

The
CHINESE ACCOUNTANT
GOLDEN
JUBILEE
1913-1963

香港華人會計師公會金禧特刊

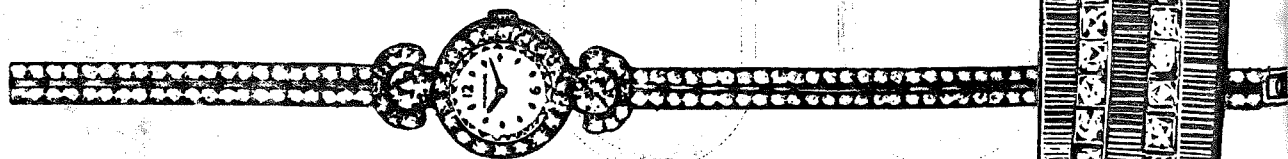
THE SOCIETY OF CHINESE ACCOUNTANTS & AUDITORS
HONG KONG

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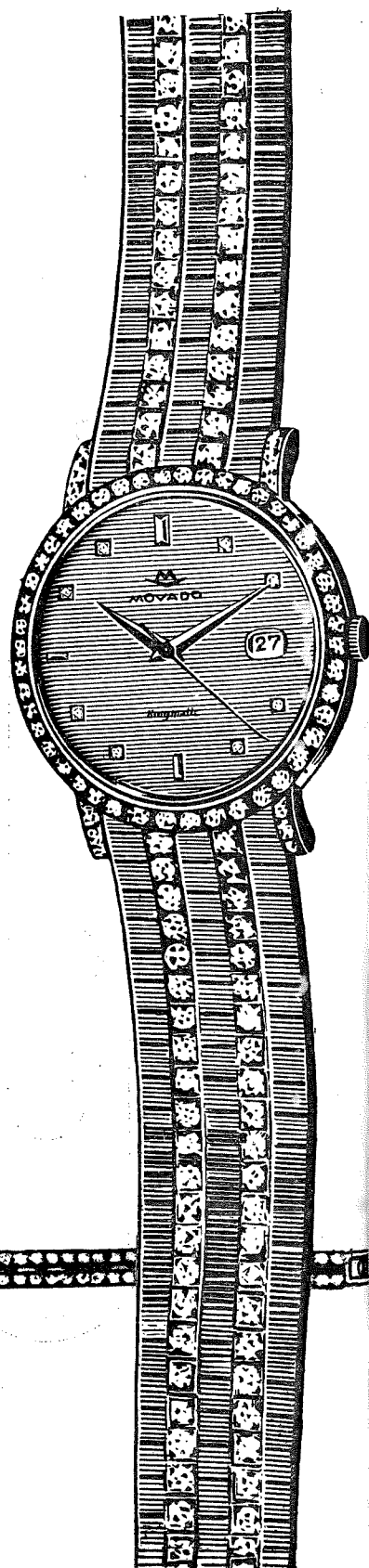
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啖 嘩 度



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Room 1431, Central Building

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THE CHINESE ACCOUNTANT

The Society of Chinese Accountants and Auditors

Founded in 1913

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Official publication of The Society of
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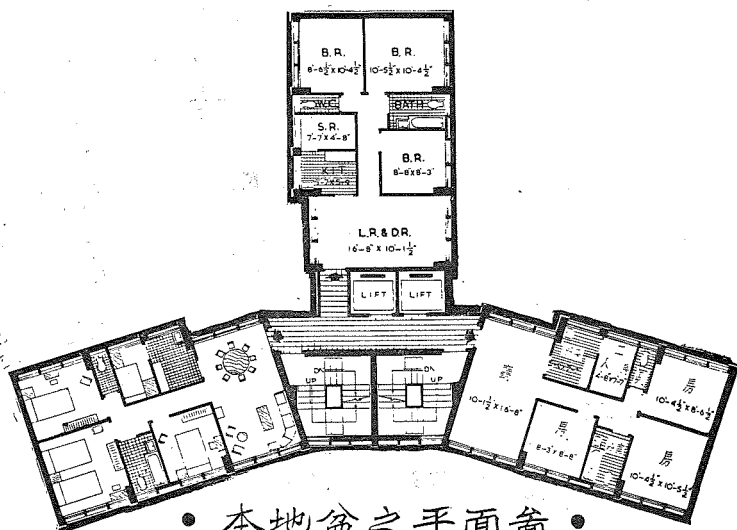
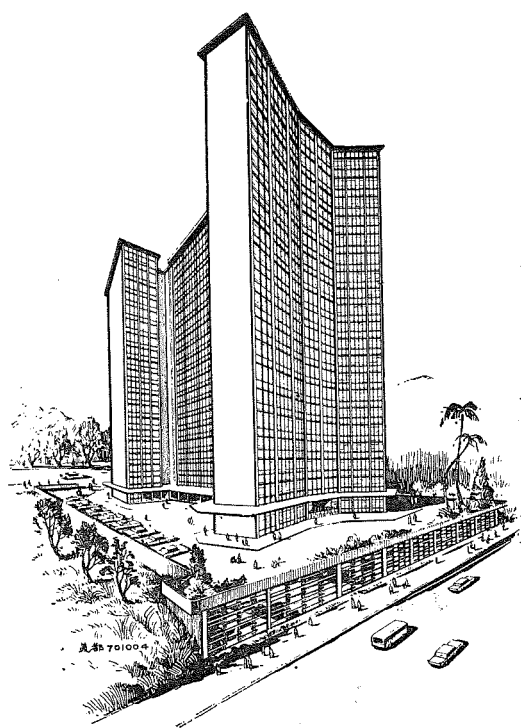
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周宮大典

周煥年題



周官大典

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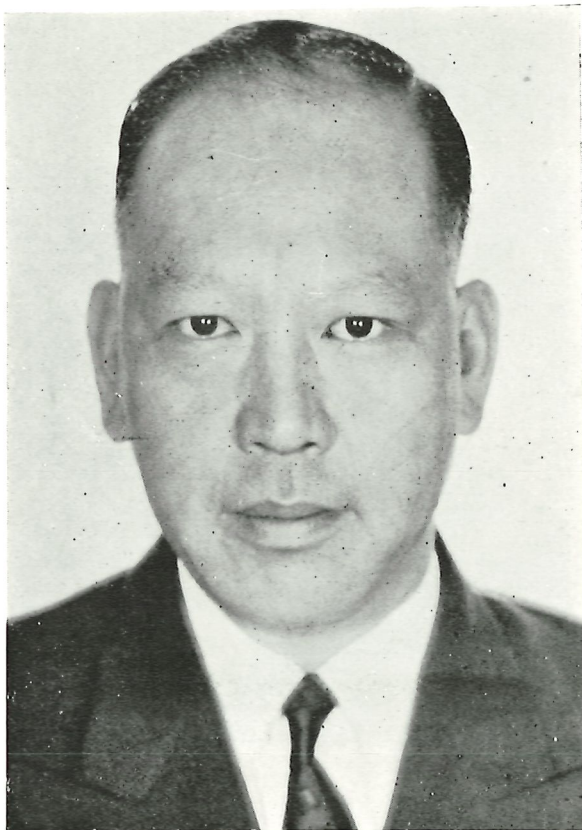


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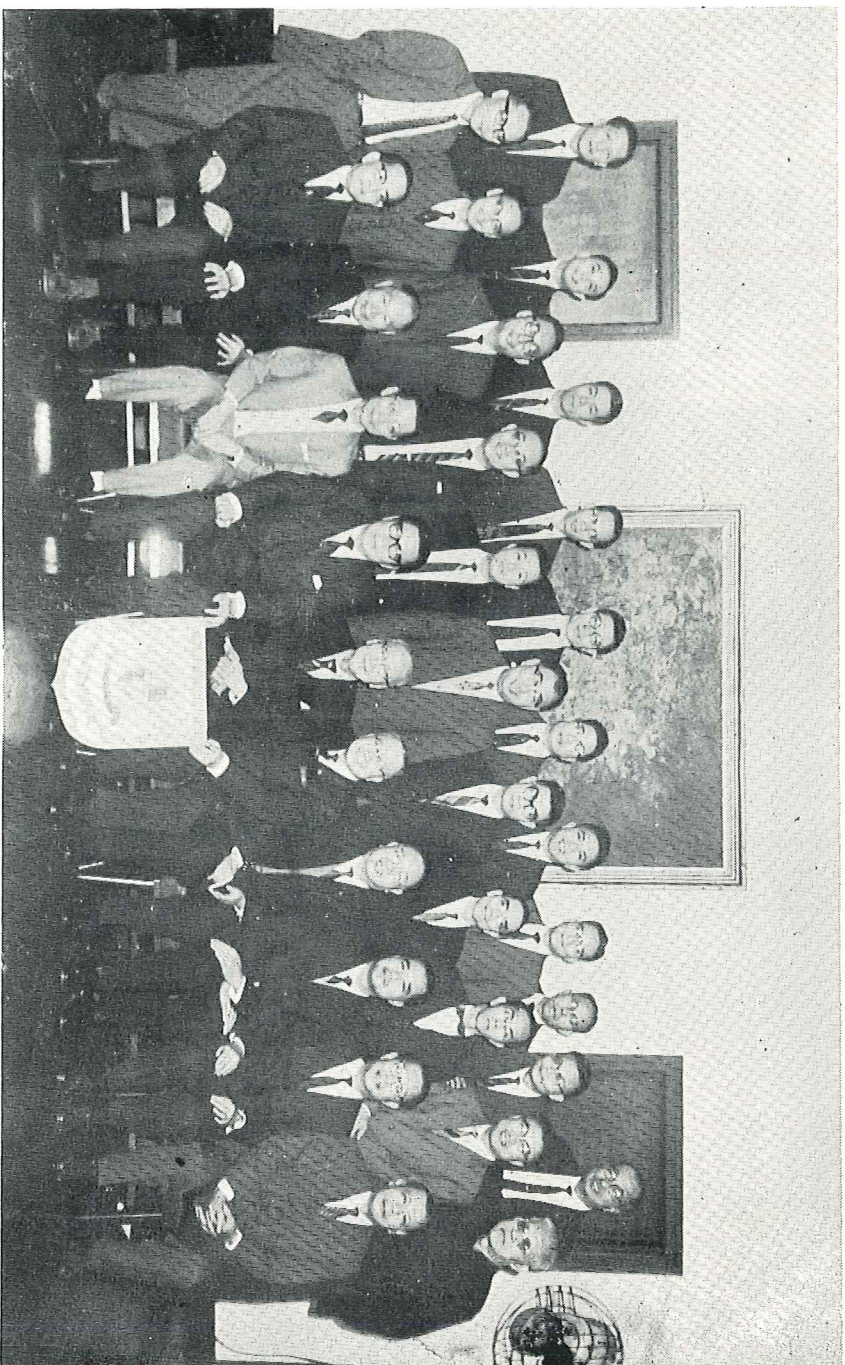
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本會一九一三年成立時第一任主席黃茂林先生玉照

J. M. WONG, Esq., J. P.

First Chairman of the Society when it
was founded in 1913



Group photograph taken at the 49th Annual General Meeting of the Society
on December 14, 1962

本會理事監事玉照 (一九六三年)

Council Members of the Society. 1963



稅務研究組組長盧子葵

T. K. Lo
Chairman of
Taxation Committee



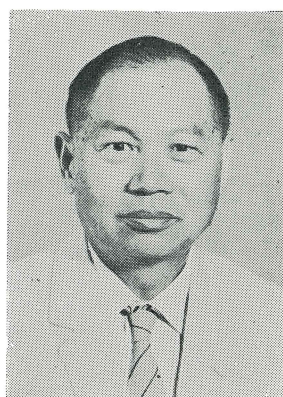
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Chairman of
Social Committee

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Council Members of the Society, 1963



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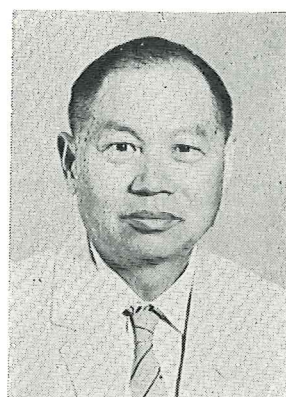
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Council Members of the Society, 1963



湯 高 新
John K. S. Thong



陳 綱
Chen Kang



譚維新顧問
W. S. Tom



容 永 道
Yung Ying Tao, Sanford
Supervisor



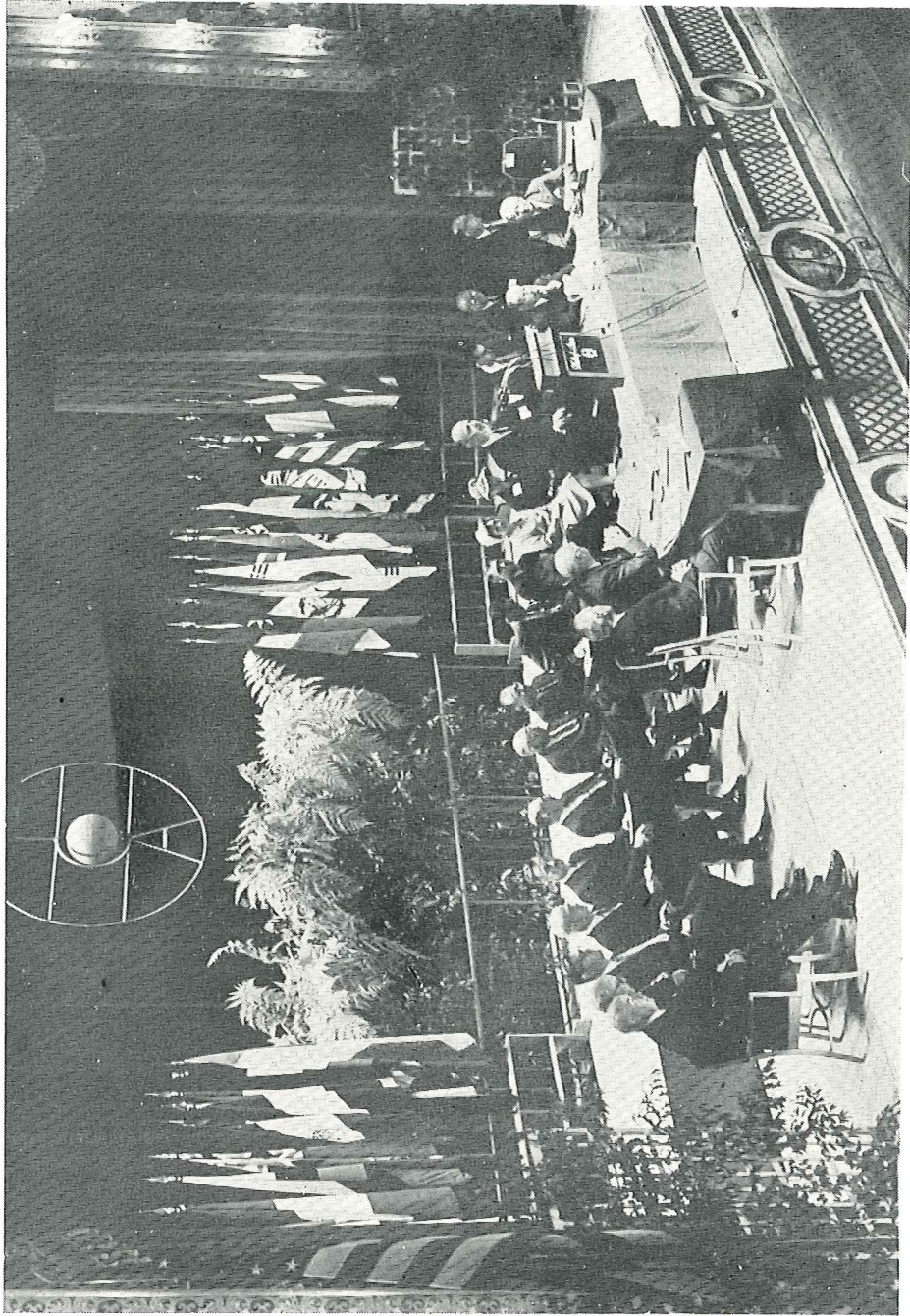
凌 文 義
Ling Man-I
Supervisor



Group photograph taken at the Farewell Dinner Party given to Mr. & Mrs. W. J. Drysdale by the Society on July 12, 1963.

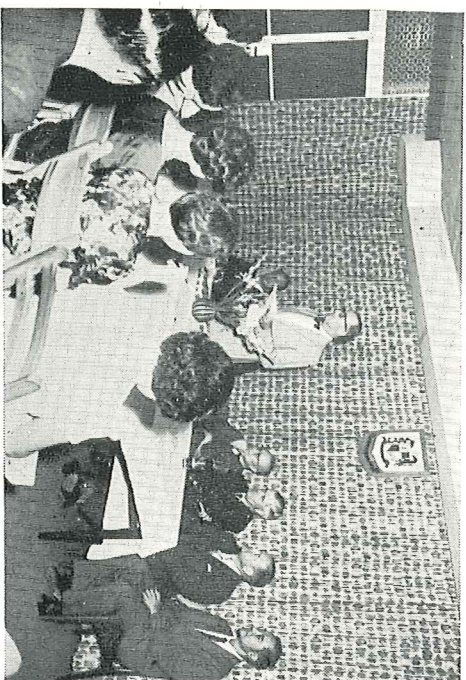


Mr. Charles Mar Fan is seen introducing the guest-speakers at the Farewell Dinner Party given to Mr. & Mrs. W. J. Drysdale on July 12, 1963.

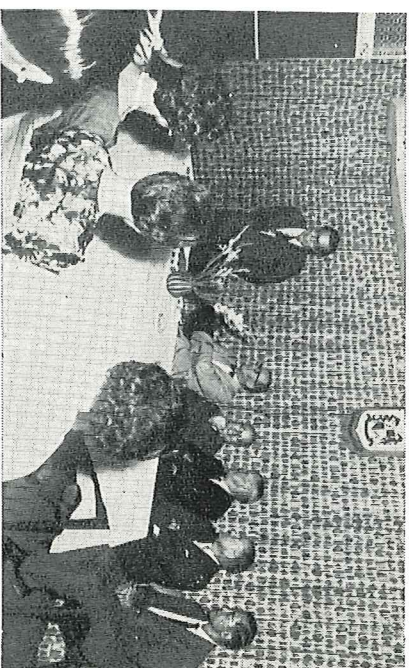


The Eighth International Congress of Accountants held in New York in September 1962.

Mr. Arthur B. Foye, President, is seen delivering his Opening Address.



Mr. Drysdale addressing the gathering
at the Farewell Party.



Mr. M. W. Kwan, Vice Chairman of the Society
addressing the gathering.



From L to R: Mr. W. Rees, Mr. Charles Mar Fan,
Mr. W. S. Tam, Hon. Advisor of the Society.



Mr. W. Rees being greeted by Mr. C. C. Tso
Hon. Treasurer of the Society.



Mr. A. D. Duffy chatting with members at the party.



Mrs. W.J. Drysdale with wives of the members



The Smiling Trio
From L. to R.: Mr. C. Mar Fan, Mr. W.J.
Drysdale and Mr. M. W. Kwan.



Mr. W. J. Drysdale toasted to the members.

Two of the Discussion Groups at the Eighth International Congress of Accountants held in New York.



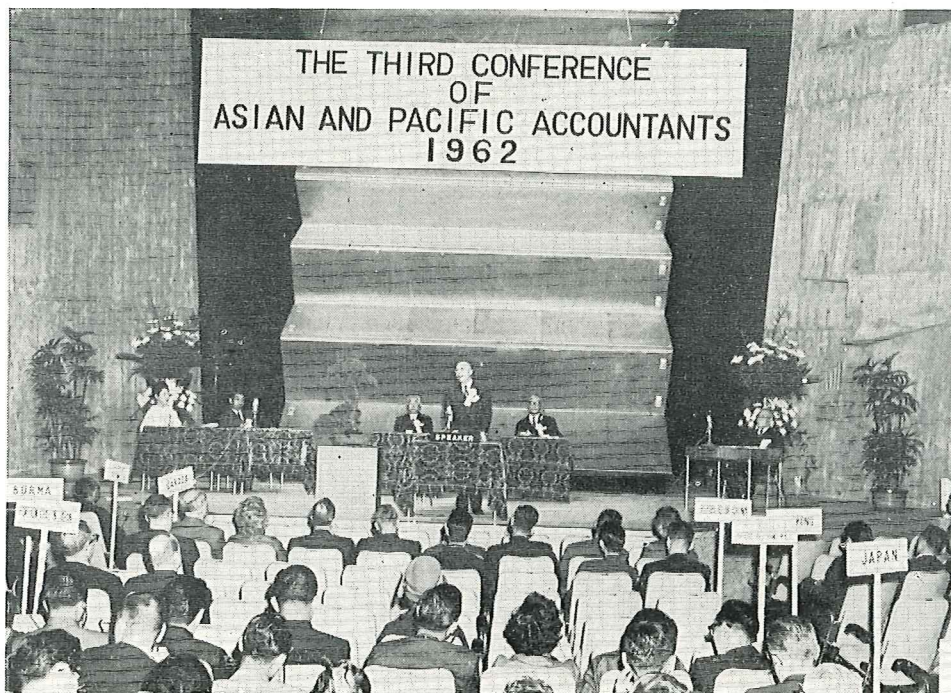
D. G. 44: Seated (L to R): ROBINSON, LOCHNER, RODRIGUEZ LOPEZ, BELL, HECKER, STRICKETT, HARTLEY, SCHNURE, LINOWES, DOODSON, HOPSON, RODWELL, MORRIS, DUPLESSIS, LEACH, CARROLL, BRADDOCK, MAR FAN.



D. G. 31: Seated (Clockwise from Head of table): MILLER, MARSTON, TAYLOR, MANWARING, CUTTING, NICHOLSON, BUZZELL, MANNING, WELCH, ROBERTS, SMITH, TELLER, McCLURE, CHUNG-HIM.



On the platform (from left) are Princess Takamatsu, Prince Takamatsu, Mr. Tetsuzo Ota, Hon. President of the Japanese Institute of CPAs, and Mr. Makoto Tsuji, Chairman, Organizing Committee. Mr. Tsuji is seen delivering his opening speech.



Mr. Charles Mar Fan is seen addressing the audience.



Hong Kong Delegates at the Kyoto session.



A snap of the audience at the Conference in Tokyo.



The Hong Kong Delegates
From Left: Mr. C. M. Sin, Mr. M. W. Kwan, Mr. C. Mar Fan, Mr. Pat C. T. Sin and Mr. Chen Kang.



The Conference Hall at Kyoto
Kaikan, Japan.



Mr. Charles Mar Fan is seen escorting the Hong Kong Flag to the Conference Hall in Tokyo.



Mr. Charles Mar Fan is seen conducting a session in Kyoto with Mr. C.W. Andersen (Australia) on his right presenting a paper.



One of the group pictures of visiting delegates taken at the Tokyo Culture Hall.



Lady visitors entertained on sightseeing tour.

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PREFACE

The Chairman of the Society of Chinese Accountants and Auditors has invited me to contribute a preface to the Society's 1963 journal on this occasion of the fiftieth anniversary of the Society, an invitation which I have much pleasure in accepting.

Fifty years is a long time and obviously over such a period many changes would be expected; but even so, I doubt if even the most prophetic of the Society's founder-members would have predicted the changes that have taken place over the last half century. Over these years the public image of the accountant has also changed. He has devised and learnt to use scientific accounting techniques and, as a result, he is no longer seen merely as a person who checks and oversees the work of book-keepers. Nowadays he is often required, in addition to his traditional duties, to interpret the historical records of business and also to assist management in planning and forecasting for the future.

It is of great importance to us in Hong Kong to produce the goods and services that we offer to the world both efficiently and cheaply. These new accounting techniques are tools which help us to do this and we cannot therefore afford to ignore them. Accountants whether employed in a professional office or in a business concern will be doing a great service to the community by thoroughly mastering these tools so that they can help their clients or employers to use and understand them.

An association of professional men, such as The Society of Chinese Accountants and Auditors, can provide an invaluable medium for that exchange of views and dissemination of information on these "tools of the trade" and other professional matters which has an essential part to play in the maintenance of the profession's vitality and efficiency. A publication such as "The Chinese Accountant" can serve a most useful purpose towards this end and a particular example of what I have in mind is the notes on that most important topic, Commonwealth Preference costings, which I observe appeared in the 1959 and 1961 editions of the Journal.

I congratulate the Society on the achievement of this milestone in its history and wish it well for the future.

J. J. Cowperthwaite

Financial Secretary

AT THE FAREWELL PARTY

to

MR. W. J. DRYSDALE

That there is a growing need in Hong Kong for the establishment of her own examining body of professional accountants was envisaged by Mr. W.J. Drysdale, F.A.S.A. Speaking at a reception held by this Society at Wing On Life Building, top floor, on July 12, 1963, to bid farewell to Mr. Drysdale who was going on leave prior to retirement from the Government Service as Commissioner of Inland Revenue, he urged all the practising accountants in the Colony to stride forward towards this noble target.

Continuing his observation, he said: "I know it is not going to be easy, and it would, I repeat, be most important that it embodies both Chinese and Western accountants."

He also expressed doubt as to how long the overseas examinations of the Australian Society of Accountants would continue, as he understood that the said Society have proposals to hand over their examinations to Technical Colleges and Universities. Under such circumstances, he felt that it was not too early to make a start in organising such a body.

Addressing the gathering presided by Mr. Charles Mar Fan, Chairman of the Society, Mr. Drysdale said, in part, as follows:—

"I am very mindful Mr. President that one of the first official functions I attended in Hong Kong when I came here in 1958 was as a guest of this body, at this same place, and a photo taken on that occasion has ever since adorned the walls of my office. That you again honour me gentlemen is testimony of the good relationship which exists between your organisation and the Revenue which I represent. We have had a few minor difficulties but behind the scenes there has been built up a solid wall of mutual assistance and trust.

"That most of you have not had personal official contact with me over the past 5 years is also ample testimony that your difficulties with the Revenue have been such that they could be settled at lower levels, as it is true to say, that only the most difficult problems reach the ears of the C.I.R.

"I notice from your 1959 report that this Society has been in existence since 1913 and if any further evidence of its purpose and usefulness is necessary the answer lies in it's august age and the respect which goes with age. But without in any way depreciating the efforts of this Society, I am sure Mr. President, that you will forgive me for saying something which is very near to me, and which I think should, and in fact must, in the not too distant future, come about in Hong Kong. That is the formation of a professional body of accountants in Hong Kong. With the continued growth of commerce and industry in this Colony such a body would require all practising accountants whether they be Eastern type accountants or Western type accountants to belong. I believe, and again

I am sure that you gentlemen will agree, that in no other way can a proper professional standard be set up here. I have over the past few years sown the seed for such a body to be set up, and I know it is not going to be easy, and it would, I repeat, be most important that it embodies both Chinese and Western accountants. There is another reason too which might make the formation of such a body necessary before very long. It is true to say that most of our young Chinese Accountancy students obtain their qualification through the Australian Society and I would have grave doubts as to how long this will continue as that Society have proposals to do away with their examinations and hand them over to Technical Colleges and Universities. You know what this would mean to our up and coming accountants, on whom our future depends, so I don't think it is too early to make a start in having our own professional body, and one which Hong Kong at its present state of development surely warrants both from the view of Chinese accounting and Western accounting. I mention this specifically here tonight because I believe the nucleus of this body must start, for obvious reasons, here. I don't believe that such a body will get much support from other professional bodies, but they too must sooner or later face up to this situation."

Touching on the ethical conduct of the accountancy profession, Mr. Drysdale quoted the relevant excerpt from the A.S.A. General Council Report of 1962 as follows:—

"Adherence to standards of ethical conduct is a distinguishing characteristic of any professional group. These standards are developed for the benefit of the community and of the professional group as a whole and not for any sectional or individual interest. Ethical considerations go deeper than the observance of set rules. They should lead to the inner satisfaction which comes from service to others competently and conscientiously performed. In the performance of his duties, each member should be constantly aware of his professional obligation to ensure that any financial statement for which he is responsible gives a true and fair view of the state of affairs of the organisation concerned."

"I commend you gentlemen to Mr. Duffy, who takes over from me," said Mr. Drysdale in conclusion, "and I am sure that you will find him capable, forceful and as fair-minded as I have tried to be. I am certain that he will have the full support of your Society."

Mr. Drysdale rounded off his address by saying "It remains for me to thank you, Mr. President, and Members, for this occasion, your very fine gift in the form of a pictorial album and for the great satisfaction it has given me to work among you for the past five years."

The function was attended by a large number of members of the Society and their wives.

Before Mr. Drysdale's speech, Mr. Charles Mar Fan expressed the deep indebtedness of members of the Society to the retiring Commissioner for his past assistance and guidance, and the fond memory of his friendship unto his retirement. He wished him and Mrs. Drysdale all happiness.

(To be continued on Page 62)

The Eighth International Congress of Accountants and The Third Asian and Pacific Accounting Convention

Charles MAR FAN, FACCA FCIS &c.

As reported in the 1961 issue of this Journal, it has been an honour done to this Society of being officially invited to attend the 8th International Congress of Accountants held in New York in September 1962.

Owing to business pressure, a couple of the delegates designated were unable to make the trip, with the result that the Society was represented by writer (as Delegation Chairman) and Mr. LAU Chung Him only.

Mr. LAU went by sea and overland, while writer emplaned for New York via Europe and London. Both delegates were accompanied by their wives.

Almost 3,000 accountants from 62 countries, representing 120 accountancy bodies took part in the Congress. The sponsoring organisations for the 8th Congress were the following, to whom the Society was much indebted and grateful:—

- American Institute of Certified Public Accountants
- American Accounting Association
- American Society of Women Accountants
- American Women's Society of Certified Public Accountants
- Federal Government Accountants Association
- Financial Executives Institute
- Institute of Internal Auditors
- Municipal Finance Officers Association
- National Association of Accountants

The main functions of the Congress were conducted at the Waldorf-Astoria wherein writer was also staying and where the Headquarters of the Congress was established, whilst discussion groups were held in the Conference or Boardrooms of large and reputable organisations in mid-town New York.

At the Congress

At the Opening Plenary Session, the Congress President, Mr. Arthur B. Foye, conveyed a message to the Congress from the President of the United States which reads as follows:—

“ I am very pleased to extend greetings and warm best wishes to the delegates and their families attending the Eighth International Congress of Accountants. I especially welcome those from other nations of the world and wish them a pleasant visit to the United States.

“ Your Congress, meeting at the invitation of the American

Institute of Certified Public Accountants, offers an excellent opportunity for the exchange of information and ideas. As we gain confidence in each other's policies of economic disclosure, accounting can, indeed, become an international language of business. As a result, capital will flow more freely, and the international exchange of goods and services will increase more rapidly. Many of the problems with which you will concern yourselves during your meeting will, I feel sure, bear directly on the ability of all of us to strengthen the spirit of international economic confidence.

" With all good wishes to those attending the Eighth International Congress of Accountants for a successful and constructive meeting.

JOHN F. KENNEDY."

The businesses transacted at the Congress were as interesting as they were exuberant, and but for the limited space here, detailed description is impracticable. They are, however, summarised below for general information:-

Sunday, September 23

Afternoon : Church Services.
Evening : General Reception and Buffet Supper (at Waldorf-Astoria).

Monday, September 24

Morning : Opening Plenary Session (Ballroom, Waldorf-Astoria).
Presiding : Mr. Arthur B. Foye, President, Eighth International Congress of Accountants.
Speakers : 1. The Hon. Joseph Campbell, Comptroller General of the United States.
2. Sir Harold Howitt, England, President of the Sixth International Congress of Accountants (ICA)
3. Mr. Jacob Kraayenhof, Holland, President of the Seventh ICA.
4. Mr. Arthur K. Watson, United States, President of I.B.M. World Trade Corporation. Subject: "The International Reckoning."
5. Mr. P.F.S. Otten, Holland, Chairman of the Board and Delegated Director of N.V. Philip's Gloeilampenfabrieken.

Afternoon : Fifteen simultaneous Technical Sessions were held in spacious Conference Rooms in Waldorf-Astoria, Sheraton-East, Park Lane, Belmont-Plaza, Summit Hotel and St. Bartholomew's Community House — all in close proximity to the Congress Headquarters.

Writer attended Session "A" at the Astor Gallery, Waldorf-Astoria, which Session was chaired by Mr. John W. Queenan, Past President of the American Institute of Certified Public Accountants (CPA), and assisted by Mr. James G. Duncan, of Canadian Institute of Chartered Accountants. The speakers and their subjects were:—

Mr. H. de Leeuw (Nederlands Instituut van Accountants)	Some Aspects of Auditing in the International Field.
Professor L. A. Braddock (Australian Society of Accountants)	Statutory Influences on Accounting in Australia.
Professor Federico Rioseco (Mexican Institute of Public Accountants)	Financial Statements and Economic Development.

Session "T" was attended by Mr. Lau. It took place at the Auditorium, St. Bartholomew's Community House with the following set-up:—

Chairman : Mr. Thomas D. Flynn, Congress Assistant
Treasurer.

Vice-Chairman : Mr. T.G. Hull, New Zealand Society of
Accountants.

Speakers : 1. Mr. N.R. Mody (The Institute of Chartered
Accountants of India) on "Financial
Reporting with Special Reference to India".

2. Mr. I. Wayne Keller (National Association
of Accountants, U.S.A.) on "The Use of
Standard Costs and Budgets in the United
States".

3. Mr. R.G. Wuth (Rhodesia Society of
Accountants) on "Accounting Procedure in
the Federation of Rhodesia and Nyasa-
land".

It was understood that altogether no less than 45 papers were presented in these 15 Sessions, centering on the main theme of the Congress, viz. "Accounting, Auditing and Financial Reporting in the World Economy". Again, space here does not permit even the summarising of these interesting and useful papers, but if any fellow-member or reader wishes to read them, they are at his disposal at the Society.

Entertainment

The Congress members had a day of relief, of pleasurable excitement, when they were entertained in the evening either at the Carnegie Hall to enjoy a concert by the Philadelphia Orchestra conducted by Eugene Ormandy,

or at the Town Hall where another concert by Duke of Ellington and his orchestra was staged, or at the famous Radio City Music Hall for a motion picture and show.

Group Discussions

Tuesday, September 25. Morning: This was another signal day for the participants. There were about 140 groups of 15-25 accountants each, gathering in board and conference rooms of reputable New York corporations. The one attended by writer was numbered 44. It was held at Binney & Smith, Inc., 380 Madison Avenue. The Group Discussion Leader was Mr. David F. Linowe of Messrs. Leopold & Linowe, CPAs, 926 Woodward Building, Washington 5, D.C., while writer had the honour to act as Assistant Discussion Leader. The topics discussed included Depreciation and Management Services as practised in different places represented by the participants among the Group.

The Group assigned to Mr. Lau is particularised below:—

No.	: 31
Place held	: Boardroom, Dun & Bradstreet, Inc., 99 Church Street, New York 8.
Discussion Leader	: Professor Herbert E. Miller of Michigan State University, U.S.A.
Assistant Discussion Leader	: Mr. R.C.M. Marston of Blue Hills, Yalding, Kent, England.
Subjects covered	: Price Level Accounting, Uniformity in Practices and Procedures, Accounting for Long-term Leases, etc.

Meeting of Delegation Chairmen

On Tuesday afternoon (September 25), there was a meeting of the Chairmen of Delegations at the Sert Room, Waldorf-Astoria. It was presided by Mr. Arthur B. Foye. The purpose of the meeting was to receive invitations for sponsorship of the International Congress of Accountants. It was then felt that Australia might be accepted as host for the next International Congress in 1967, but it now transpired that France has been chosen.

Dinner for Official Delegates

The Official Delegates Dinner held in the evening of September 25 at the Ballroom of Hotel Pierre, Fifth Avenue, was a most memorable event. Presided by the most eloquent Chairman, Mr. Arthur B. Foye, as he did in all official functions throughout the Congress, this colourful banquet was interspersed with interesting talks given by regional representatives, namely:—

Mr. Roberto Casas Alatrisme of Mexico
Mr. Percy F. Carpenter, President, Institute of Chartered Accountants in England & Wales
Mr. Naval P. Mody of India

Enlivening his interesting and instructive speech were Mr. Carpenter's remarks, the articulation of which at times drew thunderous laughter. The official guest speaker was Mr. Harold F. Linder, President and Chairman, Export Import Bank of Washington.

Relaxation and Social Functions

Wednesday, September 26 was a day of leisure. Three educational sightseeing tours were arranged for all participants at their choice. Writer took a boat tour around Manhattan Island on which the New York City stands. It lasted 3 hours and proved to be extremely interesting and revealing. Mr. Lau participated in the coach tour.

In the evening, the President of the Association of Certified and Corporate Accountants, Mr. Edgar Spencer, invited all Certified Accountants assembling in New York on this unique occasion to a dinner party at Henry Hudson Hotel, 57th & 58th Streets. Some seventy members from sixteen different countries throughout the world were present, together with their counterparts. Writer and his wife were invited to enjoy the privilege of sitting at the top table with the President and Lord Latham. It was there that he met Mr. Frederick Chen Chen, formerly of Hong Kong. Thanks to Mr. Spencer, the function was a tremendous success in view of the fact that, gathering under one roof, there were so many Certified Accountants from far-reaching areas. It was literally an unprecedented get-together for the members to meet the President, the Vice President, Mr. Chennell, and the Secretary of the Association, Mr. Osbourn.

The Closing Plenary Session

The Closing Plenary Session of the Congress was held on Thursday morning, September 27 at Waldorf-Astoria Grand Ballroom when the packed audience enjoyed the addresses delivered by the undermentioned speakers:—

1. Mr. Paul Grady, Chairman, Eighth Congress Technical Session Committee on "The Congress Program—A Summary", the text of which appears elsewhere in this Journal.
2. Mr. Frederic G. Donner, Chairman of the Board and Chief Executive Officer of General Motors Corporation on "The World-wide Corporation in a Modern Economy".
3. Mr. J.C. Stewart, President, The Institute of Chartered Accountants of Scotland on "The Future of the Accounting Profession".

In concluding the technical portion of the Congress, Mr. Foye, the Congress President, expressed deep gratitude to the speakers, to the audience for their keen interest in and whole-hearted support to the Congress, particularly to the overseas participants, and reminded them of the Congress Grand Ball to be held in the evening at the same place to bid farewell to them all.

Visiting Ladies

The ladies, who came to the Congress with their helpmates, were not

at the least forgotten, and they found their tempo of pleasant enjoyment never lacking but more leisurely than that of their husbands who had been tied up at technical sessions during the day. They were very well looked after by a Ladies Committee, and the following were highlights of entertainment arranged for them:—

- (a) Celebrity Luncheon at Imperial Ballroom, Americana Hotel, Seventh Avenue (just opened at that time) on September 24, with Mrs. Alvin R. Jennings, Chairman, Ladies Committee, presiding, and other guests of honour.
- (b) Ladies Luncheon and Fashion Show at Waldorf-Astoria Ballroom on September 25.

Historic Background of the International Congress

In passing, it is considered that a few words about the historic background of the International Congress of Accountants will not be inappropriate here. The history of the International Congress goes back to the beginning of the present century, when the first International Congress was held in St. Louis, U.S.A. in 1904. The first President of Congress was Mr. Joseph E. Sterrett. Ever since, the Congress rolled on, and the year and city in which it had taken place is given as follows:—

The 2nd	in Amsterdam, Holland	1926
3rd	New York, U.S.A.	1929
4th	London, England	1933
5th	Berlin, Germany	1938
6th	London, England	1952
7th	Amsterdam, Holland	1957

It will convene in every 5 years.

75th Anniversary of the American Institute of C.P.A.

Before rounding off his remarks on the 8th International Congress, writer wishes to add, as a mark of gratitude, that just on the eve of its official opening, he and his wife were greatly honoured by invitation of the American Institute of C.P.A.s to attend the large and sumptuous banquet at the Waldorf to celebrate its 75th anniversary.

Writer was pleased to have noticed that Hon. S. S. Gordon, Senior Partner of Messrs. Lowe, Bingham & Matthews, also attended the 8th International Congress as representative of the local Society of Chartered Accountants, and Mr. W.S. Wong, Past Chairman of this Society, who happened to be in New York at that time in the course of his world tour, was present too, as an observer. He was accompanied by Mrs. Wong.

To Mr. Arthur B. Foye, President of the Congress, to the Secretary, Mr. John L. Carey, and to the other Congress officers, we offer our congratulations on the successful organisation of a congress which was, in the words of an American authority, 'one of the most diversified of any privately organised gathering ever held' in New York City.

The Third Asian & Pacific Accounting Convention

After the conclusion of the 8th International Congress, writer flew to Tokyo on October 13, 1962, after brief stop-overs at Washington, Toronto, Niagara Falls, San Francisco and Honolulu, to head the Society's Delegation attending the Third Asian and Pacific Accounting Convention which was sponsored by the Japanese Institute of Certified Public Accountants. Mr. Chen Kang was the other Delegate of the Society. Mr. M.W. Kwan led another delegation consisting of Messrs. C.M. Sin and Pat C.T. Sin to represent the Certified Accountants in Hong Kong. Consequently, the Colony was represented at the 3rd A.P.A.C. by a much stronger contingent, including 3 ladies, namely: Mesdames Mar Fan, Kwan and Chen. All Hong Kong Delegates were accommodated at Hotel New Japan.

The convention in Japan was a regional one only. It was originated in the Philippines in 1957, and the second one was held in Australia in 1960 when the Society was first represented. As informed, this regional conference will be held in every 2 years or twice in 5 years, and the next one in India in 1965.

The countries represented at the 3rd A.P.A.C. and the organisations sending delegates thereto are listed below for general information:—

Country	Name of Organisation
Australia	The Institute of Chartered Accountants in Australia Australian Society of Accountants Australian Institute of Cost Accountants
Burma	The Institute of Incorporation Commercial Accountants
Canada	Canadian Institute of Chartered Accountants Society of Industrial and Cost Accountant of Canada
Hong Kong	The Society of Chinese Accountants & Auditors The Association of Certified and Corporate Accountants, Hong Kong Branch
India	The Institute of Chartered Accountants of India The Institute of Cost and Works Accountants of India
Indonesia	Indonesian Accountants' Institute
New Zealand	New Zealand Society of Accountants The New Zealand Institute of Cost Accountants
Pakistan	Institute of Chartered Accountants of Pakistan The Pakistan Institute of Industrial Accountants
Philippines	Philippine Institute of Accountants
Republic of China	National Federation of Certified Public Accountants Association of the Republic of China
Republic of South Korea	The Korean Institute of Certified Public Accountants

Singapore	Australian Society of Accountants, Singapore Group
United States of America	American Institute of Certified Public Accountants The American Accounting Association
Thailand	Institute of Certified Accountants & Auditors of Thailand
Japan	The Japanese Institute of Certified Public Accountants.

Altogether, there were about 270 accountants, their wives and visitors attending.

The Conference was divided into two parts: the first session took place at Tokyo Culture Hall from October 15 to 17, while the second part was held at Kyoto Culture Hall from October 18 to 19.

At Tokyo Session

Before the opening session in Tokyo, there was a flag raising ceremony, and writer was given the privilege of escorting the flag of Hong Kong to its place in the Conference Hall. After declaring the session open, Mr. Makoto Tsuji, President of the Conference, invited Prince Takamatsu (brother of the Emperor of Japan) to address the audience, and other prominent personalities in Japanese accounting and financial field to speak. Thereafter, greetings and souvenirs were presented to the Conference, by each Head Delegate on behalf of the body he represented.

October 16 was a whole-day technical session, but owing to the great number of papers to be presented, there was little time left for discussion. The meeting was not divided up into groups as was done in New York. There was no main theme for discussion, and the title of papers presented thereat were, to mention only a few:—

1. Depreciation
2. Cost Variance
3. Efficiency in Auditing Procedures
4. Consolidation of Financial Statements
5. International Responsibilities of the Profession

At Kyoto Session

Flying from Tokyo to Kyoto on October 18, the delegates were warmly greeted on arrival at the Osaka International Airport by representatives from the Kinki Chapter of the Japanese CPAs, and driven to Miyako Hotel, Kyoto, by coaches. The technical session was immediately resumed at the Kyoto Culture Hall (Kyoto Kaikan) in the afternoon when speeches of welcome were given by—

- (i) Mr. Genshin Shimoji, President of Japanese CPAs, Kinki Regional Board.
- (ii) Professor Toshiyoshi Okabe, Economic & Political Science Department, Kyoto University, and
- (iii) Professor Otojiro Kubota, Economic Administration Department, Kobe University.

During the discussions that followed, writer had the honour to chair a couple of sections in which Mr. Colin R. Kelynack (Australia) delivered his papers on "Organisation and Operation of an Accountant's Office", and Mr. C. W. Andersen (Australia) presented his on "Functions of Accountants' Associations".

The Closing Session of the Convention

The closing session took place at the same place on October 19, with several distinguished guest-speakers addressing the gathering. Among them were His Excellency Torazo Ninagawa, Governor of Kyoto Prefecture, Mr. Gizo Takayama, Mayor of Kyoto City, and Mr. Koh Hirasawa, President of Kyoto University.

Finally came the short address by a representative of each participating body, when Mr. Chen Kang spoke on behalf of this Society and the other Hong Kong Delegates.

As was in New York,, a farewell party was staged at Miyako Hotel with Japanese traditional entertainments and shows, which bid the delegates home with happy memories of the occasion.

Meeting of Head Delegates

Prior to the commencement of the closing session, a meeting of Head Delegates was convened when the sponsorship for the next (4th) Convention and other relevant matters were discussed and considered. As a result, India undertook to convene the 4th Conference in 1965. It was also resolved that future sponsoring organisations for the A.P.A.C. be relieved of the burden of providing free accommodation and board for visiting delegates to similar Conference. In this regard, the Delegates of the Society wish to place on record their grateful thanks to their Japanese hosts for the overwhelming generosity and hospitality accorded to them during their sojourn for the Convention.

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The themes of the papers presented at the technical sessions of the 8th International Congress of Accountants and at the 3rd A.P.A.C. related, primarily, to Accounting in the World Economy in general, and other significant topics connected therewith as well. Through our representation at these meetings, the Society had identified the importance of the advance towards the improvement of the subject matter, and appreciated fully the urgent need to hasten the development, understanding and acceptance of standards of auditing, accounting and financial reporting on an international basis.

In conclusion, it is the writer's personal opinion that both the New York and the Japan Conferences had proved an immense success. They had been well organised and planned. Efficiency in conducting the Congress was exemplary. The subject matters presented at the Conferences were exalting and of extreme value, so much so that they should have pricked the keenest interest of every professional accountant.

Hospitality and friendly atmosphere prevailed in every quarter bringing closer relationship among fellow professions from all parts of the world than could be expected. Entertainments, sightseeing tours, lunches, receptions and amenities were abundantly provided for the participants and well interspersed between technical sessions, so that there was not even a single dull minute throughout the two Conferences.

As the Society had been little known outside, the illusion of its being suddenly exalted to be among the world's foremost professionals in the field of business and accountancy fell to the lot keenly at the meetings.

Taking this opportunity of reporting, writer is grateful to add a word of thanks to the General Council and fellow-members of the Society for the honour done him by commissioning him as Head Delegate to the two Conventions.

To The Conference President

The Third Conference of Asian and Pacific Accountants 1962

GREETING

The Society of Chinese Accountants & Auditors of Hong Kong extends to you, the warmest of greetings, and to all delegates attending the Asian & Pacific Accounting Conference.

The opportunity of meeting together at this Conference periodically, of exchanging views and thoughts, and of discussing problems of common interest will be of immeasurable help to the profession and, with the fund of knowledge acquired, we hope we will be able to utilize it to full advantage in the interest of commercial and industrial enterprises in our midst.

On behalf of our Society, I thank you for inviting us to participate in this important conference, and wish it every success.

Charles Mar Fan

Chairman

The Society of Chinese Accountants & Auditors

Hong Kong

SOME HIGHLIGHTS AND INTERPRETATIONS OF THE TECHNICAL PROCEEDINGS OF THE EIGHTH INTERNATIONAL CONGRESS OF ACCOUNTANTS

By Paul Grady

Chairman of Program Committee

It has been tersely stated that "a civilization may be judged by the extent to which the unenforceable is obeyed." Much of the attractiveness of the statement rests on the image or images created.. At one extreme, perhaps we might picture a docile society so burdened with regulation that all edicts of authority are implicitly obeyed regardless of the practicability of enforcement procedures. However, it seems clear that the author intended to portray a much more advanced civilization; one comprised of people having the maturity of judgment to insist, not only on maintenance of law and order and the honoring of public and private contracts, but also on the establishment of voluntary ethical standards in the conduct of affairs to assure fair treatment to all persons having bona fide interests. The latter aspect must be effected by the intelligent self-interest decisions of individuals and the force of opinion rather than by compulsion of government.

The profession represented in this Eighth International Congress of Accountants and the investor-owned enterprise system which largely comprises its clientele typify this higher type of civilization based on voluntary ethical standards of conduct. While we are on this line of thought, let us point out that there is no inconsistency in the maintenance of absolute independence in rendering accounting and auditing services to industry and the simultaneous recognition of the fact that without an investor-owned enterprise system, there could be no profession of independent accountants. In this context, interdependence holds no conflict with independence.

Accountants need no reminder of this fact but we may not be sufficiently alert to our continuous civic responsibilities to defend this system of economic freedom against unwise encroachment by government, a tendency unfortunately endemic to our times.

During the course of the Congress some 50 papers have been presented or summarized in technical sessions with further consideration of the subjects at the discussion group meetings. I am sure that the entire Congress feels deeply indebted to the authors and speakers for the stimulating and valuable information provided for the improvement of our minds while we are here and as a reservoir of food for further thought, after we return to our respective homes.

It seems fair to say that a profession may be judged by the extent to which it objectively appraises its own strengths and weaknesses and seeks ways and means to improve its usefulness in the performance of its proper functions. Analysis of the papers presented and of the tenor of the discussion meetings clearly demonstrate that, in terms of this criteria, the accounting profession of the free world is in exceedingly sound health. It

is all the more pleasing to report that the evidence of constructive robustness comes not only from members engaged in independent public accounting, but from members who are serving as officers of industrial and financial enterprises and in various echelons of government.

Please allay any fears you may have that even a highly condensed report of the many excellent papers and discussions will be attempted at this session. Such a course would unduly burden all of you and it is my understanding that a summarization will be made available later in printed form.

However, I cannot resist the tempting opportunity of using a small segment of your time to give you a few impressions and interpretations of the technical program of the Congress which I consider to be significant in the general areas of auditing, internal control, accounting and financial reporting.

Auditing

It was only fifteen years ago that the American Institute first delineated in pamphlet form the meaning and significance of the term "generally accepted auditing standards." This pronouncement emphasized the importance of the personal quality standards of Proficiency, Independence and Due Care and further explained the significance and application of these standards in the performance of field work and in the preparation of reports. Although much remains to be done, the papers presented at this meeting demonstrate an encouraging degree of understanding and acceptance of these or somewhat comparable standards. There is also recognition that, where standards are different as between countries, the auditor engaged in international work should meet the higher of the standards of his own country and those of the country whose investors will be relying on his report.

There is widespread recognition of the merits of an analytical approach to independent auditing which assigns increasing attention to the substance of business operations as a major element to substantiation of the accounting records. Closely linked to this approach is the study and evaluation of internal control in the planning and performance of examinations. This is an essential foundation to auditing by tests which permit independent examinations to be performed within reasonable limits of economic cost. Since the scope of practically all annual examinations is limited to that necessary to place the independent accountant in position to give an opinion on the fairness of the financial statements, it follows that the accountant does not assume responsibility for discovery of fraud which does not impair the over-all fairness of such statements.

The papers presented on internal auditing show that, in common with the view of the independent public accountant, the internal auditors recognize the basic importance of study and evaluation of the effectiveness of internal control in the enterprise. From the nature of their objectives, it follows that internal auditors, in most cases, will give greater attention to possible irregularities and inefficiencies in the handling of transactions as a means of assisting all members of management in the effective discharge of their responsibilities. As a part of management, the scope and program of internal auditing necessarily varies greatly depending on the wishes and needs of the particular management.

Internal control

Some years ago internal control was defined by an Institute Committee as comprising all of the coordinate methods and measures adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The major characteristics of a satisfactory system were also set forth. It is unnecessary for the purposes of this paper to detail such characteristics but a significant feature of this Congress has been the extent to which papers, prepared in various parts of the world, are in substantial agreement on the basic concepts of internal control.

Although its key importance is generally recognized by management and by the accounting profession, we may not yet have accorded Internal Control its full stature. I submit, not as a conclusion but as a suggestion worthy of careful consideration, that in a highly developed free enterprise economy an effective system of internal control should be one of the postulates of accounting. It would seem to be a fitting corollary to the postulate of indefinite life of the enterprise. When the attributes of an indefinite life are missing the auditor is called upon to alter his customary form of report. Similarly, if a management has not provided reasonable measures of internal control, should not the auditor substantially modify or withhold his report? I know this is now done in extreme cases, but isn't there a need for extension of the practice?

Regardless of whether Internal Control is ultimately accorded the stature of an accounting postulate, we should all recognize its unique position as the essential connecting link between accounting, auditing and the systems and other advisory services rendered by the accounting profession.

Accounting

One of the speakers at the Congress said: "The forceful instrument available for organizing, expressing and evaluating business and economic facts is accounting. It is the quantitative mean for disclosure of information, essential to the successful conduct of national and international market economics and for appraising the overall performance of free enterprise societies. Accounting as the best available device for understanding today's complex business transactions and their interrelationships, has become accepted as the most ideal tool for measuring the performance of individual economic units or enterprises. Accounting, an instrument based on ethical regard for truth and integrity, constitutes the base for assessment of taxes based on the entity's ability to pay, measured by its income. In short, it can be said that accounting is not only the universal language for thinking and communicating about business and economic affairs, but also the most dependable device available for measuring and appraising performance of individual business units as well as whole economies."

A primary purpose of accounting, obviously, is to supply the great quantity of dependable information needed by management for managing and operating the business. The several excellent presentations dealing with various aspects of management accounting place great emphasis on the need for close integration of long and short term financial and operating planning with accounting. By using coordinated tools of forecasts, budgets, standard

costs and accounting by areas of responsibility, industry has improved its ability to plan and control what is going to happen rather than just correct past deficiencies.

The crucial concern of management is the maintenance of a satisfactory margin between the costs of producing and distributing its products or services with the revenues it may expect to receive for them in the markets served. Decision making will be seriously handicapped and perhaps even misled if the information supplied does not reflect dependable current costs of production and distribution. This basic economic fact, especially considering the impact of inflation, has caused unadjusted historical cost to become almost as outmoded as yesterday's newspaper.

The accounting practices in Europe, particularly in The Netherlands, have been considerably in advance of those in the United States in the recognition of current costs, including price-level changes with respect to fixed assets. In our country we have done a lot of writing and talking about the problem but there have been only a few instances where price level adjustments have been reflected in the accounts.

It seems clear that the price-level resolution adopted by the Accounting Principles Board of the American Institute in 1961 together with the current research project on implementation problems, will result in presentation of a considerably greater number of financial statements reflecting complete price-level adjustments in a form supplementary to historical cost statements. It is my hope that such statements will become mandatory within the next few years. Without such statements investors and management are largely in the dark as to the rate of real growth of the enterprise and its real profitability or earnings on invested capital.

In published statements and in accounting literature of The Netherlands, where current-cost accounting has probably had its widest acceptance, the term "replacement value" is commonly used in reference to fixed assets and inventories. In the United States this term would be interpreted by some people to mean estimated cost of reproduction arrived at by appraisal rather than by accounting methods. Such valuations by industry during the 1920's were severely criticized in political circles in the aftermath of the depression thirty years ago. Accordingly, and such term must be rigorously avoided here. For this reason we greatly prefer the terms "current cost" or "cost in current dollars", and adjustments undertaken would be based upon objective evidence of present cost as shown by actual transactions or upon price indices prepared by government or other independent agencies. This difference, I feel sure, is one of semantics rather than substance in our objectives to produce informative and useful financial statements, but this word of explanation may promote our mutual understanding of the matter.

Reporting

Reporting, of course, embraces the financial statements and related comments and explanations by which the management of an enterprise fulfills its fiduciary accountabilities to stockholders, creditors, employees, customers, government and others having bona fide interests. Such statements should include an understandable and dependable showing of how the management has invested the capital resources entrusted to the business

entity and the results of operations attained through the utilization of these resources by the personnel comprising the various eschelons of the enterprise.

In olden days identified with the "private locked ledgers" many companies followed a practice of telling stockholders as little as possible. Fortunately, that attitude has largely passed in America and in most of the countries attending this Congress. It is clear that unwarranted areas of secrecy will continue to diminish. In this connection it was most exhilarating to hear Dr. Otten and Mr. Watson, at our opening session, extol the advantages which business itself gains by clear and comprehensive reporting. They recognized that the annual report was considerably more than a story of historical results to existing stockholders, because of its practical usefulness as a basis for present and future decisions in the capital markets of the world.

The other important component of reporting, in addition to the financial statements, is the report of the independent accountant. The form of this reporting varies from country to country depending on statutory requirements and actions by our national professional organizations. In our country we have prescribed four basic standards of reporting as a part of generally accepted auditing standards and our rules of professional conduct state that:

"In expressing an opinion on representations in financial statements which he has examined, a member may be held guilty of an act discreditable to the profession if

- (a) he fails to disclose a material fact known to him which is not disclosed in the financial statements but disclosure of which is necessary to make the financial statements not misleading; or
- (b) he fails to report any material misstatement known to him to appear in the financial statement; or
- (c) he is materially negligent in the conduct of his examination or in making his report thereon; or
- (d) he fails to acquire sufficient information to warrant expression of an opinion, or his exceptions are sufficiently material to negative the expression of an opinion; or
- (d) he fails to direct attention to any material departure from generally accepted accounting principles or to disclose any material omission of generally accepted auditing procedure applicable in the circumstances."

This rule of conduct is quoted, not in any sense to say that American standards are better than those of other countries, but rather to convey to non-accountants, who may take notice of our search for improvement, that our profession has exercised a high degree of voluntary self-discipline by establishing standards of conduct and by providing adequate means of enforcement:

NEED FOR INTERNATIONAL STANDARDS

Many of the papers presented to the Congress urge that steps be taken to hasten the further development, understanding and acceptance of standards of auditing, accounting and reporting on an international basis. This theme has been inherent to an increasing degree in the successive Congresses. An effective and definitive presentation of this subject was made, in the Journal of Accountancy for January 1960, by Jacob Kraayenhof, president of the Seventh International Congress, and his recommendations were repeated at the opening session of this Congress. Alvin R. Jennings has also presented a timely and excellent article on the need for international standards in the September 1962 issue of the Journal. All of the authors recognize that the key to progress is organized research by the profession, both at the national and international levels.

The theme of the technical program of this Congress may be briefly stated in three interrelated premises:

1. The world economy is dependent on flow of capital, international trade and management skilled in the organization of personnel and use of tools to produce goods and services wanted by the people.
2. The flow of capital is stimulated by opportunity of profit and confidence in the political and economic stability of the countries comprising the free world.
3. The primary function of the independent public accountant in the economy, whether world or national, is the part he plays in maintenance of the mutual confidence which is necessary in business relationships.

If we are in agreement on these premises, it would be difficult to see how there can be disagreement on the necessity for international standards of auditing, accounting and reporting as a means of improving the mutual confidence in business relationships which is our particular responsibility. It has been the consensus of the discussion meetings that agreement on auditing standards should not be a very difficult undertaking since this is entirely a professional matter. In the case of accounting and reporting standards considerably greater difficulties are presented and it will be necessary, through our research efforts, to reach a clearer status nationally as a condition precedent to the development of international standards.

It is certain that the excellent technical papers and stimulating discussions we have heard during this International Congress will contribute substantially to the attainment of these objectives, but it would be a mistake to let the problem rest on this generality. Therefore, I should like to conclude my summarization by conveying to the Official Delegates from the sixty-two nations attending this Congress an important mandate from the discussion meetings. The mandate is this—that each delegation specifically charge itself with the responsibility of initiating the necessary research work to develop clear cut statements of your own national auditing, accounting and reporting standards and that this work be completed in advance of the Ninth International Congress in 1967. Out of this foundation material it will be possible for our professional, on an international basis, to continue the evolutionary process of promoting the highest and soundest of these standards whenever they may exist.

A DISCUSSION GROUP AT THE EIGHTH INTERNATIONAL CONGRESS OF ACCOUNTANTS

Lau Chung-him, B.A.

The Discussion Group which I was assigned to participate for discussion was held on the morning of Tuesday, September 25, 1962 in the office of Dun and Bradstreet, Inc., at 99 Church Street, New York City. The discussion leader was Professor Herbert E. Miller, of the Graduate School of Business Administration, Michigan State University. The other participants were

Mr. R. C. M. Marston, of Kent, England, as assistant discussion leader
Mr. Philip J. Taylor, of Philadelphia, U.S.A.
Mr. L. N. Buzzell of Quebec, Canada
Mr. Warren B. Cutting of Buffalo, U.S.A.
Mr. Lau Chung-him of Hong Kong
Mr. Weldon B. Manwaring, of San Juan, Puerto Rico
Mr. Rolls E. McClure of Belfast, Ireland
Mr. Richard C. Nicholson, of Johannesburg, South Africa
Mr. W. Theron Robert, of Louisiana, U.S.A.
Mr. Frank O. M. Smith, of London, England
Mr. Fred Teller, of Virginia, U.S.A.
Mr. Randolph W. Manning, of Charlottetown, Canada
Mr. John J. Welch, of Harwick, Scotland

The discussion group gathered for three hours from 9:30 a.m. to 1:00 p.m. with a coffee-break for half an hour at 11:00. The economic areas covered by the discussions were confined just to a few topics, but each subject was explored to its depth. While the discussions were lengthy and stereotypedly technical, a summary enumerated here may be of interest to those who are mindful of the latest development in the accounting field.

1. Price Level Accounting—The problems usually associated with price level accounting were discussed rather extensively. Appraisals have not been used extensively in financial reporting among the countries represented and their use is not advocated by this group. The many problems surrounding the use of price level indices in computing depreciation charges and in making other conversions of items appearing in the financial statements were recognized. It was also thought that the use of supplementary statements prepared on some kind of current dollar basis would be misleading, principally since the reader likely would not understand fully their significance and would tend to be confused by the two sets of figures. There were several present, however, who felt that the use of supplementary information would be a forward step in advancing possible solutions to the problems encountered in the historical cost basis of accounting.

2. Accounting for Long Term Leases — Accounting for long-term leases and the possibility of giving effect in financial statements to the substance of lease agreements rather than their form apparently has not been substantially considered outside the United States with the possible exception

of Canada. Giving effect to a purchase in the form of a long-term lease with a purchase option appeared to deviate from the underlying facts in the minds of most of those present, although it was readily agreed that full disclosure of the principal provisions of long-term leases is required. The lack of comparability between two companies, one leasing and the other buying its plant facilities, was not disturbing.

3. Uniformity in Accounting Practices and Procedures—A number of subjects were discussed under the general heading of uniformity in practices and procedures. At the outset, it was agreed we should all strive toward greater uniformity as an aid to international business and international investment. Uniformity already appears in a number of areas. We seem to be fairly uniform on the question of independence of the certifying accountants; at least those present felt that the accountants should not have a financial interest of any kind or hold positions in companies for which they report upon financial statements. Acceptance of the work of the internal auditor is another area in which there was general agreement in that extensive reliance is placed upon the internal audit function upon completion of satisfactory review of the work and reports of the Internal Audit Department. There also seemed to be a general trend toward the use of budget and cash flow statements as useful supplementary information although greater use of this information is made in reports to management than in reports to stockholders of publicly held corporations.

On the other hand, there were several areas where uniformity in practice appears to be lacking. Few countries have gone so far as the United States has in the general recognition of limited responsibility of certifying accountants for the discovery of defalcations and other similar irregularities. In many countries it appears that the responsibility in this area has not been well defined and while, presumably, the outside accountants are not responsible for failing to detect a defalcation if they have not been negligent in the performance of their examination, there is the responsibility to make fairly extensive tests which are designed solely or principally for the detection of defalcations and add very little toward the substantiation of the financial statements.

4. Public Accountants play an Important Role in Bankruptcy Work—It was also pointed out by those in the United Kingdom countries that public accountants play an important role in bankruptcy work and can be most helpful to clients in the analysis of financial statements and in pointing out to clients danger points which might indicate the need to take steps to avoid business failure. Perhaps in other countries, as a profession, we have shied away from this activity or limited our work to verification rather than extend our examinations to include consideration of financial analysis.

5. Divergencies of Practice in Preparation of Consolidated Statements—Divergencies of practice in the preparation of the consolidated statements were pointed out and it was generally felt that there are too many exceptions to the general rule that all majority-owned and controlled subsidiaries be consolidated. Our friends from England stressed that they are quite strict in insisting upon consolidated statements and that their practice calls for a high degree of acceptance of the above rule whereas in the

United States they exclude a subsidiary if its business is not congruous with that of the parent company, e.g., in the case of finance companies, or we exclude foreign subsidiaries under certain conditions. One of the major areas of difficulty is with respect to 50% owned companies where the other 50% is held by a single interest.

6. Management Services rendered by Public Accountants—The rendering of management services by public accountants is generally undertaken in most countries although the nature varies according to local conditions and needs. In some countries, for example, a high degree of financial advice is given by the outside accountants whereas in the United States this type of work is often performed by the companies' financial officers. On the other hand, in the United States and Canada, there has developed a rather high degree of management sciences leading to the rendering of rather unique and skillful services on the part of the larger firms. These services include such features as E.D.P. feasibility studies and equipment installations, inventory management, production control, personnel management, inventory control and other areas of operations research. It was interesting to note, however, that among the countries represented, there exists a high degree of cooperation between large and small firms in the rendering of services to clients of another firm so as to make available a greater variety of management skills.

(Continued from page 3)

After the talk of Mr. Drysdale, the Chairman extended the Society's warm welcome to the Commissioner-designate, Mr. A.D. Duffy, and intimated that the same happy relationship as existing between the Department of Inland Revenue and the practising accountants will maintain its course.

Directly following, Mr. Duffy gave a very instructive and constructive talk on professional accountancy practice. Reverting to the possible discontinuation of holding future examinations in Hong Kong by the Australian Society of Accountants, he said that "it seems to me that the body to fill the gap on the Australian Society of Accountants' withdrawal should be your own Society."

He also accentuated the importance of disciplinary action and stressed that that action "is not a reflection on a Society but an indication of abiding by a set acceptable standard".

(The Code of Ethics of the Society has been published in our 1953 issue.—Ed.)

COMMONWEALTH PREFERENCE

Charles MAR FAN FACCA FCIS &c

1. As the Society is commemorating its Golden Jubilee this year, it is appropriate that mention should be made of an old established trading agreement, one with which the Society has had close connections for many, many years, namely Commonwealth Preference. It is not too much to say that Preference has been of vital concern and assistance to the economic life of this Colony and, of course, by its reciprocal nature, to all other participating Commonwealth territories. Hong Kong's trade with the United Kingdom is almost wholly in goods which are exported under claim to Preference and substantial trade is also done with other territories granting Preference to the Colony's industrial products. It is likely that the total value of exports leaving Hong Kong for Commonwealth markets and to which Preferential tariffs are accorded, is in the region of 25% of the total value of exports of local goods in any single year. Preference is therefore of paramount economic importance to Hong Kong and, this being so, accountants approved for Preference purposes have a duty and responsibility to establish and maintain high standards for costing and other Preference work which they are required to carry out. The Society may be justly proud that, notwithstanding the increasing complexity of Preference controls and accounting procedures, Hong Kong prepared Preference certificates have remained fully acceptable to overseas Customs authorities, many of which have expressed admiration for the excellent administration of Preference matters in Hong Kong and the high degree of co-operation which exists between the Hong Kong Government and Preference approved accountants.

Although almost all accountants will be aware at least in the general sense of the present day systems and controls within which Preference is administered, it is a safe assumption that a great many will not recall how this great trading agreement came into being. In the 50th year of the Society's existence therefore, it might be considered appropriate to include a few brief notes on the introduction of the system and the high hopes entertained for it and its inception. These were happily justified and completely fulfilled.

2. The Imperial Economic Conference was held in Ottawa, Canada, from July 21 until August 20, 1932. It was opened by His Excellency, the Governor-General of Canada, Earl of Bessborough, and the Commonwealth countries represented were Canada, United Kingdom, Australia, New Zealand, Union of South Africa, Irish Free State, India, Newfoundland and Southern Rhodesia. The United Kingdom represented all British Colonies, including Hong Kong. The Rt. Hon. R. B. Bennett, Prime Minister of Canada, occupied the Chair throughout the Conference.

Matters discussed at the Conference included—

- (i) Promotion of Trade within the Commonwealth.
- (ii) Customs Administration.
- (iii) Commercial Relations with Foreign Countries.

- (iv) Monetary & Financial Questions.
- (v) Methods of Economic Co-operation.

The number of meetings held was: Plenary Conference, 5; Heads of Delegations, 5; Committees and Sub-Committees, 49.

3. The Conference concluded with many constructive resolutions of which the following appear to be the most significant:—

- a) "Resolution and Statements regarding the Promotion of Trade within the Commonwealth:

"With regard to the determination of the percentage of Empire Content necessary to secure preferential tariff treatment, the Conference draws the attention of the several Governments of the Commonwealth to the importance of this subject, and recommends that each of the Governments of the Commonwealth should investigate, as rapidly as possible, the standard of Empire Content which should be required by them for the import under preferential rates of the different classes of goods, bearing in mind the following principles:

- (a) That though it must rest with each Government to decide what standard will require, a greater degree of uniformity throughout the Commonwealth is desirable;
 - (b) The standard required should not be such as to defeat or frustrate the intention of the preferential rate of duty conceded to any class of goods."
- b) "This Conference, recognising that export bounties and exchange depreciation adversely affect the value of tariff preferences within the Commonwealth, expresses the hope that with a rise in the level of commodity prices and with stabilized exchanges such bounties and the special duties which have been adopted as a means of adjusting the situation so created, may be withdrawn."
 - c) "The nations of the British Commonwealth having entered into certain Agreements with one another for the extension of mutual trade by means of reciprocal preferential tariffs, the Conference takes note of these Agreements and records its conviction:

That by the lowering or removal of barriers among themselves provided for in these Agreements the flow of trade between the various countries of the Empire will be facilitated, and that by the consequent increase of purchasing power of their peoples the trade of the world will also be stimulated and increased;

Further, that this Conference regards the conclusion of these Agreements as a step forward which should in the future lead to further progress in the same direction and which will utilize protective duties to ensure that the resources and industries of the Empire are developed on sound economic lines."

d) **Customs Administration.**

"The Conference recommends that the aims to be kept in view should be:

- (i) The avoidance of uncertainty as to the amount of duties which would be payable on the arrival of goods in the importing country;
- (ii) The reduction of friction and delay to a minimum; the provision of facilities for the expeditious and effective settlement of disputes relating to all matters affecting the application of the Customs Tariffs.

and that any measure which Customs Administrations might take to safeguard themselves against evasion should be consistent with these principles."

4. No less than 11 Preference Agreements were signed at the conclusion of the Conference between the United Kingdom and various Commonwealth countries.

HONG KONG'S CONTRIBUTION TO OTTAWA CONFERENCE

5. Prior to the 1932 Ottawa Conference, the Hong Kong General Chamber of Commerce played an important role in providing Britain with information designed to help the Colony to secure preferential benefits for her relatively small industries. The Chamber also administered the early Preference controls and has remained an important agency for advising the Government on improvements to the Preference administration.

Soon after the promulgation of the United Kingdom Import Duties Act, 1932, which is reproduced as an Appendix to this article for general information, the Chamber submitted to the Government a list of Hong Kong manufactures which it was suggested should be accorded preferential treatment on importation into the United Kingdom, subject to satisfactory evidence as the compliance with Board of Trade regulations made under the Import Duties Act, requiring that at least 25% of their value was derived from materials grown or produced or from work done within a part of the British Empire.

The goods in question were listed as follows:— Rope, sugar, cement, boilers, machinery and vessels of various types constructed in local dock-yards, cotton goods, preserved ginger, furniture, rubber-soled shoes, lard, soy and sauce, perfumery and soap, biscuits and confectionery, flashlight torches and batteries, vermillion, aerated waters, sun helmets and hats, pencils and cigars.

"In respect of these articles," the Chamber's 1932 Report stated, "the Chamber in its reply of June 17 pointed out that the claim to Imperial Preference would be based in most cases on addition to the value of the goods in the form of labour in Hong Kong. Some also used British materials. As regards preserved ginger, figures had been produced to the Chamber showing that, in the case of preserved ginger in barrels, the percentage added to the value in labour in Hong Kong was only 15%, although the percentage would be higher in the case of preserved ginger in jars or cases."

FORM OF DECLARATION

6. "The Chamber also referred to the form of declaration which is required to be signed when claiming Imperial Preference under the Import Duties Act, 1932" continued the Report which pointed out that "the onus is placed on the manufacturer to declare that the goods contain the required 25% British interest and that no Chamber of Commerce or Government certificate is apparently required. As there are few industries in Hong Kong which are not duplicated in China, the Chamber suggested that to prevent abuse, a further requirement might be added in the case of Hong Kong manufactures, i.e., that manufacturers claiming preference should submit their books in confidence to qualified accountants and that the Government or the Chamber might counter-sign declarations to the effect that figures in support of the claim to preference had been produced to them."

DOMINION AND COLONIAL MARKETS

7. The Chamber also recommended to the Government that "preferential treatment be asked for in respect of all Hong Kong manufactured goods which could show the required percentage of British interest. Although some of these goods were not at present exported to British Colonies and Dominions, it was submitted that a preferential scale of duties might enable them to compete with similar goods at present imported from other than British countries." A list of Hong Kong products, which were at that time (1932) being exported to individual Colonies and Dominions and in respect of which preferential treatment would be especially valuable, was also submitted by the Chamber to Government for consideration.

The foregoing representations of the Chamber were forwarded by the Hong Kong Government to the Secretary of State for the Colonies for consideration of Hong Kong's case at the Ottawa Conference.

GOVERNMENT ANNOUNCEMENT

8. As a result, Hong Kong's claims to Preferential privileges were examined favourably at the Ottawa Conference, as evidenced by the following communication issued to the Press on October 13, 1932 by the Hong Kong Government:—

"The Order under the Public Revenue Protection Ordinance promulgated in the Gazette Extraordinary of this evening, and the legislation which it foreshadows represent the contribution asked of Hong Kong towards the common effort planned at Ottawa and now ripe for execution to promote British trade by a system of reciprocal preference embracing all the Dominions and Dependencies. The contribution of Hong Kong to this great scheme of Imperial solidarity must necessarily be small, because it is of paramount importance both to the Colony and to British trade that the movement of goods into, within, and out of the port shall be subject to as few restrictions as possible and this principle is observed even in the new taxation imposed on motor vehicles, which must perforce come under Government notice as soon as they are taken into use within the Colony and can therefore be allowed entry, storage and re-exportation without the restriction of bonding. The variation in the duty on brandy does not of course impose any fresh restrictions in its present form of a direct reduction rather than a burden. But small as Hong Kong's contribution is it will in

the words of the Secretary of State's telegram of the 24th August, 1932 'not only a reciprocal return for preferences received and offered but also an earnest of our common desire to secure the fullest measure of Empire trade'."

9. From the foregoing, it will be appreciated that the fundamental pattern of trade which the Commonwealth Preference was originally designed to assist was the import of Commonwealth raw materials into Britain and the reverse flow of British manufactured products to the largely under-developed Commonwealth countries. As far as Hong Kong is concerned, however, this traditional pattern never really became established for the simple reason that Hong Kong had few raw material sources or natural produce but did have the capacity and the will, even in these early days, to duplicate British manufacturing skills in the light consumer industries. Gradually a sizeable trade, particularly with British, grew up under the stimulus of Preference and with the immense impetus of industrialisation during recent years Preference exports have now become of paramount importance.

PREFERENCE CIRCULARS

10. Having acquainted readers with the events which heralded the establishment of the Commonwealth Preference system, it is now considered desirable, for general information, to summarise some of the more important Preference Circulars issued by the Department of Commerce & Industry since the last publication of this Journal in 1961.

(1) **Export of Finished Piecegoods to Malaya:** In July 1961, it was notified that in respect of shipments of finished piecegoods to Malaya, the names and addresses of manufacturers of grey cloth should as from 7th August 1961 be stated on both the Commonwealth Preference Certificate (CPC) and the relevant C. & I. 185 (application form).

(2) **Local Products exported to Fiji Islands:** In January 1962, the Fiji Customs authorities notified the Department of the following requirements in connection with imports into Fiji of goods certified to be of Hong Kong origin:—

- (i) Where reference numbers or other identifying particulars have been imprinted or marked on goods, the numbers or marks must appear on the relevant Commonwealth Preference Certificate or Certificate of Origin and the supporting documents which are forwarded to the importer.
- (ii) Where an exporter uses his own reference numbers on his invoice and/or supporting documents, he should also indicate the relevant item number on the relevant Commonwealth Preference Certificate or the mark or other identifying particulars appearing on the Certificate of Origin.

Failure to observe the foregoing requirements would result in difficulty in clearing the goods on arrival.

(3) Multiple Certificates:

"From June 1, 1963, Multiple Commonwealth Preference Certificates will no longer be honoured," was advised by the Fiji Customs authorities.

"A Multiple C.P.C. is a single Certificate covering goods supplied in one or more packages by one Hong Kong exporter to two or more Fijian importers. These certificates have been obtained as a means of reducing the documentation costs for small consignments."

(4) Certification for Locally Manufactured and Imported Textile Materials:

In order to provide a more effective control over the issue and use of invoices and C.P.C.s for imported and locally produced textile materials used in the manufacture of textile products for export under Preference, the Department in February 1962, with the concurrence of the U.K. Customs Authorities and under the powers conferred by the Exportation (Certificate of Origin and Commonwealth Preference Certificate) Regulations, 1961, introduced a comprehensive set of procedures in regard to cotton textiles with effect from April 1, 1962.

The procedures are briefly outlined as follows:—

- (i) All manufacturers and dealers issuing documents to be used for Preference in respect of imported and locally manufactured cotton textile materials must employ an approved accountant, and register with the Department.
- (ii) Approved accountants will be responsible (a) for retention, for a period of not less than 3 years, of all documents used for Preference purposes on behalf of their clients; (b) for endorsements on invoices issued for Preference sales; (c) for the issue of Dealers Sale Certificates in respect of Preference sales and the proper recording of all such sales.
- (iii) Three types of Certificates were introduced:—
 - (a) Local Manufacture Sale Certificates;
 - (b) Dealers Sale Certificates for Local Materials, and
 - (c) Local Importers/Dealers Sale Certificates for Imported Materials.
- (iv) Stock of Preference Materials in hand at the date of introduction of this scheme had to be checked by an approved accountant and registered with the Department.

For further details of the scheme, reference should be made to the

Department's circular dated 26th February, 1962 (Ref. No. 3663/53 IV).

(5) **Shipments to France and French Territories:** The position in regard to certificates of origin endorsed 50% Commonwealth content for Hong Kong products destined for France and French Territories has been clarified by the Department in June 1962. The relevant departmental circular reads, in part, as follows:—

"These Certificates of Origin are issued only for goods attaining 50% Commonwealth content and which would also qualify for the issue of an unendorsed standard Certificate of Origin by virtue of the manufacturing processes undergone in Hong Kong. Simple diluting, packing, bottling, drying, assembling, sorting, decorating, blending, etc., are not regarded as genuine manufacturing processes."

(6) **Replacement of C.P.C.s/Forms E.120:** As from June 1962, in order to expedite the issue of replacement of C.P.C.s and Forms E.120, approved accountants were allowed by the Department to prepare replacement certificates without prior written approval from the Department, as had been the requirement previously. The exporter or manufacturer concerned should then present the replacement certificate to the Department for countersignature together with (a) a covering letter explaining briefly why the replacement is required, (b) an application on Form C. & I. 185 duly stamped, (c) the certificate to be replaced and (d) related shipping documents and the commercial invoice for the goods.

(7) **Compulsory Factory Inspection by Accountants:** This requirement as reported in the 1961 issue of this Journal has been withdrawn by the Department, according to its circular dated 14th December, 1962.

However, the Department advised the approved accountants that, in their own interest, they should "continue to inspect their clients' premises with such frequency as they feel to be necessary although there is no need to forward inspection reports to this Department for reference." Nevertheless, periodic inspections by Inspectors of the Department have been going on undiminished.

(8) **Preference Undertakings:** In February 1963, a new basis for the submission of written undertakings by local factories for Preference purposes has been devised and agreed between the Department and the U.K. Customs Authorities. This scheme was aimed at improvement and effectiveness of the preference system of control for exports to Britain. On and after March 1, 1963, all factories claiming Commonwealth Preference will be required to submit fresh or new undertakings in the revised form to the Department and to H.M. Customs. It was the intention of the Department to bring the form of undertaking under legal sanction, as it has to be signed

by an authorised representative, preferably a partner of the firm, in the presence of an authorised officer of the Department, who will sign each undertaking as a witness. A specimen of the revised format to this effect had been circulated to all approved accountants for reference. It was warned by the Department that any factory violating the terms of a registered undertaking will be taken as having committed a breach of a condition of registration of the factory for Preference purposes and as an offence under the Importation and Exportation Ordinance (Cap. 50) and will be prosecuted accordingly. This action may be independent of, or supplemented by, suspension action, the Department added.

The procedures for the application of this new system are set out in detail in the Department's circulars Nos. 3/63 and 5/63 of February 4 and 8, 1963 respectively.

(9) **C.P.C.s submitted in advance of Costings:** The Department indicated in February 1963 that, as from March 1, 1963, applications for C.P.C.s would not be accepted until the relative costings had been approved by the Department. All costings would be examined in strict order of receipt, and no exceptional priority whatsoever would be accorded to any costing henceforward.

(10) **Exports to Channel Islands:** It may be of interest to both exporters and accountants to know that, in respect of internal administration, the Channel Island States of Jersey and Guernsey do not form part of the United Kingdom, and U.K. regulations relative to customs and import licensing matters do not apply to them.

For Commonwealth Preference purposes, C.P.C.s are the correct documents—not Forms E.120.

In addition to a C.P.C., Form C. & E.4 of these two Island States must be furnished on importation under claim to Preference.

(11) **Textile Products from non-Commonwealth Materials:** In June 1963, it was notified by the Department that, according to its investigation, certain textile products manufactured from textile materials of non-Commonwealth origin could not, in normal circumstances, achieve a 50% local cost content by virtue of labour and applied factory overheads alone. Consequently, "it has therefore been decided that, as a general rule, claims to a 50% Commonwealth or Hong Kong content for textile products other than brassieres and certain types of embroidered articles, including handkerchiefs, will henceforward only be considered where the principal materials used in manufacture are either of Commonwealth or local origin and are properly supported by the requisite documentation."

(12) **Issue of Certified Copies of Certificates:** With effect from July 1, 1963, the issue of photostat certified true copies of (i) Certificates of Origin,

(ii) Certificates of Processing, (iii) C.P.C.s, and (iv) Forms E.120, D.119, D.119, D/COM.112 and E/COM.113 has been discontinued by the Department.

Thereafter, certified true copies will be prepared in exactly the same manner as original certificates, except that all such copies will additionally bear an endorsement stamp of the Department. The applicant should approach the relevant approved accountant and request him to prepare the necessary copy. "This copy, together with a letter from the applicant, stating the reason for requiring a certified true copy and giving details of the certificate involved, should then be submitted to the Certification Branch."

The certified true copy should continue to be submitted to the relevant Consul or Trade Commissioner for endorsement or visaeing.

(13) **C.P.C. covering goods of different Commonwealth contents:** Beginning September 1, 1963, the Department will countersign a C.P.C. which embraces goods requiring different Commonwealth contents to qualify for Preference, provided the relative Commonwealth contents of the goods are clearly indicated in the C.P.C. It will therefore be necessary to number the articles exported in order that the Customs Authorities in the importing territory may readily discern the Commonwealth content of each individual group of articles.

It is understood that this procedure will not apply to Preference consignments to the U.K. and will not affect the existing regulations regarding the use of "Multiple Certificates" (See paragraph 3).

(14) **Issue of Forms E.120 for Exports of Yarn and Piecegoods to Singapore and Malaya:** According to Preference Circular No. 21/63 (dated September 16, 1963), it was announced that as a result of an agreement with H.M. Customs & Excise, London, the Department "is now prepared to countersign Forms E.120 for exports to Singapore and Malaya of yarn and piecegoods of Hong Kong origin intended for subsequent manufacture into textiles and garments and ultimate export to Britain under claim to Preference purposes."

The Circular also provides that all such Forms E.120 will be endorsed by the Department as follows:—

"This certificate is issued solely to assist Singapore/Malayan Manufacturers in claiming Preference on their finished products."

"Forms E.120 so endorsed will not however," the Circular concluded, "entitle such piecegoods to enter Malaya at preferential duty rates and Commonwealth Preference Certificates issued by this Department together

with Form G120(A) must be obtained in the usual way if entry at preferential rates into Malaya is intended."

11. As a final comment in this article dealing with the Preference scene, it might not be considered facetious if mention is made again of the degree of cooperation which exists between the Society, its members and the appropriate Government authorities concerned with this aspect of the economic life of the Colony. Preference approved accountants by their efforts to improve their standards over the years have created much goodwill within the Government circles and also in the Customs departments of Commonwealth countries, particularly in the United Kingdom. Continued effort is necessary if this goodwill and mutual trust on Preference matters is to be maintained.

APPENDIX

Import Duties (Imperial Preference) No. 1 Regulations, 1932.

"The Board of Trade in pursuance of the powers conferred upon them by paragraph 1 of the 3rd Schedule to the Import Duties Act, 1932, and of all other powers enabling them in that behalf, hereby make the following regulations:—

- (1) These regulations may be cited as the Import Duties (Imperial Preference) No. 1 Regulations, 1932;
- (2) Goods shall not be deemed to have been manufactured in a part of the British Empire unless at least 25 per cent of their value is derived from materials grown or produced or from work done within a part of the British Empire;
- (3) Where a number of separate articles are included in one parcel or shipment, each and every article shall be treated separately for the purpose of calculating the proportion of value derived from materials grown or produced or from work done within a part of the British Empire;
- (4) For the purpose of these regulations the value of manufactured goods shall be their cost to the manufacturer at the factory or works including the value of containers and other forms of interior packing ordinarily sold with the article when it is sold retail, but not including the manufacturer's or exporter's profit or the cost of exterior packing, carriage to port and other charges incidental to the export of the goods subsequent to their manufacture."

Dated this 1st day of March, 1932.

(Sd.) Walter Runciman,
President of the Board of Trade.

THE APPROACH TO THE EUROPEAN COMMON MARKET

Peter P. F. Chan

One must say that economically, Hong Kong has been indeed very fortunate, of course with the exception of the current problem of water shortage. Its people and policy framers generally did not show any particular concern over the possible difficulties expected when Britain applied to join the European Common Market. When it turned out that no safeguard for the interest of Hong Kong was apparently or definitely provided by Britain's negotiators, industrialists began to really sense the graveness of the situation, as might be seen by the "rush" actions taken or to be taken then, officially and unofficially.

De Gaulle's veto put an end to Britain's application to enter Europe and the words "Common Market" most talked about in half of the world suddenly almost vanished from the lips. While people of different nations had different feelings about the cessation of negotiation, the worries of Hong Kong were over and some people had often said that those who did the worrying then were really fools or persons without foresight and judgments and those who did not do the worrying then really had their "reasons" for not doing so.

Whether the worrying was justified or otherwise, there is one thing undisputed by all persons and that is: The Common Market is indeed a very potential market, where the locally manufactured products, other than those mass-produced in more industrially advanced countries, may be sold in quantity. At the time when Hong Kong's industry is growing so rapidly, its products long for further trade routes and the Common Market evidently is the most hopeful one.

The recent promotion drives for Hong Kong products in anticipation of the participation in the Frankfurt Trade Fair is truly encouraging. This shows that the government and industrialists are actively engaged in seeking outlets for the locally manufactured goods. Europe is far away and its people, in general, know very little about us and at this stage a "getting-acquainted" or "we-just-come-to-say-Hello" movement seems, at least to me, more important than the actual selling. Quick returns should be avoided at all costs and indecent commercial conduct should be prevented even at the expense of legislative measures, if necessary.

In framing a policy on long-term approach to the Common Market, I suggest that it probably is not unwise to consider three aspects, one when Britain will not enter Europe, two, when Britain will renew her application with adequate proposal for Hong Kong and three, when she will do so without such proposals.

(1) If Britain does not enter Europe the situation would be it is now. Commonwealth Preference will be preserved, though very gradually reduced in scope by Britain's reduction of tariff against goods otherwise than from the Commonwealth. Hong Kong would be able to export to United Kingdom without or at a reduced rate of duty. Our industry, long time or-

ganized to supply our part of the United Kingdom import requirements will continue to flourish as we have new products and have improved our efficiency by mechanisation though hindered by sharp increase of wages and industrial land prices. There is less likelihood that Commonwealth Preference will be abandoned or sharply decreased even there is a change of policy when the Labour Party comes to power.

During these months Britain gradually began to realize that it is not too bad that the application was rejected. Economy goes back on normal pattern and industry's plans in anticipation of entry are simply filed away for further reference. As reflected in the "Poll" printed in London Daily telegraph below, the British people may not really wish to join after all.

	<u>July 1961</u>	<u>December 1962</u>	<u>Change</u>
Approve Joining	43%	29%	down 14%
Against	20%	37%	up 17%
Undecided	37%	34%	down 3%

On the economic side, difficulties arising arising from the application being rejected are not felt. These difficulties may be hard to define as the benefits from successful joining are also not defined. These given by the backers were and are very vague and as most people agree that the entry was on most part on political reasons.

(2) Although the words "Common Market" almost vanish from our lips, yet in the United Kingdom and elsewhere (for instance, in United States) persons are still working on the attachment of Britain to Europe. The talks may be renewed at any minute on De Gaulle's change of attitude, death or retirement or on increase of American pressure on happening of a major important political event or on the desirability of Britain to accept entirely and without special concession, the terms of the 1957 Treaty of Rome which governs the Common Market. There is ground for such belief, e.g.

De Gaulle: "England might manage to transform herself sufficiently to become part of Europe".

Kennedy: "There would be reconsideration of Britain's application".

Resolution of the European Assembly at Straasbourg: "To ask for a report of the Commission in the hope of establishing solid grounds for resuming negotiations with Britain".

If Britain renews her application and makes suitable proposals for Hong Kong, and if such proposals turn out to be adequate and accepted subsequently, Hong Kong would be happy and through such acceptance may participate in one of the biggest markets or most probably the biggest.

(3) If no adequate proposals are made the results would be disastrous. Please do not think that this is ridiculous or impossible as the proposals for Hong Kong were only put forward in the last minute in the last talks by the British delegation **AND** the Common Market negotiators had not worked

(To be Continued on Page 57)

THE FUTURE OF THE ACCOUNTING PROFESSION

JAMES C. STEWART

President of the

Institute of Chartered Accountants of Scotland

A Technical Paper presented by Mr. Stewart at the Closing Plenary Session of the 8th International Congress of Accountants, in New York City, on Thursday, Sept. 27, 1962.

The honour and privilege of addressing this Congress at the conclusion of its deliberations falls to me, I well understand, as a compliment to the Institute of which for the moment I have the honour to be President. The responsibility of doing so has cast for me a shadow over the whole prior proceedings of the Congress—knowing, as you will now learn, that the worst was yet to come.

I am instructed to waste no time on meaningless courtesies, but I cannot embark on the theme allotted to me without first offering to our hosts some few words of thanks and congratulation. To bring together in one place, at one time, and with one objective, such a number of people from so many countries is itself a major achievement, even in these days when our globe has been reduced to a mere staging post for rockets. To organise all the details and to procure so much co-operation and provoke so much discussion with so little discord is an even great achievement and reflects the greatest credit on all who, under the leadership of the Congress President Mr. Foye and the Secretary Mr. Carey, have carried the responsibility of organising the Congress with such happy results for all of us. I tender to them on your behalf this sincere but quite inadequate expression of congratulation and gratitude.

I have been asked to say something this morning about the future of of the Accountancy Profession as I see it. This is possibly because the Scottish Institute has the longest past and, therefore, if time be regarded as finite rather than infinite, presumably, the shortest and most easily foreseeable future of all the organised bodies of accountants. Even so, so rapid is the rate of technical change that one cannot hope to imagine, much less to describe with any accuracy, the changes which may yet occur in one's own lifetime.

One of the immediate difficulties in speaking of the future is to describe, in terms which will be generally understood and accepted, where we stand now. At this Congress there has been one official language, but even in this so-called common language the same words mean different things to different people. I recall that at the Seventh International Congress in Amsterdam in 1957 the late Marquis G. Eaton remarked "In Texas and in England we speak the same language only at scattered points; and as to our cousins in Scotland we only pray to the same God". I apologise in

advance, therefore, for any apparent failure of my Institute to comply with the request that speakers and delegates should be familiar with the English language—in either its English or American dialects.

Accountants have hitherto been criticised, and perhaps justifiably, because their efforts have been thought to be too exclusively directed to ensuring accurate recording of present happenings and then setting out, for the information of others, records of past results. But this was often all that was expected of them by a business community which was then left to draw its own deductions as to the future. The restrictions thus imposed on the services it could render were too readily accepted both by the profession and its clients. When I was an apprentice it was always impressed on me that an accountant's concern was with the profits of the past and not with prophets of the future. Historical accounting statements, however much of estimate and opinion about the past they might reflect, were regarded as factual, but estimate and opinion about the future were regarded as merely baseless prophecy or wishful thinking.

This attitude implied an apparently deliberate rejection by accountants of the role of guides and leaders and the acceptance of a lower and purely mechanical role as purveyors of figures. Attempts to foresee the future, although obviously necessary in all but the most primitive economic activity, were left by accountants to others who presumably least understood the records of the past. Fortunately for the profession some of its members had a more progressive outlook, for it is surely better that like Moses we should look towards a promised land we may never enjoy, than like Lot's wife back to a past that is better forgotten.

Accountants must become more conscious that it is the future that matters, and that their concern with the past must increasingly be only as a basis for forecasting the future. It is interesting to know where we have been, but, unless we are to engage in mere aimless wandering, it is essential to know where we are going or at least aiming to go. Adequate records of where we have been help us to plan where we are going.

Precise records of certain current events and transactions can — and indeed must for obvious control purposes — be maintained. As these records are incorporated into historical accounting statements they tend to lose their quality of precision. There must be constant effort to secure the greatest possible accuracy in all accountancy statements, whether historical or prophetic, but in historical statements designed to serve as a basis for planning the future, it is unnecessary to strive for any greater standard of accuracy than is required to support such forecasting as is possible.

The change in emphasis from past to future may thus be expected to lead to an apparent diminution in the arithmetical precision of accounting statements and to increase in the importance of skilled judgment and the formation of right opinions. This need not be a matter for dismay. Accountancy, as distinct from book-keeping, never has been an exact science. As a layman it seems to me in these days increasingly a matter of doubt whether there is any exact science at all, so quickly are the boundaries of

knowledge enlarged and the ideas of scientists changed. Does this word science, as we commonly understand it, indeed mean knowledge, or does it suggest rather the development of ideas? Does it mean only the meticulous description of phenomena, or the exploration and interpretation of them? Accountants would do well to accept the latter rather than the former as the proper description of their own science or art. An in other sciences, the methods and apparatus used are not in themselves significant, though more significant results may be produced by more elaborate means. Computers, machinery, elaborate systems of any kind, are merely tools. It is the way in which the results produced are interpreted that is important. The complexity of the data may be increased by the size and scope of a business enterprise, but the fundamental accounting principles are not affected. The principles, however, will be progressively the subject of clearer definition and refinement. Nevertheless, in the future we shall no doubt find as the French say, 'plus ça change plus c'est la meme chose'. In spite of the changes in his tools and methods, the functions of the professional accountant as interpreter and independent assessor of financial and economic data will remain his most important functions.

Though tools and methods will change, some of the current problems may be expected to remain with us for some time yet.

Fluctuations in the value of monetary units have raised many problems both for accountants and economists. The solution of these problems is not made easier by the fact that most accountants know too little about economics and at least some economists seem to know nothing of accountancy at all. This is a matter to which our programmes of professional education must give greater attention as the accountant becomes increasingly concerned with economics and forward planning. Linked with this are problems relating to depreciation and obsolescence and to the proper spread of long-term expenditure. The ever-increasing pace of technical change makes at once more difficult and more necessary the accurate prediction of the useful life of assets, as affected by wear and tear, by technical change in methods and equipment, and by changes in consumer demand, so that accountants may make a more realistic spread of capital costs.

I do not propose to indulge in any prophecy about the way in which accounting thought on these subjects will develop. History provides too many instances of learned men making pronouncements which have made them seem ridiculous in the eyes of posterity, for a canny Scot like me to take such a risk. I am content to leave with you the suggestion that the problems mentioned will continue to engage the attention of accountants and economists for some time. New tools may help towards the theoretical solution of these problems, but there will still remain the necessity to exercise a trained and unbiased judgment in the application of theory to practical commercial ends.

I spoke earlier of the difficulty of formulating a generally acceptable definition of the accountancy profession as it now exists. The part played by the professional accountant in the business life of the community varies from country to country. For instance, we in the Scottish Institute regard our members in the employment of industrial or commercial concerns as

still being professional accountants, but they would not be regarded in the same way in several European countries. People are always attempting definitions of accountancy. Examination of these definitions may help to clarify some problems and provide pointers to some future developments.

The American Institute's Accounting Research Bulletin No. 7, defines Accounting as "the art of recording, classifying and summarising, in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character, and interpreting the results thereof". I stress the word 'art' and suggest that it is his role as interpreter rather than recorder which distinguishes the professional accountant from the mere clerk.

Next I take a statement by Mr. Arthur M. Cannon "Accounting is almost exclusively an art, a language, a method of communication, a system of conventional terms and definitions and methods of measurement used to think about and communicate economic and business information". To which Mr. Cannon added "It needs to have some elements of science grafted on to it" — a statement with which I do not entirely agree, but on which I shall not pause to argue. I still like to think of accountancy as an art rather than a science.

Again, in the foreword to his "Financial Accounting" published in 1943 the late George O. May wrote "Financial accounting is now generally recognised as being primarily historical in character and as having for its most important function the extraction and presentation of the essence of the financial experience of businesses so that decisions affecting the present and future may be taken in the light of the past". While the stress in this definition is more on the historical aspect it is clear that already twenty years ago the past was regarded as important primarily as a guide to decisions affecting the future. This use of historical accounting statements as a guide to future action is not of course restricted to the management accounting field, but is just as important in the accounting in which, as Mr. May wrote in his last published article "the real client is the investing public". Sometimes it may seem that all this class of client wants to know is the rate of dividend, but some also wish to know what reasonable deductions as to the future may be drawn from an account of past stewardship.

From each of the foregoing quotations, it is clear that accountancy involves communication and that the object of the communication is to induce or influence action. Obviously, therefore, the future is involved as well as the past.

It is axiomatic that if communication is to be effective it must be significant. It must succeed in getting the desired message across so that not only is it clearly understood by the recipient but the same idea as originated in the one mind is re-created in the other. To achieve this, a set of conventions, a jargon if you will, is necessary, and it has been a failing of the profession hitherto that, while there has been lots of jargon, there has been no standard jargon.

Many accounting conventions have arisen from the use of accounts purely as a periodic historical report of stewardship to absentee owners, who

it seems were presumed to be interested only in the past. Reports and statements based on such conventions may tell them what has been done, though in days of fluctuating monetary value even that is doubtful. Proprietors, absentee or otherwise, should be more interested in what is likely to happen in the future, so that they may take effective action to safeguard their property. There is really no distinction, except perhaps in the extent of detail desirable, between what the shareholder and the manager ought to know. Both wish to know the result of past decisions, the latter in order to adjust his future course, the former to assess how the management, whose decisions have produced the reported results, will react to these results, and what future results that reaction will produce. Both are entitled to look for all the help which a skilled and independent accountant can provide by way of financial reports based on realistic conventions. As a result of growth in the size and complexity of business units, top management is sometimes so remote from the actual day to day operations as almost to be called absentee management. If the conventions of the past do not give the absentee proprietor the information he needs, still less do they give this absentee management the information required for the making of right decisions as to future action. It must be one of the continuing tasks of the accounting profession to develop new conventions which will more adequately convey the underlying economic facts to those concerned as owners or managers.

It has been a great disadvantage that, for communication involving measurement of values, the only units of measurement hitherto available, the monetary ones, have been elastic units, for as Adam Smith wrote nearly two hundred years ago, "a commodity which is itself continually varying its own value can never be an accurate measure of the value of other commodities." Is it too much to hope that with the aid of modern and still developing technical apparatus used under the direction of accountants and economists in collaboration, some more stable unit of measurement of value may be found? There is great scope here for constructive thought by accountants. There must also be standardisation of definition, and work on this is going on on an international basis a notable example being the publication last year of the "U.E.C. Lexicon" by 'Union Europeenne des Experts Comptables, Economiques et Financiers'. This work may be expected to continue, and to diminish progressively the difficulties of communication both between accountants of different countries and between accountants and other users of accounting statements. Standardisation of definitions must not, however, be allowed to lead to the formulation of rigidly standardised conventions, codes of procedure and forms of presentation. We must always be alive and forward-looking and avoid the dead hand of precedent which has lain so heavily on our elder brothers of the Law.

The ability to communicate in an intelligent and intelligible manner is however, not the end of the matter. If the information conveyed is to be of real value, it must be known to be reliable and not affected by any bias on the part of the reporter. It must also be relevant to the needs of the recipient. There is a distinction between selectivity which stems from the desire to please or to induce a particular reaction, and selectivity directed to the elimination of what is irrelevant to the purpose

in hand. The former results from bias, and is a breach of the complete integrity which should be the mark of the professional accountant. The latter is the proper and desirable result of the exercise of the accountant's professional skill. It is thus possible for a professional accountant, without loss of integrity to present information about the same series of transactions in a variety of forms designed for the service of different users, so long as he makes it clear what he is doing.

Three functions of the professional accountant may at this point be distinguished. First, and most important in the professional activities of the accountant in public practice, is the attest function. This has recently been considered by the Long-range Objectives Committee of the American Institute and has been dealt with in illuminating detail in an article by Mr. Herman W. Bevis in the "Journal of Accountancy" in February of this year. The exercise of this function results in the expression of an opinion by an independent expert, the value of which is that it is an independent unbiased opinion and as such lends credibility to the statements which are its subject, and which have a wide range of use, covering reports to or for proprietors, creditors, Governments and other regulatory authorities and to what I have earlier referred to as absentee management—in short, to all having an interest in the financial condition and progress of a business enterprise. There is also, I feel certain, increasing scope for the exercise of this function by the professional accountant operating as a full-time officer of a company or other body, and reporting to higher management.

The other two functions might almost be regarded as special aspects of the attest function, in that if responsibly exercised they produce results of the maximum credibility and impartiality on which management and other executive decisions may be based. The first of these is the analytical function. This falls to a much greater extent within the sphere of the accountant in industry or commerce. The need for independence and integrity is no less in the exercise of this function than of the attest function proper. Too close involvement in management and in the decisions to be taken on the basis of any financial or economic analysis can subtly diminish both independence and integrity. Analysis is influenced by the line of approach, and, even without conscious distortion, can be so made as to support a preconceived conclusion instead of providing a solid basis for the formation of fresh conclusions. It is important, therefore, that in discharging this function the accountant in industry should approach his task with the same professional attitude and be guided by the same standards of integrity and independence as his brother in public practice. The other function, and one which is becoming of increasing importance, is the comparative function. The professional accountant is, by reason of his professional skill and independence, well qualified to develop significant comparisons between businesses or sections of businesses. He is aware that direct comparisons are seldom possible, but he is also aware of the areas in which comparison is possible, of the

areas of most difficulty, and of the lines of enquiry pursuit of which may make some useful comparison possible.

I would like now to consider for a moment or two some observable trends from which some conclusions about the future structure of the profession may be drawn.

First, there is a trend in most countries towards the formation of larger accounting firms by the merger of existing smaller units. The reasons usually advanced for such mergers are that the increasing range of work demands for its proper coverage a firm large enough to embrace partners skilled in all the specialised fields; that the increasing size and spread of client firms requires to be matched by a corresponding increase in the size and spread of the public accountancy firms employed; and that increasing size provides opportunities for better staff training and for the acquisition by partners of a wider range of knowledge and information, thus enabling a better service to be offered to clients. This trend will, I think, I may almost say fear, inevitably continue. It is also true, I think, that as the structure of accountancy practice becomes more complex the more the time of skilled accountants at top level must be devoted to problems of organisation and method, leaving less time for the direct exercise of their professional skill. The advantages arising possibly outweigh the disadvantages which result from some loss of personal contact and personal approach because of standardisation of methods, but there will I feel, always remain a role for the really competent individual practitioner, provided he is able as occasion demands to obtain access through the professional Institutes or otherwise to specialised information outwith his normal scope.

The second trend I would note is the extension of the first to the international field, as more and more stocks and shares of companies are quoted on the Stock Exchange of countries other than the country in which the company is incorporated; branch manufacturing units are set up by large companies in different countries; and finance is provided for developments in newly industrialised countries.

As a concomitant of the international trend there are movements to provide education in accountancy in less developed countries. It is important here that what should be provided is education in the fullest sense and not mere technical training. The aim must be to ensure that professional accountants in these new countries share not only our technical skill, but our ethical approach and accept the same moral obligations. For our part, we in the United Kingdom are seeking to help through the operations of a Joint Committee of the three Chartered Institutes known as the Overseas Accountancy Examinations Advisory Board, of which I am privileged to be a member. I am sure also that gatherings such as this present Congress materially assist the spread of

knowledge and the establishment of proper standards wherever the accountancy profession exists.

Some more technical trends may be noted. In addition to developments in electronic data processing and other mechanical devices, there are developments of new auditing techniques such as statistical sampling, and a movement to extend the auditor's responsibility so that he should report not only on the accounts but on the management whose deeds or misdeeds are reflected in these accounts.

To ensure that it is able to cope with all these trends, the profession must constantly subject itself to examination, in fact to a process of continuous audit. Particularly, when considering present educational programmes, regard must be had to the future developments which are foreseen. As accountants we must not lay ourselves open to the charge which in the past was often made against military men, that they are always in a state of complete readiness to fight the last war.

This is a charge I feel sure we shall avoid. The profession has always been more forward-looking than its critics have admitted. But technical developments are relatively unimportant for the future of the profession. New recording devices will undoubtedly be invented and developed; new auditing techniques devised; and a common terminology and symbolism brought into use. I have no doubt too that through regional and international congress the standing of the profession in the business world may be enhanced. What, however, is absolutely essential if the profession is to have any future worthy of its past is that as my distinguished predecessor in office, James Dowling, affirmed at the Seventh Congress in Amsterdam we should place first that "The accountant must always bring to the performance of his functions integrity and independence."

In his work the accountant is concerned with the material and often the selfish or even predatory aspects of human activity. If he can find ways of employing his technical skill to ascertain and measure the sum of human good likely to result from any economic decision, rather than merely the financial profit, and if he can then use his position of acknowledged independence and integrity to influence decisions towards securing the greatest good of the greatest number, the profession will grow in stature. The accountant could then leave behind his menial role of a short-sighted recorder of the gettings and spendings of others, working in some dim back-room of business and emerge to the sun-lit summits as the clear-eyed prophet of human welfare.

The functions may change, the methods of discharging them will undoubtedly change, but in the maintenance of our integrity and independence lies the whole future of our profession.

ORGANISATION AND OPERATION OF AN ACCOUNTANT'S OFFICE.

Colin R. Kelynack

Vice President of the Institute of Chartered
Accountants in Australia

Today, even more so than in the past, it is most important that the public accountant should have his own organization as efficient as possible. We in public practice are prone to criticize others for lack of proper organization but tend to take our own for granted.

The Office:

In the first place perhaps it should be stated that it is essential for the accountant to have an office, accessible to the public and in a business section of the community. The type of office is a matter of personal choice. It is desirable that it should be comfortable for those who work in it and of course it should be attractive both to the staff and to the clients.

The public accountant's office should be well located and, if possible, it should provide for future expansion. High cost of rental of office space, at least in some parts of the world, is a major factor which often determines the size and locality of the office. Lay-out, too, is important and should receive close attention as this has a direct bearing on efficiency and comfort.

Equipment:

The basic equipment comprises the usual desks, chair, telephones, filing cabinets and typewriters. Other equipment which may be necessary, depending on the size and type of practice, would be adding machines, calculators, comptometers, dictating machines, bookkeeping machines and photographing machines.

Staff:

Staff of the right calibre and standard are essential to the proper functioning of an accountant's office. Naturally, when we consider the recruitment of staff at a gathering such as this which is attended by representatives from so many countries, the attitude to, and the time of recruitment may vary considerably. Therefore, we can deal with general principles only.

In Australia it is usual for prospective staff to be about seventeen years of age, with an educational standard of matriculation or university entrance. Great care must be given to obtaining a proper assessment of the potential of prospective applicants for employment. Time spent interviewing and following up references is time well spent.

Having selected a suitable applicant, planning for his first step in a professional career is next in importance. The appointee must be acquainted with the aims, standards and requirements of the firm. Every effort should

be made to instil into him a sense of responsibility and purpose and he should be made aware of the sacrifices that he must make if he is to progress and become a successful accountant. He should be encouraged to plan his method of study and tuition and to register with the appropriate body for the professional examinations which will enable him to become a qualified Accountant. Proper incentives by way of remuneration as well as progress within the office are an essential of office management and regular attention should be given to reviews of staff salaries.

Staff Training:

In Australia final admission to membership of The Institute of Chartered Accountants as a qualified accountant in that country is after years of study combined with "on-the-job" training.

It is the duty of every practitioner to ensure that his staff are adequately trained. This may be done in various ways but the size of the office is generally a guiding factor.

In the smaller office principals are able to supervise and instruct the staff by close contact. However, in larger offices this is not possible, and special staff training sessions have to be organized in the practitioner's time, with the sessions arranged according to the various staff grades for juniors, intermediates and seniors.

Organization and supervision of staff training should be the responsibility of a principal or of a senior clerk.

One of the main objects of these training sessions is to make employees familiar with the practical application of their theoretical studies. It also tends to bind the firm together and to develop an esprit de corps, with the consequent result that employees feel they are working with the firm and not for the firm.

Adequate supervision of staff on office assignment is essential and this is organized by dividing the staff into groups under the control of a senior. Each senior would have a balanced section of semi-seniors, intermediates and juniors with perhaps a typist and a comptometer operator. Sometimes the firm may choose to have a typing pool with a senior stenographer in charge instead of having a typist allotted to each group or section.

Each senior is responsible to the principal—or, if there is more than one principal, to a particular partner, or partners.

The size of the staff and the nature of the practice must determine the extent to which a practitioner must delegate.

Client relations:

It is very important that the principal maintains personal contact with his clients, for, after all, the goodwill of the firm depends on good relationship.

Administration of the Office:

It is not the purpose of this paper to deal with procedures regarding work, but rather to deal with office administration.

Therefore, let us assume that we have the office equipment and staff and let us now address ourselves to the organisation of the office—what makes it “tick”.

It will be necessary to have the normal financial records which would include—

- (a) Private Ledger
- (b) Journal
- (c) Cash Book
- (d) Petty Cash Book
- (e) Fees Journal
- (f) Clients' Ledger.

The more important aspect of the administration is the proper charging of fees to clients, which should be on a fair and reasonable basis both for the practitioner and the client.

Subsidiary data to be kept would be:

(a) Diaries:

Each member of the staff should be required to maintain a daily diary of the clients' affairs which records such information as the time spent on each client's work, the nature of the work performed and the period to which the work relates. The diary should also record unproductive time and time off from the office on account of sickness or other matters, such as sitting for examinations.

The time is recorded in units of hours, the minimum recording being one quarter of an hour.

Times as shown in the diary are summarised either weekly, fortnightly, or sometimes monthly. These summaries should be inspected by the senior in charge of the particular clerks or by the principal. The object of this inspection is to ensure that the time spent and unproductive times are reasonable.

Time Summaries:

The summaries produced from the diaries are posted in total to the time summary showing the total productive and unproductive hours worked by each employee.

Details of the productive times are then posted to each client's account in the time or cost ledger. These hours may be posted in the ledger, then converted to money or, on the other hand, each clerk could be rated at so many units per hour. If the units system is used then the times should be converted to units before posting to the client's account.

Usually in Australia a unit is rated at one shilling. Therefore it can be readily seen that if a clerk's charging rate is one pound per hour, then the unit rating is five units per quarter hour. The costing may be on an actual cost basis or geared to obtain a normal fee which would include a profit element. Of course the costs recorded in the time or cost ledger are outside the financial records and only form a basis for calculating the fee.

To determine fees is always a difficult problem, but the practitioner must have the courage to charge a reasonable fee. There is an old saying that "a labourer is worthy of his hire". On the subject of fees, the following points should be taken into consideration:

- (a) That the charges are reasonable.
- (b) That the time taken to complete the assignment is fair.
- (c) That the staff used is balanced—for example, that there is not a predominance of seniors' time, which could have been carried out just as effectively by staff of a lesser calibre, or that principals have not performed duties which could have been assigned to a senior clerk.
- (d) The nature of the work also has a bearing on the fee to be charged—for example, the rate to be charged for auditing, secretarial work, and writing up of books should be at the basic rate. The return for work demanding special skill should be at a higher rate than the basic rate although the work will be carried out by the same personnel.

Some offices record the uncharged time, which is made up of waste time, annual holidays and other time off from the office. These figures are a useful guide to measure the cost of unproductive time. The actual fee to be charged is a matter for the practitioner, and once this has been determined the amount is then entered in the fees journal.

Fees or Clients' Ledger:

This is a conventional ledger with an account for each client. The client is charged with out-of-pocket expenses from the cash book and the petty cash book and the debit for fees from the fees journal.

The client is credited in the usual way from the cash book with cash received.

On the subject of out-of-pocket expenses it is necessary to determine the policy of the firm. For example it would be complete waste of time to charge stamps and fares on a client's account, if in fact it is not the policy to charge these minor out of pockets. Care must be taken when rendering accounts to clients to ensure that the out-of-pockets are charged at the same time as the fees. It is most important to render accounts on a regular basis and care should be taken to contact slow paying clients.

Types of Assignments:

The major types of work undertaken by the professional accountant will, in most circumstances come under the following headings: auditing, secretarial work, receiverships, directorships, liquidations, bookkeeping services, cost accountancy, investigations, taxation, financial advice and valuation of shares and businesses.

The small practitioner must of necessity attend to the various types of work himself. On the other hand, the larger firms tend to create departments for each major phase of the practice. For example, one partner, with the assistance of a staff group, may deal with taxation matters only, another may concern himself only with financial advice. There is no set rule on the divisions or departments, but they would be set up according to the requirements of each office.

Office routines:**Clients' register:**

It is necessary to maintain a clients' register, which should show—

- (a) the client's name and address,
- (b) nature of the service to be performed,
- (c) partner in charge,
- (d) fee basis,
- (e) any special instructions.

Stationery:

Letterheads should be simple and dignified and be in keeping with normal professional practice. Stationery for balance sheets and other financial statements should be plain or the money columns faintly ruled.

Filing:

It is obviously essential to have an efficient filing system. Most practitioners favour the normal steel cabinets with drawers and with the files set in alphabetical order.

It is a matter of convenience as to whether the file contains all matters relating to the client. Some offices have different files for each client mainly under the following headings:—

- (1) Financial Statements.
- (2) Taxation matters.
- (3) Correspondence.
- (4) Sundries.

Working Planning:

Future work must be planned and it is important to ascertain the following information.

- (1) Budgeted number of hours to complete the work of each client.
- (2) Type or grade of staff to be used and the estimated hours to be taken by each grade.
- (3) Dates the work is to be commenced and completed.

Work planning budgets will need to be reviewed and revised as each job progresses.

It is then necessary to summarise all budgets. This summary will act as a guide to show whether or not there is sufficient staff in number and grades to complete the various assignments in reasonable time.

Audit programmes:

It is usually the responsibility of the practitioner or a senior member of the staff to prepare audit programmes. It will be readily seen that this is another most important task, as the value of the audit procedures will depend on the scope and type of programme to be followed. Much has been said and written about internal control, but this is of little value to the auditor unless an appraisal of the internal control affecting each audit has been carried out from time to time.

From a practical point of view questionnaires or check lists should be used to survey the client's procedures and systems. This survey should be carried out and the audit programme completed before the actual checking of the accounts at the beginning of the client's financial year.

Working papers:

It is of great assistance to the practitioner to keep working papers for each assignment. These working papers are sets of notes and information which are vital to ensure that every care is taken throughout the progress of the assignment. Working papers should be an elaboration of the audit programme, showing the method used and evidence obtained in carrying out the various audit procedures. For example, the audit programme will state that minutes of meetings are to be examined. Extracts from such minutes will be shown in the working papers.

Clients:

There is little use in having an organization without the all-important clients—the people who pay.

Although clients are not part of the office, the whole office must be devoted to attend to their affairs and requirements. Efficient service must be given at all times, and each client must feel that he is important whether he be large or small.

After all, the sure way to obtain new clients is on the recommendations of existing ones.

It has given me great pleasure to prepare this short paper and may I take this opportunity of extending my best wishes to my fellow accountants attending this conference.

(The two papers, namely "Efficiency in Auditing Procedures" and "Organisation and Operation of an Accountant's Office" were presented by the respective author at Tokyo and Kyoto Session of the Third Asian and Pacific Accounting Convention, 1962, and are reproduced here for the benefit of our readers by kind permission of the General Secretariat of the said Convention.—Ed.)

EFFICIENCY IN AUDTING PROCEDURES

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Before commencing any discussion regarding audit procedures it is desirable to determine the purpose of an audit. In this paper it has been assumed that we are dealing with what can be called a statutory audit, that is, one which is required to be carried out by law. For the purposes of the paper, it is intended to discuss audit procedures as they relate to a limited liability company required to have an audit conducted, not because the management of the company desires it, but because the law of the land requires it. In such an audit the auditor's responsibility is not primarily to the client company, but to the shareholders of the company.

The whole audit is directed towards one object; to report whether in the opinion of the auditor the annual accounts of the company, prepared for presentation to the shareholders, present a true and correct view of the state of the company's affairs. In some countries his report refers only to the Balance Sheet, but the trend is towards requiring the report to cover also the profit and loss account.

Auditing procedures really relate to the details of the auditor's work and are the methods used by him in conducting the audit to generally acceptable auditing standards. This paper is concerned primarily with procedures and it is suggested that the general standards of auditing today are not very different from the standards of sixty years ago. It is the procedures employed to achieve those standards that have varied greatly over the years.

It is suggested that procedures have changed in the first place, not so much because better methods were consciously discovered, but because the large growth in number and size of commercial enterprises forced a change upon auditors. The old methods could no longer be justified economically as the benefits that they brought to the client were far outweighed by the cost involved.

There has also been a gradual realization that detailed checking by the auditor of all transactions is not the best possible protection against fraud. An efficient system of internal control which should stop malpractices at their source is now accepted as being a far more effective safeguard. The modern auditor is therefore giving far more attention to internal control and its relationship to his audit.

The audit programme, instead of attempting to cover many detailed transactions superficially, is being prepared only after a detailed examination of the system of internal control in operation and the results of that examination have a profound effect upon its construction and scope. Where an efficient system of internal control is in operation the modern trend is to examine relatively few transactions, but to examine them in depth, the information gained being used to determine whether the internal control system is functioning as intended. Any great reduction in the amount of detailed checking carried out on an audit requires a more mature and

informed approach by the auditor to his work because his professional skill and judgment will be more often exercised.

To enable an examination of the modern approach to be made it is proposed to discuss the procedures involved under three main headings: preliminary work, interim audit and final audit.

PRELIMINARY WORK

Having accepted the appointment as auditor of a company the independent accountant must immediately give consideration to his responsibility. This responsibility is primarily to the shareholders of the company but he should bear in mind that prospective investors, bankers and the public generally are influenced by the opinion expressed by him on the fairness of the company's accounts. No auditor is capable of expressing an opinion on a company's accounts without an examination of its transactions for the period under review, and it is with the procedures employed in this examination that we are concerned.

In June 1954 The Institute of Chartered Accountants in Australia issued a Statement on General Principles of Professional Auditing Practice which stated, *inter alia*:

"As has been stated the main purpose of the audit required by the statutes is to enable the auditor to express an opinion whether the accounts exhibit a "true and correct view" and the auditor must so determine the scope and character of his examination as to enable him in his report to express that opinion. The detection of peculations by employees is incidental to that main purpose, but the auditor should satisfy himself that the internal control, together with his audit procedure, guard against major frauds. If fraud has taken place and is undetected by the auditor he is blameworthy in the eyes of the law only so far as he has been negligent in determining the scope and character of his examination or in the conduct of such examination. It should be emphasised, however, that the legal responsibility for safeguarding a company's assets falls, primarily, on the directors, and that a company's own system of internal control provides the most effective safeguard for the early detection of fraud. Obviously, a professional audit by its very nature cannot always provide the same prompt detection as internal control, but it can and should by appraising the effectiveness of internal control, direct management's attention to weaknesses which provide opportunities for fraud."

"The scope and character of the professional audit, therefore, depend on the auditor's appraisal of the soundness of the accounting methods employed and the effectiveness of the system of internal control. The Council considers that this appraisal is essential to enable the auditor effectively to plan his own work."

It will be noted that this statement stresses the importance of the relationship between the internal control system and the planning of the audit, and it is submitted that the first step in the auditor's duties is review of the internal control system in operation.

Internal control may be defined as all the techniques, procedures and measures used by management (1) to establish maximum reliability for the accounting and other statistical data relating to operations, (2) to protect and safeguard company assets and reduce potential losses, (3) to encourage adherence to prescribed managerial policies, and (4) to increase plant and worker efficiency. This is a considerably broader definition that is usually visualized when many accountants refer to internal control. Generally they are thinking of the part of the over-all system which applies specifically to financial data and to the checks and balances included in the accounting records. While these are an important part of the system, they do not constitute all of it. Controls and safeguards existing in the plant and trading stock, for example, are also a part of the system.

In making his examination of the internal control system the auditor should approach the matter in a systematic manner. His first step would be to obtain from management particulars of the accounting methods employed and the internal control procedures in existence. These may be recorded in official memoranda or an office manual, and if so, he should obtain a copy for inclusion in his audit file. If no record of the system is in existence then the auditor himself is obliged to prepare such a statement.

Questionnaire forms and check lists materially assist the auditor in his examination of the internal control system. The questionnaire form is a comprehensive series of prepared questions designed to reveal accounting procedures and the internal control system. The form used should be planned as a permanent record and, in addition to questions, must provide for (1) answers and necessary comments, (2) verification of answers by examination with comments and conclusions by the auditor, and (3) noting of subsequent changes and alterations in the system.

The compilation of the questionnaire is a matter of considerable importance and requires careful consideration. A standard form for all clients has the advantage of ensuring a comprehensive examination as it is considered better to have too many questions than insufficient information. The questions should be short, clear, easily understood and arranged in a logical sequence. Space should be provided for any unusual aspect of the business. The questions should be framed so that "yes" or "no" is sufficient answer as this makes for easier completion of the form.

The check list is a detailed list of sound practices and procedures consistent with good internal control, to be checked against the client's procedures. It should focus the attention of the auditor on every important point of the client's internal control system and enable him to become fully acquainted with the controls as operated by the client's staff.

A check list is directed more to the auditor than to the client and therefore does not need to be simplified to the same extent. This enables the list to raise one point for examination which may require several questions to obtain the information from the client in the questionnaire. All information obtained must be verified in the same manner as details obtained by a questionnaire. The list should be arranged in the same type of

groupings and sequence as the questionnaire and, as it is intended to be a permanent record, space should be provided for explanation and comments, and for details of subsequent verification and any later alterations.

Having ascertained the accounting methods employed and the internal control procedures in existence, the auditor is in a position to form an opinion of the adequacy and reliability of the internal control procedures. His conclusions will relate to (1) any internal control procedures which have been omitted, but to which management should give some consideration, (2) any departures that have been revealed from the methods approved by management, and whether such departures are of a material nature, and (3) his opinion of the accounting methods and internal control procedures in operation, and how far they affect the planning of his audit work.

The frequency with which further examinations of the internal control system should be made will depend upon the judgment of the auditor. Once the initial examination has been made it may be only necessary to make inquiries as to changes in methods and procedures since the examination. However, it is considered that some part of the system should be examined each year, so that over a period the whole system will be reviewed. The auditor's programme which he would now be in a position to prepare, would contain tests which would indicate whether the procedures are working in practice or not.

The audit programme drawn up at this stage should be a tentative one only. Further revisions may be required as tests indicate the extent to which the internal control system is effective, and as the audit reveals areas which require further examination. Usually the audit programme will require revision from year to year to fit changed circumstances resulting from alterations to accounting or internal control procedures or in the character or volume of business.

No attempt should be made to devise a standard audit programme. Even though many audits have points of similarity different problems are encountered, not only in different businesses and in different companies in the same business, but also in any one company from year to year. Standard forms and directions are more likely to stifle vigilance, imagination and independent thought and judgment than to promote good work.

INTERIM AUDIT

The greatest need for efficiency in audit procedures possibly exists at this stage of the audit. The practice of requiring a complete check of all day to day transactions tended to monotony and work being done in a mechanical manner. Audit clerks generally failed to analyse critically transactions recorded in the books and no suggestions were made for improving audit procedures.

Having satisfied himself that the internal control system in operation is functioning effectively, the auditor is justified in eliminating the complete check of all transactions, and instituting a series of test checks which must be based upon his appraisal of the internal control system. The effectiveness of any system of internal control is a matter for his sole determination,

and once he has reached his conclusions on this matter, he is in a position to substitute such tests as he considers necessary, and the minimum amount which need be done under those tests.

Over the past few years considerable discussion has taken place as to whether test checks should be based upon what the auditor's skill and judgment suggest is necessary, or whether those checks should be based upon statistical sampling methods. The auditor who bases his tests checks upon his appraisal of the internal control system, and applies those test checks wisely and skilfully, need have no fear as to the efficiency of his audit. Statistical sampling would be effective also and it is considered that this method of testing would be more appropriate to a very large concern.

The generally held opinion of the purpose of test checking is that after a proportion of transactions has been tested and found to be correct, it is in order to assume that all other entries of a like nature are correct. A more effective approach to test-checking is that it is carried out to determine if the auditor can rely upon the internal control system for detailed accuracy and prevention of fraud. The difference between these two approaches is that under the first certain entries only are proved, while under the second the systems upon which the auditor relies for accuracy are proved.

Under this method the auditor is compelled to establish the validity of the internal control system and the accounting methods in use. This will necessitate the examination of other evidence and records in addition to ordinary vouching routines, and for this reason where tests are employed it is essential that they be (1) thorough, (2) comparatively small, the size of the test being governed by the adequacy of the internal control system, and (3) designed in a series of stages, beginning with a large selection which diminishes, though intensifies, at each stage, so that at the final stage a small proportion of the original selection will have been traced to their source.

This procedure of verification in depth, as it may be called, can be applied to all phases of the audit. An efficient and realistic approach to the interim audit would make available to the auditors more time for a comprehensive and exhaustive examination and verification of the items in the final accounts. This final examination could be directed at trading stocks, particularly where the tendency has been to rely largely upon a certificate from a responsible officer of the company, as to the existence and value of the stocks. Trading stock will be referred to at a later stage in this paper.

The necessity of scrutinising all entries in the period not covered by test checks cannot be over-emphasised. This scrutiny must be carried out by experienced members of the auditor's staff who have a complete understanding of the nature of the business and the structure of the client company. The object of this scrutiny is to uncover items of an unusual or material nature, including capital expenditure. Any items which are queried during the course of this scrutiny must be verified completely.

At the completion of each test check the auditor should record in his

working papers details of the particular test, so that that section of his working papers becomes a sub-section of his main audit programme. A clear distinction must be made between those facts which he has verified independently and those which he has been compelled to accept, by force of circumstances, upon oral representation.

Carefully compiled working papers are a necessary adjunct to a well planned audit. They are indispensable for the final review of the financial statements before the audit report is signed, and may be looked upon as the auditor's own internal control over the conduct of the audit. They are useful in connection with subsequent audits, and are invaluable in the event of legal action for negligent and unskillful work. They will encourage a more efficient approach to the conduct of an audit and the process of verification.

Final Audit

Along with the realization that detailed, often mechanical, work can be greatly reduced in many instances the profession has become increasingly aware of the importance of matters of principle. Thus, at balance date more attention is being given to consideration of whether the final accounts are drawn up to conform to generally acceptable accounting principles as set out in the recommendations of the various accounting bodies.

The past trend in auditing, in Australia at least, has been to work towards the Balance Sheet and its associated Revenue Accounts from the initial entries in the primary records of a company, such entries being traced through to the final accounts. This procedure is followed by the subsequent verification from other sources of the items appearing in the Balance Sheet.

The increased reliance on internal control and the subsequent reduction in detailed work performed during the interim audit period means that these procedures must, at the least, be supplemented by other methods, even if it is not argued that these other methods should become the primary ones.

Firstly, a critical analysis of the accounts should be undertaken, especially in relation to profit and loss account items. Material variations in amount and percentage with the figures of several past years should be examined further and satisfactory explanations obtained. It is suggested that this procedure is not new, being something that has always been carried out by the auditor to some degree as a means of complying with generally accepted standards. Less detailed checking, however, does mean that this work becomes more important and must go deeper. It will also require, in some instances, complete vouching of certain accounts by reference back to primary records and documents, a process which was often already carried out under the older methods.

Secondly, there is an increasing awareness among auditors of the necessity to check in greater detail the assets of a company which are somewhat remote from the financial records, and the checking of which was often not very effectively accomplished under the older methods.

In Australia the approach by the auditor to stock on hand has been the subject of much debate in recent years, and it is certain that the last word on this subject is still to be heard. However, two points are clear. In the first place, some recent company failures or near failures have resulted from stock losses and the general outcry from the public, press and shareholders has indicated conclusively that the old audit approach to stock, whereby very little, if any, physical checking was conducted, just cannot be acceptable to the modern auditor. On the other hand, it is equally important to remember that the auditor is not primarily responsible for the taking of stock and cannot in any sense be regarded as an expert in this field. The old approach was not good enough, but moderation and common sense must prevail in the new.

Where a satisfactory system of internal control is established in relation to stock, such as a perpetual inventory system, and the auditor conducts intelligent tests of the system through the year, both arithmetical and physical, it is suggested that his end of year physical examination can be very limited.

The verification of balance sheet items from sources independent from and outside the Company is a standard procedure of auditing. No longer is it deemed to be necessary, however, to conduct all such work at the balance date. Circularisation of debtors for example, can conveniently be conducted during the year and the final verification made by comparison and analysis of the balance due at balance date. Similarly, where surprise checks are made of cash on hand and other comparable items at intervals through the year, it should not always be necessary to conduct a further examination at the balance date.

It is no longer considered good enough to accept the verification of items such as plant and machinery entirely from an inspection of invoices and payments. Physical checks should be made of selected items identifiable to the auditor. The taking of a physical inventory of plant by the company should be encouraged and the comparison of such an inventory with the plant register, where kept, will often reveal discrepancies indicating that items have been scrapped or sold. Once again, this is work that can conveniently be carried out, both by the company and the auditor, at a time other than the balance date. At balance date, however, the modern approach should require a certificate from responsible officers of the company covering the existence of the plant shown in the balance sheet and preferably stating that in their opinion adequate provision has been made for depreciation.

Where an auditor can make tests of the various procedures of the company during the year it has many advantages. The requirements of the income tax authorities in Australia result in the great majority of companies preparing their annual financial accounts at the same time of the year and any procedure that enables the auditor to do more of his work during the year is therefore appreciated. The additional time available through the year should also result in more attention being given to each phase of the work. The element of surprise in unannounced visits by the auditor, and the effect upon the staff of frequent inspections of the company's records during the year are all worthwhile and any system which

spreads the audit work more evenly over the year should be a more efficient one.

A greater awareness and a greater willingness to rely upon internal control where possible, resulting in reduced detailed checking is possibly the most profound change in the modern auditor's approach compared with his contemporary of sixty years ago. The overhanging threat of fraud, however, has perhaps induced in Australia a slower acceptance and reliance on internal control by the auditor than can be justified. We may tend to do more than enough.

Perhaps we have not educated sufficiently our clients or the public in general in this regard. After all, it is the prime responsibility of management to safeguard the assets of the client company, but it sometimes likes to pass that responsibility on to the auditor in some degree. Sometimes there is a tendency to allow the auditor to take the place of effective internal control. After all, "we may as well get something for the money that we pay him". The auditor's lot has not always been a happy one. He was often tolerated, but not considered to be of any worthwhile service, not when auditing at any rate. It is suggested that where this position arose it came about because a stereotyped, detailed audit was performed and the old well worn procedures followed. All the client appeared to receive for his money was pages covered with queer ticks in coloured ink.

Thus, before we can apply new and enlightened procedures we must educate our clients and the general public at large, so that they can appreciate the true purpose of our work. It must be emphasised again that the prime responsibility for the safe-guarding of the company's assets and the prevention of fraud lies with the directors, and we must demonstrate to them the advantages of an efficient internal control system for this purpose.

Of course, there are cases where the system of internal control is so poor, or non-existent, that the older approach and detailed checking may not be very much reduced, but no audit should be conducted and no audit programme planned without a detailed examination of the company's internal control first being made. No audit programme can be followed effectively without the internal control system being constantly before the mind of the auditor. The system must be constantly under review because variations, planned or otherwise, can occur at any time. Changes in the client's staff alone can affect the efficiency of the system.

Having said this, it cannot be emphasised too much that any auditing procedures will only be as efficient as the auditor's own staff. Any new approach to auditing, especially where it involves procedures which rely to a large extent on internal control and the consequential reduction of detailed checking and the subsequent acceptance after perusal of large sections of records, requires a high standard in the auditor's staff. Efficient working papers, a awareness during the conduct of the audit to the application of internal control, and sensible comparison and analysis of the yearly figures, will only be obtained from alert, well trained staff who can see, and are trained and willing to see further than the limited confines of a written audit programme.

It is interesting to note that The Institute of Chartered Accountants in Australia is planning to raise the standard of entry for its examinations to matriculation, or University entrance, standard. Arrangements which require set periods of service in a public accountant's office before various examinations can be taken, also play an essential part in the training of an auditor.

Many auditing firms, besides "on the job" training, have regular staff training sessions in which staff members of various standards are encouraged to discuss the various aspects of their work and through which they are integrated more fully into the auditing profession. Thus it can be seen that the profession is giving increasing attention to the training of its staff and related matters and is suggested that in the final analysis the success or failure of any new and improved auditing procedures depend upon the effectiveness and thoroughness of this training.

(Continued from Page 34)

out anything for discussion. This possibility becomes more likely when "Britain (as De Gaulle put it) transforms herself to become part of Europe" or when "British will come into Europe in six years' time (as a French journalist put in the "Director" April, 1963 issue) on her knees." When such moment comes there will be less or even no concessions.

All the above statements are discouraging and pessimistic, I agree, but the possibility nevertheless exists and will manifest itself as time goes on. It definitely is unwise to ignore it completely.

Short term approach to the Common Market looks simpler. All we have to do is to sell quality of our goods in quantity and to advertise Hong Kong. In addition to the usually recognised channels to improve trade, I have a crazy idea which is that every Hong Kong traveller to the Common Market should be briefed with a short lesson on the problems and hopes of this tiny colony with a very enterprising people and a young and delicate industry. The government may probably consider providing every resident travelling abroad with a small booklet containing carefully prepared materials and information, so that there is a possibility that every one of us may become an "ambassador" of Hong Kong conveying the goodwill of his people. We are not begging and we are not soliciting. Our hopes are defined in very simple terms, i.e. to do legitimate selling of our products just in the same way as other people sell theirs to us.

BALANCE SHEET FOR CURRENT WORTH

Chen Kang, M. Sc., A.A.S.A.

Balance Sheet VS Profit & Loss Statement

In his famous book "Accounting Evolution to 1900," Professor A. C. Littleton pointed out that during the early days of accounting, "..... balance-sheet data were stressed and refined in various ways, while expense and income data were incidental....." It is believed that proprietors were more interested in knowing their net worth by comparing assets and liabilities, than their profit or loss during the past period, and if they wished to know what their profit or loss during a specific period was, this could be found by comparing the net worths at the beginning and at the end of that period. The trace of such interest can still be found in the 'statement of affairs' prepared by small firms which adopt the system of single entry recording. Even after the introduction of DOUBLE ENTRY SYSTEM, when Statement of Profit and Loss has gradually become another important document to accompany the Balance Sheet of a business establishment, ".....the balance sheet is usually more prominently displayed than other statements and is often given more emphasis in the accompanying comments and discussion...." (Professor W. A. Paton: Advanced Accounting).

It was not until the 30's that accountants began to publish articles and books in which much emphasis was given on Income Determination. New ideas, new view points, began to shift attention from the static data of Balance Sheet to the dynamic data of Profit and Loss Statement.

Profits are now said to be determined by matching costs and revenues. Accrual basis has not only gone as far as to include credit sales as revenue, accrued expenses as cost, depreciation of fixed assets as cost, but to look upon assets as unexpired costs or unamortized deferred charges. Assets on Balance Sheet no longer reflect the VALUE of what the proprietors possess on the balance sheet date measured by the currency in use at that date, but become the residuals of un-written-off or unamortized capital outlays measured by the currency in use at numerous various dates.

The Recommendations on Accounting Principles issued by the Institute of Chartered Accountants in England and Wales point out very clearly that "The primary purpose of the annual Accounts of a business is to present information to the proprietors, showing how their funds have been utilized and profit derived from such use. It has long been accepted in accounting practice that a balance sheet prepared for this purpose is an historical record and not a statement of current worth."

It is therefore apparent that the Balance Sheet has lost its prominent position in providing information of primary interest to proprietors, and has turned into a subordinate document to the Profit and Loss Statement, with the object of showing the carried forward residuals for the purpose of calculating Profits and Loss for future periods.

The adoption of "Cost or Market Whichever is Lower" as a basis of valuation for stock-in-trade held at the balance sheet date is inconsistent

with the principle of Matching Costs and Revenue, but for the sake of conservatism, loss on unsold stock is taken into account and profit is calculated by taking the closing stock at market value when, but only when, it is lower than cost. The writing off of Preliminary Expenses and other intangible assets are usually spread out in three to five years not in keeping with the "matching" theory, but because of the "ability of the company's profit to bear." All these generally accepted practices are designed to suit Profit Determination, and balance sheet is perhaps merely a compilation of the balances of the unclosed accounts in the ledger.

In defence of the present practice, which has apparently been much criticized by many businessmen, Stephen Gilman stresses that "Failure to understand that balance sheet and profit and loss statements are usually general-purpose statements intended for the enlightenment not merely of the creditor or the investor or the business manager, but all of them, has been responsible for some of the criticisms heard." It is doubtful, however, whether the balance sheet as prepared under the present methods could be of any real use to any of them. It is perhaps not wrong to assume that the desire of the creditor, the investor, the business manager, and other readers of a balance sheet is to ascertain therefrom the current worth of the business concerned. And if indeed this is their desire, there is no reason why accountants should not depart from their present practice, and present the Balance Sheet as "a statement of current worth", instead of "a historical record."

Historical Record VS Current Worth

Let us examine the difference between HISTORICAL RECORD and CURRENT WORTH and try to ascertain its causes.

A machine bought ten years ago at \$30,000, after deducting provision for depreciation, has a book value of, say, \$15,000. Assuming that the current market value for such a second-hand machine is, say, \$12,000, there would be a difference of \$3,000 between the Historical Cost and the Current Worth of this machine. This difference could be caused by two elements, namely, (1) Change in the purchasing power of money, (2) Change in the Intrinsic Value of the machine due (a) to change in the demand and usefulness of that particular type of machine and (b) to the extent of actual physical deterioration of that particular piece of machine.

1) Change in Purchasing Power of Money (Common Dollar Theorem)

H. W. Sweeney was perhaps the earliest author to present this problem in such an astonishing manner that almost shook the foundation of the existing accounting practice. In his STABILIZED ACCOUNTING, he said, "....a large proportion of the profits shown in accounts—on which taxation is based—must be retained in the business if it is to maintain its level of trading." L. A. Wilk, in his ACCOUNTING FOR INFLATION, also pointed out very strongly that "The profit and loss account discloses a figure of profit which, in times of stable prices, could be accepted as a measure of the increase in the intrinsic value of the net assets owned by the business: it has become generally recognized this no longer holds good in the face of changing money values." In years of inflation, there exists an invisible flow of intrinsic value from Capital Account to Profit & Loss

Account, from which Dividend and Tax are paid.

Most accountants seem to agree that in time of severe inflation, some special treatment should be adopted for the preparation of accounting statements. It must be remembered, however, that there is inflation in all countries and at all times, and the difference is only a matter of speed and perhaps with occasional deflation as a weak and temporary reaction. If a lengthier period of, say, twenty years, is taken for examination, this problem will not fail to stand out and cause concern.

To take care of the inflation factor, a sound principle should be set up not only in such years when inflation is manifestly severe, but for all times. A balance sheet should always be meant to present the Assets and liabilities at the current money value. ..

Capital invested and Profit reinvested in the business by the proprietors should be converted from the dollars on the day of investment and reinvestment respectively to the dollars at the Balance Sheet date.

Liabilities require no conversion as they are to be repaid the amount originally borrowed.

Fixed Assets, Investments and Intangible Assets, which are acquired on different dates, recorded in the books in dollars of various dates having various purchasing powers, should all be converted to the current dollars for Balance Sheet purposes.

Current Assets are already shown in current dollars, and therefore require no conversion..

2) Change in Intrinsic Value (Current Worth Theorem)

To bring the assets to market value, further revaluation of their intrinsic value is required at the Balance Sheet date...Steven Gilman criticised this as being "Generally impossible under modern conditions of large scale operation, nor is there the same necessity for it....." He thought that "completely to reappraise a mammoth manufacturing plant each year would be an expensive task and one of little practical value even were the determination of its market value feasible."

His objections are that such work is that of an appraiser, not of an accountant, that appraisals cannot be very accurate, and that it is expensive and impractical.

It is to be remembered that in order to prepare financial statements useful to the readers, knowledge of experts is needed anyway, such as, for instance, the determination of depreciation rates will have to rely on the recommendations of the engineers, and provision for bad debts on the opinions of the credit manager or business manager. It is the practice of most if not all enterprises to take physical inventory of their machinery, furniture and fixtures, transportation equipments, tools, etc., etc., and to adjust their book records to the inventorying results when a balance sheet is prepared.

It would not appear out of the way to stretch this a little further and have all assets reappraised so as to present the Balance Sheet as a statement of current worth, if indeed such is desired by Balance Sheet readers.

As a result of the modern advancement in science and engineering, there is a tendency that the proportion of Fixed Assets to total assets will grow, and that to estimate beforehand the economical useful life of a fixed asset will become more and more difficult owing to the probable early effect of obsolescence. To show on a Balance Sheet the value of Fixed Assets, (items of increasing importance on the Balance Sheet) at their historical dollars and cents (the purchasing power of which changes every day) deducted by Depreciation Provisions based on advanced estimates of their economical useful lives (which are becoming less reliable) is not providing the reader with any more information than just "How the money originally invested was spent.."

Proposed Balance Sheet and Profit & Loss Statement

While bookkeeping records must be made as hitherto, it is proposed that a Balance Sheet should be prepared to show all the three sets of figures, namely, (1) Historical Record, (2) Common Dollar Basis, and (3) Current Worth. The Profit & Loss Statement, after arriving at the Net Profit (or Loss) for the Period, should be adjusted by (a) Profit or Loss from Change of Value of Money, and (b) Capital Gain or Loss from Revaluation of Assets.

Perhaps the following illustration may be a fitting conclusion to this article:

A & Co. commenced business on 1/7/60 with Cash \$100,000, and bought one X-Machine on 31/10/60 and another on 31/5/61 at \$20,910 and \$21,560 respectively, Provision for Depreciation was made at the end of each year at 10% of cost paid. Investment was acquired on 31/5/61 for \$29,760 which had a market value of \$38,000 on 31/12/62, Profits for 1960, 1961 and 1962 were \$2,856, \$5,850 and \$4,000 respectively. Creditors and Current Assets standing on 31/12/62 were \$3,170 and \$49,231 respectively.

Assuming that the Price Index on the various dates are as follow:

1/7/60	80
31/10/60	82
31/12/60	84
31/5/61	88
31/12/61	90
31/12/62	100

The Balance Sheet is proposed to be presented as follows:

A & Co.
Balance Sheet
as at 31st December, 1962

	Historical Record	Common Dollar	Current Worth		Historical Record	Common Dollar	Current Worth
	\$	\$	\$		\$	\$	\$
Capital	<u>100,000</u>	<u>125,000</u>	<u>125,000</u>	Machinery	42,470	50,000	
Profit & Loss A/C:				Provision for Depre- ciation	<u>10,585</u>	<u>12,550</u>	
Balance b/f	8,706	9,900	9,900		31,885	37,450	32,000
Profit, 1962	4,000	4,000	4,000	Investment	34,760	39,500	38,000
Profit (Loss) from Change of Money Value		(15,889)	(15,889)	Current Assets	49,231	49,231	49,231
	<u>12,706</u>	<u>(1,989)</u>	<u>(1,989)</u>				
Capital Gain (Loss): Unrealized Profit (Loss) from Re- valuation			(6,950)				
Total Net Worth	112,706	123,011	116,061				
Creditors	<u>3,170</u>	<u>3,170</u>	<u>3,170</u>				
	<u>\$115,876</u>	<u>\$126,181</u>	<u>\$119,231</u>		<u>\$115,876</u>	<u>\$126,181</u>	<u>\$119,231</u>

Note: 1) Capital: $100,000 \times \frac{100}{80} = 125,000$

2) Profit and Loss, b/f: $2,856 \times \frac{100}{84} + 5,850 \times \frac{100}{90} = 9,900$

3) Machinery: $20,910 \times \frac{100}{82} + 21,560 \times \frac{100}{88} = 50,000$

4) Investment: $34,760 \times \frac{100}{88} = 39,500$

5) Loss from Change of Money Value:

Total Assets measured by Common Dollar: \$126,181

Less: Total Liabilities measured by
Common Dollar 3,170

Total Net Worth measured by Common Dollar 123,011

Less: Net Worth at beginning of the
year measured by Common Dollar:

Capital: 125,000

Profit b/f 9,900 134,900

Net Loss for the year 11,889

Add: Expressed as Profit
on Historical Record
Basis

4,000
\$ 15,889

6) Unrealized Profit (Loss) from Revaluation:

From Revaluation of Machinery: $37,450 - 32,000 = 5,450$

Investment: $39,500 - 38,000 = 1,500$

6,950

REAL ESTATE SPECULATIONS

By Li Shu Fong, B.Sc.

The local real estate business is still promising as long as there are no outside adverse influences affecting the Colony's overall stability, land value generally will continue to rise.

The general way to speculate by operators is described briefly as follows:-

Selection of Localities: Some speculators have confined their operations to within the central area of Victoria City and some are extending their activities from suburban to urban districts and from suburban to the New Territories but the selections are depend on the eventual demand in the market.

Building Sites Purchases: There are many kinds of properties for sale, some building has large available land for expanding and the smaller one is for the small scope of business. Besides their sizes, there are some differences between the so-called old and new buildings. The old buildings were pre-war constructed and are under the protection of the Landlord and Tenants Ordinance (Chapter 255). To obtain possession for rebuilding, the owners have to serve a notice of application for exemption from the application of the Landlord and Tenants Ordinance, and to pay the compensation for vacancies. The new buildings were post-war constructed. If the owners want to rebuild they can show the District Court good reason for requiring possession. If success in Court is achieved, there is no compensation to pay. So new buildings are worth more than the old buildings of the same sizes and locations.

Besides the above different types of buildings, there are some demolished building sites for sale which the speculators prefer to buy for saving time and quick turnover. These demolished building sites were either devastated by fire or by other calamity as certified by the Building Authority as dangerous conditions requiring immediate demolition, but the speculators have to investigate into the existing conditions whether they are free from encumbrances, such as compensation payable to the evacuated tenants and the landlord's responsibility under the Demolished Building (Redevelopment of Sites) Ordinance 1963, has been complied.

The Land Tenure: As for protection, the speculator should read the restriction clauses in the Crown Lease before he buys because there are many problems that may rise. See whether it is suiting to your purpose. Some times, even when there is no restriction you may not be able to construct what you want with the property because the Building Authority may tell you this particular area is zoned for some other purposes under the Town Planning Ordinance. However, the speculator should find out from the Crown Lease, the area is for what type of building, how he could build and the height he should know. The more storeys he can build, the greater the profit he can make thru selling of more flats. Should the height be limited, he will have to apply to the Government to modify the convent

by payment of additional premium and after that he must also see that the expiry date in the Crown Lease. The longer the unexpired years, the more attraction to the buyers and he must know those Leases having the expiry date within the last three months. When the Lease expires, he is bound to hand over to the Government the land and building in good conditions without compensation.

BUILDING FINANCE: The speculator should have a substantial capital to start with, whether he will do it alone or partner with others or form into a big corporation. The bigger the project, the more capital will be required, and when the building site is obtained, he must find a financier or a bank to finance the whole construction project, perhaps from purchasing down to the completion of the building when fit for occupation. The Bank finance is to advance thru a building mortgage or thru some other kind of mortgages. See Chinese Accountant Journal of 1959, page 20, on the subject of "Banker's advances on Real Properties". The bank's interest rate, high or low, depends on the terms of the mortgage. At the present moment it varies from \$9 to \$12 per \$1,000 per month calculated on the amount advanced.

When applying to the bank for a building mortgage loan, he must submit a proposed loan statement listing the particulars, such as the location of the property bought for rebuilt, indicate whether it is for personal, partners or a corporation, the total area, the unexpired date of the Crown Lease, name of the architect, whether building permit has been approved, the total amount of loan wanted, period of loan and how it will be advanced in different stages and the terms of proposed repayment. Some clever speculators do not carry their purchases that long, they sell immediately after the payment of deposits and reap the handsome profits on the date of conveyance where they sign as confirmers.

Repayment: While the building construction is progressing, the flats could be sold in advance, either by deposits, instalments, or by full payment at a discount, all receipt may be used by paying into the bank for reducing the principal and interest on the understanding that the bank shall undertake to release the particular new flat when the building is completed by making separate reassignments. This kind of arrangement in repayment does not apply to the properties having their Crown Leases newly regranted or renewed within the last five years as they are subjected to the conditions imposed by the Government for fulfilment of appropriated Government terms before any dealing with the flats.

Profit Tax: Finally when the building project is completed, whether all the flats have been sold or not, he is liable to pay for profit tax on speculative business. But if it is his first only dealing and the property was bought years ago, he is not speculating; he is liquidating his own investment in the same way as the liquidation of the deceased estates, hence there is no profit tax to pay. Because the speculating business is the people who purchase properties on chances of profit and do it by revolving transactions. As a matter of fact, for safety and to avoid future entanglement with others, it is advisable to keep records of every account with the help of a Public Accountant..

THE ABACUS

N. F. MAR FAN

Perhaps I shouldn't have attempted to bore you busy readers in this dignified and memorable Golden Jubilee Issue of our Society's Journal on a topic which everyone of you would probably label as a ramble. Fancy questioning a time-honoured gadget called abacus which has its history rooted long before anyone of us knew of our own existence! Such a highly historical and academic discussion may be acceptable if it is from a bearded absent-minded professor wearing a broad rim bifocus spectacle. It would indeed be nothing but a lot of rubbish if it is from me, a green-horn who doesn't even know how to use it at all. Be charitable and merciful! For heavy and deep reading in this Issue, I am sure you will have plenty of it, but for light and rubbish reading, you may not have any except this one. Someone has to write the trash to mix up with the good ones. After all, life is not at all so simple or serious! A few doses of madness and stupidity will make it the world of difference. Try it and you'll like it!

Before I set the ball rolling, may I get you readers to agree with me on just one point. It is—this time-honoured abacus is, to a large extent, an indispensable tool in the life and profession of our Chinese accountants. It is just like love and marriage, or horse and cart, you can't have one without the other. If you do agree, may I ask, how often do we Chinese accountants stop and ponder the usefulness of it, the ways to set a standard for its operation, a research organisation to inquire into its intrinsic principles or new improvements to fit it to meet the present challenge from its mechanical counterparts? No! For men may come and men may go, this old man abacus will remain in its birthday suit forever. What a pity!

The ingenious invention of this gadget could not have been brought about by a sheer of accident. By the look of the various predetermined tables which associate with the working of the abacus, no one would dispute about the fact that it must have been invented by a genius some thousands of years ago. Throughout the ages, improvements and new features must have been added to make it as we know it today. Whilst other races were using fingers to count figures, the Chinese were using beads methodically arranged to cater for the calculations of the four arithmetical fundamentals perfectly. Indeed, it was a marvellous invention by our Chinese ancestors! I compare this with the invention of gunpowder. Friends and Foes, lend me your ear, for the gunpowder we Chinese invented went just as far as the firecrackers which our children are now enjoying during the Chinese New Year festivals. On the same token, don't mind me saying, I predict boldly, this time-honoured abacus is slowly marching to a museum, if it has not already found itself a comfortable notch in some of the world's famous antique galleries.

Whose fault is that? We Chinese ourselves to blame. Who else? Perhaps it is more correct if I say our Chinese accountants are the ones who should bear the guilt. I say this not because they did nothing throughout the ages to further the research into the principles of abacus, but because they had never an united front to form themselves an organised body

to take control and custody of such a useful tool of their profession. This is not to say that this Society of Chinese Accountants and Auditors of Hong Kong formed fifty years ago by a band of professional men with foresight and courage did not have that in mind. They had, but possibly, they did not receive the full support from the rest who were in the profession. Such a public heritage as the abacus can not be protected or treasured unless the public interest coupled with unity of mind of all those who are in the same profession, is forthcoming. We have learned a lot from the West in relation to our profession, but I am afraid to say it here that the virtue of public interest coupled with professional unity and ethics has not been appreciated by some of our Chinese accountants.

Without making a theoretical or academic study of the history of the Chinese accountancy in association with the principles of abacus to support my prediction, you have just to look around schools and offices to see for yourselves the hard facts. How many schools are there which include the teaching of abacus calculations as their normal school curricula? How many clerks under the age of thirty can use the abacus freely in its four fundamentals? Unless we Chinese accountants take the initiative to organize a collective body to preserve and safeguard this time-honoured abacus, we are fast making it an old grandfather abacus of no return. In the West, public heritage of this nature is the property of the profession with which it is closely associated and for which the governments always give full support and protection. It looks, the abacus can only depend on us professional accountants for support!

Science and engineering have definitely made our accountancy profession an easy one by providing us with some many accurate and easily operated modern calculating machines. These are not indigeous Chinese. The abacus is. Many of you readers may argue that why bothering about improving an out-of-date and inefficient calculator like abacus when we have so many up-to-date and scientific machines to take its place. This is the same as saying, why walk when you can get a car. Yes, it is true that the society in which we are living is a live one. It changes and moves as time goes by. The abacus has to be made a live one and not a dead one! Is it logical in this modern atomic age that we should not go back to use the stone age abacus? This way of thinking is only taking things for granted rather than to do justice to our heritage, or our name as Chinese accountants. Our forefathers had handed something sacred down to us and it is up to us to live it up and to keep it up.

Perhaps the abacus was so thoroughly and perfectly constructed by our ancestors in the first place to suit the conditions of the era in which they were living, that it is now impossible of improvement to meet our modern industrial and commercial requirement. New ways and means have to be found to take its place, just like the English language taking the place of Latin or French, as the language of the world. This will be justified if a new product is the by-product or the derivative of the old, and not just to accept others without questioning. In other words, why not admit that we Chinese accountants have done nothing to improve a tool of our profession but to accept charity without thanks. If this is the consensus of opinion of our modern Chinese accountants, it is another way indirectly accepting my prediction. The proof of it depends on the test of time.

TAXATION CASES

Following the Advance Report in our 1959 issue in regard to the case of Four Seas Co., Ltd. v. C.I.R. where the Crown obtained leave to appeal to the Privy Council against the judgment of the Full Court of Hong Kong, the Lords' Judgment has been made available for some time and is recapitulated below for the information of our readers:—

PRIVY COUNCIL APPEAL NO. 35 OF 1959.

THE COMMISSIONER OF INLAND REVENUE APPELLANT

v.

THE FOUR SEAS COMPANY LIMITED RESPONDENTS

FROM

THE SUPREME COURT OF HONG KONG

.....

JUDGMENT OF THE LORDS OF THE JUDICIAL COMMITTEE OF THE
PRIVY COUNCIL, DELIVERED THE 27TH NOV. 1961.

Present at the Hearing:

LORD DENNING

LORD DEVLIN

MR. L. M. D. DE SILVA

(Delivered by LORD DEVLIN)

These appeals are concerned with two assessments to tax made upon the respondent company for the years 1955/56 and 1956/57 under the Inland Revenue Ordinance of Hong Kong. The Ordinance does not impose a general tax on income but separate taxes on separate categories of income, and this case is concerned with two such taxes, a corporation profits tax and a business profits tax. The former is imposed by section 14 of the Ordinance upon "every corporation carrying on trade or business in the Colony in respect of the profits of the corporation arising in or derived from the Colony from such trade or business". The business profits tax, imposed by section 15, is a similar tax on profits charged on "every person other than a corporation carrying on trade", etc.

The respondents are a corporation which during the relevant years carried on business in the Colony in two compartments, to use a neutral term, one in which they were trading solely on their own account and where they made a loss, and the other trading in partnership with another company where they made a profit. Various questions about the respondents' liability to tax have been argued before the Courts of Hong Kong, but the only one which the Board has been invited to consider is the one which in the end emerged before the Supreme Court of Hong Kong (Appellate Jurisdiction), namely, whether the respondents are entitled to set off the loss they made in their sole trading against the profits made in partnership. The relevant section of the Ordinance is section 19(1) which provides that "where a loss is incurred in any year of assessment by a person chargeable to tax under this Part the amount of such loss attributable to activities in the Colony shall . . . be set off against what would otherwise have been the assessable profits of such person for that year of assessment".

The respondents' case on this point is clear and simple. Whether the business they did was done solely or in partnership, it was business done by them as a corporation. As a corporation they are liable under section 14 to pay corporation profits tax on their share, a half share, of the profits made by the partnership; but as against that share they can under section 19 set off the loss made by them as a corporation in their sole trading.

The Commissioner's case is more complex. The respondents, the Commissioner says, are not liable to corporation profits tax at all because as a corporation they made a loss. The business done by the partnership was not done by the partners but by the firm, which is to be treated as a person distinct from its partners. As such person it is a "person other than a corporation" within the meaning of Section 15 (it being immaterial that the partners are corporations and not individuals) and the profits which it made are subject, not to corporation profits tax, but to business profits tax under section 15. On this basis the Commissioner contends that section 19(1) is not applicable. Undoubtedly the person who incurred the loss within the first part of the subsection is the respondent corporation; but the respondent corporation had no "assessable profits" within the second part of the subsection because the person who made the assessable profit was the firm and not the respondent corporation.

If the case or the Commissioner had to be tested in the light of ordinary principles of law, it would be impossible to sustain. It is well established that in English law, which in this respect applies in Hong Kong, a firm or partnership has no legal personality distinct from that of its partners. Nevertheless, it is possible for tax legislation to be so devised as to require a firm for certain purposes to be treated as a separate entity. In *E. P. GIBBS* (1940) 24 T. C. 221 the House of Lords held that the effect of Rules 9 and 10 of the Rules applicable to cases I and II of Schedule D of the Income Tax Act, 1918, was to require the firm to be treated for the purposes of those Rules as an "entity of assessment". This is the term used by Lord Macmillan at 247 and Lord Porter at 256. Lord Macmillan said:—"The important thing to ascertain is the meaning of the word 'person' in the vocabulary of the Income Tax Acts. The word constantly occurs throughout the Acts and I think that it is most generally used to denote what may be termed an entity of assessment, i.e., the possessor or recipient of an income which the

Acts require to be separately assessed for tax purposes”.

Their Lordship do not propose to examine any more closely the case of E. P. GIBBS. The question before the House was quite different from that which the Board has here to consider and the legislation to be interpreted was, of course, not the same. Their Lordships have referred to the case because it is from the speeches in it that there comes the concept in tax law of an entity of assessment which the Commissioner seeks to use in this case. There is not in the vocabulary of the English Income Tax Act to which Lord Macmillan referred any express definition of “person” embodying this concept. The Commissioner bases his contentions upon the fact that in the Hong Kong Ordinance there is. In section 2 “person” is defined as including “a company, partnership or body of persons”. The Commissioner does not contend that by these words the Ordinance is creating for its own purposes a new sort of juristic personality. He submits that the effect of the definition is to bring into existence by express words the separate entity of assessment which the House in E. P. GIBBS held to emerge as an effect of the Rules they were there considering.

Mr. Monroe for the respondents does not, of course, dispute that the word “person” must where appropriate in the Ordinance be taken to include partnership. Nevertheless he submits that if one bears firmly in mind that, whatever may be meant by an entity of assessment, it is not intended to incorporate a distinct legal personality (and it is clear from the speeches in E. P. GIBBS that their Lordships in that case did not so intend it), it does not disturb his argument. He reminded the Board in the words of Lord Dunedin in WHITNEY v. COMMISSIONERS OF INLAND REVENUE (1925) 10 T.C. 88 at 110: that there are three stages in the imposition of a tax; the charge or declaration of liability, the assessment and the recovery. In the present case the charge is imposed by section 14 or section 15 of the Ordinance — for the purpose of this argument it does not matter which — on the corporation or person “carrying on a trade, profession or business in the Colony in respect of the profits of that person”. Mr. Monroe concedes that “person” in section 15 includes “partnership”, but the partnership, he submits, is not the person carrying on the trade; it is the partners and not the person carrying on the trade; it is the partners and not the partnership who carry on the trade and so the partnership, though a person, is not brought within section 15. Consequently, the person who is charged under section 15 can only be the partner; and since the charge is only on his separate share of the partnership profits and not on the partnership profits as a whole. That is the argument on the charging section.

The assessment is undoubtedly governed by section 22 which is entitled “Assessment of partnerships”. Subsection (1) provides:—“Where a trade, profession or business is carried on by two or more persons jointly the assessable profits therefrom shall be computed in one sum and the tax in respect thereof shall be charged in the partnership name”. Mr. Monroe relies on the words “carried on by two or more persons jointly” as supporting his submission that the Ordinance is treating the business as carried on by the partners and not by the partnership. His interpretation of the subsection is that it is dealing with computation only and the provision that the tax should be charged in the partnership name is descriptive and does not mean that the partnership is the person chargeable or assessable.

As in the case of charge, he submits, the only person assessable is the partner in respect of his share of the profits.

Recovery is provided for by section 22(4) which says that "tax upon the partnership shall be recoverable . . . out of the assets of the partnership, or from any partner." Mr. Monroe agrees that under this subsection one partner can be made to pay the tax not only upon his own profits but also on those of the other partner; but submits that that is simply a recognition of the principle that each partner is responsible for the whole of a partnership debt.

Their Lordships are disposed to think that the right interpretation of this group of sections in the light of the definition of "person" as including partnership requires the partnership to be treated as a separate entity for all three purposes of charge, assessment and recovery. But the only one of these three that it is strictly necessary for them to consider in order to decide this case is assessment. For the relevant words in section 19(1), which governs the point, are "the assessable profits of such person". Their Lordships cannot interpret section 22 in any other way than to say that where there is a partnership, the partnership is the person who is assessed. Under section 22 only one figure of profit is to be computed, only one sum of tax is to be charged, that sum is to be charged in the partnership name and it is described in subsection (4) as a tax upon the partnership. Their Lordships cannot reconcile these provisions with the submission that there are two assessments, one upon each partner in respect of his share of the profits. Moreover, if this were the effect of section 22 in all partnership cases, it would be unnecessary to provide, as is done by section 42(2), that in the special case of a partner (who has to be an individual and not a corporation) electing to have a personal assessment, "the assessable profits of the partnership . . . shall be apportioned amongst the partners in the ratio in which the profits or losses for that year of assessment were divided". Their Lordship are clear that section 22 provides in the case of a partnership for one assessment only. If there is only one assessment, then the person assessed must be the partnership. If so, the partnership must be the person who has the "assessable profits" within the meaning of section 19(1); and since the partnership is not in this case the person who incurred the loss, the loss cannot be set off against those assessable profits.

Their Lordships, therefore, feel constrained to differ from the conclusion of the Supreme Court (Appellate Jurisdiction). They have obtained much help from the full and careful consideration of this question in the Supreme Court, but since in the end the question is one of construction, they have felt able to state their own reasons shortly. They will for these reasons humbly advise Her Majesty that this appeal should be allowed and that the judgment of the Supreme Court (Appellate Jurisdiction) dated the 24th December 1958 ought to be varied by it being declared that the respondents are not entitled to set off the loss they made in their sole trading against the profits made in the partnership.

Once again, we are indebted to the Institute of Taxation, England, for permission to reproduce the following cases from its "Digest of Tax Cases":—

PROPERTY DEALING

SEAWARD BROTHERS v. VARTY

High Court Justice (Chancery Division)—16th March, 1962.

Before Mr. Justice Wilberforce.

Property dealing: builders: transfer of business to a company: whether houses retained as investments.

FACTS

On the 31st August 1949, a partnership of builders transferred its business to a company. In the inter-war period, the partnership had built houses primarily to let. At the date of transfer of the business, the two partners retained, excluded from the sale, 123 houses. In a period to the 31st August, 1954, 7 houses and 1 plot of land were sold, mainly in the case of houses, when vacant possession was obtained. In the next period, to 31st July, 1958, 15 houses and 2 plots of land were sold. The partners were assessed on the profits as "Sales of Property". The Special Commissioners held that the partners had carried on a composite business, and that after the transfer to the company, the houses and land remained trading stock of the partners, thus upholding the assessments.

DECISION

Held, that there was no evidence of a composite business, and that the partners' trade had ceased on transfer of the business to the company. The assessments were accordingly to be discharged.

PRINCIPLES AND DICTA

This decision is of some importance in the tangle of cases on property dealing and builders' profits. Although the learned judge was prepared to assume that the houses up to the date of sale of the business were trading stock, notwithstanding that they might in fact have been investments even then, he said that "the reality of this transaction" after the sale of the business was that the houses and land "remained simply as investments in the hands of the vendors." Although also, the cessation provisions being applied to the business was not necessarily "determinative" of the matter, it was an indication of the treatment by both parties. There was no evidence of a trading organisation subsequent to the sale of the business, the property sales being dealt with by a secretary to the persons who had been the partners. There was no evidence at all of a composite trade, and the Commissioners had not properly related their findings to the question whether the appellants continued to trade after the sale of the business to the company. The trade of the partners had in fact ceased, and in the result, the properties then held by them were investments.

CASES REFERRED TO

West v. Phillips, 1958, 38 T.C. 203.

Bradshaw v Blunden, 1956, 36 T.C. 397.

CAPITAL PROFITS or TRADING IN INVESTMENTS

FRASERS (GLASGOW) BANK LTD. v. C.I.R.

Court Session — 16th May, 1962.

Before the Lord President (Lord Clyde), Lord Carmont and
Lord Guthrie.

Trading in investments, or capital profits: bank investing in shares of
company customer: whether profit on shares assessable to Income Tax.

FACTS

In 1947, and at the suggestion of Sir Hugh Fraser, the appellant bank purchased stock in House of Fraser Ltd. at a total price of £987 10s. 0d. Some years afterwards, this stock was converted into stock of another type, was sold on the market and a profit of £18,300 was made upon the sale. It was contended by the appellant that this profit was of a capital nature, whilst the Inland Revenue contended that it was a trading profit assessable to Income Tax. The Special Commissioners decided in favour of the Inland Revenue.

DECISION

Held, that the Special Commissioners had arrived at the correct decision and that the profit was accordingly assessable.

PRINCIPLES AND DICTA

The Lord President pointed out the general principle that in an appeal the onus is upon the taxpayer to show that the assessment was wrong or should not have been made: *Norman v. Golder*. From the facts as stated by the Commissioners, the appellants did not possess the funds with which to buy the shares in question. They borrowed from another bank and "the only reason for the company entering into these two transactions was to support the House of Fraser shares in the market". The Lord President said: "This appears to me to point strongly to a trading rather than a capital operation". There was nothing to show that the appellant company acquired the shares with the intention of holding them as an investment on capital account. On the contrary, their primary interest was in the overdraft which the House of Fraser had with the appellants. The appellants in fact used the profit on the sale of the investment for the purpose of reducing its customer's overdraft. The Lord President pointed out that this very point had been dealt with in the *Punjab Co-operative Bank Ltd.* case, in which Lord Maughan said that if securities of a bank are realised to meet withdrawals by depositors it was quite clear that this was a normal step in carrying on a banking business. The same reasoning applied in this case.

CASES REFERRED TO

Norman v. Golder, 1945, 26 T.C. 293.

Eagles v. Rose, 1945, 26 T.C. 427.

R.A. Bird & Co. v. C.I.R., 1925, 12 T.C. 785.

Californian Copper Syndicate Ltd. v. Harris, 1904, 5 T.C. 159.

Punjab Co-operative Ban. Ltd. v. Lahore Income Tax Commissioner, 1940.

PAYMENT MADE UNDER GUARANTEE

Jennings v. Barfield & Barfield

High Court of Justice (Chancery Division)—23rd May, 1962

Before Mr. Justice Pennycuik

Solicitors: guarantee of client's overdraft: whether payment made under under guarantee deductible for Income Tax purposes.

FACTS

The respondent firm were solicitors. A client of theirs needed an overdraft at the bank to complete the lease of new showrooms for his business, to pay a deposit on a house he was purchasing and to provide funds for carrying on his business. The solicitors were asked by the bank whether they would guarantee the overdraft up to the sum of £500, which they did. The client was subsequently adjudicated bankrupt, and the respondents had to pay \$412 under the guarantee. That amount was claimed by the respondent firm as a deduction in arriving at the profits of their practice for Income Tax purposes. The Inland Revenue claimed that the sum in question was not laid out or expended for the purposes of the firm's profession within the meaning of Section 137(a) of the Income Tax Act, 1952.

DECISION

Held, that the General Commissioners' decision to the effect that the amount of £412 was expended wholly and exclusively for the respondents' profession was correct.

PRINCIPLES AND DICTA

This case is of interest not only in regard to loans, guarantees, etc., by solicitors, but in regard to other professions where the making of such loans may be regarded as an incident of the profession, as distinct from a capital matter. A case in which a loan was so bound up with the profession, that of film-producer as distinct from solicitors, is that of Lunt v. Wellesley. Two solicitors' cases were Morley v. Lawford & Co., and Haggart & Burn Murdoch v. C.I.R. This latter case, a decision of the House of Lords in 1929, was examined in detail in the court of the present judgment. Mr. Justice Pennycuik pointed out the essential and crucial difference between advances made strictly in the usual course of and in connection with professional work, and money-lending as an entirely separate venture, not so directly connected with clients' affairs. In the Haggart case it was freely admitted that money-lending as such was not a customary or normal incident within the profession of a writer to the signet.

(To be Continued on Page 94)

NOTES AND COMMENTS

8TH INTERNATIONAL CONGRESS OF ACCOUNTANTS

As already noted in the 1961 issue of this Journal, the Society was invited for the first time to attend a congress of accountants on an international basis. That was the Eighth International Congress of Accountants. It was held in New York City in September 1962, and the members representing the Society were Messrs. Charles Mar Fan and Lau Chung Him. A report thereon appears elsewhere in the issue.

It has since been announced that the next (9th) International Congress of Accountants will be held in Paris in 1967, and the head of the Organising Committee will be Mr. F-M. Richard, President, Conseil Supérieur de l'Ordre des Experts Comptables et des Comptables Agréés, 109 Boulevard Malesherbes, Paris VIII, France.

THE THIRD ASIAN & PACIFIC ACCOUNTING CONVENTION

As in the case of the New York Conference and reported elsewhere in this issue, the Society was also invited to attend this Convention in Japan in October, 1962, and its representatives thereat were Messrs. Charles Mar Fan and Chen Kang. This was the second time the Society participated in this regional conference; the last one held in Australia in 1960 was attended by Mr. Lau Chung Him for the Society.

NEW MEMBERS

Thanks to our supporters, the strength of the Society has been stepped up considerably since 1961. The following are our new members:—Messrs. LUKE Tai Sum, LIANG Yang Keng, SUM Wai Man, CHUI Pui Tim, POON Wing Cheung, MAK Hing Cheung, CHOW Him, LUNG Ting Kau, AU-YEUNG Yik Fung, Norman Francis MAR FAN, NG Tze Choy, Thomas CHOY Chun Chung, Samuel Sih Yu YANG, Sanford Yung-Tao YUNG, Richard Choi-Kwong YAU, HO Choi Chiu, S. L. POON, Robert Chiu-Yin KWAN, CHAN Fook Man, LIN Teh-Chong WATT Hung Chow Sum Wai Man and CHAN Yuen-Kui, to whom our warmest welcome and best wishes are extended.

The total number of members now reached 79 as compared with 49 in 1949, 46 (1953), 51 (1959) and 57 in 1961.

AUTHORISED AUDITORS BOARD

The constitution of the Authorised Auditors Board remained unchanged since the last issue of this Journal in 1961, and the following are its members:

Registrar of Companies (Chairman, ex officio)
Accountant-General (ex officio)
Commissioner of Inland Revenue (ex officio)
Hon. S. S. Gordon, C.A.
Hon. Fook-Shu LI, O.B.E., B.A., F.C.A., J.P.
Mr. Charles MAR FAN, F.A.C.C.A., F.A.S.A., F.C.I.S.
Mr. WONG Peng-Cheung, M.A., (Cantab), F.C.A.

Mr. S. J. Cooke
Mr. F. D. Hammond, M.A. (Cantab), LL.B., J.P. (to be a member and Legal Adviser)

REVISION OF COMPANIES ORDINANCE

Mr. M. W. Kwan, M.B.E., A.A.C.C.A., Vice Chairman of the Society, has been appointed a member of the Companies Law Revision Committee to study the Jenkins Report. He represents the Hong Kong Branch of the Association of Certified and Corporate Accountants. The other members of the Committee are: the Registrar-General (Chairman), the Deputy Economic Secretary, a representative of the Attorney General, Mr. C. H. Wong (representing the Incorporated Law Society of Hong Kong), Mr. L. Kadoore (representing the General Chamber of Commerce), Mr. C. G. Smith (representing the Association of Chartered Accountants in Hong Kong) and Mr. P. O. Scale (representing the Association of Chartered Secretaries in Hong Kong).

The terms of reference of the Committee are "to consider and make recommendations as to the revision of the Company Legislation of Hong Kong, and in particular to recommend as soon as possible whether legislation for prevention of fraud in relation to investments is required and if so, the form which it should take."

The Society has been also asked to express its views as to what, if any, amendments in the Companies Ordinance (Chapter 32 of the 1950 Revised Edition of the Laws of Hong Kong) are required, and what, if any, measures should be taken for the prevention of fraud in relation to investment. The representations of the Society were submitted to the Committee in December 1962.

ELECTIONS IN OTHER ACCOUNTING SOCIETIES

Hon. F. S. Li, O.B.E., J.P., F.C.A., has been elected President of the Association of Chartered Accountants in Hong Kong.

Mr. M. W. Kwan, M.B.E., A.A.C.C.A., has been elected Chairman of the Hong Kong Branch of the Association of Certified and Corporate Accountants.

Mr. G. L. Marshall, F.C.I.S., has been elected Chairman of the Association of Chartered Secretaries in Hong Kong.

Mr. G. W. Spong, F.C.C.S., has been elected Chairman of the Hong Kong District Society of Incorporated Secretaries.

We offer them our congratulations.

SOCIAL EVENTS

Mr. Charles Mar Fan, Chairman of the Society, attended the Annual Dinner of the Association of Chartered Accountants in Hong Kong, held at Peninsula Hotel on April 5, 1963. Among the many distinguished guests were the Governor of Hong Kong, Sir Robert Black, and the Chief Justice, Sir Michael Hogan. Mr. M. W. Kwan, Vice Chairman of the Society, also attended as Chairman of the Hong Kong Branch of the Association of Certified and Corporate Accountants.

THE NEW RENDEZOUS OF THE SOCIETY

As from March, 1963, the monthly meetings of the General Council and the members of the Society had been regularly held at Wing On Life Building, top floor, instead of the Bankers' Club due to the removal of the latter.

THE CREST OF THE SOCIETY

Application has been lodged with the College of Arms, London, for the approval and registration of the crest of the Society. It is hoped that the matter will soon be finalised.

FACTORING SCHEME

Early this year, the Society was asked to study and comment on the Working Party's Report on the Factoring Scheme. After due consideration by the Sub-Committee comprising Messrs. Lo Tsz Kwai, S. K. Leung and Lau Chung Him, the views of the Society were submitted in April to the authorities concerned for attention.

PROFESSOR NORTON M. BEDFORD

On his short visit to the Colony, Prof. Norton M. Bedford, Professor of Accountancy, University of Illinois, U.S.A., gave a talk on "The Growth of the Accounting Function in Modern Society" at Lecture Room (North), 8th Floor, City Hall on Tuesday, May 7 this year. There was a large attendance, including many members of the Society. The lecture was sponsored by the Hongkong Economic Association.

NEW BANKING ORDINANCE

This Bill formed a topic of discussion at members' monthly meetings of the Society, and as a result, our views thereon were forwarded to the Government for consideration.

DUTIES OF AUDITORS

Because there was a difference of opinion between the Board and the Auditors as the latter were not prepared to give an unqualified report unless the balance sheet reflected their views, a proposal to change the auditors was made to the annual general meeting of a certain company in London. As this raised the issue of general importance, the Institute of Chartered Accountants in England and Wales made a statement thereon which was published in "The Accountants Journal" of July 1963. This statement is summarised below for general information:—

1. The auditors of a company are appointed to represent the shareholders as required by law and have a statutory duty to make a critical review of the accounts submitted by the directors and to report to the shareholders whether those accounts show a true and fair view and comply with the legal requirements.
2. If the auditors disagree to such accounts to any material extent, their duty is to say so in their report and to specify the material respects in which they disagree.

3. The disagreement of the auditors is not a justification for their displacement, unless the reasons for their disagreement are such that the shareholders are no longer confident in the judgment, competence or conduct of the auditors as their representatives.

4. Confidence between directors and auditors is desirable but not indispensable for the proper performance by the auditors of their onerous duties for the shareholders. In some circumstances, the performance of those duties may lead inevitably to differences of opinion between the directors and auditors and to a report to this effect by the auditors to the shareholders.

As the last two paragraphs of the said statement are so important, we take the liberty to reproduce them for the benefit of our readers:—

“6. The existence of such a possibility is among the reasons why auditors are appointed. The work of auditors and their freedom to perform it with a sense of complete independence can only continue as long as it is generally accepted that the issue by auditors of a report expressing disagreement with the directors of a company of which they are auditors does not of itself provide a reason for the removal of the auditors from office. The purpose implicit in the appointment of auditors under the Companies Act would be defeated if there were to grow up a practice of displacing auditors whenever a disagreement between them and the directors of a company occurs on a matter of accounting principle.

“7. The displacement of auditors who represent and report to the shareholders is, therefore, a serious matter and is of great importance to shareholders. The principles set out in this statement are of the greatest significance and the Institute considers, therefore, that it has a duty to draw attention to them.”

BOARD OF REVIEW

By kind permission of the Clerk to the Board of Review under the Inland Revenue Ordinance, the following information is published:—

Members of the Panel of the Board of Review
as of 23rd August, 1963

Dr. Leo D'Almada e Castro, C.B.E., Q.C., LL.D., J.P. (Chairman)
Mr. L. J. D'Almada Remedios (Deputy Chairman)
Mr. G. S. Ford, J.P.
Mr. W. T. Grimsdale, C.B.E., F.C.A., J.P.
Mr. W. A. Welch, A.C.A.
Hon. R. C. Lee, O.B.E., J.P., M.A.
Mr. E. R. Childe, A.I.A.
Hon. Kwok Chan, C.B.E., J.P.
Mr. F. Zimmern, J.P.

Mr. L. Kadoorie, J.P.
Mr. Seaward Woo, J.P.
Mr. J. W. Cairns, C.A.
Mr. W. C. Tait
Mr. Chan Ying-hung, J.P.
Mr. A. R. Reid, C.A.
Mr. Fung Kam-chung, J.P.
Mr. Wilfred S. B. Wong, J.P.
Mr. H. R. M. Cleland, C.A.
Mr. F. J. Knightly
Mr. J. B. H. Leckie
Mr. G. R. Ross
Mr. P. C. Woo, O.B.E., J.P.

Honorary Vice President and Comments

It is with great pleasure to record that Honorable Fook-Shu LI, O.B.E., B.A., F.C.A., J.P., Member of the Legislative Council, Hong Kong Government, Principal of Messrs. F. S. Li & Co., Chartered Accountants, has kindly acceded to accept our invitation to be the Honorary Vice President of the Society. To Honorable Li, we extend our heartiest welcome and appreciation.

It is therefore hoped that the Society's activities will be further enlivened by his association and cooperation.

FIRST CHAIRMAN OF THE SOCIETY 50 YEARS AGO

It is most gratifying to note that the First Chairman of the Society 50 years ago in the person of Mr. J. M. Wong, J.P., is still going strong at 87. He saw the growth of the Society in the past 5 decades. He frequently participated our monthly meetings and is proudly looking forward to join us in celebrating the Society's Golden Jubilee in November this year.

THE RISING BAROMETER OF REVENUE

The purpose of the following statistical statement is to show how the collection of local internal revenue has been climbing up as the years went by. For the figures of other years, reference is invited to the 1959 and 1961 issue of this Journal. The Year of Assessment 1947/48 was the initial year of the Inland Revenue Ordinance and the second year of the return of the civil government after the liberation of Hong Kong from the Pacific War.

Year of Assessment		Nature of Tax	Year of Assessment		
1947/48	1957/58		1960/61	1961/62	1962/63
\$	\$				
6,419,695	54,108,434	Corporation Profits Tax	81,011,995	98,030,630	107,020,352
4,366,928	18,615,190	Business Profits Tax	25,945,961	27,960,169	30,861,855
728,062	15,034,473	Salaries Tax	19,084,010	23,014,913	26,733,839
14,354	1,459,009	Personal Assessment	5,246,302	5,654,700	5,200,325
374,389	3,744,699	Interest Tax	5,769,221	8,016,020	12,427,064
2,231,532	18,712,092	Property Tax	17,211,391	36,710,677	32,846,479
		Total Earnings & Profits			
14,134,960	111,673,897	Tax	154,268,880	199,387,109	215,089,914
2,437,732	16,533,943	Estate Duty	11,658,702	16,779,913	24,574,425
10,886,544	26,114,082	Stamp Duty	39,638,667	55,255,877	53,142,414
4,352,187	11,465,211	Entertainments Tax	15,211,298	16,932,859	19,164,518
3,346,665	10,570,767	Betting Duty	11,865,927	18,598,772	19,682,334
450,006	2,132,795	Public Dancing Halls Tax	2,556,371	2,765,533	2,906,632
(1)	6,381,546	Business Registration	1,926,285 (2)	2,069,530	2,317,858
<u>35,608,094</u>	<u>184,872,241</u>	Total Revenue collected	<u>237,126,130</u>	<u>311,789,593</u>	<u>\$336,878,095</u>

NOTES

- (1) Business Registration Ordinance was not enacted until May, 1952.
- (2) The decrease was caused by the reduction of registration fee from \$200 to \$25 as from February 6, 1959.
- (3) Estate Duty Department was a separate entity until March 31, 1949 when it was merged with the Inland Revenue Department.
- (4) Previously administered and collected by the Treasury, the Stamp Duty, Entertainments Tax, Betting Duty and Public Dancing Halls Duty had been handed over to the Inland Revenue Department since 1956.

Annual Report of 1962 of the Society

THE SOCIETY OF CHINESE ACCOUNTANTS & AUDITORS

(Founded in 1913)

Hon. Permanent President: Hon. Sir T. N. Chau, Kt., C.B.E., J.P.,

Barrister-at-law

Office Bearers for 1962

Chairman: Charles Mar Fan

Vice-Chairman: Kwan Man Wai

Council:	Charles Mar Fan	Kwan Man Wai
	Wong Shang Jen	Tso Chak Chun
	Lo Tse Kwei	Li Shu Fong
	Lau Chung Him	Leung Sek Kwan
	Jackman Choy	Chen Kang
	Tam Wai Sun	Thong Ko Sine
	Ling Man I	

Committee Chairmen: Lo Tse Kwai (Taxation)
Li Shu Fong (Social)
Lau Chung Him (Publication)
Leung Sek Kwan (Membership)

Hon. Treasurer: Tso Chak Chun

Adviser: Tam Wai Sun

Hon. Secretary: Wong Shang Jen

Report of the Council and statement of Accounts for the year ended 30th September, 1962 for presentation at the Annual General Meeting of Members of the Society of Chinese Accountants & Auditors to be held at the Chinese Bankers Association Club, Bank of East Asia Building, Hong Kong on Friday, 14th December, 1962 at 6:30 p.m.

Gentlemen:

Your Council has pleasure in presenting the annual report for 1962 and statement of accounts for the year ended 30th September, 1962.

MEMBERSHIP

The Society had a membership of 72 at December 5, 1962 including the admission during the year of Messrs. Norman Francis Mar Fan, Ng Tse Choy, Thomas Choy Chun-Chung, Samuel S.Y. Yang, Tsi Wen-Zi. Sanford Y.T. Yung, to whom we offer our warmest welcome.

According to the Government Gazette, Mr. Charles Mar Fan was re-appointed member of the Authorized Auditors Board, and Mr. M.W. Kwan, appointed to represent the Hong Kong Society of the Association

of Certified & Corporate Accountants in the Companies Law Revision Committee. To these two gentlemen, we offer sincere congratulations.

MEETING & ACTIVITIES

The following events highlighted the activities of the year:

INTERNATIONAL CONGRESS OF ACCOUNTANTS

As was mentioned in our Journal for 1961, it was great honour to the Society to be invited, for the first time, to attend a congress of accountants on international basis. The invitation of the Eighth International Congress of Accountants was accepted with pleasure, and our Society was represented by our Chairman & Mr. Lau Chung Him. It was held in New York, U.S.A. during September 23 to 27, 1962.

1962 seems to be an auspicious and memorable year for the Society, as we have also had another opportunity to be represented at the Asian & Pacific Accounting Convention (the third one this time) held in Tokyo/Kyoto, Japan, from October 13 to 19, this year. Our delegation thereto consisted of Mr. Charles Mar Fan (Chairman) & Mr. Chen Kang (Council Member).

FAREWELL PARTY TO OFFICIAL DELEGATES

On August 3, 1962, the Council gave a farewell party at China Restaurant to the Chairman, Mr. Charles Mar Fan, Mr. Lau Chung Him & Mr. Chen Kang, official delegates to the Eighth International Congress of Accountants & the Third A.P.A.C. All Council members were present.

Written reports on both Conferences will be circulated to members as soon as they are available.

APPLICATION FOR A GRANT OF ARMORIAL BEARINGS

The Society has made an application to the Garter King of Arms, London, for a grant of armorial bearings through the College of Arms with a view of increasing the prestige of the Society. The registration fee accounted to £157-10-0.

Up to the date of this report, the application is still under consideration by the College of Arms, as there are some modifications to our purposed arms to be finalised.

INCORPORATION OF THE SOCIETY

The Council has in view that when the armorial bearings has been granted, the Society will apply to the Registrar General for incorporation under Section 21 of the Companies Ordinance.

GOLDEN JUBILEE CELEBRATION

The Council has resolved that the Society's Golden Jubilee Celebration be held on Friday, November 1, 1963 at the City Hall, the full Council be responsible for its preparation and that the ex Chairman & Council members enlisted in this project.

SUMMER RECESS

The Society had its summer recess in July and August, 1962.

THE SOCIETY'S JOURNAL, 1963

The Council has resolved that the Society's Journal for 1963 be published in October, 1963, a special edition for Golden Jubilee Celebration. Members are requested to contribute articles and similar materials to make the occasion a success.

AMENDMENTS IN COMPANIES ORDINANCE

The Society received a circular letter from the Registrar General dated 18th October, 1962 inviting our views as to necessary amendments to the Companies Ordinance; a copy of the letter was sent to each member for consideration and views.

TAXATION FORUM

Formal discussions on taxation matters under the direction of Mr. T.K. Lo were held on the last Friday of each month at the Chinese Bankers Association Club except during the Summer recess. To Mr. Lo we tender our appreciation.

COUNCIL MEETINGS

Council meetings were also regularly held on the second last Friday of every month except during the Summer recess.

ACCOUNTS

The Income & Expenditure Account for the year ended 30th September, 1962 and the Balance Sheet as at that date are herewith presented for adoption by members. The surplus of HK\$433.93 as shown therein has been transferred to Accumulated Fund.

ACKNOWLEDGMENT

Your Council wishes to record its gratitude to the delegates representing the Society at their own costs at the Eighth International Congress of Accountants and the 3rd A.P.A.C.; and also to Mr. Li Shu Fong for his unfailing assistance in making available to the Society a congenial meeting place on all occasions.

A Merry Christmas and a Happy & Prosperous New Year to you all.

Charles Mar Fan
Chairman

Wong Shang Jen
Hon. Secretary

December 12, 1962.

SOCIETY OF CHINESE ACCOUNTANTS & AUDITORS HONG KONG

Income & Expenditure Account for the year ended 30th September, 1962.

EXPENDITURE		INCOME	
Allowances (book-keeper & office boy)	\$ 200.00	Annual Subscriptions from members	\$2,160.00
Postage & Stamps	142.35	Entrance Fees	850.00
Stationery & Printing	127.90	Contribution Received	35.00
Gifts	60.00	"Chinese Accountant 1961" A/C.	22.00
Annual Meeting Expenses	219.70	Bank Interest Received	28.48
Registration Fee to College of Arms, London	2,536.75	Investment Income:	
Sundry Expenses	0.20	Dividends from Shares	\$714.00
Depreciation:		Less Bank Charges	2.16
Duplicators	\$60.27		711.84
Library A/C.	26.22		
	86.49		
Balance, being Surplus of the year	433.93		
	<u>\$ 3,807.32</u>		<u>\$ 3,807.30</u>

BALANCE SHEET AS AT 30TH SEPTEMBER, 1962.

LIABILITIES		ASSETS	
Library Fund	\$1,030.00	Cash at Bank	\$ 2,216.01
Advance Receipt	30.00	Subscription Receivable	30.00
Accounts Payable	250.70	Investments - 420 shares of H.K. Electric Co., Ltd. at cost	11,338.00
Accumulated Fund:		(Market Value - \$11,676.00)	
Balance b/f.	\$12,460.50	Duplicators:	
Add: Surplus for the year ended 30th Sept. 1962	433.93	Balance b/f.	\$602.73
	12,894.43	Less Depreciation	60.27
			542.46
		Library Account:	
		Balance b/f.	\$104.88
		Less Depreciation	26.22
			78.66
	<u>\$ 14,205.13</u>		<u>\$14,205.13</u>

Charles Mar Fan
Chairman
Wong Shang Jen
Hon. Secretary
Tso Chak Chun
Hon. Treasurer

Auditor's Report

We have audited the books and vouchers of the SOCIETY OF CHINESE ACCOUNTANTS AND AUDITORS for the year ended 30th September, 1962 and report that in our opinion the foregoing Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Society's affairs as at 30th September, 1962 according to the best of our information and the explanations given to us and as shown by the books of the Society.

Hong Kong: 20th November, 1962.

John Ko-Sine Thong Ling Man-I
Hon. Auditors.

The Office-bearers and Committeemen of the Society

1913—1963

Year	Chairman	Vice Chairman	Hon. Secretary	Hon. Treasurer	Committee Member	Hon. Auditors
1913	J. M. Wong	(Note 1)	Fung Lok Yuen	(Note 1)		
1914-1932	(Note 1)					
1933-1940	(Note 2)					
1941-1945	(Note 3)					
1946	Lau Yuk Wan	J. M. Wong	Wai-Sun Tam	Man I-Ling	Lam Cho-Hing Li Tung, P. C. Kwok, K. L. Young, Wing-Seen Wong	John T. O. Wong & Y. Y. Wang
1947	Lau Yuk Wan	J. M. Wong	Wai-Sun Tam	Man-I Ling	Lam Cho-Hing Li Tung P. C. Kwok, K. L. Young Wing-Seen Wong	John T. O. Wong & C. C. TSO
1948	Wing-Seen Wong	Wai-Sun Tam	C. C. Tso	Man-I Ling	J. M. Wong Lau Yuk Wan Li Tung Li Shu Fong K. L. Young	P. C. Kwok & Lam Cho-Hing
1949	Wing-Seen Wong	Wai-Sun Tam	C. C. Tso	Man-I Ling	J. M. Wong Lau Yuk-Wah Li Tung Li Shu Fong P. C. Kwok	Lam Cho-Hing & K. L. Young
1950	Wing-Seen Wong	Wai-Sun Tam	C. C. Tso	Li Shu Fong	Charles Mar Fan Thomas Le C. Kuen J. M. Wong Lau Yuk-Wan P. C. Kwok	Man-I Ling K. L. Young
1951	Wing-Seen Wong	Wai-Sun Tam	C. C. Tso	Fung On	P. C. Kwok Thomas Le C. Kuen Lau Yuk-Wan Charles Mar Fan Man-I Ling	Li Shu Fong & Kwan Man-Wai

Year	Chairman	Vice Chairman	Hon. Secretary	Hon. Treasurer	Committee Member	Hon. Auditors
1952	Wing-Seen Wong	Wai-Sun Tam	C. C. Tso	Fung On	Kwan Man-Wai Lau Yuk-Wan Thomas Le C. Kuen Mankwan Wong Charles Mar Fan	Li Shu Fong & J. M. Wong
1953	Wing-Seen Wong	Wai-Sun Tam	C. C. Tso	Fung On	Kwan Man-Wai Lau Yuk-Wan Thomas Le C. Kuen Mankwan Wong Charles Mar Fan	Li Shu-Fong & J. M. Wong
1954	Wing-Seen Wong	Wai-Sun Tam	C. C. Tso	Fung On	Charles Mar Fan Kwan Man-Wai Mankwan Wong Wong Shang-Jen Lau Yak-Wan Thomas Le C. Keun Man-I Ling	Li Shu-Fong & J. M. Wong
1955	Wai-Sun Tam	Charles Mar Fan	C. C. Tso	Fung On	Wing-Seen Wong M. W. Kwan Man-I Long Li Shu-Fong Wong Shang-Jen Ka-Yau Chan Lau Chung-Him	Leung Sik-Kwan & Jackman Choy
1956	Wai-Sun Tam	Charles Mar Fan	C. C. Tso	Fung On	W. S. Wong S. K. Leung Li Shu-Fong Wong Shang-Jen M. W. Kwan Lau Chung-Him T. K. Lo	Man-I Ling & Ka-Yau Chan

Year	Chairman	Vice Chairman	Hon. Secretary	Hon. Treasurer	Committee Member	Hon. Auditors
1957	C. C. Tso	Charles Mar Fan	M. W. Kwan	Fung On	Wing-Seen Wong W. S. Tam Man-I Ling Li Shu-Fong S. K. Leung Ka-Yau Chan Wong Shang-Jen	Lau Chung-Him & Jackman Choy
1958	Charles Mar Fan	C. C. Tso	Wong Shang-Jen	Stephen Law	M. W. Kwan Fung On J. K. S. Thong S. K. Leung Li Shu-Fong Jackman Choy Man-I Ling	Ka-Yau Chan & Ed. P.H.Ma
1959	Charles Mar Fan	M. W. Kwan	Wong Shang-Jen	C. C. Tso	Lau Chung-Him Li Shu-Fong Fung On T. K. Lo S. K. Leung W. S. Tam J. K. S. Thong	Stephen Law & W. S. Wong
1960	Chas. Mar Fan	M. W. Kwan	Wong Shang-Jen	C. C. Tso	Lau Chung-Him T. K. Lo Li Shu-Fong S. K. Leung J. K. S. Thong Mankwan Wong W. S. Tam	Jackman Choy & Stephen Law
1961	Chas. Mar Fan	M. W. Kwan	Wong Shang-Jen	C. C. Tso	Lau Chung-Him T. L. Lo Li Shu-Fong S. K. Leung W. S. Tam J. K. S. Thong Jackman Choy	Stephen Law & Man-I Ling

Year	Chairman	Vice Chairman	Hon. Secretary	Hon. Treasurer	Committee Member	Hon. Auditors
1962	Chas. Mar. Fan	M. W. Kwan	Wong Shang-Jen	C. C. Tso	Lau Chung-Him T. K. Lo Li Shu-Fong S. K. Leung W. S. Tam Chan Kang Jackman Choy	Man-I Ling & J. K. S. Thong
1963	Chas. Mar. Fan	M. W. Kwan	Wong Shang-Jen	C. C. Tso	Lau Chung-Him T. K. Lo Li Shu-Fong S. K. Leung W. S. Tam Chen Kang J. K. S. Thong	Sanford Yung & Man-I Ling

- NOTES 1. Owing to loss of records, no particulars are available. According to reliable sources, Mr. J. M. Wong, J. P., had been Chairman of the Society for over 10 years during this period.
2. In the wake of the loss, the only scanty information available to us is that, for a few years, the late Mr. Lau Yuk Wan was Chairman of the Society, Mr. Li Tung was twice Hon. Secretary, Mr. Lam Cho Hing three times Hon. Treasurer, and Mr. Kwok Yam Kai, Hon. Secretary for once.
3. Thereafter, there has been no further enlightenment, except that, during the Second World War, the late Mr. Lau Yuk Wan was still the Chairman.

EDITORIAL NOTES

This year, 1963, is the 50th anniversary of the birth of the Society, and to commemorate the glorifying Golden Jubilee, this edition is dedicated.

The issue sets down most of the important events that had come to the knowledge of and lent enlightenment to the Society, notably those didactic conferences held under the auspices of the 8th International Congress of Accountants in New York and the Asian & Pacific Accounting Convention in Japan in 1962, the version of which as recorded herein will, we trust, bring about a vicarious enjoyment to sympathetic readers.

Interesting subjects on the birth of the Society and the momentum of its growth, and those on the incorporation of the Imperial Preference, complicated tax cases, and others meriting reference are also chronicled herein.

We are most thankful to all contributors for furnishing us with informative and interesting articles that are now adorning the pages of this Journal, in particular to Hon. J. J. Cowperthwaite, Financial Secretary, for his excellent preface, the Department of Commerce & Industry, the Institute of Taxation, England, the General Secretaries of the 8th International Congress of Accountants in New York, and the Asian & Pacific Accounting Convention, and the Hong Kong General Chamber of Commerce for supplying us with information and allowing us to reproduce their materials of interest.

Last but not least, we are grateful to all the advertisers, and to those who had helped make this Journal a reality.

LIST OF MEMBERS - 1963

(Arranged in Alphabetical Order)

AU YEUNG, Yik Fung (歐陽亦梵)
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The General Commissioners had expressed the question in terms as to whether solicitors are accustomed to give guarantees in favour of clients when required for what appears to be a temporary purpose. The learned judge said in regard to the question so expressed by the Commissioners: "I have come to the conclusion that the finding is sufficient to establish that it is a general or ordinary activity of the practice of solicitors in the sense of an activity commonly undertaken by solicitors in the course of their practice, though certainly not a practice which is universal or adopted by the majority of solicitors."

CASES REFERRED TO

- Usher's Wiltshire Brewery Ltd. v Bruce, 1915, 6 T.C. 399.
- Morley v. Lawford & Co., 1928, 14 T.C. 299.
- Lunt v. Wellesley, 1945, 27 T.C. 78.
- Haggart and Burn-Murdoch v. C.I.R., 1929, 14 T.C. 433.
- Reid's Brewery Co. v. Male, 1891, 3 T.C. 279.
- Bury and Walkers v. Phillips, 1951, 32 T.C. 198.
- Bentleys, Stokes & Lowless v. Beeson, 1952, 33 T.C. 491.

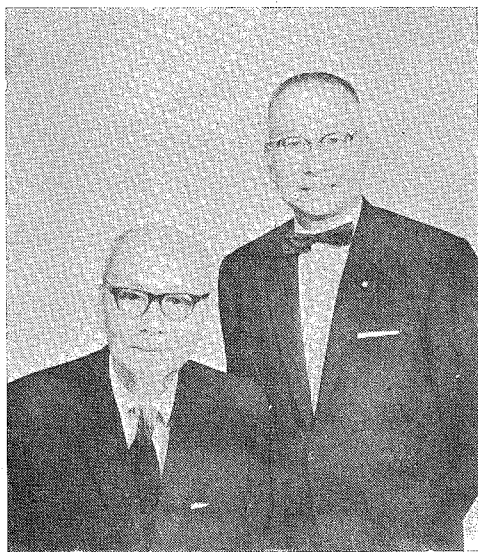
香港華人會計師公會五十週年

黃茂林

時光荏苒，歲月如流，本會成立迄今，忽忽已歷五十寒暑。際茲慶祝金禧大典，本人以第一任主席（當時稱會長）身份，留此愚老之軀，及身而見，心情倍覺愉快。復承今年第五十任主席馬君炎璋之囑，憶述五十年來事，其意至善。獨惜本會早期紀錄，蕩然無存；本人又因年事已高，（計齒今已八十有七），記憶力弱，對馬君盛意，頗難償願。不過本着追念過去以策來茲之義，爰將記憶所及，畧作數言，聊塞本會一九六三年金禧特輯篇幅。其中錯漏，在所難免，希同人以諒之。

關於本會成立之始末，先友劉公毓芸，曾有「香港華人會計師公會三十五年來史畧」一文，在一九四九年會刊發表。其中紀載頗詳。茲因本會史籍缺乏，不得不引用其大作，據拾之譏，在所不計也。

在一九一三年以前，港府未嘗規定華人會計師資格。當時註冊之華資公司，可聘用任何人士為核數員，或查帳員。（當時未有會計師名稱。）迨自一九一三年，政府以華資公司增加日多，其中記帳方式，多採中文上進下支之法。倘有糾紛，難于查核。故在修訂當時施行之一九一一年公司法例時，曾擬令各華人公司須用英文記帳。惟各公司以此項措施，窒碍難行。且當時英文記帳人員不多，並且待遇高昂，力有不逮。遂由周紳少岐（即今周竣年爵士之令先翁）聯合發起向港府交涉取銷此議。政府經考慮後亦俯順輿情，允予接納。將公



（圖乃本文作者本會第一主任席黃茂林翁與第五十任主席馬君炎璋合照）

司則例有關章節，畧事修訂。以後華資公司若用中文記帳時，祇須加設一英文現金收支簿，（即現行公司法則第121條之規定）。同時更規定凡欲充任華人核數員者，須經考驗及格，方准執業。港府隨即委出劉鑄伯（即今油蔴地小輪公司總經理劉鎮國先生之令先祖）何福，周少岐，袁英山四人，為第一任考試委員，而以華民政務司為當然主席。該時雖有考試制度，但未規定執業界線。倘考試及格批准執業時，不論中文或英文帳目，均可查核。迨至一九三零年政府再事修訂公司法則，將核數員名單分為兩部。凡名列第一部者限核英文帳。名列第二部者祇可核中文帳。楚河漢界，莫能混亂，亦善法焉。是知華人會計師之起源，實始於一九一三年也。

一九一三年港府舉行第一次華人核數員考試時，合格者有十七八人。其中以馮君樂園最為熱心。於政府宣佈合格核數員名單後，隨即假座體育學校，召集各合格核數員舉行第一次座談會，商討組織同業公會。當經一致贊同，即席推馮君負責起草會章，并定名為「香港華人核數研究會」，不數日，會章已定，本會便告成立。參加第一屆會員者除劉公，馮君，及本人外，尚有張才，胡爾棟，張壽朋，林藻慶，岑澤樵，郭若衡，郭福滔，區子禧，黃花農，黎金發，楊敬菴，羅鈞鏞，李維楨，歐陽健卿，侯壽南諸位。本人蒙各會友愛戴，推為首屆會長；馮君樂園為義務司理，共勤會務。至於成立之月份日期，因年代湮遠，又乏冊籍可稽，不復記憶矣。

又查本會成立初期，會員人數不多，本人忝膺會長之缺，亦因循十有多年。且馮君在一九一八年初，因火燒馬棚遇難，失去臂助，會務亦受影響。在一九三三年後，劉公毓芸亦曾數任會長，（今稱主席，）至一九四六年太平洋戰後，本會得許多新進加入，會務蒸蒸日上，設有冊籍，由該年以後，本會歷屆理監事，由本會一九五九年會刊起，已有一覽表編載，可資參攷。

至於本會名稱，亦經數易，戰前（年份不復記憶）有會員名區灌歟者，以本會名稱，（即香港華人核數研究會），不甚妥合，提議更改，幾經商確，遂易為「香港華人核數學會」，其英文名稱則為 **Institute of Chinese Auditors, Hong Kong** 當時并修訂會章，設立三種會員：即（一）名譽會員 **M. I. C. A. (Hon.)**（二）普通會員 **M. I. C. A.**（三）贊助會員 **A. M. I. C. A.**。但實際上當時祇得第二種會員而已。

迨一九四一年戰起會卒，會員星散。幸得當時主席劉公毓芸繼續努力不懈，使會務不致中斷，良堪嘉許。全時在戰事期間，從新組織。推王蘊玉君起草新會章，定為理監事制。更易名為「香港華人會計師公會」。戰後歸來，決用此名稱，於今未替。而本會會員亦一律改稱為會計師。及至一九四七年，并向有關機關正式註冊立案。

戰後港府征收利得稅，本會會員日增。同時華民政務司將華人會計師顧問委員會組織擴充，本人亦忝屬該會委員之一。其他同事計有周峻年爵紳，李葆蔡，李子方，陳乙明，李卓權，黃永善，劉毓芸七位。直至一九五二年兩部委員會合并改組為止。

綜上約畧漫談，可見本會前人締造艱難，幾經波折，始有今日。而且從前同時同業，還健在者幾稀。故余說能及身而見本會金禧，誠屬萬幸之至。所以偶談往事數則，願與後進諸君共勉之。

抑尤有進者，本會近十年間，得新血參加，工作表現，有長足進展：如理監事會議，會員業務研討會，月必舉行一次，已多年無間；頒發會員證書，厘訂會徽，各會員間感情融洽等。且由一九六零年起，并將本會旗幟，帶到海外，參加國際會計師會議，使本會聲譽日隆，斯皆各理監事等努力所結光榮之果。本人忝屬前輩，亦全覺欣快焉。

資本之預算

楊 緝 甫

吾人對於將來之進款應特別留意，例如投資之利潤，利率之計算及其現在之價值。

例如現金額為 \$173.55，而計算其利率，使在兩年後，可獲得 \$210。可代入下列公式計算：—

$$210(1+r)^{-2} - 173.55 = 0$$

$$r = .10$$

另一方法，可由每年遞加而成

初期投資	\$ 173.55
第一年利潤.10	<u>17.36</u>
本利和	\$ 190.91
第二年利潤.10	<u>19.09</u>
最後本利和	\$ 210.00

在較複雜情形下，假設投資額為\$281.06，利率4%，分兩年內本利清還，第一年歸還\$100。第二年歸還\$200。茲將詳細情形說明如下：—

\$ 281.06	初期投資額
+ 11.24	利率4%
<u>292.30</u>	第一期本利和
- 100.00	第一年還款
<u>192.30</u>	第二年投資額
+ 7.69	利率4%
<u>199.99</u>	第二期本利和
- 200.00	第二年還款
<u>0.01</u>	剩餘差額

照上例即\$300款項之原本價值為\$281.06，祇差.00之錯誤而已。

計算現在價值有下列四種方法：—

1. 現金全部清還法：

假如 A. B. C. 為三種投資額

投 資 額	最 初 期	第 一 期 還 款	第 二 期 還 款
A	(\$ 10,000)	\$ 10,000	
B	(10,000)	1,000	\$ 11,000
C	(10,000)	5,762	5,761

此辦法並非理想，對於投資方面絕無意義，亦無時間之重要性，因每一元在第一期及第二期之價值毫無差別。

2. 投資利率計算法：

投資額	總收益	純收益	投資利率
B \$10,000	\$ 12,000	\$ 2,000	$\frac{2,000}{10,000} \times 100\% = 20\%$
C \$10,000	11,524	1,524	$\frac{1,524}{10,000} \times 100\% = 15.2\%$

照上例而言，可見B項之投資比較C項之投資為佳，因利率較後者為高。但此種方法之缺點為缺乏時間性之因素，而且每一項之投資可能產生數種不同之利率，故不能採用作投資之決定。

3. 互相淘汰之投資法：

此方法乃將數種投資互相比較，而採取其最佳者。例如投資於建築事業，必先研究磚，木或石所建之房屋，價廉者並不能耐久，而日後之修理費應先計算在內，然後方能決定何種投資為最化算。茲舉例如下：—

B 項 投 資

時 期	流 動 資 金	現 值 因 素	現 值
0	(\$ 10,000)	\$ 1.0000	(\$10,000)
1	1,000	0.9434	$1,000 \times 0.9434 = 943$
2	11,000	0.8900	$11,000 \times 0.8900 = 9,790$
$\$ (943 + 9,790) - \$10,000 = \$ 733$			

C 項 投 資

時 期	流 動 資 金	現 值 因 素	現 值
0	(\$ 10,000)	\$ 1.0000	(\$10,000)
1	5,762	0.9434	$5,762 \times 0.9434 = 5,435$
2	5,762	0.8900	$5,762 \times 0.8900 = 5,128$
$\$ (5,436 + 5,128) - \$10,000 = \$ 564$			

照上列兩表觀察，則B項投資之現在價值比C項投資為高。此方法亦可能施用於兩種不同性質之投資。

4. 現在價值互相排斥之投資法：

假如A、B代表兩種不同性質之物品，A種祇有一年之價值，而B種則有三年之壽命。例如下表：—

投 資	最 初 期	第 一 期	第 二 期	第 三 期
A	(\$ 10,000)	\$ 12,000		
B	(10,000)	5,000	\$ 5,000	\$ 5,000

若資本費用為 10% 則 A 之現在之現金流動價值為 \$909, 而 B 之價值為 \$2,434。由此表可見 B 項投資為較差。但 A 項可在第二期及第三期作重複性之投資, 使 A 與 B 兩項時間因素相同, 然後比較。如此則 A 項之現在價值變為 \$2,488, 反而較 B 項投資為較佳, 例如下表:—

投 資 額	最 初 期	第 一 期	第 二 期	第 三 期
A	(\$ 10,000)	(\$ 10,000) 12,000	(\$ 10,000) 12,000	\$ 12,000

又另舉一例如下, 假設兩種器材 X 及 Y:—

器 材	壽 命 年 數	最 初 成 本	每 年 費 用
X	3	\$ 10,000	\$ 2,000
Y	8	30,000	1,500

3 與 8 之最低公倍數為 24, 於是計算 24 年之費用

Ra				
3	10%			
\$10,000		R	R	R
0		1	2	3

Ra			
3	10%	= \$10,000	
R × 2.4869		= \$10,000	
R = \$ 4,021			每三年之每年相等於 \$10,000

Ra			
8	10%	= \$30,000	
R × 5.3349		= \$30,000	
R = \$ 5,623			每八年之每年相等於 \$30,000

每年用 X 器材之成本為 \$6,021 (即 2,000 + 4,021)

每年用 Y 器材之成本為 \$7,123 (即 1,500 + 5,623)

若在質量方面而言, 則 X 為較理想之器材; 若在永久採用之現在價值而言, 則將現在價值乘每年之成本。

假設其現在價值為 $\frac{1}{\text{利率}}$, 而利率為 0.1, 則永久採用 X 器材之現在價值為 $\frac{1}{0.1} \times \$6,021 = \$60,210$, 而永久採用 Y 器材之現在價值為 $\frac{1}{0.1} \times \$7,123 = \$71,230$, 故始終 X 器材之採用較比 Y 器材為較理想。

總結上述之四種方法而言, 第一項之現金全部清還法完全不顧及投資之意義, 第二項之投資利率計算法則缺乏時間因素, 並且有相當限制, 第三項之互相淘汰法亦有其缺點, 故宜採用最後之一項現在價值法以作投資之標準。

現金之流動

現金之收支情形能影响財政情况及其投資額，例如投資於政府事業可獲得利息。而售出該股票時則損失該項應收之利息。又例如商店營業獲得之款項可作其他之用途等。現金流動數額可在下列情况之下產生：—

營業總額			\$100,000
減：生產成本	\$ 40,000		
各項營業及處理之費用	<u>20,000</u>		<u>60,000</u>
			\$ 40,000
減：其他產品所影响之價值	\$ 5,000		
入息稅	<u>10,000</u>	15,000	
減：生產成本之變更	4,000		
流動資金之增加	<u>8,000</u>	<u>12,000</u>	<u>27,000</u>
付稅款後之流動現金			<u>\$ 13,000</u>

流動現金可形成負數，如下例：—

營業總額		\$ 10,000
減：各種費用支出	\$ 7,000	
減：現金帳之增加	<u>10,000</u>	<u>17,000</u>
流動現金不敷之數		(\$ 7,000)

此外尚有其他計算流動資金之情況，但最適當為計算在減除入息稅後之款額。若將利息收入與入息稅同時比較，可發生下列有趣之情形。例如英國某公司之總裁寧願將一盒紙幣焚燬而在稅款中扣除，反勝於將款項儲蓄十年，假設利率為10%，則十年後\$1之價值將會增加\$0.3855，而英國稅率為52%，若焚燬紙幣後，目前每\$1可扣除稅款\$0.52，故後者較前者為化算。

現在價值之指數

現在價值指數之計算方法如下：—

假設每期為 \$1,000，利率 10%，其現在價值為 \$1,735，

$$X \text{ 項投資之現在價值指數} = \frac{1,736}{1,500} = 1.16$$

此法並可比較兩種不同之投資，何者為較佳？

投 資	初 期	第 一 期	第 二 期	現在價值指數
X	(\$ 1,500)	\$ 1,000	\$ 1,000	1.16
Y	(3,100)	2,000	2,000	1.12
Y - X	(\$ 1,600)	\$ 1,000	\$ 1,000	1.08

利率之計算

假設 $A = \$1,000$ 代表貸款

$S = \$2,000$ 代表還款，包括利息在內

$P_o = \$100$ 代表初期價值之指數

$P_i = \$150$ 代表末期價值之指數

r = 利率

S^* = 初期應付之款

$$S^* = S \times \frac{P_o}{P_i}$$

$$A = \frac{S^*}{1+r}$$

$$A(1+r) = S^*$$

$$r = \frac{S^*}{A} - 1$$

$$S^* = \$2,000 \times \frac{100}{150} = \$1,333$$

$$r = \frac{S^*}{A} - 1 = \frac{1,333}{1,000} - 1 = 0.333$$

不固定之資金流動有三種情形：—

1. 遞減之資金流動

$$\text{現在價值之公式} = \frac{A}{g+r}$$

假設： $A = \$100$ 代表第一期之資金流動

$g = .15$ 代表遞減率

$r = .10$ 代表折扣律（複利計算）

$$\therefore \text{現在價值} = \frac{\$100}{.15 + .10} = \frac{100}{.25} = \$400$$

若 $g = 0$ （即固定資金流動額），則

$$\text{現在價值} = \frac{\$100}{.10} = \$1,000$$

2. 遞增之資金流動

$$\text{現在價值之公式} = \frac{A}{r-g}$$

$A = \$100$

$g = .06$ 代表增加率

$r = .10$

$$\therefore \text{現在價值} = \frac{\$100}{.10 - .06} = \frac{100}{.04} = \$2,500$$

3. 遞增之資金流動而有時間限制之情形，同上例而時間限定為二十年。

$$\begin{aligned}
 \text{現在價值之公式} &= A \left(\frac{e^{(g-r)s} - 1}{g - r} \right) \\
 &= 100 \left(\frac{e^{(.06 - .10)20} - 1}{.06 - .10} \right) \\
 &= 100 \left(\frac{e^{-.8} - 1}{-.04} \right) \\
 &= 100 \left(\frac{.449 - 1}{-.04} \right) \\
 &= \$1,378
 \end{aligned}$$

在資本預算決定之後，可控制下列之兩項問題：一

1. 控制基金運用於購買或進行投資，及
2. 當投資已進行時，再從新估計其價值及影響。

事實上資本運用於投資方面甚為困難，因並無規定及過去之經驗可參考。當真實之成本與預算中之數額有差別時，可能由於錯誤之估計，工資或原料價格之變更。若變更原定計劃而延遲投資，則原定之利率仍需付出，反而增加投資成本費用。故對於資本之投資，應作穩健之措施，尤應注意現金之確實歸還日期是否符合所預算之期限，其次則應留意該項投資之利潤及收益，因為投資之對象可能在規定時間內貶值之故。

總而言之，資本之預算並無確定之標準。即使某種經過完滿考慮之計劃亦可能產生不良之效果，但上述各種處理方法可希望獲得資本預算之資料，使能達到盈利之目的。

(補白) 有限公司在登記成立前所獲利潤之處理 仲子

一間公司，在登記成立為有限公司之前，已經開始營業，或已經接辦原有公司（即未經登記成立為有限公司之原有公司）業務，此為常有之事。在此一段時期之內，經營所得之利潤，不能視作該有限公司之利潤，因在有限公司成立之前，不能享有利潤，更不能將此種利潤，分派給有限公司之股東，此固甚明顯者也。

此項利潤，就會計之觀點言，應作如下之處理。

在有限公司購買上手生意之時，必有一買價。例如東成有限公司在組織時期，於四月一日以十萬元價格，購入西就合夥商店之生意。至七月一日，東成有限公司方獲批准登記成立，而在四月至七月之三個月內，因經營而獲利壹萬元。此壹萬元之處理如下：

- (1) 如購買西就合夥商店之時，資產負債表內有「商譽」科目者，則此壹萬元（除付稅外）應貸記「商譽」，借記「純利」。換言之，即減輕購買西就合夥商店之成本。
- (2) 如購買西就合夥商店之時，資產負債表內無「商譽」科目者，則從新審察各資產科目中，有無應該減低價值者，如有，則應貸記該資產科目，借記「純利」科目。換言之，亦即減輕購買西就合夥商店之成本。
- (3) 如無(一)(二)兩項情形存在者，則此純利應轉為「資本準備」(Capital Reserve)。即貸記「資本準備」，借記「純利」是也。

以上乃指會計上之處理方法。就稅務而言，則該壹萬元純利，應照稅率課稅，則毫無疑問也。

網 輒 計 會 團 社

劉仲謙

社團與商店之旨別

社團乃由旨趣相投合者組織而成，其會員有來自各行業者。其會員有醫生，商人，文員，銀行家，工業界，文化界等人士，組織之後，呈請政府登記核准，遂成正式社團。各社團有其獨特之旨趣，例如足球會，釣魚會，攝影會等等，其旨趣雖不同，但其為發展各該會之事業，求謀各該會會員之利益，則無二致。

社團之目的，與商店不同，商店買賣商品，靠利潤以維持，社團則靠會員之會費與捐助，亦有舉辦事業，以博取外間收入。例如足球會，租用或購置足球場，購置足球，隊員制服，舉辦足球比賽，收受門票以應比賽之開支。雖無商品買賣，但有款項收支。其需要會計制度，以記錄其財政狀況，其重要性比較商店所需者，則相同也。

社團所需用之帳冊

社團需用之帳冊，以簡易為主，因普通社團，如組織非龐大者，往往祇得會計員一人，甚或有由文書兼任者，故帳冊組織，不宜繁雜。現將各帳冊內容，用法，敘述如下：

現金簿

現金簿以有專欄者爲佳，以節省過帳手續，有專欄則可彙集過帳，不必逐筆過帳也。

現金簿之格式如下：

現金簿 (收方)

[illegible]

現金簿 (付方)

[illegible]

採用有專欄之現金簿，每月抄過帳一次，其過帳方法如下：

(甲)關於現金簿之收方：

- (一) 將銀行欄之金額，累加成一總和，過入總帳中銀行往來帳戶之借方。
- (二) 將現金欄之金額，累加成一總和，過入總帳中現金帳戶之借方。
- (三) 將專欄中之每一欄金額，累加成一總和，過入總帳中各該分類帳戶之貸方。
- (四) 在「其他」欄中，將每一筆帳過入總帳中各該分類帳戶之貸方。

(乙)關於現金簿之付方：

- (一) 將銀行欄之金額，累加成一總和，過入總帳中銀行往來帳戶之貸方。
- (二) 將現金欄之金額，累成一總和，過入總帳中現金戶之貸方。
- (三) 將專欄中之每一欄金額，累加成一總和，過入總帳中各該分類帳戶之借方。
- (四) 在「其他」欄中將每一筆帳，過入總帳中各該分類帳戶之借方。

社團財務上所發生應記帳之事項，以現金交易為多。上述之分欄現金簿，已可記錄大部份之原始主要交易。其不屬於現金交易者，則另用日記簿 (Journal) 記錄之。

如因會計科目過多，不便採用專欄現金簿者，則可採用普通現金簿。

普通現金簿之用法，及過帳方法，請參閱拙作「普用會計詞釋」一書。

日記簿 (Journal)

日記簿格式，與普通商店所用之日記簿格式相同。其用途乃記載不屬於現金所發生之交易，及記載轉帳記錄及結帳時之調整記錄，其格式如下：

日 記 簿

日 期	會 計 科 目	摘 要	分類 帳戶 頁數	借 方 金 額	貸 方 金 額
1961年 12月31日	文具用品盤存 文具用品	將未用之文具用品， 由文具用品帳戶轉出	19 16	\$ 48.00	\$ 48.00
12月31日	會費收入 預收會費	將本年度所預收會費 轉入歸下年度計算	12 11	180.00	180.00

過帳方法

上述兩筆記錄，應分別過入分類帳戶中，如下：

文具用品盤存 (19)		會費收入 (12)	
1961		1961	
12.31.	\$48.00	12.31.	\$180.00
文具用品 (16)		預收會費 (11)	
	1961		1961
	12.31.		12.31.
	\$48.00		\$180.00

上述四個分類帳戶，「文具用品盤存」及「預收會費」兩戶，乃於結帳時調整紀錄之時方用。其他兩個帳戶，則為日常所用者也。

分類帳戶 (Ledger)

分類帳戶之格式，已如上述。分類帳戶之性質，則可分為五類，即：

- (一) 會員基金帳 (相等於商店之資本帳)
- (二) 資產帳戶
- (三) 負債帳戶
- (四) 收益帳戶
- (五) 費用帳戶

傳票 (Vouchers)

傳票可分 (一) 現金收入傳票 (二) 現金支出傳票 (三) 轉帳傳票。茲分列其格式如下：

現金收入傳票

(貸)

年 月 日

會計科目	分頁	摘要	金額							附單據		
			十	百	十	萬	十	百	十		元	角
日 頁：												張
合 計												

核准：

會計：

製票：

現金支出傳票

(借)

年 月 日

會計科目	分頁	摘要	金額							附單據		
			千	百	十	萬	千	百	十		元	角
日頁：		合計										

核准：

會計：

製票：

轉帳傳票

總號

分號

月 日

科目	摘要	借方							貸方							附單據					
		千	百	十	萬	千	百	十	元	角	分	千	百	十	萬		千	百	十	元	角
	合計																				

核准：

會計：

製票：

傳票乃記帳所根據之證件。在將每筆帳登入帳簿之前，須先製傳票。傳票由內部各有關方面認可，如主管人核准，經手人認可等，然後將傳票上所記錄之事實，登入帳簿之內。如繕製傳票時偶有疏忽，或事實上須要更改時，則可另繕製傳票，可免更改帳簿記錄之麻煩。又根據傳票然後記帳，傳票又為有關方面所認可，則記帳員及會計員均無權隨意將不確實之記錄，登在帳簿之內。如此則主管人可以控制帳簿之內容，此點甚為重要者也。

傳票之應用程序

傳票繕製以後，經有關主管人認可，則可將內容登在帳簿之內。現金收入傳票，登記入現金簿之借方，現金支出傳票，登入現金簿之貸方。轉帳傳票，則登入日記簿。

記帳程序

以上所述，雖然先述現金簿，繼述日記簿，分類帳及傳票。但記帳程序，則應先繕製傳票，然後分別其性質登入現金簿或日記簿或分類帳簿之內。

結帳

在會計年度終結之時，即須辦理結帳。結帳之前，如帳戶內容有須調整者，如用品盤存，預收會費，未收收益，預付費用，應付費用之類，則須先辦理調整記錄，經傳票登入日記簿，然後過入分類帳戶內。

調整記錄辦妥之後，則算出各分類帳戶之餘額，編製調整後試算表，然後由試算表編製會計表報。

至於結帳在帳冊中之記錄方法，可概述如下：

- (一) 資產帳及負債帳之結帳方法：將餘額轉入下期。
- (二) 收益帳及費用帳之結帳方法：將餘額轉入損益帳戶內。
- (三) 損益帳戶之結帳方法：將餘額轉入「累積基金」(Accumulated Fund)帳戶內。

關於損益帳戶

社團不以牟利為目的者，往往不採用「損益帳」或「損益表」等名稱。如此則可改用「收入及費用表」(Statement of Income and Expenditure)。但從實質言之，此表與「損益表」實無二致也。

會計表報

社團之採用複式會計制度者，在每年度或每一財政年度之終結時，可以編製適當之會計表報。通常應編製下列各表。

- (一) 收益與費用表 (Statement of Income and Expenditure) 或稱 (Statement of Revenue and Expenditure) 此表與商店之損益表 (Statement of Profit & Loss) 相同，但在社團而言，極少用損益表名詞，而多數採用「收益與費用表」名稱。

- (二) 資產負債表 (Balance Sheet) 此與商店所採用之名稱，完全相同。

除上述兩表以外，亦有社團兼編造「現金收支表」者。但「收支表」與「收益與費用表」，則性質完全不同。現為清楚該兩表之異同起見，特列出比較表如下：

現金收支表

收益與費用表

1. 形式與現金帳或現金簿相同，現金收入列在左方，現金支出，列在右方。

1. 形式與損益表相同，費用列在左方，收益列在右方。

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>2. 將上期及本期結存或結欠之現金額，列入本表之內。</p> <p>3. 毋須將已用而未付之費用（即應付費用）及已賺而未收之收益（即應收收益）列入本表之內。</p> <p>4. 期初存貨，期末存貨，壞帳，資產折舊等，毋須列入本表之內，因為此數項均與現金收支無關。</p> <p>5. 所有現金收入及現金支出，不論屬於已往會計年度或將來會計年度之應收者，亦不論屬於已往會計年度或將來會計年度之應付者，如在本會計年收入，均列入本表之內。</p> <p>6. 本表應包括所有在本會計年度內收入及支出之現金，此項收入之現金，不論其是否代表在本會計年度賺得之收益，又支出之現金，不論其是否代表在本會計年度應負擔之費用。</p> <p>7. 在本會計年度內售出固定資產收入之現金，及購買固定資產支出之現金，均須包括在本表之內。</p> | <p>2. 毋須將上期及本期結存或結欠之現金額，列入本表之內。</p> <p>3. 須將應付費用，及應收收益列入本表之內。</p> <p>4. 須將期初存貨，期末存貨，壞帳，資產折舊等，列入本表之內，因此數項均影响盈虧之計算。</p> <p>5. 祇須列出本會計年度賺得之收益及本會計年度應負擔之費用。其非在本會計年度賺得之收益，及非應由本會計年度負擔之費用，均不須列出。</p> <p>6. 本表應包括在本會計年度內所賺得之收益，（不論其是否已收到現金者），及在本會計年度內所負擔之費用，（不論其是否已支付現金者）。</p> <p>7. 不須包括固定資產之購置及固定資產之沽出。</p> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

社團與普通商店不同。商店須躉購貨品，以供市場需要，又須除銷貨品，以爭取顧客，故有期末存貨，應收客帳，應付客帳等。社團則絕對無此需要，故對於應收，應付科目，可加以控制，使其不必發生。其他遞延資產，及遞延負債，亦可控制其不必發生。如此，則結帳之時，簡直無需要調整之科目矣。

如此，則「現金收支表」，簡直幾乎等於「收益與費用表」。所餘尚有差別者，祇為第(7)點之購入固定資產，及售出固定資產而已。

關於固定資產之購入，亦可以用「補充原物」之原則(Replacement basis)處理之。吾人嘗見購入普通工具，可以應用「補充原物」之原則處理，則為因應環境需要，社團購置固定資產，如傢具，打字機，複印機等，亦何嘗不可以應用「補充原則」處理之？吾人固不必拘執於固定資產之價值大，普通工具之價值小之成見也。

如用「補充原物」原則以處理固定資產，則結帳之時，不必攤提固定資產折舊，如此，則第(4)點所述之折舊，毋須考慮。所編成之「現金收支表」，簡直等於「收益與費用表」矣。

有福利事業舉辦之社團之會計表報

社團有為會員福利而舉辦福利事業者，在此情形之下，福利金應與經常費分別處理，在編製結算會計表報之時，應編「福利金」表及「經常費」表各一份。在本港普通職業社團所採用之會計表報，而為通常所認為適合者，其格式如下。茲附錄於此，以供參考。

GENERAL FUND 經常費

由 年 月 日起至 年 月 日止
For the period.....to.....

Total 總數

Total 總數

RECEIPTS. 收 入	PAYMENTS. 支 出
<p>Balance at beginning of year brought forward 年首結存上年撥下計算</p> <p>Entrance fees @ per new member. 入會費·每一新會員交 元</p> <p>Monthly contributions @ per member. 月費·每一會員交 元</p> <p>Badges and certificates. 證章及證書</p> <p>Donations. 捐款</p> <p>Interest from loans, investments, bank account etc. 由借款，投資及銀行存款而來之利息</p> <p>Income from other sources (to be specified). 其他收入(分列)</p>	<p>Rent of office. 房租</p> <p>Electricity, gas, water, and fuel charges etc. 電，煤氣，水及燃料等。</p> <p>Stationery, printing, postage, telephones. 文具印刷郵費及電話</p> <p>Collectors commission. 徵收員佣金</p> <p>*Travelling expenses. 舟車費</p> <p>Meetings (hire of hall etc.). 開會費用(租賃會堂等)</p> <p>†Salaries (secretary, clerk, office boy etc.). 薪金(秘書，書記，什役等)</p> <p>‡Allowances and expenses (officials and committee). 津貼及什用(職員及理事)</p> <p>Office furniture (purchases, replacements, and repairs, etc.). 傢俬(新置，更換及修理等)</p> <p>Auditors fees. 核數員費用</p> <p>Legal expenses. 法律費用</p> <p>Expenses re trade disputes. 因職業糾紛而起之開支</p> <p>Other expenses (to be specified). 其他開支(分列)</p> <p>§Balance at end of year. Carried forward. 年終結存·撥入下年計第</p>

*"Travelling expenses" refers to payments made, in respect of travelling, to elected officers and union staff.
「舟車費」指支付予選任之職員及工會僱員之舟車費用。

†"Salaries" refers to staff employed and paid by the union, whether part-time or whole-time.
「薪金」指支付予工會僱用之受薪職員，無論部份時間或全部時間服務者均在內

‡"Allowances and expenses" refers to payments made to elected officers, i.e. Chairman, Vice Chairman, Secretary, Treasurer, Executive, and Supervisory Committee Members, etc.
「津貼及什用」指支給予選任之職員如主席副主席會務主任財務主任，理監事等之津貼及什用。

§"Balance at end of year" to be carried forward to union balance sheet.
「年終結存」應撥入會之資產負債表。

WELFARE FUND 福利金

由 年 月 日起至 年 月 日止
For the period.....to.....

Total 總數

Total 總數

RECEIPTS. 收 入				PAYMENTS. 支 出			
Balance at beginning of year brought forward 年首結存由上年撥下計算				Death gratuities. 帛金			
Welfare fund foundation fee @ per member. 福利基金·每會員 元				Medical expenses (sickness & injury). 醫藥支銷(疾病及受傷)			
Death gratuity foundation fee @ per member. 帛金基金·每會員 元				Unemployment relief. 失業救濟			
Welfare contributions. 福利費				Educational expenses. 教育支銷			
Annual celebrations contributions. 週年慶祝費				Social expenses (annual celebrations etc.) 交際支銷(如週年慶祝等)			
Death contributions. 賻金				Religious expenses. 宗教支銷			
Donations. 捐款				Expenses of welfare fund (to be specified). 福利金支銷(分列)			
Other contributions (to be specified). 其他各費(分列)				* Balance at end of year. 年終結存			

* "Balance at end of year" to be carried forward to union balance sheet.
「年終結存」應移登工會之資產負債表

資 產 負 債 表 (日期.....)

LIABILITIES. 負 債				ASSETS. 資 產			
1. Sundry bills, unpaid, 未付銀票				1. Cash (a) on hand. (甲)庫存現金			
2. Loans, 借款				(b) at bank. (乙)銀行存款			
3. General fund balance, 經常費結餘				2. Unpaid subscriptions. 未交會費			
4. Welfare fund balance, 福利費結餘				3. Unpaid loans. 未交回借款			
				4. Office furniture equipment 會所傢俬及設備			
				less depreciation 除折舊			
				5. Investments. 投資			

We.....Chairman and Treasurer
of the.....Union do declare that the above
statement of accounts of the union is true and correct to
the best of our knowledge and belief.

茲證明本會上列財政收支概要表內各項均屬確實無訛據本人
意見足以表示本會財政狀況實在情形須至證明者

Chairman:.....主 席.....

Treasurer:.....財務主任.....

Date:.....年 月 日

AUDITOR'S DECLARATION

The undersigned, having had access to all books and
accounts of the.....Union
and having examined the foregoing statements of accounts
and verified the same, now sign the same as exhibiting a
true and correct view of the union's affairs.

Date:.....Auditor(s).

查 帳 員 證 明 書

茲已查核.....會之上列帳
目所有帳部表冊亦均經詳細核對據本人意見上列收支概要
表足以表示該會確實財政狀況特此證明

年 月 日 查帳員.....

(1) The assets of the union consist of cash on hand, cash
in bank, office furniture and equipment, unpaid sub-
scriptions and unpaid loans etc. These assets will
appear on the right-hand side of the balance sheet.
會資產包括現款存銀行現款會所傢俬及設備未交會費及
未交回借款等。此等資產應寫在資產負債表之右方。

(2) The liabilities of the union consist of any outstanding
bills, and outstanding loans etc. These liabilities will
appear on the left-hand side of the balance sheet.
會負債包括未清結之單據及未還之借項等。負債應寫在
資產負債表之左方。

(3) It is important to remember that the union balance
sheet is a statement showing the assets and liabilities
on a specific date i.e. end of union's financial year.
應注意會之資產負債表乃指明某一指定日期之資產及負
債情形。如財政年度之最終日期是。

通用會計詞釋 (序)

劉仲謙

會計乃專門學術之一，研讀會計書籍，常遇不少會計名詞。然因會計學術，已久為吾人日常生活中所習用，故吾人對於會計名詞，並不感覺艱澀難解。更因會計為比較淺近而易學之學科，其所用之名詞，亦甚為顯淺易明。許多能望文而生義者，如資產 (Assets)，負債 (Liabilities)，資本 (Capital) 等等，其含義與吾人日常用字之意義，毫無異致。

會計學術，在我國已有二千餘年歷史。在孔子時代，已有「會計當而已矣」之會計理論。禮記周官簿中，有「月計日要，歲計日會」之記載。陶朱公理財十六則，內有「期現要約定」，可見除銷已盛行，「議價要訂明」，可見合約已使用，「貨色要驗明」，為近代公證行之導源，「除欠要識人」，為銀行徵信調查之初胚，「貨物要修整」，為按時存貨之手續，「賬目要稽查」，為稽核制度之實施。但因我國經濟發展，久稽延在農業經濟社會中，會計學術，發展遲緩。循至近代，因須因應工商業之急激發展，遂不得不參酌採用歐美新式會計制度，一則以應付綜錯複雜之交易紀錄，一則以趨達國際通用之共同標準，蓋萬國通商，苟非在特殊環境既圍之下，原無國家畛域之分。現代商人，對於語言文字，固應兼習一種國際通用者，對於會計技術，亦何獨不然乎？

現代世界各地所採用之會計記帳方法，為複式簿記，淵源於同一會計原則。各家對於小節學說理論縱有不同，但基本原則仍趨一致。歐西會計學之始源，可追溯至十五世紀中葉。其時意大利經過文藝復興之後，商業貿易漸繁，一四九四年，威尼斯學者，路加，巴素勞 (Mr. Luca Paciolo) 出版「數學大全」一冊，書後數章，附有論文，研究記帳方法，詳論「複式記帳原理」(Principles of Double Entry) 此種記帳方法，雖在較早一世紀以前，已有人使用，但初次倡成學說，著述成書者，乃由路加，巴素勞氏始。

至十七世紀中葉，荷蘭君士坦丁銀行 (Bank of Amsterdam)，及英國英倫銀行 (The Governor and Company of The Bank of England)，相繼成立。對於國家財政之調度，固有裨助，復協助商人從事貿易，濟其緩急。益以其時航海技術，日漸進步，遠洋貿易漸繁，一宗交易之完成，需時甚久，用款甚鉅，危險性大增，有非獨資經營，或合夥經營之人力財力所能負荷。一六零零年，東印度公司 (The East India Company) 成立，一七一一年，南海公司 (The South Sea Company) 成立，大規模之股份公司組織，逐漸萌芽。記帳方法，須能將貿易之各種形態，詳細記錄。舉凡對於財物之交收，物權之轉移，利潤之進益，費用及損失之負荷，資本之增減，均須有詳細之記錄。而在此時期，英國及歐西各國，研究會計技術書籍之出版，不勝枚舉，而會計技術，屢成為可獨立研究之專門學術矣。

歐西會計書籍，多以英文出版，遂由歐洲傳入美洲，澳洲，非洲，東南亞，及亞洲等地。複式簿記，乃成為國際通用之標準記帳方法矣。

本書之中文名詞，以國立編譯館一九四〇年所編之「會計學名辭」及一九四一年潘序倫會計師所編譯之「會計名詞彙譯」二書為依據。至於編排方法，不以每詞部首之先後，或筆劃多少為次序，亦不以英文字母之次序排列，而以普通會計學書籍之內容，按其應學習課文之先後，依次將會計名詞介紹。本書所舉列及解釋之名詞，雖不能包括所有會計名詞，但對於一般通常應用者，已廣羅備致，故書名冠以「通用」二字，以表明本書之範圍焉。壤瘠無灌木之茁萌，室陋少珠璣之蘊蓄。筆者文拙，率爾操觚，大雅譏貽，企勞政斧！

利息收益並無「稅上稅」

仲 子

香港地方稅例規定，利息稅應由支付利息之人扣起，繳納政府。該項稅款，係由收到利息之人負擔。（見香港地方稅例第 29 條及第 32 條）。

例如甲商店向某乙借入款項二萬元，訂明每百元每月利息一元，以六個月為期。到期本利歸還，則其利息之計算方法如下：

本金	利率	時期	利息
$\$ 20,000 \times \frac{1}{100} \times 6 = \$ 1,200$			

到期某乙除收回本金二萬元外，另收得利息一千二百元。此一千二百元之利息，按照現行稅率 12½% 計稅，應納利息稅一百五十元。

此一百五十元之利息稅，應由甲商店在支付利息之時扣起，代繳往稅務局。換言之，即將該利息一千二百元分為兩份，一份為 \$1,050，交貸款人（俗稱銀主）某乙收。另一份為 \$150，即利息稅，送繳稅務局，以完成履行納稅義務。此乃繳納利息稅之過程也。

但如果甲商店欲討好某乙，徇某乙之邀求，或彼此預先如此約定，該利息稅 150 元，由甲商店負擔，某乙收實利息銀一千二百元。

在此情形之下，在甲商店之帳簿中，有兩筆記錄，一為支利息費用一千二百元，一為支利息稅一百五十元。

該 150 元之支出，在稅務立場而言，並非係稅，而係甲商店利息費用之增加。亦即某乙利息收益之增加。即該利息費用，由 1,200 元，經增加 150 元之後，其和為 1,350 元。稅務立場之所以不視該 150 元為稅款者，因利息稅必須由貸款人負擔，而非由借款人負擔者也。

借款人（甲商店）既付出利息費用 1,350 元，亦即貸款人收到利息收益 1,350 元。按照稅率 12½% 計算，貸款人（某乙）應負擔利息稅 168.75 元。稅局除已收到 150 元外，另再追收 18.75 元，此款亦必須由貸款人負擔。

如此款 18.75 元仍由借款人甲商店負擔，則就稅務立場而言，此仍為利息費用之增加，亦即貸款人利息收益之增加。稅局仍須追繳稅款 2.34 元（即 18.75 元之 12½%）

此 2.34 元稅款，仍須由貸款人負擔。如仍由借款人負擔，則仍被視作甲商店利息費用之再增加，或某乙利息收益之再增加而已，仍須照上述辦法再計稅也。

故曰：利息收益，祇負擔利息稅而已。並無所謂「稅上稅」。如有，祇可稱為利息收益增加部份之利息稅而已。（Interest Tax on increased portion of Interest Income.）不能稱為「稅上稅」也。

本會歷屆職員暨理監事芳名一覽表 (1913-1963)

年 份	主 席	副主席	義務秘書	司 庫	監 事	理 事	(次序不分先後)		
一九一三 一九一四 至 一九三二 一九三三 至 一九四零 一九四一 至 一九四五	黃茂林	(註一)	馮樂園	(註一)			(註一：案卷遺失，無從查考，據聞該十餘年間，黃茂林先生均任主席云)		
							(註二：案卷不全，祇查得該數年間，劉毓芸先生均任主席，李桐君兩任秘書，林藻慶君三任司庫，及郭蔭溪君一任秘書而已)		
							(註三：案卷遺失，無從查考，據聞該數年戰爭期間劉毓芸先生仍任主席云)		
一九四六	劉毓芸	黃茂林	譚維新	凌文義	黃電安 王蘊玉	林藻慶 楊光露	李 桐 黃永善	郭佩璋	
一九四七	劉毓芸	黃茂林	譚維新	凌文義	黃電安 曹澤泉	林藻慶 楊光露	李 桐 黃永善	郭佩璋	
一九四八	黃永善	譚維新	曹澤泉	凌文義	郭佩璋 林藻慶	黃茂林 李樹芳	劉毓芸 楊光露	李 桐	
一九四九	黃永善	譚維新	曹澤泉	凌文義	林藻慶 楊光露	黃茂林 李樹芳	劉毓芸 郭佩璋	李 桐	
一九五零	黃永善	譚維新	曹澤泉	李樹芳	凌文義 楊光露	馬炎璋 劉毓芸	李卓權 郭佩璋	黃茂林	
一九五一	黃永善	譚維新	曹澤泉	馮 安	李樹芳 關文偉	郭佩璋 馬炎璋	李卓權 凌文義	劉毓芸	
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一九五三	黃永善	譚維新	曹澤泉	馮 安	李樹芳 黃茂林	關文偉 黃文衰	劉毓芸 馬炎璋	李卓權	
一九五四	黃永善	譚維新	曹澤泉	馮 安	李樹芳 黃茂林	馬炎璋 劉毓芸	關文偉 李卓權	黃文衰 凌文義	王尙仁
一九五五	譚維新	馬炎璋	曹澤泉	馮 安	梁錫鈞 蔡澤民	黃永善 王尙仁	關文偉 陳嘉有	凌文義 劉謙仲	李樹芳
一九五六	譚維新	馬炎璋	曹澤泉	馮 安	凌文義 陳嘉有	黃永善 關文偉	梁錫鈞 劉仲謙	李樹芳 盧子葵	王尙仁
一九五七	曹澤泉	馬炎璋	關文偉	馮 安	劉仲謙 蔡澤民	黃永善 梁錫鈞	譚維新 陳嘉有	凌文義 王尙仁	李樹芳
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本會歷屆職員暨理監事芳名一覽表(續) (1913-1963)

年 份	主 席	副主席	義 務 秘 書	司 庫	監 事	理 事
一九五九	馬炎璋	關文偉	王尙仁	曹澤泉	羅思雲 黃永善	劉仲謙 李樹芳 馮 安 盧子葵 梁錫鈞 譚維新 湯高新
一九六零	馬炎璋	關文偉	王尙仁	曹澤泉	蔡澤民 羅思雲	劉仲謙(出版組) 盧子葵(稅務組)) 李樹芳(交際組) 梁錫鈞(會員 組) 湯高新 黃文袞 譚維新
一九六一	馬炎璋	關文偉	王尙仁	曹澤泉	羅思雲 凌文義	劉仲謙(出版組) 盧子葵(稅務組)) 李樹芳(交際組) 梁錫鈞(會員 組) 譚維新 湯高新 蔡澤民
一九六二	馬炎璋	關文偉	王尙仁	曹澤泉	凌文義 湯高新	劉仲謙(出版組) 盧子葵(稅務組) 梁錫均(會員組) 譚維新(顧 問) 陳綱 蔡澤民
一九六三	馬炎璋	關文偉	王尙仁	曹澤泉	容永道 凌文義	劉仲謙(出版組) 盧子葵(稅務組) 李樹芳(交際組) 梁錫鈞(會員組) 譚維新(顧 問) 陳綱 湯高新

本表編列，因初期案卷遺失，而年代湮遠，資料難於查考，故由本會誕生至一九四五年，三拾餘年間人事紀錄，祇得從畧，抱歎殊深。幸由一九四八年起，已有案卷可稽，編纂較易，倘有錯漏或會友間有知之較詳者，希不吝賜教，使此表得趨完善，幸甚幸甚。編者謹識。

(1963 年 9 月)

編者語

· 仲謙 ·

時維九月，序屬三秋。九九乃正朔之陽，三三兆無窮之數。欣值本會成立金禧紀念之辰。物序同亨，人天共永。喜友誼之翕翕，見學術其又新。勝會恭逢，猗歟盛矣！

本刊出版，荷蒙 同業珠玉紛投，琳瑯燦目。內容有本會成立五十週年簡史，及最近參加第八屆國際會計師會議，及參加第三屆亞洲及太平洋區會計師會議之經過，足以窺見本會在過去與現在之一般情況，其中有足資令人欣奮者也。

至於「會計師業務之將來」，「會計師事務所之組織與經營」，「查帳程序之效率」各篇，與吾人業務有密切關係，至足珍貴。

他如「趨進歐洲共同市場」，及「英聯邦特惠稅」兩篇，對於特惠稅現階段之情況，有詳細之檢討。「資產負債表現值論」，及「資本之預算」，均為研究財務問題之正確指津。

編者才拙，荷蒙編輯部同仁指導有加，使本刊得具雛型，依時出版，實深感幸。並得 馬瑞璋先生代繪美術封面，各大商行惠登廣告，謹此一一致謝！

補白

商店每年報稅最後日期

每年課稅年度開始後不久，稅務局即發出報稅表格，飭令商店報稅。該項表格，通常在四月初旬發出。商店收到之後，須於一個月內，將課稅基期內（通常係課稅年度之前一年）之營業盈虧情形，填妥該表，呈報稅務局。呈報時並須附呈該商店在課稅基期內之損益計算表及資產負債表各一份。

如商店接到報稅表格後，一個月內仍未能辦妥報稅工作者，則可申述理由，向稅務局申請展期。稅務局審察所申述之理由後，可將該商店之報稅期限，展緩一個月，或較久之時間，但通常不易獲得准許展期太久者。

如商店委託會計師代辦報稅工作，則或可獲得較久之展限時間，但亦非絕無限制。稅務局體察會計師須兼顧各客戶工作，故准稍予寬限，但仍不准超過下列日期。茲舉例如下：

- （一） 商店在一九六二年四月一日至一九六二年十一月三十日期內結帳者，最遲於一九六三年六月卅日必須報稅。
- （二） 商店在一九六二年十二月一日至一九六二年十二月卅一日期內結帳者，最遲於一九六三年九月卅日，必須報稅。
- （三） 商店在一九六三年一月一日至一九六三年三月卅一日期內結帳者（此乃通常在舊曆年底結帳之商店），最遲於一九六三年十一月卅日，必須報稅。

以上所列報稅最後日期，乃指普通一般商店而言。有等商店，如已被列名在「限制展期表」（**Restricted Extension List**）內者，則無論其結帳日期係在何日，最遲必須於一九六三年六月卅日報稅，不准再展期。

上年度不依照期限辦妥報稅手續之商店，即有資格被列入「限制展期表」內。今年度不依照期限辦妥報稅手續之商店，其店名又將被列入明年度之「限制展期表」內矣。故為本身利益計，商店必須依照期限報稅也。

有等商店，以為每年報稅愈遲，則可愈遲納稅，此乃一種錯覺想像而已。嘗見有四月份內辦妥報稅手續之商店，其所接獲之稅單，有十月份後乃須繳稅者。故稽延報稅，實無若何利益也。

恭賀

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The Principles and Practice of The Chinese Abacus by LAU CHUNG HIM, A.B.

書紙精印 卅二開本 三一五頁 每冊港幣八圓

算盤為我國習用之計算工具，靈捷準確，足與計算機爭衡，而經濟耐用，尤且過之，早已馳譽國際。本書解釋詳盡，附圖五七九幅，所譯口訣，與撥珠動作，完全配合。依照口訣，保證能打算盤，效率極高。英美著名大學教授對於我國算盤之推崇，及對本書之評價，載在篇首。士林學子，工商各界，與對數學有興趣者，幸勿交臂失之。

中英文 物品名目彙編 劉仲謙 合編
對照 姚元綸

Names of Commodities and Other Appellatives in Chinese and English

白報紙精印 卅二開本 五五二頁 每冊港幣八圓

本書將花，木，鳥，獸，禽，蟲，魚，蔬菜，果實，糧食，油料，紙張，鑛產，中藥，西藥，化妝品，染料，工業原料，五金，建築材料，電器，體育用品，首飾，衣服，疋頭，文具，傢俬，工具，儀器等等名稱，分類編成，中英文對照，極易檢查。凡學生，翻譯者及工商界從業人員，均宜人手一編，即一般家庭，亦甚適用。

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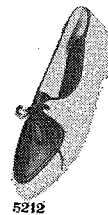
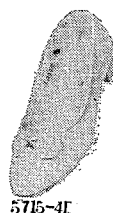
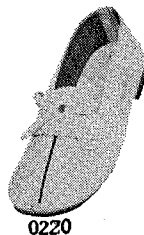
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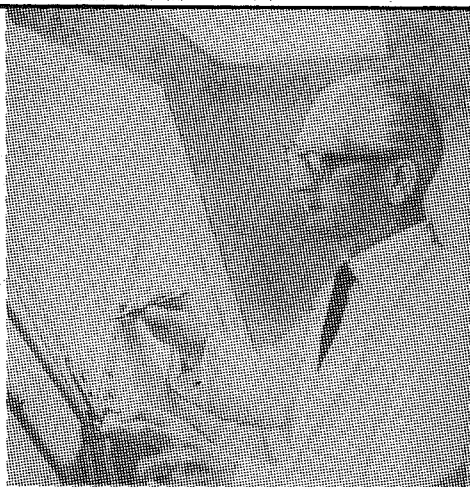
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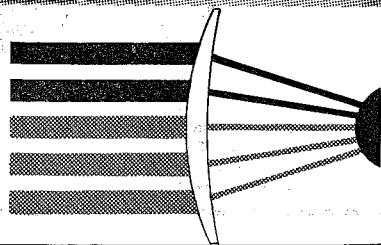
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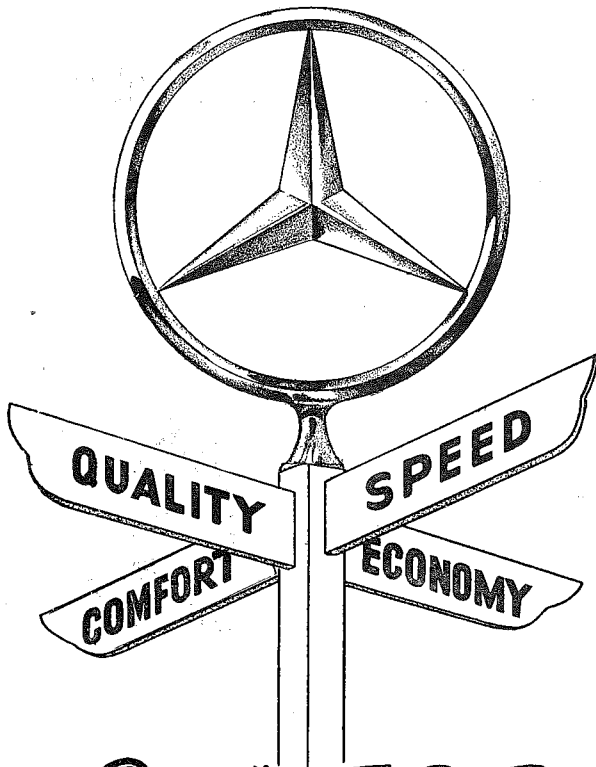
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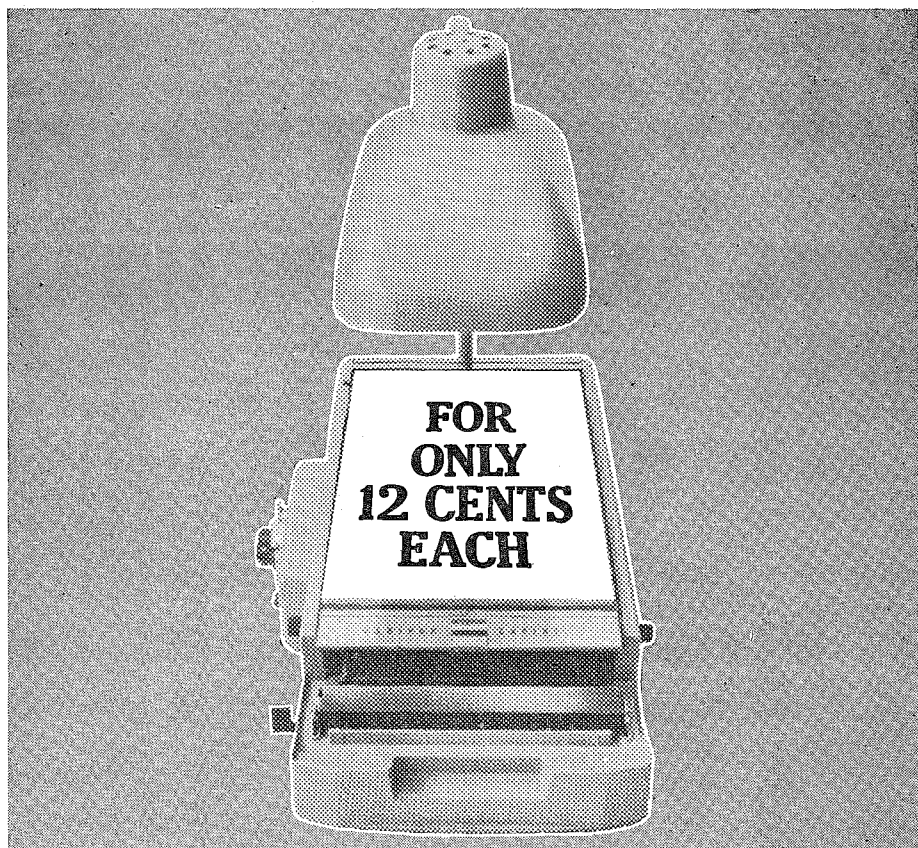


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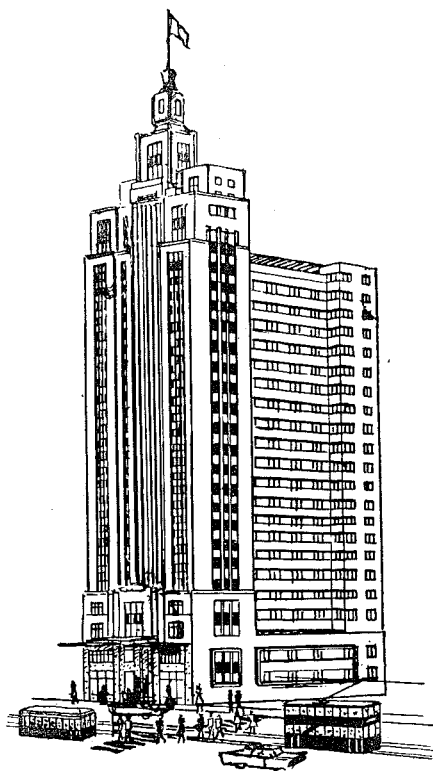
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