Companies Ordinance provides that disclosure of a company's name and other particulars need not be made if in the opinion of the directors and with the concurrence of the Financial Secretary such disclosures would be harmful.

Part 5 — Compliance with International Accounting Standards

44. The requirements of International Accounting Standard No. 3 "Consolidated financial statements" covering the basis of accounting for associated companies accord very closely with the content of this statement. Accordingly compliance with this statement will ensure compliance with the requirements of IAS 3 on associated companies in all material respects.

Appendix 1

Note: The method of presentation used is illustrative only and other methods of presentation may equally comply with the requirements of this statement.

Example of consolidated profit and loss account for a company with subsidiaries

Consolidated profit and loss account of a company and subsidiaries incorporating results of associated companies

	HK\$	HK\$
Turnover (of the company and subsidiaries)		<u>x</u>
Operating profit (after charging depreciation and all other trading expenses of the company and subsidiaries)		x
Share of profits less losses of associated companies		<u>x</u>
Profit before taxation		x
Taxation: Company and subsidiaries	x	
Associated companies	<u>x</u>	<u>x</u>
		x
Minority interests		<u>x</u>
Profit after taxation before extraordinary items ..		x
Extraordinary items (group proportion after taxation, after deducting minority interests and including share of associated companies' items)		<u>x</u>
Profit attributable to shareholders (see note)		x
Dividends		<u>x</u>
Net profit retained		<u><u>x*</u></u>
Company		x
Subsidiaries		x
Associated companies		<u>x</u>
		<u><u>x*</u></u>

Note: Of the profit attributable to shareholders HK\$x is dealt with in the company's financial statements.

Appendix 2

Note: The method of presentation used is illustrative only and other methods of presentation may equally comply with the requirements of the statement.

Example of profit and loss account for a company without subsidiaries

Profit and loss account of a company incorporating results of associated companies

	HK\$	HK\$
Turnover (of the company)		<u>x</u>
Operating profit (after charging depreciation and all trading expenses of the company)		x
Share of profits less losses of associated companies ..		<u>x</u>
Profit before taxation		x
Taxation: Company	x	
Associated companies	<u>x</u>	
		<u>x</u>
Profit after taxation before extraordinary items ..		x
Extraordinary items (company and share of associated companies' items) after taxation		<u>x</u>
Profit attributable to shareholders comprising: ..		x*
Profit of the company	x	
Profit retained in associated companies	<u>x</u>	
	<u>x*</u>	
Dividends		<u>x</u>
Net profit retained		<u><u>x**</u></u>
Company		x
Associated companies		<u>x</u>
		<u><u>x**</u></u>

Appendix 3

Note: The method of presentation used is illustrative only and other methods of presentation may equally comply with the requirements of the statement.

Example of consolidated balance sheet for a company with subsidiaries

Consolidated balance sheet of a company and subsidiaries incorporating associated companies

<i>Assets employed</i>	HK\$	HK\$
Fixed assets		x
Interest in associated companies (as shown in note below)		x*
Current assets		
Stocks and work in progress	x	
Debtors (including HK\$x due from associated companies)	x	
Bank balances and cash	<u>x</u>	
	<u>x</u>	
Current liabilities		
Bank overdraft	x	
Creditors (including HK\$x due to associated companies)	x	
Taxation	x	
Dividends	<u>x</u>	
	<u>x</u>	
Net current assets		<u>x</u>
		<u>x</u>
		<u><u>x</u></u>

Financed by:

	HK\$
Share capital	x
Reserves (including HK\$ <i>x</i> group share of associated company reserves)	<u>x</u>
	x
Minority interests in subsidiaries	x
Loan capital	<u>x</u>
	<u>x</u>
	<u> </u>
<i>Note — Interest in associated companies</i>	
Group's cost of investment	x
Share of post acquisition profits less losses of associated companies	x
Loans to associated companies	<u>x</u>
	x
Less: Loans from associated companies	<u>x</u>
	<u>x*</u>
	<u> </u>

STATEMENT 2.111**STATEMENT OF STANDARD ACCOUNTING PRACTICE
FOREIGN CURRENCY TRANSLATION**

The provisions of this statement of standard accounting practice should be read in conjunction with the Explanatory Foreword to accounting standards and need not be applied to immaterial items.

Part 1 — Introduction**Background**

1. A company may engage in foreign currency operations in two main ways:
 - a. It may enter directly into business transactions which are denominated in foreign currencies. The results of these transactions will need to be translated into the currency in which the company reports.
 - b. Foreign operations may be conducted through a foreign enterprise which maintains its accounting records in a currency other than that of the investing company. In order to prepare consolidated financial statements it will be necessary to translate the complete financial statements of the foreign enterprise into the currency used for reporting purposes by the investing company.

Objectives of translation

2. The translation of foreign currency transactions and financial statements should produce results which are generally compatible with the effects of rate changes on a company's cash flows and its equity and should ensure that the financial statements present a true and fair view of the results of management actions. Consolidated statements should reflect the financial results and relationships as measured in the foreign currency financial statements prior to translation.

Procedures

3. In this Statement the procedures which should be adopted when accounting for foreign operations are considered in two stages, namely:
 - a. the preparation of the financial statements of an individual company; and
 - b. the preparation of consolidated financial statements.

Part 2 — Definition of Terms

4. *Financial statements* are balance sheets, profit and loss accounts, statements of changes in financial position, notes and other statements which collectively are intended to give a true and fair view of the financial position and profit or loss.
5. *Company* includes any enterprise which comes within the scope of statements of standard accounting practice.
6. A *foreign enterprise* is a subsidiary, associated company or branch whose operations are based in a country other than that of the investing company or whose assets and liabilities are denominated mainly in a foreign currency.
7. A *foreign currency asset* is an equity investment or other long-term non-monetary asset, the holding or the use or the subsequent disposal of which will generate receipts in a foreign currency.
8. *Translation* is the process whereby financial data denominated in one currency are expressed in terms of another currency. It includes both the expression of individual transactions in terms of another currency and the expression of a complete set of financial statements prepared in one currency in terms of another currency.
9. *The temporal method of translation* requires translation of all assets, liabilities, revenue and expenses at the exchange rate ruling at the date on which the amount recorded in the financial statements was established. At the balance sheet date monetary assets and liabilities are retranslated at the closing rate and any resulting exchange difference is taken to the profit and loss account.
10. An *exchange rate* is a rate at which two currencies may be exchanged for each other at a particular point in time; different rates apply for spot and forward transactions.
11. *The closing rate* is the exchange rate for spot transactions ruling at the balance sheet date and is the mean of the buying and selling rates at the close of business on the day for which the rate is to be ascertained.
12. A *forward contract* is an agreement to exchange different currencies at a specified future date and at a specified rate. A non-speculative forward contract is one which is designated and effective as a hedge of a net investment in a foreign entity, of a foreign currency asset, of a net monetary asset or liability or of a firm commitment. All other forward contracts, or parts of forward contracts in excess of the amount hedged, are speculative.

13. *The gain or loss on a non-speculative forward contract* is the foreign currency amount of the contract multiplied by the difference between the spot rate at the balance sheet date and the spot rate at the date of inception of the contract or at an intervening balance sheet date.
14. *The discount or premium on a non-speculative forward contract* is the foreign currency amount of the contract multiplied by the difference between the contracted forward rate and the spot rate at the date of inception of the contract.
15. *The gain or loss on a speculative forward contract* is the foreign currency amount of the contract multiplied by the difference between the forward rate for the balance of the contract at the balance sheet date and either the contracted forward rate or the forward rate used at an intervening balance sheet date.
16. *The net investment* which a company has in a foreign enterprise is its effective equity stake and comprises its proportion of such foreign enterprise's net assets; in certain circumstances, intra-group loans and other deferred balances may be regarded as part of the effective equity stake.
17. *Monetary items* are money held and amounts to be received or paid in money.

Part 3 — Standard Accounting Practice

18. When preparing the financial statements of an individual company the procedures set out in paragraphs 19 to 28 should be followed. When preparing consolidated financial statements the procedures set out in paragraphs 29 to 34 should be followed.

Individual companies

19. Subject to the provisions of paragraphs 21 and 25 each asset, liability, revenue or cost arising from a transaction denominated in a foreign currency should be translated into the reporting currency at the exchange rate in operation on the date on which the transaction occurred. If the rates do not fluctuate significantly an average rate for a period may be used as an approximation. Where the transaction is to be settled at a contracted rate that rate should be used.
20. Subject to the special provisions of paragraph 25, which relate to the treatment of foreign currency assets financed by foreign currency borrowings or hedged by forward contracts, no subsequent translations should normally be made once non-monetary assets have been translated and recorded.

21. At each balance sheet date monetary assets and liabilities denominated in a foreign currency should be translated using the closing rate or, where appropriate, the rates of exchange fixed under the terms of the relevant transactions.
22. An exchange gain or loss will result during an accounting period if a business transaction is settled at an exchange rate which differs from that used when the transaction was initially recorded or, where appropriate, that used at the last balance sheet date. An exchange gain or loss will also arise on unsettled transactions if the rate of exchange used at the balance sheet date differs from that used previously. Such exchange gains and losses should be included in the profit or loss from ordinary activities unless they arise from events which themselves fall to be treated as extraordinary items, in which case they should be included as part of such items.
23. Where exchange gains arise on monetary items and there are, exceptionally, doubts as to the convertibility or marketability of the currency in question, it is necessary to consider on the grounds of prudence whether the amount of the gain, or the amount by which exchange gains exceed past exchange losses on the same items, to be recognised in the profit and loss account should be restricted.
24. Gains or losses on exchange arising from transactions between a holding company and its subsidiaries, or from transactions between fellow subsidiaries, should normally be reported in the individual company's financial statements as part of the profit or loss for the year in the same way as gains or losses arising from transactions with third parties.
25. Where a company has used foreign currency borrowings or forward contracts to finance, or provide a hedge against, its foreign currency assets and the conditions set out in this paragraph apply, the foreign currency assets should be denominated in the appropriate foreign currencies and the carrying amounts translated at the end of each accounting period at closing rates for inclusion in the company's financial statements. Any exchange differences arising should be taken to reserves and the exchange gains or losses arising on the borrowings or the forward contracts should then be offset, as a reserve movement, against those exchange differences. The conditions which must apply are as follows:
 - a. in any accounting period exchange gains or losses arising on the borrowings or the forward contracts should be offset only to the extent of exchange differences arising on the foreign currency assets; and

- b. the foreign currency borrowings or the forward contracts are designated and effective as a hedge against the foreign currency assets.

Where a forward contract is used as a hedge of a foreign currency asset, the discount or premium on the contract should be either amortised in the profit and loss account over the period of the contract or taken to reserves with the gain or loss.

Forward contracts

26. Where a non-speculative forward contract is used as a hedge of a net monetary asset or liability the gain or loss on the contract should be taken to the profit and loss account and the discount or premium may be either amortised over the period of the contract or taken to the profit and loss account.
27. Where a non-speculative forward contract is used as a hedge of a firm commitment no gain or loss need normally be recognised during the commitment period. At the end of that period any gain or loss will be added to, or deducted from, the amount of the relevant transaction. The discount or premium should be either amortised over the period of the contract or deferred with the gain or loss.
28. Where a forward contract is speculative the gain or loss should be credited or charged to the profit and loss account.

Consolidated financial statements

29. When preparing group accounts for an investing company and its foreign enterprises the closing rate/net investment method of translating the financial statements should normally be used. Under this method the amounts in the balance sheet of a foreign enterprise should be translated into the investing company's reporting currency using the closing rate of exchange. Exchange differences will arise if this rate differs from that ruling at the previous balance sheet date or at the date of any subsequent capital injection (or reduction) and these differences should be recorded as a movement on reserves.
30. The profit and loss account of a foreign enterprise accounted for under the closing rate/net investment method should be translated either at the closing rate or at an average rate for the period. Where an average rate is used the difference between the profit and loss account translated at an average rate and at the closing rate should be recorded as a movement on reserves. The average rate used should be calculated by the method considered most

appropriate for the circumstances of the foreign enterprise; the use of a weighting procedure will in most cases be desirable.

31. In those circumstances where the trade of the foreign enterprise is more dependent on the economic circumstances of the investing company's reporting currency than on its own reporting currency the temporal method should be used.
32. The method used for translating the financial statements of each foreign enterprise should be applied consistently from period to period unless its financial and other operational relationships with the investing company change.
33. Where foreign currency borrowings or forward contracts have been used to finance, or provide a hedge against, group net investments in foreign enterprises, exchange gains or losses on the borrowings or forward contracts, which would otherwise have been taken to the profit and loss account, should be offset as reserve movements against exchange differences arising on the retranslation of the net investments, provided that:
 - a. the relationships between the investing company and the foreign enterprises concerned justify the use of the closing rate method for consolidation purposes;
 - b. in any accounting period the exchange gains and losses arising on the foreign currency borrowings or forward contracts are offset only to the extent of the exchange differences arising on the net investments in foreign enterprises; and
 - c. the foreign currency borrowings or forward contracts are designated and effective as a hedge against the net investments.

Where a forward contract is used as a hedge of a net investment, the discount or premium on the contract should be either amortised in the profit and loss account over the period of the contract or taken to reserves with the gain or loss.

34. Although equity investments in foreign enterprises will normally be made by the purchase of shares, investments may also be made by means of long-term loans and intra-group deferred trading balances. Where financing by such means is intended to be, for all practical purposes, as permanent as equity, such loans and intra-group balances should be treated as part of the investing company's net investment in the foreign enterprise. Hence exchange differences arising on such loans and intra-group balances should be dealt with as adjustments to reserves.

Disclosure

35. The method used in the translation of the financial statements of foreign enterprises and the treatment accorded to exchange differences should be disclosed in the financial statements.
36. The following information should also be disclosed in the financial statements of all companies other than licensed banking, insurance and shipping companies which take advantage of the disclosure exemptions permitted under Part III of the Tenth Schedule to the Companies Ordinance:
 - a. the net amount of exchange gains and losses on foreign currency borrowings less deposits, identifying separately:
 - i. the amount offset in reserves under the provisions of paragraphs 25 and 33; and
 - ii. the net amount charged/credited to the profit and loss account;
 - b. the net amount of exchange gains or losses on forward contracts, together with any associated discount or premium on these contracts, offset in reserves under the provisions of paragraphs 25 and 33; and
 - c. the net movement on reserves arising from exchange differences.

Transitional arrangements

37. Where the provisions of this Statement are applied to the translation of foreign currency operations for the first time it may represent a change in accounting policy which will normally need to be reflected as a prior year adjustment to the opening balance of retained profits in accordance with Statement 2.102 (SSAP 2). Alternatively, where the calculation of a prior year adjustment is impractical the changes in policy may be applied only to current and future financial statements provided that the effect on the results of the current period is disclosed.

Date from which effective

38. The accounting and disclosure requirements set out in this statement should be adopted as soon as possible. They should be regarded as standard in respect of financial statements relating to accounting periods beginning on or after 1st January 1985.

Part 4 — Legal Requirements in Hong Kong

39. Paragraph 12(14) of the Tenth Schedule to the Companies Ordinance requires the following matter to be shown by way of note to the balance sheet: “the basis on which other currencies have been converted into the currency in which the balance sheet is expressed, where the amount of the assets or liabilities affected is material”.

Part 5 — Compliance with International Accounting Standards

40. The requirements of International Accounting Standard No. 21 “Accounting for the effects of changes in foreign exchange rates” accord very closely with the content of this Statement. Accordingly compliance with this Statement will ensure compliance with IAS 21 in all material respects.

Part 6 — Explanatory Note

This explanatory note is for general guidance only and does not form part of the statement of standard accounting practice.

41. The method used to translate financial statements for consolidation purposes should reflect the financial and other operational relationships which exist between an investing company and its foreign enterprises.
42. In most circumstances the closing rate/net investment method should be used. This method recognises that the investment of a company is in the net worth of its foreign enterprise rather than a direct investment in the individual assets and liabilities of that enterprise. The foreign enterprise will normally have net current assets and fixed assets which may be financed partly by borrowings in its own reporting currency. In its day-to-day operations the foreign enterprise is not normally dependent on the reporting currency of the investing company. The investing company may look forward to a stream of dividends but the net investment will remain until the business is liquidated or the investment disposed of.
43. Exceptionally, however, there are cases in which the affairs of a foreign enterprise are so closely interlinked with those of the investing company that its results may be regarded as being more dependent on the economic environment of the investing company’s currency than on that of its own reporting currency. In such a case the financial statements of the foreign enterprise should be included in the consolidated financial statements as if all its transactions had been entered into by the investing company itself in its own currency. For this purpose the temporal method of translation should be used.

44. It is not possible to select one factor which of itself will lead a company to conclude that the temporal method should be adopted. All the available evidence should be considered in determining whether the currency of the investing company is the dominant currency in the economic environment in which the foreign enterprise operates. Amongst the factors to be taken into account will be:
- a. the extent to which the cash flows of the enterprise have a direct impact upon those of the investing company;
 - b. the extent to which the functioning of the enterprise is dependent directly upon the investing company;
 - c. the currency in which the majority of the trading transactions are denominated;
 - d. the major currency to which the operation is exposed in its financing structure.
45. Examples of situations where the temporal method may be appropriate are where the foreign enterprise:
- a. acts as a selling agency receiving stocks of goods from the investing company and remitting the proceeds back to that company;
 - b. produces a raw material or manufactures parts or sub-assemblies which are then shipped to the investing company for inclusion in its own products;
 - c. is located overseas for tax or legal reasons to act as a means of raising finance for other companies in the group.
46. For the purposes of this Statement foreign operations which are conducted through a foreign branch should be accounted for in accordance with the nature of the business operations concerned. Where such a branch operates as a separate business with local finance it will be accounted for using the closing rate/net investment method. Where the foreign branch operates as an extension of the company's trade and its cash flows have a direct impact upon those of the company the temporal method will be appropriate.

STATEMENT 2.112
STATEMENT OF STANDARD ACCOUNTING PRACTICE
ACCOUNTING FOR DEFERRED TAX

The provisions of this statement of standard accounting practice should be read in conjunction with the Explanatory Foreword to accounting standards and need not be applied to immaterial items.

Part 1 — Introduction

1. This statement is concerned with accounting for tax on profits and surpluses which are recognized in the financial statements in one period but assessed in another. It thus relates primarily to deferred profits tax in Hong Kong and, insofar as the principles are similar, to overseas taxes on profits payable by Hong Kong companies or their subsidiaries.
2. A number of other taxes, including property tax and some overseas taxes, are not assessed directly on profits for an accounting period and are therefore not addressed specifically in this statement. For such taxes, companies should generally follow the principle underlying this statement, that deferred tax should be provided to the extent that it is probable that a liability or asset will crystallize but not to the extent that it is probable that a liability or asset will not crystallize.
3. The amount of tax payable on the profits of a particular period often bears little relationship to the amount of income and expenditure appearing in the financial statements. This results from the different basis on which profits are arrived at for the purpose of tax computations as opposed to the basis on which profits are stated in financial statements.
4. The different basis of arriving at profits for tax purposes derives from two main sources. Firstly, certain types of income are tax-free and certain types of expenditure are disallowable, giving rise to 'permanent differences' between taxable and accounting profits. Permanent differences also arise where there are tax allowances or charges with no corresponding amount in the financial statements. Secondly, there are items which are included in the financial statements of a period different from that in which they are dealt with for tax purposes, giving rise to 'timing differences'; thus revenue, gains, expenditure and losses may be included in financial statements either earlier or later than they enter into the computation of profit for tax purposes.
5. Extraordinary items, prior year adjustments and movements on reserves are not included in profit or loss on ordinary activities but may also have an impact on the total tax payable.

Part 2 — Definition of Terms

6. *Deferred tax* is the tax attributable to timing differences.
7. *Timing differences* are differences between profits or losses as computed for tax purposes and results as stated in financial statements, which arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in financial statements. Timing differences originate in one period and are capable of reversal in one or more subsequent periods.
8. A loss for tax purposes which is available to relieve future profits from tax constitutes a timing difference.
9. The revaluation of an asset (including, in exceptional cases, an investment in an associated or subsidiary company) will create a timing difference when it is incorporated in the balance sheet, insofar as the profit or loss that would result from realization at the revalued amount is taxable, unless disposal of the revalued asset and of any subsequent replacement assets would not result in a tax liability.
10. The retention of earnings overseas will create a timing difference only if:
 - (a) there is an intention or obligation to remit them; and
 - (b) remittance would result in a tax liability.
11. *Financial statements* are balance sheets, profit and loss accounts, statements of changes in financial position, notes and other statements, which collectively are intended to give a true and fair view of financial position and profit or loss.
12. *The liability method* is a method of computing deferred tax whereby it is calculated at the rate of tax that it is estimated will be applicable when the timing differences reverse. For objectivity and consistency in the liability method, deferred tax not provided is calculated at the current tax rate.

Part 3 — Standard Accounting Practice

General

13. Deferred tax should be computed under the liability method.
14. Tax deferred or accelerated by the effect of timing differences should be accounted for to the extent that it is probable that a liability or asset will crystallize.

15. Tax deferred or accelerated by the effect of timing differences should not be accounted for to the extent that it is probable that a liability or asset will not crystallize.
16. The assessment of whether deferred tax liabilities or assets will or will not crystallize should be based upon reasonable assumptions.
17. The assumptions should take into account all relevant information available up to the date on which the financial statements are approved by the board of directors, and also the intentions of management. Ideally this information will include financial plans or projections covering a period of years sufficient to enable an assessment to be made of the likely pattern of future tax liabilities. A prudent view should be taken in the assessment of whether a tax liability will crystallize, particularly where the financial plans or projections are susceptible to a high degree of uncertainty or are not fully developed for the appropriate period.
18. The provision for deferred tax liabilities should be reduced by any deferred tax debit balances arising from separate categories of timing differences.
19. Deferred tax net debit balances should not be carried forward as assets, except to the extent that they are expected to be recoverable without replacement by equivalent debit balances and it is justified to treat them as assets (see Appendix paragraphs 10-11).

Profit and loss account

20. Deferred tax relating to the ordinary activities of the company should be shown separately as part of the tax on profit or loss on ordinary activities, either on the face of the profit and loss account or in a note.
21. Deferred tax relating to any extraordinary items should be shown separately as part of the tax on extraordinary items, either on the face of the profit and loss account or in a note.
22. The amount of any unprovided deferred tax in respect of the period should be disclosed in a note, analysed into its major components.
23. Adjustments to deferred tax arising from changes in tax rates and tax allowances should normally be disclosed separately as part of the tax charge for the period. However, the effect of a change in the basis of taxation, or of a significant change in Government fiscal policy, should be treated as an extraordinary item where material.

Balance sheet

24. The deferred tax balance, and its major components, should be disclosed in the balance sheet or notes.
25. Transfers to and from deferred tax should be disclosed in a note.
26. Where amounts of deferred tax arise which relate to movements on reserves (e.g. resulting from the expected disposal of revalued assets) the amounts transferred to or from deferred tax should be shown separately as part of such movements.
27. The total amount of any unprovided deferred tax should be disclosed in a note, analysed into its major components.
28. Where the potential amount of deferred tax on a revalued asset is not shown because the revaluation does not constitute a timing difference under paragraph 9, the fact that it does not constitute a timing difference and that tax has therefore not been quantified should be stated.
29. Where the value of an asset is shown in a note because it differs materially from its book amount, the note should also show the tax effects, if any, that would arise if the asset were realized at the balance sheet date at the noted value.

Groups

30. Deferred tax in respect of the remittance of overseas earnings should be accounted for in accordance with the provisions of this statement. Where deferred tax is not provided on earnings retained overseas, this should be stated.

Date from which effective

31. The accounting practices set out in this statement should be adopted as soon as possible and regarded as standard in respect of financial statements relating to accounting periods beginning on or after 1 January 1988.

Part 4 — Note on Legal Requirements in Hong Kong

32. The references to 'the Schedule' below are to the Tenth Schedule to the Companies Ordinance.
33. Paragraph 8 of the Schedule requires that if an amount is set aside for the purpose of its being used to prevent undue fluctuations in charges for taxation, it shall be stated. If such amount has been used during the financial year for another purpose, the amount thereof and the fact that it has been so used shall be stated (paragraph 12(12) of the Schedule).

34. Paragraph 12(15) of the Schedule requires disclosure of the basis on which the amount, if any, set aside for Hong Kong profits tax is computed.
35. Paragraph 12(5) of the Schedule requires information to be given with respect to the amount or estimated amount of any contingent liability not provided for. Unprovided deferred tax is a contingent liability, except where the prospect of it becoming payable is so remote that it does not amount to a contingent liability at all.
36. The basis on which the charge for Hong Kong profits tax is computed shall be stated (paragraph 17(3) of the Schedule). Particulars are required of any special circumstances affecting the tax liability for the financial year or succeeding financial years (paragraph 17(4) of the Schedule).
37. Paragraph 13(1)(c) of the Schedule requires disclosure of the amount of the charge to revenue for taxes imposed by the Inland Revenue Ordinance and, if that amount would have been greater but for relief from double taxation, the amount which it would have been but for such relief, and the amount of the charge for taxation imposed outside Hong Kong of profits, income and (so far as charged to revenue) capital gains.
38. The requirements of:
 - (a) paragraphs 33, 36 and 37 do not apply to licensed banks; and
 - (b) paragraph 35 do not apply to insurance companies
 to the extent that these companies take advantage of the disclosure exemptions permitted under Part III of the Schedule.

Part 5 — Compliance with International Accounting Standards

39. The requirements of International Accounting Standard No. 12 "Accounting for taxes on income" accord very closely with the content of this Statement so far as deferred tax is concerned. Accordingly compliance with this Statement will ensure compliance with IAS 12 in all material respects so far as deferred tax is concerned.

Part 6 — Explanatory Note

This explanatory note is for general guidance only and does not form part of the statement of standard accounting practice.

Basis of provision

40. There are three principal bases for computing deferred tax.

41. The first is called 'nil provision' or 'flow through' and is based on the principle that only the tax payable in respect of a period should be charged in that period. No provision for deferred tax would therefore be made. Those who hold this view argue that any tax liability arises on taxable profits, not accounting profits, and therefore consider that it is necessary to provide tax only on taxable profits. Further, any tax liability arising on timing differences will depend on the incidence of future taxable profits and may therefore be difficult to quantify.
42. A basis radically different from nil provision is 'full provision', sometimes called 'comprehensive allocation'. This is based on the principle that financial statements for a period should recognize the tax effects, whether current or deferred, of all transactions occurring in that period.
43. An advantage of either of these bases is that the amounts involved can be precisely quantified. However, a crucial disadvantage is that they can lead to a purely arithmetical approach, in which certainty of calculation is given precedence over a reasoned assessment of what the tax effects of transactions will actually be.
44. The effect of timing and other differences on tax charges in relation to reported profits would be of little significance if taxation were not regarded as relevant to the performance of the company for the period, and hence the only accepted indicator of performance were to be the result before tax. However, the result after tax is also widely regarded as an important indicator of performance and this will be distorted by accounting for deferred tax where it is probable that a liability or asset will not crystallize, or by failing to account for deferred tax where it is probable that a liability or asset will crystallize.
45. So far as the balance sheet is concerned, the amount of shareholders' funds and its relationship with the amount of funds from other sources may similarly be distorted by accounting for deferred tax where it is probable that a liability or asset will not crystallize, or by failing to account for deferred tax where it is probable that a liability or asset will crystallize.
46. A third basis is 'partial provision', which requires that deferred tax should be accounted for in respect of the net amount by which it is probable that any payment of tax will be temporarily deferred or accelerated by the operation of timing differences which will reverse in the foreseeable future without being replaced. Partial provision recognizes that, if a company is not expected to reduce the scale of its operations significantly, it will often have what amounts to a hard core of timing differences so that the payment

of some tax will be permanently deferred. On this basis, deferred tax has to be provided only where it is probable that tax will become payable as a result of the reversal of timing differences. Because it is based on an assessment of what will actually be the position, partial provision is preferable to the other bases described above.

Method of computation

47. There are two principal methods of computation. The first is the deferral method, under which the tax effects of timing differences are calculated using the tax rates current when the differences arise. No adjustments are made subsequently if tax rates change. Reversals are accounted for using the tax rates in force when the timing differences originated, although in practice the effects of reversals and new timing differences are sometimes accounted for as one item. Those who support this method recognize that, when tax rates change, this method will not give an indication of the amount of tax payable or recoverable. Any deferred tax balance will therefore be a deferred tax credit or charge rather than a liability or asset. When tax rates change there is no need to revise the deferred tax already provided. Thus the tax charge or credit for the period relates solely to that period and is not distorted by any adjustments relating to prior periods.
48. The other method is the liability method, under which deferred tax provisions are calculated at the rate at which it is estimated that tax will be paid (or recovered) when the timing differences reverse. Usually the current tax rate is used as the best estimate, unless changes in tax rates are known in advance. As a result, deferred tax provisions are revised to reflect changes in tax rates. Thus the tax charge or credit for the period may include adjustments of accounting estimates relating to prior periods. The deferred tax provision represents the best estimate of the amount which would be payable or recoverable if the relevant timing differences reversed.
49. The liability method is the method consistent with the aim of partial provision, which is to provide the deferred tax which it is probable will be payable or recoverable.
50. Paragraph 12 of the Statement notes that the deferred tax not provided, which is required to be disclosed by paragraphs 22 and 27 of the Statement, is to be calculated using the current tax rate. This rate is preferred to the expected long term rate or other notional rates because it is less subjective and is consistent with the calculation of the deferred tax provision under the liability method.

Appendix

Note: This appendix is for guidance only and does not form part of the statement of standard accounting practice.

Deferred tax effects of current tax legislation in Hong Kong

Introduction

1. This appendix gives guidance on the accounting treatment of the tax effects of permanent and timing differences between taxable and accounting income resulting from current tax legislation in Hong Kong. It reflects legislation current as at May 1987 and will need to be amended when necessary to reflect changes in legislation.
2. The principal areas of difference are:
 - (a) permanent differences;
 - (b) timing differences;
 - (c) losses; and
 - (d) items not included in profit or loss on ordinary activities.

Items not included in profit or loss on ordinary activities are dealt with in paragraphs 21 and 26 of this statement and accordingly are not considered in this appendix.

Permanent differences

3. Examples of permanent differences are donations to unapproved charitable organizations and fines (disallowable) and offshore income (tax free). These differences will not reverse in future periods and thus give rise to no tax effects in other periods.

Timing differences

4. The combined effect of timing differences should be considered when attempting to assess whether a tax liability will crystallize, rather than looking at each timing difference separately. Paragraphs 16 and 17 of the standard indicate that reasonable assumptions, by reference to suitable financial plans or projections covering a period of years, are required when making this assessment. The period may be relatively short — say three to

five years — where the pattern of timing differences is expected to be regular. However, it may need to be longer for a company with an irregular pattern of timing differences. The length of the lives of the relevant assets and the company's assumptions on growth in capital expenditure also affect the length of the period which needs to be considered.

5. A number of timing differences arise from the use of the receipts and payments basis for tax purposes and the accruals basis in financial statements. Examples of these and other timing differences are:
 - (a) interest receivable recognized as income in the accounting period, but taxed when received or "accruing to" under Section 15 of the Inland Revenue Ordinance;
 - (b) pension costs accrued in the financial statements but allowed for tax purposes when paid or contributed at some later date;
 - (c) provisions not allowed for tax purposes until proven to the satisfaction of the assessor that they are specific;
 - (d) revenue expenditure deferred in the financial statements, such as development or advertising allowed for tax purposes as it is incurred; and
 - (e) realized and unrealized exchange differences on foreign exchange transactions.

6. A number of these differences are 'short term' timing differences in that they can be identified with specific transactions and normally reverse in the accounting period following that in which they originated. Short term and other timing differences need to be considered together when attempting to assess whether a tax liability will crystallize.

Accelerated depreciation allowances

7. Accelerated depreciation allowances are timing differences which arise from the availability of depreciation allowances in tax computations which are in excess of the related depreciation charges in financial statements. The reverse may also occur, whereby the depreciation charges in financial statements exceed the depreciation allowances available in tax computations.

8. In many businesses, timing differences arising from accelerated depreciation allowances are of a recurring nature and reversing differences are themselves offset, wholly or partially, or are exceeded, by new originating differences, thereby giving rise to continuing tax reductions or the indefinite postponement of any liability attributable to the tax benefits received. Thus a company having a relatively stable or growing investment in depreciable assets can take tax relief year by year on capital expenditure. This tax relief may equal or exceed the additional tax which would otherwise have been payable in consequence of the reversal of the original timing differences through depreciation. Where for economic or other reasons a spasmodic or highly irregular pattern of depreciation allowances is forecast, a substantial period of time will need to be considered in attempting to assess whether a tax liability will crystallize. Where there is a declining availability of depreciation allowances, any originating timing differences will usually reverse, and deferred tax should be provided unless it is probable for other reasons that no tax liability will crystallize.

Overseas assets

9. Translation of the financial statements of overseas subsidiaries or associated companies is not regarded as creating a timing difference. Gains and losses arising on translation of a company's own overseas assets (including investments in subsidiaries and associated companies) and liabilities may give rise to timing differences depending on whether or not the gains or losses have a tax effect.

Losses

10. As noted in paragraph 19, the recognition of deferred tax debits is dependent upon whether debit timing differences are expected to be realized in future or otherwise to be recoverable without replacement with equivalent debit balances. A significant question exists as to whether the recognition of deferred tax debits is contrary to the accounting concept of prudence since realization of such debits is dependent upon sufficient future taxable income being generated. In particular, it is conceivable that these debit timing differences may not reverse until an undeterminable point in the future. Although it is consistent with the matching concept to take up the tax effects of debit timing differences at the time they originate regardless of when they will actually reverse, sound judgement is required in accurately evaluating whether there is a reasonable expectation of sufficient future taxable income to ensure recoverability of the deferred tax asset (debit).

11. In particular, the recognition of deferred tax debits should normally be discontinued when an operating loss occurs or recurs. Under such circumstances, it may also no longer be appropriate to carry forward as an asset the balance of the deferred tax debits in the balance sheet. Such deferred tax debits should accordingly be evaluated as to realizability in the same manner as are other assets. Thus deferred tax relating to current trading losses may only be treated as recoverable when:
- (a) the loss results from an identifiable and non-recurring cause;
 - (b) the company, or its predecessor company, has been consistently profitable over a considerable period, with any past losses being more than offset by income in subsequent periods; and
 - (c) it is assured beyond reasonable doubt that future taxable profits will be sufficient to offset the current loss.

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