AUDIT PROGRAM 3.0 (AP3.0)

The Future of Audit Efficiency

EQC COMPLIANCE ADVISORY

EQC COMPLIANCE ADVISORY

Agenda

1. EQC Background and partners
2. Pain Points
3. Key Strengths of AP 3.0 and Demo
4. SIX Reasons
5. About EQC
6. Special Offers
7. Q&A
8. Appendices (Full Lists of Options)

EQC COMPLIANCE ADVISORY

ABOUT EQC

https://eqcadvisory.com/

1. EQC Background and partners

OUR PARTNERS

iFinGate
A FundingReach Group Company

INERY

EQC TRAINING

EQC COMPLIANCE ADVISORY

WHAT ARE YOUR PAIN POINTS?

PAIN POINTS AS AN AUDITOR

1. **Talent Shortage**
2. **SMP's Limited Access to Competent Staff**
3. **Labor-Intensive Audit Work**
4. **Industry-Specific Knowledge Gap**
5. **Reviewer's Challenges**
6. **Regulatory Pressure**
7. **New Review Procedures in AFRC Inspections**
8. **Limitations of Traditional Templates**

TALENT SHORTAGE

Companies in Hong Kong wrestling with 20 per cent turnover rate, struggling to recruit mid-level staff, leading business group says

Kahon Chan + FOLLOW

Published: 3:59pm, 21 May, 2023

Why you can trust SCMP

Source: https://www.scmp.com/news/hong-kong/hong-kong-economy/article/3221304/companies-hong-kong-wrestling-20-cent-turnover-rate-struggling-recruit-mid-level-staff-leading

Challenges in attracting new talent to the audit field in Hong Kong

TALENT SHORTAGE

EQC COMPLIANCE ADVISORY

Hong Kong accounting firms can dangle high salaries, work from home to counter quarantine, attract professionals back to city

- Many firms are facing staff turnovers of as much as 20 per cent in a year, HKICPA president says

Enoch Yiu + FOLLOW

Published: 8:30am, 15 Aug, 2022

Why you can trust SCMP

Source: https://www.scmp.com/business/article/3188831/hong-kong-accounting-firms-can-dangle-high-salaries-work-home-counter

Hong Kong SMPs face high staff turnover (20% p.a.)

SMP'S LIMITED ACCESS TO COMPETENT STAFF

SMPs face recruitment challenges due to limited career opportunities, losing talent to larger firms.

EQC
COMPLIANCE
ADVISORY

LABOR-INTENSIVE AUDIT WORK

New auditing standards demand urgent action to counter heavy workload, human errors, and reduced profitability.

INDUSTRY-SPECIFIC KNOWLEDGE GAP

Auditing unfamiliar industries demands industry knowledge for efficiency, compliance, and better client service.

EQC COMPLIANCE ADVISORY

REVIEWER'S CHALLENGES

- High volume of working papers creates endless non-value adding reviews
- Streamline audit program reviews for efficiency and accuracy

EQC COMPLIANCE ADVISORY

REGULATORY PRESSURE

Amid increased AFRC oversight, prioritize compliance and adapt to heightened regulations.

EQC COMPLIANCE ADVISORY

NEW REVIEW PROCEDURES IN AFRC INSPECTIONS

- 'Their attitude in compromising audit quality either by impaired objectivity or by cutting corners is unacceptable,' says regulator's head of inspection
- Edmund Wong, a lawmaker for the sector, said smaller players are often hampered by difficulties in recruiting the best talent

Enoch Yiu + FOLLOW
Published: 6:30pm, 11 Jul, 2023

Why you can trust SCMP

Inspectors emphasize quality management and timely working paper preparation under AFRC's new regime.

LIMITATIONS OF TRADITIONAL TEMPLATES

- **Traditional templates require qualified staff to implement**
- **Automate audit process to enhance customization, accuracy, and auditor knowledge**

2.10 Pain points - Limitations of Traditional Templates

SUMMARY: PAIN POINTS AS AN AUDITOR

1. **Talent Shortage**
2. **SMP's Limited Access to Competent Staff**
3. **Labor-Intensive Audit Work**
4. **Industry-Specific Knowledge Gap**
5. **Reviewer's Challenges**
6. **Regulatory Pressure**
7. **New Review Procedures in AFRC Inspections**
8. **Limitations of Traditional Templates**

WHY AUDIT PROGRAM 3.0

Key Strengths of AP 3.0 and Demonstration

9 KEY STRENGTHS OF AP3.0

EQC COMPLIANCE ADVISORY

Compliance with HKSA 220, 315, 540, HKSQM 1 and 2

(Compliance for Types 1,4,9 Licensed corporations)

Designed audit procedures for 96 financial line items

Tailored for SME, PE and HKFRS

Justifications for 25 modified audit opinions

Compliance with AFRC, SFO and IA regulatory standards

Customized Internal controls for 115 principal activities

Savings 99.9998% in Time Costs

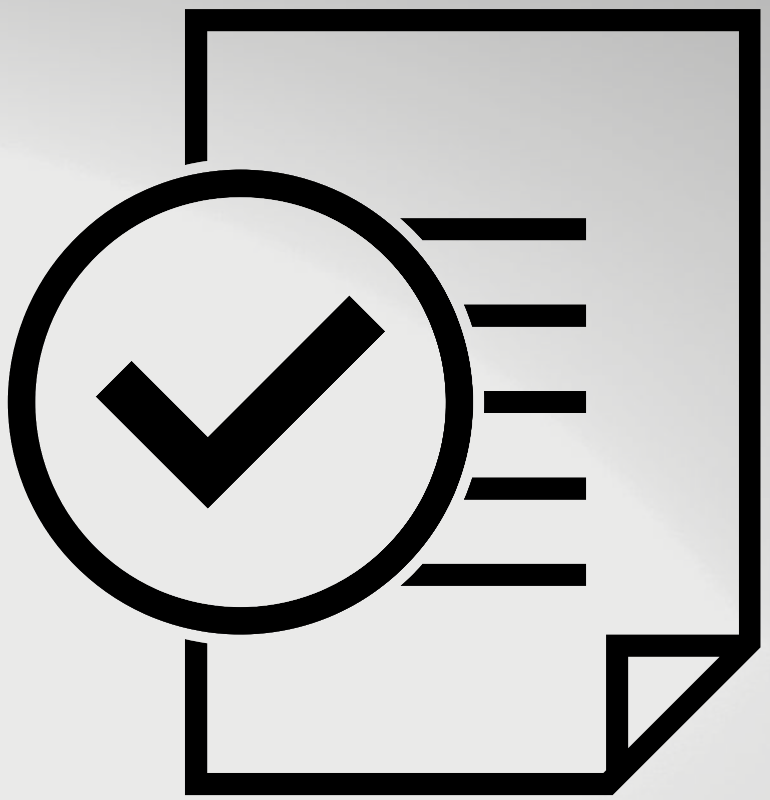
27 Accounting Estimates

Inherent, Control and Assertion-level Risk assessments

EQC COMPLIANCE ADVISORY

COMPLIANCE WITH HKSA 220, 315, 540, HKSQM 1 AND 2

- **Effortlessly meet HKSA 220, 315, 540 standards: elevate your CPA practice with confidence**
- **Streamline operations with HKSQM 1 & 2 compliance: boost efficiency and client trust**



Basic ✅ Advanced ✅ All-Inclusive ✅

CUSTOMIZED INTERNAL CONTROLS FOR 115 PRINCIPAL ACTIVITIES

Specific Examples:

1. **Retail and Consumer Business**
2. **Manufacturing**
3. **Construction**
4. **Hospitality and Travelling**
5. **Government services**
6. **Professional Services**

For the full list, refer to Appendices 1.1 - 1.6

Basic ✅ Advanced ✅ All-Inclusive ✅

EQC COMPLIANCE ADVISORY

27 KEY ACCOUNTING Estimates

Examples:

- Revenue Recognition
- Asset Valuations
- Provisions and Liabilities
- Business Combinations
- Expected Credit Losses
- Lease Accounting

For the full list, refer to Appendices 2.1 - 2.2

Basic ✅ Advanced ✅ All-Inclusive ✅

Return of Goods

Investment Properties

3.4 Key Strengths of AP3.0 - 27 Key Accounting Estimates

JUSTIFICATIONS FOR 25 MODIFIED AUDIT OPINIONS

(Justification of Current Year Opinion and Client Acceptance considering prior year's opinion)

Examples:

1. Limitation of scope

2. Going concern considerations

3. Material and pervasive misstatements

For the full list, refer to Appendices 3.1 - 3.5

Basic ✅ Advanced ✅ All-Inclusive ✅

INHERENT, CONTROL AND ASSERTION-LEVEL RISK ASSESSMENTS

- Compliance with HKSA 540 on assessment of accounting estimates and HKSA 315 on identifying and assessing risks
- Justification of risk-levels on uncertainty, subjectivity, complexity and inherent factors

Basic	✅
Advanced	✅
All-Inclusive	✅

AUDIT PROCEDURES for 96 Financial Statement Line Items (FSLT)

1. Assets and liabilities
2. OCI and Equity
3. Income Statement
4. Disclosures

For the full list, refer to Appendices 5.1 - 5.5

Basic ❌ Advanced ✅ All-Inclusive ✅

TAILORED FOR SME, PE AND HKFRS

GAAP-specific documentation for:

- Risk assessments
- Internal controls
- Design of procedures
- Justification of audit opinions

All Plans

Basic	✓
Advanced	✓
All-Inclusive	✓

- Audit request lists
- Audit reports
- Revenue recognition
- Representation letters
- Significant accounting policies

Advanced & All-Inclusive

Basic	✗
Advanced	✓
All-Inclusive	✓

COMPLIANCE WITH AFRC EXPECTATIONS, LAWS AND REGULATIONS

- AFRC Inspections
- SFO Licensed corporations
- Insurance brokers
- Solicitor's firms
- Banks

Basic	✗
Advanced	✗
All-Inclusive	✓

DROP-DOWN MENU OPTIONS

- **3 choices** — Financial Reporting Framework
- **2 choices** — Risk Levels
- **96 choices** — Financial Statement Line Items
- **115 choices** — Principal Activities
- **27 choices** — Accounting Estimates
- **25 choices** — Modified Audit Opinions

THERE ARE 44,712,000 POSSIBLE PERMUTATIONS FOR YOUR PROGRAM WITH THESE PARAMETERS AND CHOICES IN AP 3.0.

Now, multiply the number of choices for each parameter:

Number of permutations = **3** (Financial Reporting Framework) × **2** (Risk Levels) × **96** (Financial Statement Line Items) × **115** (Principal Activities) × **27** (Accounting Estimates) × **25** (Modified Audit Opinions)

Number of permutations = **3 × 2 × 96 × 115 × 27 × 25 = 44,712,000**

AUTOMATED AND CUSTOMIZED PROGRAMS ARE REAL!

SAVINGS IN TIME-COSTS

Time-consuming audit documentation:

- **Inherent and control risk assessments**
- **Internal control system notes**
- **Evaluation of accounting estimates**
- **Justification of modified audit opinions**
- **Design GAAP-specific audit procedures**

SAVINGS IN TIME-COSTS

EQC COMPLIANCE ADVISORY

2 Weeks to complete audit programs

Existing Practices

- HK$30,000 per Month
- Takes 20-30 minutes
- Cost of HK$57 – 85 per written documentation

AP 3.0

- As low as HK$450 per Audit Engagement
- HK$0.00002 per written documentation
- 22,356,000 permutations

*Calculated by AP3.0 Advanced Purchase of 100 credits

SAVING UP TO 99.9998% OF TIME-COSTS

LIVE DEMONSTRATION OF AP 3.0

- **User's interface and procedure**
- **AP3.0 result overview**
- **Customization and integration with existing workflows**

RECAP:
SIX REASONS TO USE AP 3.0

1.Resolves Most Practice Review Findings

Effectively resolves most issues identified in practice reviews to drive impactful improvements.

2.Fastest Turnaround Delivery in the Market

Fastest turnaround in the market - delivers in just 2 weeks.

3.Save 99.9998% of your Time Costs

Highly efficient automated processes that dramatically cut manual work.

4. Technology Helps to Eliminate Human Error

Leverages automation technology to eliminate human error for 99.99% accuracy.

5. Over 44 million permutations

Over **44 million** permutations analyzed to deliver optimal solutions.

EQC COMPLIANCE ADVISORY

6. Use for Consultancy Services, Internal Training

Perfect for internal training programs or even onboarding new employees .

6. Use for Consultancy Services, Internal Training

Translating Audit findings into training materials:

1. Identify Training Needs
2. Use purchased credits to develop illustrative documentation
3. Audit Programs generated
4. Insert documentation into Training Slides
5. Evaluate & Improve

6. Use for Consultancy Services, Internal Training

6.1 Auditing by Principal Activities (Example 1 - Revenues):

E-Commerce

Revenue Recognition under HKFRS 15

The revenue recognition process under HKFRS 15 involves the following five steps:

1. Identify the contract with the customer: A contract is created when the company (the e-commerce retailer) and the customer (the buyer) agree on the goods or services to be provided, the payment terms, and the rights and obligations of each party.
2. Identify the performance obligations in the contract: Performance obligations are the distinct goods or services that the company promises to provide to the customer. For an e-commerce retailer, this typically includes the delivery of products purchased online.
3. Determine the transaction price: The transaction price is the amount of consideration the company expects to receive in exchange for providing the goods or services. This includes the product price, shipping fees, and any applicable taxes or discounts.
4. Allocate the transaction price to the performance obligations in the contract: The transaction price is allocated to each performance obligation based on its relative stand-alone selling price. In most cases, the stand-alone selling price of a product is its listed price on the e-commerce platform.
5. Recognize revenue when the performance obligations are satisfied: Revenue is recognized when the company satisfies the performance obligations by transferring control of the goods or services to the customer.

Determining the Point of Revenue Recognition

The point of revenue recognition in an e-commerce retail business is determined by the transfer of control of the goods to the customer. This typically occurs when the goods are delivered to the customer's location, as evidenced by the delivery confirmation or proof of delivery.

Factors that can indicate that control has been transferred to the customer include:

1. Transfer of legal ownership: The legal ownership of the goods is transferred from the company to the customer when the title to the goods is passed. This typically occurs when the customer receives the goods and acknowledges the delivery.
2. Transfer of physical possession: The physical possession of the goods is transferred from the company to the customer when the customer takes delivery of the goods. This usually occurs when the goods are delivered to the customer's location.
3. Transfer of risks and rewards: The risks and rewards associated with the goods, such as damage, theft, or obsolescence, are transferred from the company to the customer when the customer assumes the responsibility for the goods. This typically occurs when the customer takes possession of the goods and acknowledges the delivery.

Electronics Manufacturing

Revenue Recognition Principle

The revenue recognition principle under HKFRS requires that revenue be recognized when the performance obligations in a contract with a customer are satisfied, and the control of the goods or services is transferred to the customer. In the context of an electronics manufacturing entity, this means that revenue should be recognized when the control of the manufactured electronic products is transferred to the customer.

Determining the Point of Revenue Recognition

To determine the point of revenue recognition, an electronics manufacturing entity should consider the terms and conditions outlined in the sales contracts with its customers. Typically, control of the electronic products is transferred to the customer at one of the following points:

1. At the point of shipment: Control is transferred when the entity ships the electronic products to the customer, and the customer assumes the risk of loss or damage during transit.
2. At the point of delivery: Control is transferred when the entity delivers the electronic products to the customer's specified location, and the customer takes physical possession of the products.
3. Upon customer acceptance: Control is transferred when the customer formally accepts the electronic products, either by signing an acceptance certificate or through a specified inspection process.

The terms of the sales contract should be reviewed to determine the appropriate point of revenue recognition for each transaction.

Calculation of Revenue

Revenue for an electronics manufacturing entity is typically calculated based on the price agreed upon in the sales contract with the customer. The sales contract may include various pricing arrangements, such as:

- Fixed pricing: The entity agrees to sell the electronic products at a fixed price per unit.
- Volume-based pricing: The entity offers a discounted price per unit based on the quantity of electronic products purchased by the customer.
- Contract-based pricing: The entity agrees to sell a specified quantity of electronic products at a predetermined price over a fixed period.

The revenue calculation should consider any discounts, rebates, or other price concessions provided to the customer, as well as any sales taxes or other amounts collected on behalf of third parties.

By simply choosing two principal activities, we may hypothetically compare how the documentation for revenue recognition differs between client industries

6. Use for Consultancy Services, Internal Training

6.1 Auditing by Principal Activities (Example 2 - Cost of Sales):

E-Commerce

Cost of Sales Recognition under HKAS 2
The cost of sales recognition process under HKAS 2 involves the following steps:
1. Determine the cost of inventories: The cost of inventories includes all costs incurred in bringing the inventories to their present location and condition. This typically comprises the purchase price of the goods, import duties, non-refundable taxes, and transportation and handling costs.
2. Determine the cost of goods sold: The cost of goods sold is the cost of the inventories recognized as an expense when the related revenue is recognized in line with HKFRS 15. This usually occurs when the goods are delivered to the customer's location and control is transferred.
3. Recognize the cost of sales: The cost of sales is recognized in the income statement when the corresponding revenue is recognized, following the matching principle.

Transfer of Risks and Rewards for Cost of Sales Recognition
The transfer of risks and rewards for cost of sales recognition, i.e., the point of transfer from the supplier, vendor, or contractor to the company, is determined by the terms of the purchase agreements. The following factors can indicate that risks and rewards have been transferred to the company:
1. Transfer of legal ownership: The legal ownership of the goods is transferred from the supplier, vendor, or contractor to the company when the title to the goods is passed. This typically occurs when the company receives the goods at its warehouse or fulfillment center.
2. Transfer of physical possession: The physical possession of the goods is transferred from the supplier, vendor, or contractor to the company when the company takes delivery of the goods. This usually occurs when the goods are delivered to the company's warehouse or fulfillment center.
3. Transfer of risks and rewards: The risks and rewards associated with the goods, such as damage, theft, or obsolescence, are transferred from the supplier, vendor, or contractor to the company when the company assumes the responsibility for the goods. This typically occurs when the company takes possession of the goods and acknowledges the delivery.

Electronics Manufacturing

Cost of Sales Recognition Principle
The cost of sales recognition principle under HKFRS is based on the matching principle, which requires that expenses be recognized in the same accounting period as the revenues they helped generate. In the context of an electronics manufacturing entity, this means that the cost of sales should be recognized in the same accounting period as the revenue from the sale of the manufactured electronic products.

Determining the Timing of Cost of Sales Recognition
To determine the proper timing of cost of sales recognition, an electronics manufacturing entity should consider the transfer of risks and rewards from the supplier, vendor, or contractor to the company. This typically occurs at one of the following points:
1. At the point of shipment: Control of the raw materials and components is transferred from the supplier, vendor, or contractor to the entity when the goods are shipped, and the entity assumes the risk of loss or damage during transit.
2. At the point of delivery: Control of the raw materials and components is transferred from the supplier, vendor, or contractor to the entity when the goods are delivered to the entity's specified location, and the entity takes physical possession of the items.
3. Upon acceptance: Control of the raw materials and components is transferred from the supplier, vendor, or contractor to the entity when the entity formally accepts the goods, either by signing an acceptance certificate or through a specified inspection process.
The terms of the purchase contracts should be reviewed to determine the appropriate point of cost of sales recognition for each transaction.

Calculation of Cost of Sales
Cost of sales for an electronics manufacturing entity typically includes the direct costs of producing the electronic products, such as:
- Raw materials and components: The cost of the materials and components used in the manufacturing process, including any discounts, rebates, or other price concessions provided by the supplier, vendor, or contractor.
- Direct labor: The wages and salaries of employees directly involved in the production process, such as assembly line workers and quality control inspectors.
- Manufacturing overheads: The indirect costs of producing the electronic products, which may include items such as factory rent, utilities, and depreciation of manufacturing equipment.
The cost of sales should be calculated based on the actual costs incurred in producing the electronic products sold during the accounting period, considering the inventory valuation method adopted by the entity (e.g., first-in, first-out, or weighted average cost).

Similarly, we may hypothetically compare how the documentation for cost of sales differs between two client industries

EQC COMPLIANCE ADVISORY

6. Use for Consultancy Services, Internal Training

6.1 Auditing by Principal Activities (Example 3 - Internal Controls on Revenues):

E-Commerce

Control 3: Reconciliation of Sales and Cash Receipts (Detective Control)	Control 3: Reconciliation of Sales and Cash Receipts (Detective Control) Person Responsible: Accounts Manager Frequency: Monthly Control Description: The Accounts Manager performs a monthly reconciliation of sales and cash receipts, ensuring that all sales transactions have been recorded and the cash receipts are consistent with the revenue recognized. Control Walkthrough: 1. The Accounts Manager obtains a monthly summary of sales transactions from the Accounts Clerk and a monthly cash receipts report from the company's bank account. 2. The Accounts Manager reconciles the total sales revenue recognized with the total cash receipts, investigating any discrepancies or variances. 3. The Accounts Manager communicates any discrepancies or variances to the Accounts Clerk for investigation and correction, if necessary. 4. The Accounts Clerk investigates the discrepancies or variances and makes any necessary corrections to the sales transactions or cash receipts records. 5. The Accounts Manager reviews the updated records and finalizes the monthly reconciliation.

Electronics Manufacturing

Sales Invoicing and Receipt Collection (Control Type: Preventive)	Person Responsible: Accounts Clerk (invoicing and receipt collection), Accounts Manager (review) Frequency: As needed (upon revenue recognition) Control Execution Walkthrough: 1. The Accounts Clerk prepares the sales invoice based on the sales order details and revenue recognition, ensuring that the invoice includes the correct product details, quantities, price, and any applicable taxes or other amounts collected on behalf of third parties. 2. The Accounts Clerk issues the sales invoice to the customer and records the invoice details in the accounting system. 3. The Accounts Clerk collects the sales receipts from the customer and updates the accounting system to reflect the receipt of payment, reducing the accounts receivable balance. 4. The Accounts Manager reviews the sales invoicing and receipt collection process for accuracy and completeness, ensuring that all invoices are issued and payments are collected in a timely manner.

As a third example, we may hypothetically compare how the documentation for internal controls differs between two client industries on their respective revenue recognition processes.

6. Use for Consultancy Services, Internal Training

6.2 Evaluation of Accounting Estimates by GAAP

(Example 1 - Inherent Risk Assessment on Valuation of Accounts Receivables):

HKFRS

Inherent Risks Identified:

Estimation Uncertainty: Estimating the provision for expected credit loss involves a significant level of uncertainty, as it requires management to make judgments about the collectibility of accounts receivable based on historical payment trends, ongoing payment performance, and the business relationship with the customer. Unforeseen changes in economic conditions or customer creditworthiness may lead to material differences between the estimated provision and actual bad debts.

Complexity: The valuation of accounts receivable involves complex judgments in selecting and applying appropriate methods and assumptions, such as the assessment of credit risk, aging analysis, and the determination of appropriate credit periods. The complexity of these judgments may increase the risk of material misstatement due to error or misapplication of accounting policies.

Subjectivity: The estimation of the provision for expected credit loss is subject to subjectivity, as management must make judgments about the likelihood of collection based on various factors, such as customer payment history, current payment performance, and credit quality. These judgments may be influenced by management's perceptions and expectations, which may not accurately reflect the actual risk of non-collection.

Management Bias: Given the estimation uncertainty, complexity, and subjectivity involved in estimating the provision for expected credit loss, there is a risk that management may intentionally or unintentionally introduce bias into the valuation of accounts receivable. For example, management may underestimate the provision for expected credit loss to improve the appearance of financial performance or overestimate the provision to create a cushion for future write-offs.

SME-FRS

Inherent Risks Identified:

Estimation Uncertainty: Estimating the provision for doubtful debts involves a significant level of uncertainty, as it requires management to make judgments about the collectibility of accounts receivable based on historical payment trends, ongoing payment performance, and the business relationship with the customer. Unforeseen changes in economic conditions or customer creditworthiness may lead to material differences between the estimated provision and actual bad debts.

Complexity: The valuation of accounts receivable involves complex judgments in selecting and applying appropriate methods and assumptions, such as the assessment of credit risk, aging analysis, and the determination of appropriate credit periods. The complexity of these judgments may increase the risk of material misstatement due to error or misapplication of accounting policies.

Subjectivity: The estimation of the provision for doubtful debts is subject to subjectivity, as management must make judgments about the likelihood of collection based on various factors, such as customer payment history, current payment performance, and credit quality. These judgments may be influenced by management's perceptions and expectations, which may not accurately reflect the actual risk of non-collection.

Management Bias: Given the estimation uncertainty, complexity, and subjectivity involved in estimating the provision for doubtful debts, there is a risk that management may intentionally or unintentionally introduce bias into the valuation of accounts receivable. For example, management may underestimate the provision for doubtful debts to improve the appearance of financial performance or overestimate the provision to create a cushion for future write-offs.

By selecting two different GAAP's, we may hypothetically compare how the documentation for inherent risk assessments differ between HKFRS and SME-FRS.

6. Use for Consultancy Services, Internal Training

6.2 Evaluation of Accounting Estimates by GAAP

(Example 2 - Control Risk Assessment on Valuation of Accounts Receivables):

HKFRS

Control Risks Identified:

Inadequate/Inaccurate Information: There is a risk that management may not have access to accurate and complete information on historical payments, ongoing payments, business relationships with customers, aging analysis of trade receivables, and credit periods granted to customers. Inaccurate or incomplete information may lead to an incorrect valuation of accounts receivables, and a potential material misstatement in the financial statements.

Inadequate Assessment of Creditworthiness: Management may not adequately assess the creditworthiness of customers, which could result in an incorrect estimation of the provision for expected credit loss.

Inconsistent Application of Provision for expected credit loss Methodology: There is a risk that management may not apply the methodology for estimating the provision for expected credit loss consistently from period to period, leading to an incorrect valuation of accounts receivables.

Likely Effectiveness of Controls:

Based on our review of the control environment and procedures, we believe that the controls implemented by management are likely to be effective in preventing or detecting material misstatements in the valuation of accounts receivables. The controls are well-designed, with clear responsibilities and approvals, and are supported by documentation and evidence.

SME-FRS

Control Risks Identified:

Inadequate/Inaccurate Information: There is a risk that management may not have access to accurate and complete information on historical payments, ongoing payments, business relationships with customers, aging analysis of trade receivables, and credit periods granted to customers. Inaccurate or incomplete information may lead to an incorrect valuation of accounts receivables, and a potential material misstatement in the financial statements.

Inadequate Assessment of Creditworthiness: Management may not adequately assess the creditworthiness of customers, which could result in an incorrect estimation of the provision for doubtful debts.

Inconsistent Application of Provision for Doubtful Debts Methodology: There is a risk that management may not apply the methodology for estimating the provision for doubtful debts consistently from period to period, leading to an incorrect valuation of accounts receivables.

Likely Effectiveness of Controls:

Based on our review of the control environment and procedures, we believe that the controls implemented by management are likely to be effective in preventing or detecting material misstatements in the valuation of accounts receivables. The controls are well-designed, with clear responsibilities and approvals, and are supported by documentation and evidence.

Then, we may compare how the documentation for control risk assessments differ between HKFRS and SME-FRS.

6. Use for Consultancy Services, Internal Training

6.3 Justification of Audit Opinions

(Example 1 - Justification for Engagement Re-Acceptance):

Prior Period's Audit Opinions:

How should we justify engagement re-acceptance when a qualified opinion vs. a disclaimer was issued?

Qualified Opinion

Justification for Engagement Continuance

Re-acceptance of Audit Engagement Justification

In accordance with HKSA 220, we have performed engagement continuance procedures to assess the re-acceptance of the audit engagement for the current year. Our justification for re-acceptance is detailed below, considering the qualified opinion issued in the prior year due to material misstatements in the financial statements that were not pervasive.

During our engagement continuance procedures, we have assessed the client's integrity, management competence, and commitment to rectify the material misstatements identified in the prior year. Our assessment indicates that the client has taken appropriate actions to address these matters, which include:

1. Implementation of new internal control procedures: The client has designed and implemented new internal control procedures to prevent the occurrence of similar material misstatements. These controls have been in place since the beginning of the current financial year, and our preliminary assessment suggests that they are operating effectively.
2. Enhanced oversight by the audit committee: The client's audit committee has increased its oversight to ensure that the financial reporting process is robust and that the financial statements are prepared in accordance with Hong Kong Financial Reporting Standards. This includes more frequent meetings, detailed reporting by management, and active engagement with the external auditors.
3. Improved financial reporting process: The client has made significant improvements in its financial reporting process, including the adoption of new accounting software, enhanced documentation of accounting policies and procedures, and additional training for finance personnel. These improvements have increased the reliability of the financial reporting process and reduced the risk of material misstatements.
4. Management representation and commitment: We have obtained written representations from the client's management, acknowledging their responsibility for the preparation of the financial statements in accordance with Hong Kong Financial Reporting Standards and their commitment to rectify the material misstatements identified in the prior year. This demonstrates the client's commitment to ensuring that the financial statements are free from material misstatements.
5. Prior year qualification resolution: We have performed procedures to assess the client's progress in resolving the prior year qualification. Based on our assessment, there is sufficient evidence to support the fact that the client has made significant progress in resolving the underlying issues, and it is unlikely that the same matter will result in a qualification in the current year.

Considering the above factors, we believe that the risk of a similar qualification in the current year is significantly reduced. Furthermore, we have assessed that any potential modifications to the audit opinion in the current year would likely be less pervasive or material than the prior year. This assessment is based on our understanding of the client's business, the improvements made to their financial reporting process and internal control environment, and our preliminary audit procedures performed to date.

In conclusion, based on our engagement continuance procedures and the client's demonstrated commitment to rectify the material misstatements identified in the prior year, we believe that it is appropriate to re-accept this audit engagement.

Disclaimer of Opinion

Justification for Engagement Continuance

During the engagement continuance procedures, we have carefully assessed the reasons for the adverse opinion issued in the prior year due to material and pervasive inconsistencies between the financial statements and other information in the annual report. Our evaluation took into account the client's adoption of Hong Kong Financial Reporting Standards for Private Entities and our obligation to comply with Hong Kong Standards on Auditing (HKSA) 230 Audit Documentation and HKSA 220 Quality Management for an Audit of Financial Statements.

One key factor that contributed to our decision to re-accept the audit engagement was the client's proactive response to the issues identified in the prior year audit. Management has taken significant steps to address the material and pervasive inconsistencies by implementing robust financial reporting controls and enhancing their internal control environment. This includes the recruitment of new finance personnel with relevant expertise and experience as well as providing comprehensive training to existing staff to ensure a proper understanding of the applicable financial reporting framework.

Additionally, the client has engaged an independent third-party consultant to review and strengthen their financial reporting processes, which has resulted in substantial improvements in the preparation of financial statements. This has increased our confidence in the client's commitment to rectifying the issues that led to the qualification in the prior year and reducing the likelihood of similar issues arising in the current year.

During our preliminary risk assessment, we have identified areas where significant risks may still exist. However, we believe that through tailored audit procedures, including increased testing and enhanced substantive procedures in these areas, we will be able to obtain sufficient appropriate audit evidence to support a modified audit opinion that, while still reflecting the remaining issues, will be less pervasive or material than the adverse opinion in the prior year.

Furthermore, we have maintained ongoing communication with the client's management and those charged with governance to discuss the progress of their remediation efforts and to obtain their commitment to full cooperation with our audit team. This open and transparent communication has been crucial in building a mutual understanding of the issues at hand and the actions necessary to address them, which is essential for a successful audit engagement.

In conclusion, based on our assessment of the client's progress in addressing the issues that led to the qualification in the prior year, their commitment to improving their financial reporting processes, and our ability to design and execute effective audit procedures to address the remaining risks, we believe that it is justifiable to re-accept the audit engagement for the current year. We are confident that with the client's cooperation and our rigorous audit approach, we will be able to obtain sufficient appropriate audit evidence to support an audit opinion that, while still modified, will be less pervasive or material than the adverse opinion issued in the prior year.

6.4 Creating Training Slides

Simply insert the screenshot from the audit program into the powerpoint slide.

XLS

Control Risks Identified:

Inadequate/Inaccurate Information: There is a risk that management may not have ac accurate and complete information on historical payments, ongoing payments, business relationships with customers, aging analysis of trade receivables, and credit periods granted to customers. Inaccurate or incomplete information may lead to an incorrect valuation of accounts receivables, and a potential material misstatement in the financial statements.

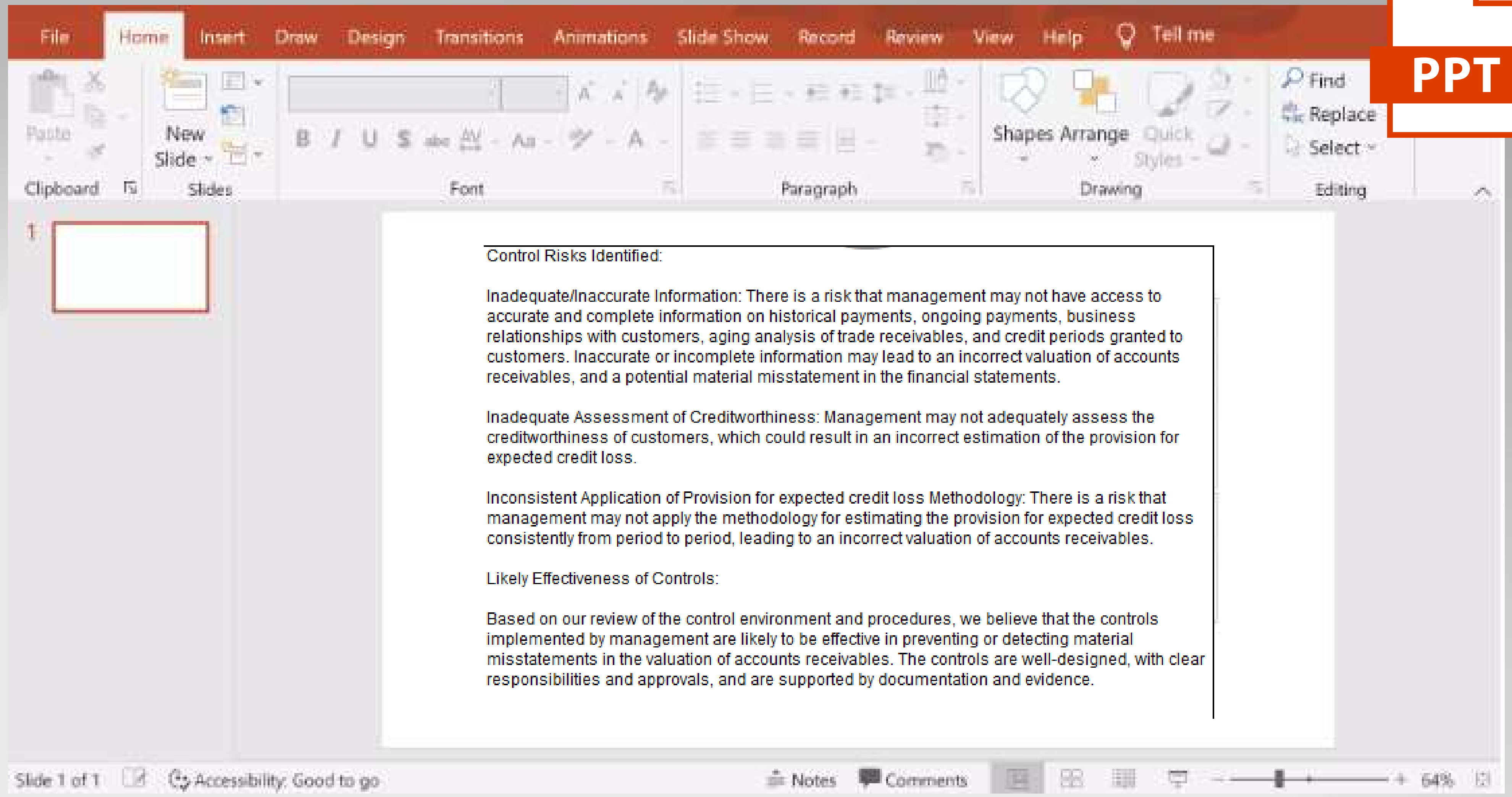
Inadequate Assessment of Creditworthiness: Management may not adequately assess the creditworthiness of customers, which could result in an incorrect estimation of the provision for expected credit loss.

Inconsistent Application of Provision for expected credit loss Methodology: There is a risk that management may not apply the methodology for estimating the provision for expected credit loss consistently from period to period, leading to an incorrect valuation of accounts receivables.

Likely Effectiveness of Controls:

Based on our review of the control environment and procedures, we believe that the controls implemented by management are likely to be effective in preventing or detecting material misstatements in the valuation of accounts receivables. The controls are well-designed, with clear responsibilities and approvals, and are supported by documentation and evidence.

PPT



ABOUT EQC

OTHER SERVICES OF EQC COMPLIANCE ADVISORY

- External Monitoring Review
- TCSP Regulatory
- AML Compliance
- System of Quality Management
- AFRC Inspections
- SFC Regulatory / Licensing

SPECIAL OFFERS

SPECIAL OFFERS

EQC COMPLIANCE ADVISORY

Before 10% Discount AP 3.0 UNIT PRICES (2023-24)

Credits	Discount	Basic Unit Price (HKD)	Advanced Unit Price (HKD)	All-inclusive Unit Price (HKD)
min. 20-39	0%	600	900	1300
40-59	25%	450	675	975
60-79	35%	390	585	845
80-99	45%	330	495	715
100-299	50%	300	450	650
300-499	55%	270	405	585
>500	60%	240	360	520

Free Add-on Services for 300+ Credits plan

- Customized Principal Activities, Accounting Estimates and Audit Opinions
- Customizations on Index references
- Automate generation of account balance specific working paper templates for all engagements

MORE OFFERS 10% ADDITIONAL DISCOUNT

EQC COMPLIANCE ADVISORY

- **This webinar link has a 3-Day validity period**
- **Engage before expiry date to be entitled to an extra 10% off***

  * only applicable for the purchase of 100+ credits
- **Subscribe within 14 days from the expiry date of the webinar and enjoy 5% Discount**

CUSTOMER SUPPORT AND RESOURCES

Streamline audits with effortless onboarding, comprehensive training, and consistent updates for ongoing support.

Support Hotline

9543 3218

Training and onboarding assistance

Ongoing support and updates

EQC COMPLIANCE ADVISORY

HOW IT WORKS?

01

Form

EQC provides Forms to Practice

02

Completion

- Practice completes Forms (Based on Draft / Approved Audit Reports)
- Over 85% of Fields have drop-down Options

03

Submission

Practice sends Completed Forms

04

Generate

EQC Runs AP3.0 (2-week turnaround time)

05

Delivery

EQC Provides Completed Audit Programs (Excel Files)

THANK YOU

Because, we're here to serve

Act now! Boost your efficiency and streamline audit procedure with Audit Program 3.0 solution. Subscribe today for success tomorrow.

Telephone

9543 3218

Website

eqcadvisory.com/

Address

20/F, Silver Fortune, 1
Wellington Street, Central, HK

Q&A

Q1. Can we **mix and match?**

A1. Yes and **20% discount** only apply if you purchase 100 credits.
For Example:

After 20% Discount	Advanced	All-Inclusive	Total
Number of Credits	60	40	100
Original Price	HK$585	HK$975	-
Discounted Price	HK$28,080	HK$31,200	HK$59,280

Q2. What are the key differences between AP3.0 Basic and AP3.0 Advanced?

AP3.0 Advanced
- **31 more Internal Controls items**
- **82 more financial statement line items**

For each FSLT, the completed programs include drafted risk assessments on assertion level, audit procedures for each assertion, significant accounting policies, representation letter and audit request list.

For Example:

Internal controls included in Advanced but Not included in Basic, to list a few:

- Related Party Balances / Transactions
- Contingent Liabiltiies
- Deferred Tax
- Warranty Provisions
- Import / Export Loans
- Revolving Loans
- Received in Advance
- Pledged bank deposits

Financial Statement Line Items included in Advanced but Not included in Basic, to list a few:

- Construction in progress
- Goodwill
- Work-in-progress
- Restricted Bank Deposits
- Amounts due from / to group entities / director / shareholders
- Equity & Debt Securities
- Lease liability
- Defined benefit obligations
- Revaluation Reserve
- Exchange Reserve
- Share Option Reserve

Q3. What are the key differences between AP3.0 Advanced and AP3.0 All-Inclusive?

- All-Inclusive Plan: Includes AP3.0 Basic and Advanced features, allows risk level selection for each Financial Statement Line Item (FSLI), and calculates performance materiality for specific accounts and transactions
- Suitable for regulated entities: Insurance brokers, law firms, SFO regulated entities (Type 1, 4, 9), includes compliance controls and documentation in line with relevant regulations and ordinances
- Recommended for larger practices: Over 1,000 audit clients, 10+ regulated clients, or PIE auditors, as they face more frequent AFRC inspections and higher expectations

EQC COMPLIANCE ADVISORY

Q4. We have a few seasonal and tax peak seasons, can we **submit the engagement information by several batches** throughout the year?

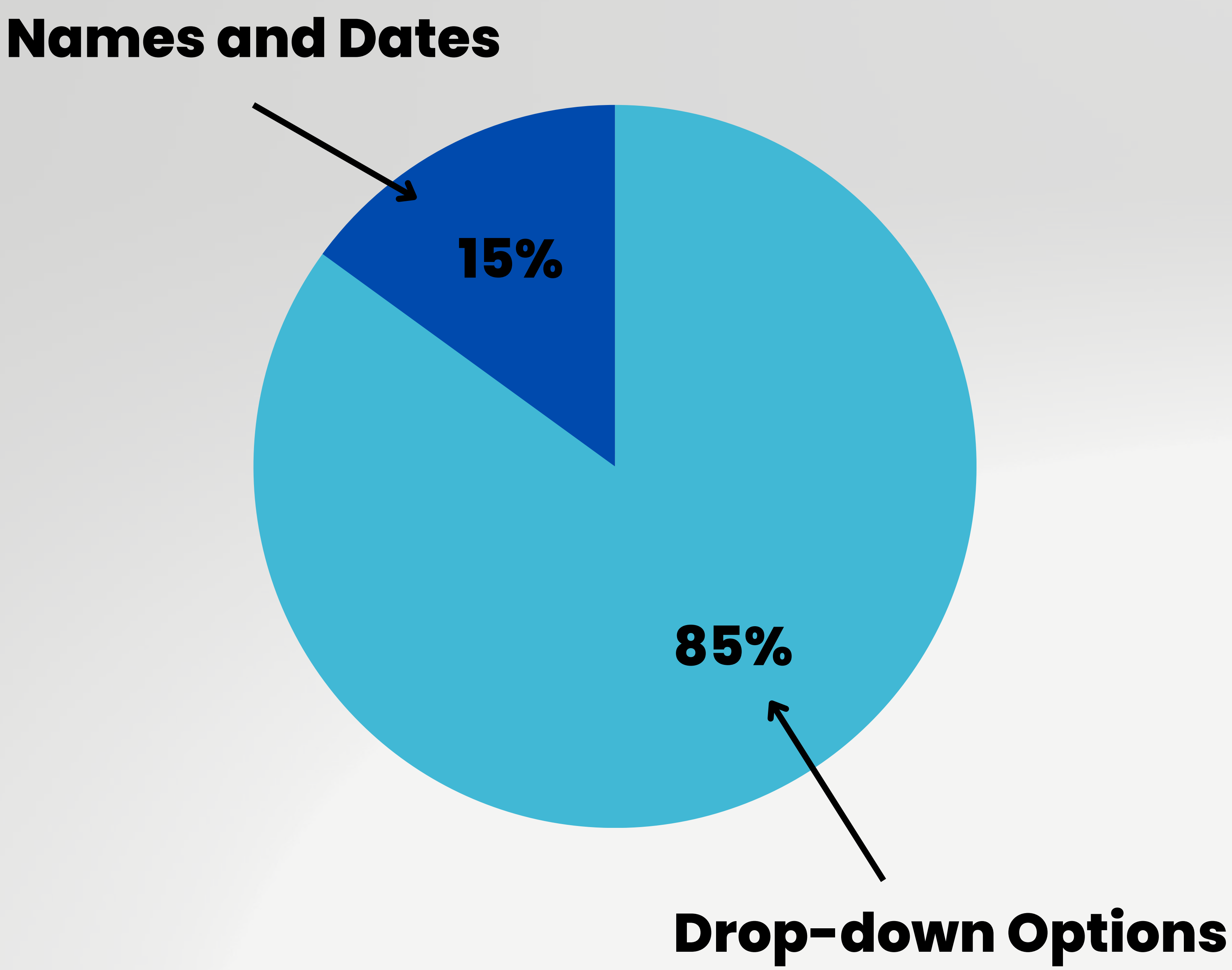
AP3.0 Advanced and All-Inclusive Plan

20 separate submissions
(throughout the year)

AP3.0 Basic Plan

5 separate submissions
(throughout the year)

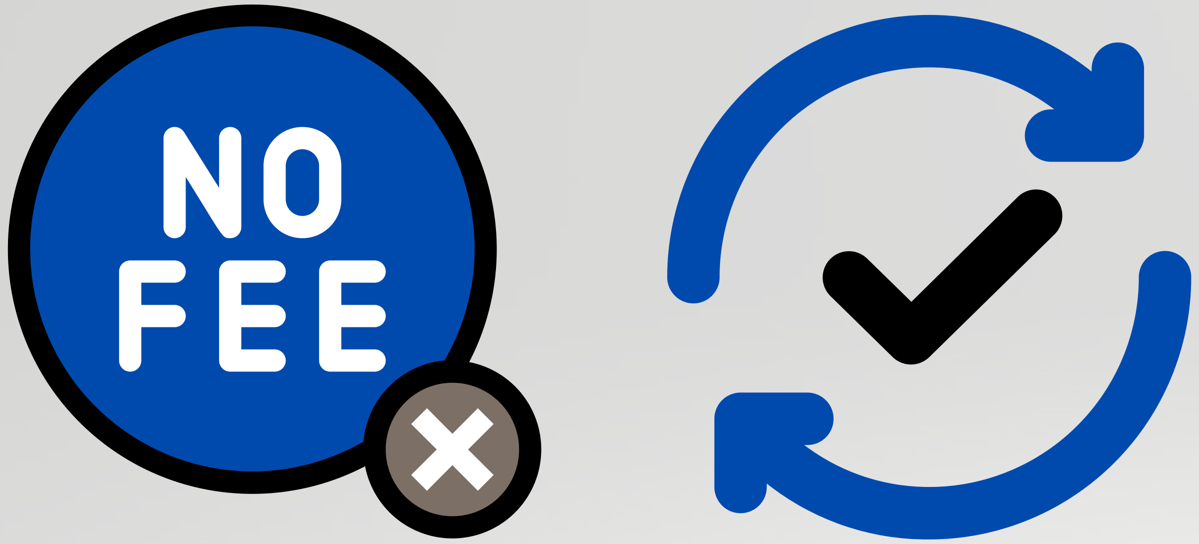
Q5. Are the forms user-friendly? Do audit juniors really know how to complete the forms independently?



Over **95% of the information** may be extracted from audit reports and financial statements. Except for Sales, Total Assets and Profit / Loss before tax, no other financial figures are needed. It should only **take 5-10 minutes for an audit junior** to complete the form for a single audit engagement.

Reviewers are advised to sample check and ensure the information completed is **accurate**. Our Audit Program will directly use the completed forms to **generate the illustrative audit programs**. Practice should bear the responsibility and risks in submitting inaccurate information to EQC.

Q6. Are there **any surcharges** if there are **new updates** to Auditing and Accounting Standards while my purchased credits are still valid?



There are no additional surcharges.

We will **update AP3.0 based on the new auditing and accounting standards within 3 months after they have become effective**.

For existing users for all unused credits, this service is free of charge.

However, if you would want to **re-process used credits based on the latest accounting and auditing standards** (which normally should not be required as all accounting and auditing standards have effective dates), you would have to use new unused credits.

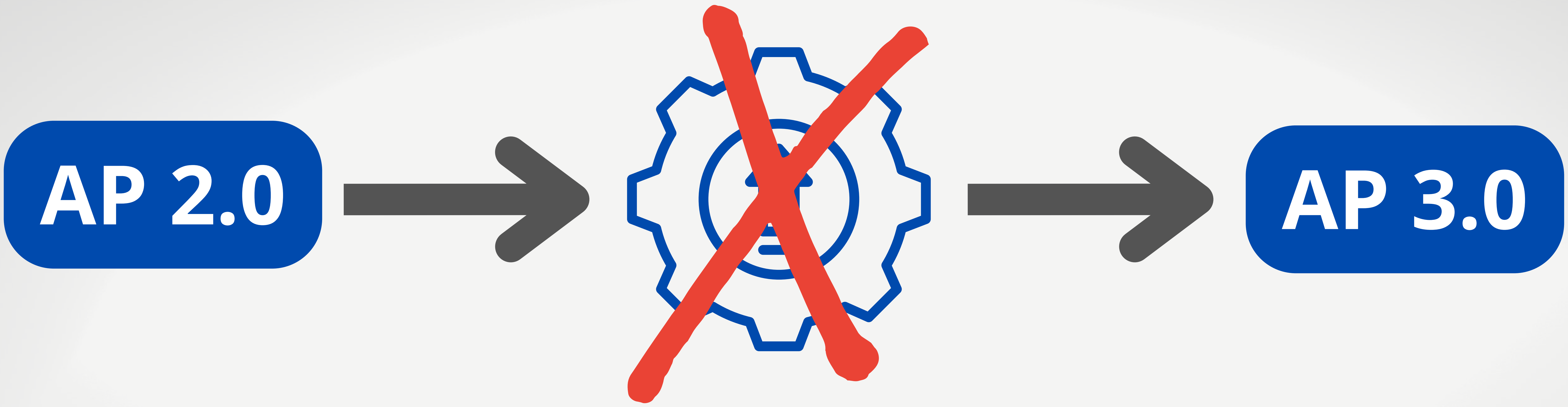
We **cannot reverse engineer generated audit programs**, nor can we help to revise the generated audit programs based on the latest standards.

Q7. I have begun using AP2.0 / AP3.0, can I get free upgrades, or just pay the price difference when the next version of Audit Program is released?

The credits purchased are only for use for a specific version of the Audit Program.

Purchased credits for any version **can not be transferred / upgraded to newer versions**.

However, we will only release one new version annually. Each version will equip with a bundle of new functions and features bringing more value to users than previous versions.



Q8. Many of our audit clients have simple operations and only adopt the **SME-FRS financial reporting framework**, does that mean that the AP3.0 **Basic plan is sufficient** for my practice?

Our plans are not differentiated by the type of Financial Reporting Framework, but by the number of functions that it can offer. Even the AP3.0 Basic version can generate audit programs for clients adopting HKFRS for Private Entities or Hong Kong Financial Reporting Standards. The **AP3.0 Basic Version is limited by the internal control areas written, and by the number of financial statement line items.**

AP3.0 Basic Plan

- **Limited internal control areas**
- **Limited financial statement line items**

Q8. Many of our audit clients have simple operations and only adopt the SME-FRS financial reporting framework, does that mean that the AP3.0 Basic plan is sufficient for my practice?

For example, in AP3.0 Basic, the following accounts are **grouped into a single line item**, thus its generated illustrative answers are **more generic**, and thus requiring more preparers' and reviewers' time to customize to the circumstances of each audit engagement:

- Long-term receivables
- Trade receivables
- Other receivables
- Prepaid expenses
- Deposits paid
- Amounts due from directors
- Amounts due from related companies
- Amounts due from group companies

Q9 .When is the best time to generate audit programs?

There is no best time.

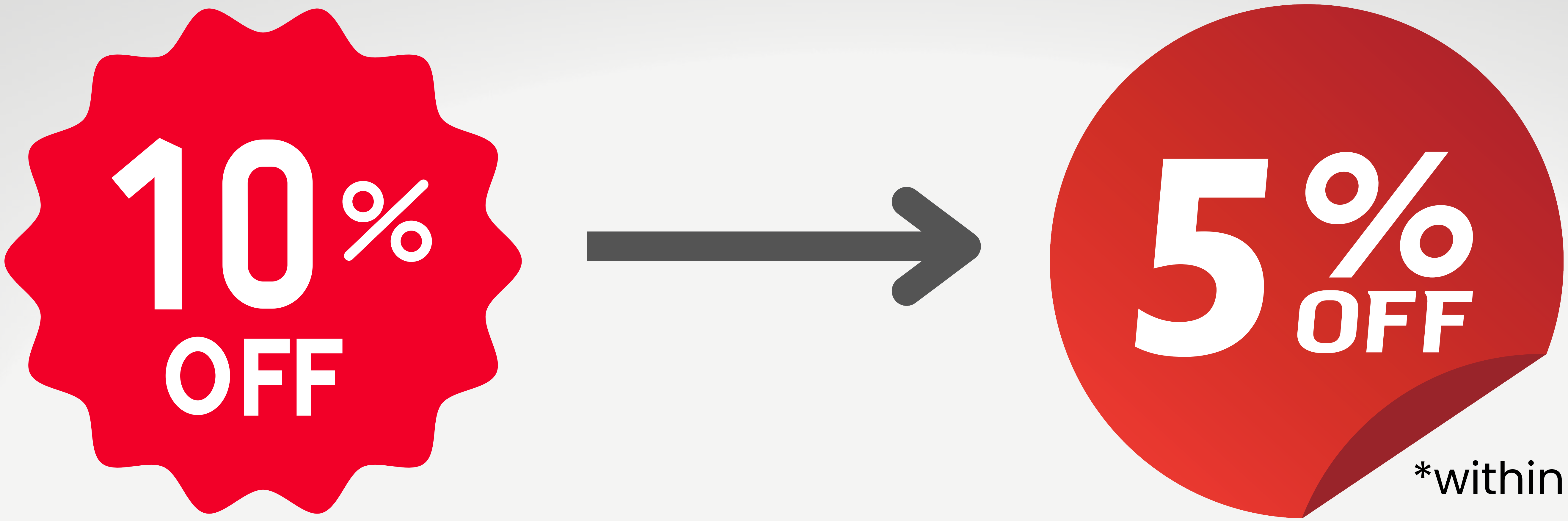
The best time may be different for each Practice, and it depends on how the generated programs will be used.

Some practices would generate audit programs of **all recurring audit clients** prior to the commencement of the current year's audits, using the contents of prior year's audited financial statements as inputs. This would allow audit teams to have a basic understanding of the request lists, audit risks and procedures to be performed prior to the coming year's audit.

Other practices would generate audit programs as they **perform the audits**, usually close to when they plan to issue the audited financial statements, to ensure that they can archive the programs together with other working papers, and to screen for any material unperformed procedures / considerations.

Q10. I need to discuss with our other Partners, will we still be entitled to the special discount offer **if I subscribe on a later date**?

The special 10% discount offer is only available **within the 3 days validity period of the webinar**. However, we will still **extend a 5% discount offer** to practices that engage **within 14 days** from the expiry date of the webinar.



*within 14 days

APPENDICES

EQC COMPLIANCE ADVISORY

1.1 Principal Activities

Basic ✅ Advanced ✅ All-Inclusive ✅

- Automobile manufacturing
- Aerospace manufacturing
- Chemical manufacturing
- Pharmaceutical manufacturing
- Food and beverage manufacturing
- Electronics manufacturing
- Textile manufacturing
- Machinery and equipment manufacturing
- Furniture manufacturing
- Paper and packaging manufacturing

- Residential construction
- Commercial construction
- Infrastructure construction
- Real estate development
- Property management
- Real estate investment trusts (REITs)
- Real estate brokerage
- Architectural and engineering services
- Software development
- Investment Securities

1.2 Principal Activities

Basic ✅ Advanced ✅ All-Inclusive ✅

- Money Lending
- Data center services
- Cloud computing services
- Internet service providers
- E-commerce platforms
- Social media platforms
- Banking
- Insurance
- Investment management
- Brokerage services
- Venture capital and private equity
- Credit card services
- Financial advisory services
- Fintech services
- Oil and gas exploration and production
- Oil and gas refining
- Mining and extraction (metals, minerals, and coal)
- Renewable energy generation (solar, wind, hydro)
- Utilities (electricity, natural gas, and water)
- Waste management and recycling

1.3 Principal Activities

Basic ✓ Advanced ✓ All-Inclusive ✓

- Hospitals and clinics
- Pharmaceutical wholesale and distribution
- Medical equipment manufacturing
- Medical research and development
- Biotechnology
- Healthcare IT Services
- Medical and dental practices
- Supermarkets and grocery stores
- Department stores
- Specialty retail stores
- Apparel and fashion retail
- Home improvement stores
- Consumer electronics retail
- E-commerce retail
- Airlines
- Rail transportation
- Trucking and logistics services
- Shipping and marine transportation
- Warehousing and storage
- Package delivery services

1.4 Principal Activities Basic ✅ Advanced ✅ All-Inclusive ✅

- Supply chain management
- Telecommunications services providers
- Wireless communication services
- Satellite communication services
- Fiber optic network providers
- Hotels and resorts
- Restaurants and food services
- Travel agencies and tour operators
- Cruise lines
- Amusement parks and attractions
- Casinos and gaming operations
- Film and television production
- Broadcasting (TV and radio)
- Publishing (books, newspapers, and magazines)
- Music production and distribution
- Advertising and marketing services
- Public relations services
- Legal services
- Accounting and auditing services
- Management consulting
- Human resources services

1.5 Principal Activities Basic ✅ Advanced ✅ All-Inclusive ✅

- Staffing and recruitment services
- Business process outsourcing
- Crop and livestock production
- Fishing and aquaculture
- Timber and logging operations
- Agricultural processing and packaging
- Primary and secondary education
- Higher education (colleges and universities)
- Vocational and technical schools
- Educational support services
- Government services
- Non-governmental organizations (NGOs)
- Charitable organizations
- Foundations and grant-making organizations
- Automotive repair and maintenance
- Personal care services (salons, spas)
- Fitness centers and gyms
- Catering and food services
- Event planning and management
- Trading of Goods (Domestic on Land)
- Trading of Goods (Shipping Overseas)

EQC COMPLIANCE ADVISORY

1.6 Principal Activities

Basic ✓ Advanced ✓ All-Inclusive ✓

- Trading of Goods (Air Overseas)
- Service Provider (Other than Project-based businesses)
- Project Based Business (Construction / Engineering / Design / Architect)
- Property Investment (Letting of Properties)
- Investment Holding
- Trading of Investments / Financial Instruments
- Agency Services (Commissions Income)
- Property Management (ICO)
- Type 1 SFO Licensed Corporation
- Type 4 SFO Licensed Corporation
- Type 9 SFO Licensed Corporation
- Law Firms
- Insurance brokers

2.1 Accounting Estimates

Basic ✅ Advanced ✅ All-Inclusive ✅

- Revenue Recognition - Return of Goods
- Revenue Recognition - Deferred Revenue under Customer Loyalty Programs
- Valuation of Intangible Assets
- Valuation of Investment Properties
- Valuation of Property Included in PPE
- Valuation of Accounts Receivable
- Valuation of Inventories
- Valuation of investments in associates and/or subsidiaries
- Valuation of Goodwill
- Capitalisation of Development Cost
- Valuation of Investments without Market Values
- Provisions
- Share-based payments
- Employee benefits – Defined benefit scheme
- Deferred income tax asset and liabilities
- Impairment assessment of loans and advances to customers
- Valuation of insurance contract liabilities

2.2 Accounting Estimates

Basic ✅ Advanced ✅ All-Inclusive ✅

EQC COMPLIANCE ADVISORY

- Business Combination
- Derivative Financial Instruments and Hedge Accounting
- Business Model Assessment
- Valuation of Biological Assets
- Property Available For Sales
- Obligations for Land Reclamation
- Valuation of Natural Resources Reserve

3.1 Modified audit opinions

Basic ✅ Advanced ✅ All-Inclusive ✅

Material Uncertainty Paragraphs

- Material Uncertainty - Going Concern considerations
- Material Uncertainty - Breaching loan covenants or defaulting on debt obligations
- Material Uncertainty - Dependence on obtaining new debt or equity financing
- Material Uncertainty - Dependence on the successful outcome of a major project or contract
- Material Uncertainty - Legal or regulatory issues that may have a significant impact on operations
- Material Uncertainty - Natural disasters or other external events that have severely impacted the business

3.2 Modified audit opinions

Basic ✅ Advanced ✅ All-Inclusive ✅

Qualified Opinions (1/2)

- Qualified - Inadequate disclosure of certain accounting policies or financial statement items
- Qualified - Departure from the applicable financial reporting framework
- Qualified - Limitations in the scope of the auditor's work, such as the inability to obtain sufficient appropriate audit evidence for a specific item
- Qualified - Material misstatements in the financial statements that are not pervasive
- Qualified - Going Concern Considerations
- Qualified - Limitation of scope due to the absence of stock count and lack of controls on the company's inventories
- Qualified - No consolidation financial statements were prepared even though it is required under the financial reporting framework to consolidate, and under the Hong Kong Companies Oridnance to prepapre consolidated financial statements
- Qualified - Revenues were recognised on cash basis with no effective intenral control systems on revenues.

3.3 Modified audit opinions

Basic ✅ Advanced ✅ All-Inclusive ✅

Qualified Opinions (2/2)

- Qualified - Limitation of Scope on Opening Balances
- Qualified - Contract Incomes and Contract Expenses recognised on cash basis with no reference to stage of completion
- Qualified - first audited financial statements cover period over 18 months contrary to Section 1 of SME-FRS and Section 431 of Hong Kong Companies Ordinance
- Qualified - Limitation of Scope due to inability to obtain bank confirmation
- Qualified - audited financial statements (not first) cover period over 12 months contrary to Section 1 of SME-FRS and Section 368 of Hong Kong Companies Ordinance

3.4 Modified audit opinions

Basic ✅ Advanced ✅ All-Inclusive ✅

Adverse Opinions

- Adverse - Significant and pervasive departures from the applicable financial reporting framework
- Adverse - Material and pervasive misstatements in the financial statements
- Adverse - Material and pervasive inconsistencies between the financial statements and other information in the annual report

Unmodified Audit Opinion

- Unmodified

3.5 Modified audit opinions

Basic ✅ Advanced ✅ All-Inclusive ✅

Disclaimers of Opinion

- Disclaimer - Limitations in the scope of the auditor's work due to restrictions imposed by management or other circumstances
- Disclaimer - Inadequate accounting records or insufficient information available for the auditor to perform the necessary audit procedures
- Disclaimer - Significant uncertainties about the company's ability to continue as a going concern, combined with a lack of sufficient audit evidence to assess the appropriateness of management's assumptions
- Disclaimer - An unresolved disagreement between the auditor and management regarding the application of an accounting policy or the presentation of a financial statement item

4. Financial Reporting Framework

Basic ✅ Advanced ✅ All-Inclusive ✅

- SME-FRS
- HKFRS for PE
- HKFRS

5.1 Financial Statement Lines and Disclosures

Basic ✗ Advanced ✓ All-Inclusive ✓

- Property, Plant and Equipment
  - Under Cost Model
- Property Plant and Equipment
  - Under the Revaluation Model
- Intangible Assets
- Construction in Progress
- Long-term Receivables
- Goodwill
- Investment Property
- Right-of-Use Assets
- Interests in Associates
- Interest in Joint Venture

- Interest in Subsidiaries
- Deferred Tax Assets
- Other Financial Assets
- Inventories
- Work-in-progress
- Trade receivables
- Other Receivables
- Bank Balances
- Cash on Hand
- Pledged Bank Deposits
- Restrited Bank Deposits

5.2 Financial Statement Lines and Disclosures

Basic ❌ Advanced ✅ All-Inclusive ✅

- Deposits Paid
- Prepaid Expenses
- Amounts due from director
- Amounts due from fellow subsidiaries
- Amounts due from shareholder
- Amount due from related companies
- Amount due from subsidiaries
- Contract Assets
- Trading Securities, or other financial assets
- Debt Securities

- Trade payables
- Other Payables
- Received in Advance
- Contract Liabilities
- Accrued expenses
- Bank Loans
- Bank Overdrafts
- Obligations under Finance leases
- Lease liability
- Tax payable
- Provisions

EQC COMPLIANCE ADVISORY

5.3 Financial Statement Lines and Disclosures

Basic ✗ Advanced ✓ All-Inclusive ✓

- Amounts due to director
- Amounts due to fellow subsidiaries
- Amount due to shareholder
- Amount due to related companies
- Amount due to subsidiaries
- Non-Current Bank Borrowings
- Non-Current Obligations Under Finance Lease
- Defined Benefit Retirement Obligations
- Deferred Tax Liabilities

- Share Capital
- Share Premium
- Revaluation Reserve
- Exchange Reserve
- Capital Reserve
- Merger Reserve
- Share Option Reserve
- Non-Controlling Interests
- Retained Earnings / Accumulated Losses
- Revenue
- Other Revenues

5.4 Financial Statement Lines and Disclosures

Basic ❌ Advanced ✅ All-Inclusive ✅

- Non-Operating Incomes
- Gain / Losses on Disposal of Investments
- Gain / Losses on Fair value change of investments
- Gain / Losses on Fair value change of investment properties
- Loss on Disposal of a Subsidiary
- Share-based payment expenses

- Impairment losses on trade and other receivables
- Impairment losses on property, plant and equipment
- Impairment losses on loans and receivables (other than AR & OR)
- Impairment losses of Goodwill
- Impairment losses of Intangible Assets

5.5 Financial Statement Lines and Disclosures

- Exchange Gain / Losses
- Gain on Bargain Purchase
- Other Gains / Losses
- Cost of Sales / Direct Costs
- Operating expenses
- Non-Operating Expenses
- Finance Costs
- Share of profits / loss of associates
- Share of profits / loss of joint venture
- Income tax expense
- Remeasurement of defined benefit liability
- Income / Expense from fair value change of FVTOCI

Basic ❌ Advanced ✅ All-Inclusive ✅

- Exchange differences on translation of financial statements of overseas subsidiaries
- Financial Instruments
- Earnings Per Share
- Diluted Earnings Per Share
- Segment Reporting
- Contingent Liabilities
- Subsequent Events after the Reporting Date
- Financial Information of Material Subsidiaries
- Cash Flow of Financing Activities
- Key Principal Subsidiaries

6.1 Internal Controls

Basic ✗ Advanced ✓ All-Inclusive ✓

- Intangible Assets - Trademarks
- Intangible Assets - Patents
- Intangible Assets - Customer Lists & Relationships
- Intangible Assets - Computer Software
- Property, Plant and Equipment - Property
- Property, Plant and Equipment - Non-Property Fixed Assets
- Investments - Listed Equity Securities
- Investments - Private Equity Securities
- Investments - Derivatives / Futures / Forwards
- Investments - Listed Debt Securities
- Investments - Unlisted / OTC Debt Securities
- Investments - Wholly-owned subsidiaries
- Investments - Partially-owned subsidiaries
- Investment in associates with signfiicant influence
- Investment in jointly controlled entities with joint control
- Inventories - Goods traded on land
- Inventories - Goods traded by sea
- Inventories - Goods Traded by air
- Inventories - property under development

6.2 Internal Controls

Basic ✗ Advanced ✓ All-Inclusive ✓

- Inventories in project-based companies other than real estate developers
- Inventories on Consignment
- Inventories stored at a third party warehouse
- Trade Receivables
- Other Receivables
- Prepaid expenses
- Bank balances and cash on hand
- Restricted bank deposits
- Pledged bank deposits
- Trade payables
- Other payables
- Amounts received from customers in advance
- Accruals
- Bank loans without covenants
- Bank loans with covenants
- Revolving Bank Loans
- Import / Export Loans and Trust Receipt Loans
- Provision for litigations and claims
- Warranty Provisions
- Provisions for severance payments

6.3 Internal Controls Basic ❌ Advanced ✅ All-Inclusive ✅

- Salaries, MPF, entitled leave entitlements such as annual leave and sick leave, Welfare benefits, Bonuses, social welfare, and fringe benefits,
- Operating Expenditures and Disbursements
- Current Profits Tax
- Deferred Tax Assets and Liabilities
- Contingent Liabilities
- Related Party Balances
- Related Party Transactions excluding amounts paid / received on behalf of related parties