



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

Hong Kong Institute of Certified Public Accountants takes regulatory action against two certified public accountants (practising) and a firm

(HONG KONG, 20 December 2019) The Hong Kong Institute of Certified Public Accountants has taken regulatory action against Mr. Yam Tak Fai, Ronald, certified public accountant (practising) (F02910), Mr. Wong Wo Cheung, certified public accountant (practising) (A09961) and RSM Hong Kong (1140) (collectively “Respondents”) for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute.

RSM Hong Kong (formerly known as RSM Nelson Wheeler) audited the consolidated financial statements of Modern Beauty Salon Holdings Limited, a Hong Kong listed company (“Company”), and its subsidiaries (collectively “Group”) for the years ended 31 March 2010 to 2012 and expressed unmodified auditor’s opinions. Yam was the engagement partner and Wong was the engagement quality control reviewer.

The Financial Reporting Council investigated the audits and noted audit irregularities concerning revenue recognition and a convertible note.

The audit irregularities concerning revenue recognition related to the 2010 to 2012 audits. The Group recognized the unutilized portion of prepaid service contracts as revenue when customers changed contracts before expiry, and the underlying service treatments had not yet been delivered. This was contrary to Hong Kong Accounting Standard (“HKAS”) 18 *Revenue*.

In the 2010 and 2011 audits, the Respondents failed to consider the risk of material misstatement in relation to change in services or transfer of unutilized prepaid contracts, and failed to plan and perform audit procedures to test those transactions and the relevant internal controls. In the 2012 audit, the Respondents identified the accounting non-compliance and, through audit tests performed, calculated the expected misstatements in the deferred revenue balance and the corresponding amount of revenue recognized in the financial statements. Management determined an amount based on the Respondents’ calculation, and adjusted the financial statements accordingly. However, the Respondents failed to justify that the management’s adjusted amount was sufficiently precise to correct the misstatements in the financial statements.

The irregularity concerning the convertible note related to the 2012 audit. The Company issued a convertible note to its controlling shareholder and chairperson as consideration of a business combination. The terms of the note contained contingent settlement provisions which would obligate the Company to redeem the unconverted outstanding balance of the note in cash when certain events occurred. Notwithstanding this, the Company recognized its contractual obligation to pay interest for the note as a financial

liability and the residual balance as an item in equity, whereas it should have comprised embedded derivative financial instruments and a financial liability.

In their audit, the Respondents failed to properly evaluate those contingent settlement provisions against the requirements of HKAS 32 *Financial Instruments: Presentation*, and prepare sufficient audit documentation to support their conclusion on the classification of the convertible note.

The Institute concluded as follows:

- (i) Yam and RSM failed or neglected to observe, maintain or otherwise apply the following professional standards:
 - Hong Kong Standard on Auditing (“HKSA”) 200 (Clarified) *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Hong Kong Standards on Auditing*;
 - HKSA 230 (Clarified) *Audit Documentation*;
 - HKSA 330 (Clarified) *The Auditor’s Responses to Assessed Risks*;
 - HKSA 500 (Clarified) *Audit Evidence*; and
 - HKSA 530 (Clarified) *Audit Sampling*.
- (ii) Wong failed or neglected to observe, maintain or otherwise apply HKSA 220 (Clarified) *Quality Control for an Audit of Financial Statements*.

Regulatory action

Based on the foregoing and in lieu of further proceedings, the Council of the Hong Kong Institute of Certified Public Accountants concluded that the following should resolve the complaint:

1. The Respondents acknowledge the facts of the case and their non-compliance with the relevant professional standards;
2. they be reprimanded; and
3. Yam, Wong and RSM pay an administrative penalty of HK\$40,000, HK\$10,000 and HK\$50,000, respectively, and they jointly pay costs of the Institute and the Financial Reporting Council totalling HK\$283,748.

About Resolution by Agreement

In order to better serve the interests of the public and the profession, the Hong Kong Institute of Certified Public Accountants (“HKICPA”) ensures complaints are dealt with in an effective and transparent manner. In accordance with Council powers outlined in the Professional Accountants Ordinance, a Resolution by Agreement (“RBA”) may be offered in uncontested cases considered to be moderate after taking into account the nature and

gravity of the complaint, past disciplinary records of the respondent and any aggravating or mitigating circumstances. An RBA will not be offered in cases involving complaints of dishonesty, which are handled through a separate disciplinary process.

The RBA includes a mandatory public censure which entails publication of the name of the respondent, facts of the case and areas of non-compliance with professional standards. Information on the Institute's complaint handling process and guidelines for Resolutions by Agreement are available at the Institute website under the "Compliance" section at www.hkicpa.org.hk.

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About HKICPA

The Hong Kong Institute of Certified Public Accountants ("HKICPA") is the statutory body established by the Professional Accountants Ordinance responsible for the professional training, development and regulation of certified public accountants in Hong Kong. The Institute has more than 44,000 members and 18,000 registered students.

Our qualification programme assures the quality of entry into the profession, and we promulgate financial reporting, auditing and ethical standards that safeguard Hong Kong's leadership as an international financial centre.

The CPA designation is a top qualification recognised globally. The Institute is a member of and actively contributes to the work of the Global Accounting Alliance and International Federation of Accountants.

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香港會計師公會對兩名執業會計師及一間會計師事務所作出監管行動

(香港，二零一九年十二月二十日) 香港會計師公會就執業會計師任德輝先生(會員編號：F02910)、執業會計師王和祥先生(會員編號：A09961)及羅申美會計師事務所(事務所編號：1140)(統稱「答辯人」)沒有或忽略遵守、維持或以其他方式應用公會頒佈的專業準則，對他們作出監管行動。

羅申美會計師事務所(前稱中瑞岳華(香港)會計師事務所)曾審計香港上市公司現代美容控股有限公司(「該公司」)及其附屬公司(統稱「該集團」)截至二零一零年至二零一二年三月三十一日止年度的綜合財務報表，並發表了無保留的核數師意見。任先生是該等審計項目的合夥人，而王先生則是該等審計項目的質量控制覆核人。

財務匯報局對該等審計項目進行調查，並發現涉及收入確認及可換股票據的審計違規。

關於收入確認的審計違規是與二零一零年至二零一二年的審計有關。當顧客在服務合約到期前更改合約時，該集團在相關服務療程仍未提供下，將預付服務款項的未使用部份確認為收入，違反了 Hong Kong Accounting Standard (「HKAS」) 第 18 號「Revenue」。

於二零一零年及二零一一年的審計中，答辯人沒有考慮因更改服務或轉讓未使用的預付合約而產生重大錯誤陳述的風險，且沒有計劃及進行審計程序以測試該等交易及相關內部監控。在二零一二年的審計中，答辯人發現了該會計違規，並通過審計測試推算錯誤陳述的遞延收益額及相應的入賬收入金額。管理層根據答辯人的推算來釐定一個金額以調整財務報表。然而，答辯人沒有衡量管理層調整的金額能否充分準確更正於財務報表的錯誤陳述。

關於可換股票據的違規是與二零一二年的審計有關。該公司向其控股股東兼主席發行可換股票據，作為一項業務合併的代價。該票據的條款載有或然結算條文，強制該公司在若干事件發生時須以現金贖回票據的未換股部分。儘管如此，該公司將支付該票據利息的合約義務確認為金融負債，並將剩額確認為一項權益。然而，該票據應包含內嵌衍生金融工具及金融負債。

在進行審計時，答辯人沒有根據 HKAS 第 32 號「Financial Instruments: Presentation」的規定對該等或然結算條文作出適當評估，亦沒有編備充分的審計記錄以支持他們對該可換股票據分類所作出的結論。

公會的結論如下：

- (i) 任先生及羅申美沒有或忽略遵守、維持或以其他方式應用以下的專業準則：

- Hong Kong Standard on Auditing (「HKSA」) 200 (Clarified) 「Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Hong Kong Standards on Auditing」；
- HKSA 230 (Clarified) 「Audit Documentation」；
- HKSA 330 (Clarified) 「The Auditor's Responses to Assessed Risks」；
- HKSA 500 (Clarified) 「Audit Evidence」；及
- HKSA 530 (Clarified) 「Audit Sampling」。

(ii) 王先生沒有或忽略遵守、維持或以其他方式應用 HKSA 220 (Clarified) 「Quality Control for an Audit of Financial Statements」。

監管行動

基於上文所述及為省卻進一步程序，香港會計師公會理事會決定以下列的方案解決這宗投訴：

1. 答辯人承認此個案中的事實及違反了相關專業準則；
2. 他們被譴責；及
3. 任先生、王先生及羅申美須分別繳交行政罰款 40,000 港元、10,000 港元及 50,000 港元，以及共同繳交公會及財務匯報局的費用共 283,748 港元。

有關解決方案

為保障公眾及會計界的利益，香港會計師公會以有效及具透明度的方式處理投訴個案。根據《專業會計師條例》概述的公會理事會權力，公會在考慮投訴個案的性質與嚴重性、答辯人的過往處分紀錄，以及加重與寬減等因素後，若認為個案屬中度嚴重，便可在答辯人不抗辯的情況下藉解決方案處理。然而，如個案涉及不誠實行為的投訴，則不可藉解決方案處理，而須另按紀律處分程序處理。

對於所有解決方案，公會均作出強制性的公開譴責及公佈答辯人的姓名、個案涉及的事實和所違反的專業準則。公會投訴處理程序及解決方案的指引，可於公會網頁 (www.hkicpa.org.hk) 內「Compliance」部份查閱。

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關於香港會計師公會

香港會計師公會是根據《專業會計師條例》成立的法定機構，負責培訓、發展和監管本港的會計專業。公會會員超過 44,000 名，學生人數逾 18,000。

公會開辦專業資格課程，確保會計師的入職質素，同時頒佈財務報告、審計及專業操守的準則，以鞏固香港作為國際金融中心的領導地位。

CPA 會計師是一個獲國際認可的頂尖專業資格。公會是全球會計聯盟及國際會計師聯合會的成員之一，積極推動國際專業發展。

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