

LEGISLATIVE COUNCIL BRIEF

PROFESSIONAL ACCOUNTANTS (AMENDMENT) BYLAW 1998

INTRODUCTION

At the meeting of the Executive Council on 3 November 1998, the Council ADVISED and the Chief Executive ORDERED that the Professional Accountants (Amendment) Bylaw 1998 (the "Bylaw"), at the Annex, should be approved under section 8(1) of the Professional Accountants Ordinance to raise the minimum pre-entry education requisite for registration as students of the Hong Kong Society of Accountants ("HKSA") from the current General Certificate of Education 'Advanced' Level to accountancy degree level with effect from 1 January 1999 and to prescribe new requirements for students who wish to enrol in the HKSA's new examinations.

BACKGROUND AND ARGUMENT

Powers of the HKSA

2. The HKSA is a self-regulatory body established under the Professional Accountants Ordinance ("the Ordinance") with a wide range of powers and responsibilities conferred upon it for the maintenance of accounting and auditing standards, training for the profession, and for conducting examinations to accredit professional accountants. Under section 8(1) of the Ordinance, the HKSA may, subject to the approval of the Chief Executive in Council, make bylaws to, among others, govern the registration, training and education of students, as well as to empower the Council of the HKSA to make rules prescribing its examinations and all matters incidental to the holding thereof including exemptions or concessions which may be granted in respect of these examinations.

Present position

3. At present, people seeking to enrol in the Joint Examination Scheme that HKSA provides in association with the Association of Chartered Certified Accountants (“ACCA”) of the United Kingdom (the “Joint Examinations”) have to register first as a student member of the HKSA. The current pre-entry educational standard for registration as students, as stipulated under bylaw 31, are set at GCE ‘A’ Level (that is, 2 Advanced Level passes and 3 Ordinary Level passes), or university level or a diploma in accountancy.

Review of the Professional Accreditation System for Accountants

4. In 1994, the HKSA set up a Steering Committee on Professional Accreditation, chaired by the Hon Eric LI, to study and draw up proposals for a new professional accreditation system that will suit the particular environment of Hong Kong. The Committee has completed the study and its proposals have been endorsed by the Council of the HKSA (“the Council”). The Council has approved that a new professional accreditation system would be introduced in 1999 and would include, amongst others, new requirements for student registration and membership admission. The HKSA will also start to hold its own professional examinations from 1999. The new scheme will replace the Joint Examinations after its contract with ACCA expires on 31 December 2001. The objectives of the new framework are firstly, to ensure that professional accountants will have the required competency to meet future challenges and secondly, to enable the HKSA to assume the full responsibility of ensuring its professional examinations are on a par with leading professional accountancy bodies in the world.

Graduate Entry Policy

5. The HKSA considers that the adoption of a policy of graduate entry has considerable significance in that it will enable the HKSA to compare favourably with the best professional practices world-wide in standards of accounting education and membership. This view is shared by the International Federation of Accountants which also recognises the importance of university education and a structured training programme in maintaining professional competence in the face of increasing changes faced by professional accountants. The proposed graduate entry requirement will also improve the overall competency of Hong Kong’s accounting profession which will in turn, enhance the position of the HKSA when negotiating with comparable professional bodies in other jurisdictions for mutual recognition.

6. Under the HKSA's new professional accreditation system to be introduced in 1999, the education standard for entry into the HKSA as a registered student will, with effect from 1 January 1999, be raised to accountancy degree level attained from an educational institute approved by the HKSA. For persons who do not meet this new standard, the HKSA will require them to first undertake either a "Foundation Programme" (for non-degree-holders) or a "Conversion Programme" (for non-accountancy-degree holders) in which prospective students will be provided with training at tertiary level. The prospective students will be allowed to become registered students of the HKSA only after they have completed the relevant study programme and hence be eligible to sit for the professional examinations of the HKSA.

Transitional Arrangement

7. Persons who have already registered as students with the HKSA before 1 January 1999 may continue their student membership after 1 January 1999, subject to their compliance with the bylaws, and will have until 31 December 2001 to complete the Joint Examinations. Thereafter, if the students have not yet completed the Joint Examinations, they may opt to remain in the stream of the UK ACCA Professional Examination or to "switch over" to the HKSA's new professional examinations known as the "HKSA professional programme and examinations". In the latter case, the students will have to meet the new requisite standard of education, that is, they are either accountancy-degree-holders or have completed the "Foundation Programme" or the "Conversion Programme", as appropriate, in order to be eligible to sit for the "HKSA professional programme and examinations". The HKSA will give due recognition to students who have completed up to certain levels in the Joint Examinations by giving them possible concessions from the study programmes. The HKSA will secure adequate places for its prospective students for both the Foundation and Conversion Programmes from Hong Kong's tertiary institutions upon demand.

Making of the Bylaw

8. The Professional Accountants (Amendment) Bylaw 1998 was made by the HKSA at its Extraordinary General Meeting on 9 October 1998 and has been duly certified by its President under section 8(2) of the Ordinance.

THE BYLAW

9. **Clause 2** amends bylaw 31(3)(a) to (d) by specifying the requisite standards of education for becoming a registered student at different periods, namely before 1 January 1982, between 1 January 1982 and 31 December 1998 and with effect from 1 January 1999. In respect of the first category, the person is required to be at least a holder of a Hong Kong Certificate of Education (English) with credits in at least 5 subjects (including English and Mathematics) or equivalent. In respect of the second category, the minimum education requisite is GCE 2 'A' Level passes and 3 'O' Level passes (current standard). In respect of the third category, a person has to be an accountancy degree holder of an educational institute approved by the Council or to have completed a study programme approved by the Council (proposed new standard).

10. **Clause 3** amends bylaw 38 and provides for new restrictions on taking professional examinations of the HKSA by students whose registrations are made at different periods. Specific reference is made to students who apply to register with the HKSA before 1 January 1999. These students may not sit for the "HKSA professional programme and examinations" held between 1 January 1999 and 31 December 2001. The purpose is to honour a HKSA agreement with the ACCA that aims at avoiding students to take, in parallel, the Joint Examinations and the "HKSA professional programme and examinations" between 1 January 1999 and 31 December 2001. It is further provided that the new requisite standard of education will apply to all persons wishing to enrol in the "HKSA professional programme and examinations" after 2001.

HUMAN RIGHTS IMPLICATIONS

11. The Department of Justice advises that the proposed Bylaw has no human rights implications.

FINANCIAL AND STAFFING IMPLICATIONS

12. There are no financial or staffing implications for the Government.

ECONOMIC IMPLICATIONS

13. The new accreditation system will benefit the business sector by upholding the competency of future breeds of professional accountants, whilst not inhibiting entry to HKSA by interested candidates at different relevant levels of prior education.

PUBLIC CONSULTATION

14. Members and registered students of the HKSA, tertiary educational institutions, leading accountancy bodies overseas and major accounting firms have been consulted on the HKSA proposals. The proposal for graduate entry has overwhelming support from these bodies. The general public is unlikely to be affected, hence separate public consultation is not required.

PUBLICITY

15. The HKSA will issue a press release to announce the introduction of its new professional accreditation system and the new student membership requirements. A spokesman from the HKSA will be made available for answering media and public enquiries.

ENQUIRIES

16. For enquiries, please contact Miss Sylvia LAM, Assistant Secretary for Financial Services, at 2527 3102.

Financial Services Bureau
5 November 1998

PROFESSIONAL ACCOUNTANTS (AMENDMENT) BYLAW 1998

(Made by the Hong Kong Society of Accountants under section 8 of the Professional Accountants Ordinance (Cap. 50) with the approval of the Chief Executive in Council)

1. Commencement

This Bylaw shall come into operation on 1 January 1999.

2. Consent to registration

By-law 31(3)(a), (b), (c) and (d) of the Professional Accountants By-laws (Cap. 50 sub. leg.) is repealed and the following substituted -

“(a) in the case of a person who applies under paragraph

(1)(a) before 1 January 1982 -

- (i) if he is the holder of a Hong Kong Certificate of Education (English) with credits in at least 5 subjects (including English and Mathematics) or if he has passed such examinations (including English and Mathematics) which in the opinion of the Council are of an equivalent standard to such Hong Kong Certificate of Education (English); or
- (ii) if he is a graduate of a university approved by the Council; or

- (iii) if he is the holder of a diploma in accountancy awarded by an educational institute approved by the Council;
- (b) in the case of a person who applies under paragraph (1)(a) on or after 1 January 1982 but before 1 January 1999 -
 - (i) if he is the holder of a General Certificate of Education (England) with 2 Advanced Level passes and 3 Ordinary Level passes, or 3 Advanced Level passes and 1 Ordinary Level pass, (including English and Mathematics) or if he has passed such examinations (including English and Mathematics) which in the opinion of the Council are of an equivalent standard to such General Certificate of Education (England); or
 - (ii) if he is a graduate of a university approved by the Council; or
 - (iii) if he is the holder of a diploma in accountancy awarded by an educational institute approved by the Council;
- (c) in the case of a person who applies under paragraph (1)(a) on or after 1 January 1999 -
 - (i) if he is the holder of a degree in accountancy awarded by an educational institute approved by the Council; or
 - (ii) if he has completed a study programme approved by the Council:”.

3. By-law substituted

By-law 38 is repealed and the following substituted -

“38. Restriction on taking examinations

(1) Subject to paragraphs (2), (3), (4) and (5), a person is not entitled to enter for an examination of the Society unless he -

- (a) is a registered student; or
- (b) is a person required to sit an examination under section 29A(3) of the Ordinance.

(2) Subject to paragraphs (3) and (4), a registered student is not entitled to enter for an examination of the Society unless he -

- (a) has paid his annual registration fee to the Society for the year in which the examination is held; and
- (b) complies with such regulations relating to the examination as the Council may specify.

(3) A registered student whose application for registration is made before 1 January 1999 is not entitled to enter for the examination known as the “HKSA professional programme and examinations” held between 1 January 1999 and 31 December 2001.

(4) A registered student whose application for registration is made before 1 January 1999 is not entitled to enter for the “HKSA professional programme and examinations” held on or after 1 January 2002 unless, in addition to complying with paragraph (2)(a) and (b), he -

- (a) holds a degree in accountancy awarded by an educational institute approved by the Council; or
- (b) has completed a study programme approved by the Council.

(5) A person who is required to sit an examination under section 29A(3) of the Ordinance is not entitled to enter for an examination of the Society unless he complies with such regulations relating to the examination as the Council may specify.”.

Made by the Hong Kong Society of Accountants on 9 October 1998.

President,
Hong Kong Society of Accountants

Certified by the President of the Hong Kong Society of Accountants on 9 October 1998.

President,
Hong Kong Society of Accountants

Approved by the Chief Executive in Council on 1998.

Clerk to the Executive Council

COUNCIL CHAMBER

3 November 1998

Explanatory Note

The effect of this amendment Bylaw is -

- (a) that from 1 January 1999, a person who wishes to become a registered student of the Hong Kong Society of Accountants must attain a higher standard of education than is prescribed at present;
- (b) that a registered student whose application for registration is made before 1 January 1999 and wishes to enter for an examination of the Hong Kong Society of Accountants on or after 1 January 2002 must attain a higher standard of education than is prescribed at present.

2. The Bylaw also repeals by-law 38(2) of the Professional Accountants By-laws (Cap. 50 sub. leg.) as section 29B of the

Professional Accountants Ordinance (Cap. 50) and Part B of the Schedule to that Ordinance were repealed by the Professional Accountants (Amendment) Ordinance 1994 (96 of 1994).