

Accountants' plan accepted

By Peter Thompson

THE idea of accountancy firms being allowed to incorporate with limited liability has been accepted in principle by the Government, according to Hongkong Society of Accountants president Selwyn Mar.

"We are still talking to the Government, but I think it has tentatively accepted the proposal in principle," Mr Mar said.

The main obstacle is the indemnity insurance cover that firms would have to have before being allowed to incorporate. Hongkong is regarded as a "high risk" area by insurers who provide indemnity cover.

Mr Mar said the society was talking to insurance companies to try to work out a deal to avoid the sky-high premiums that put insurance out of the reach of the smaller accountancy firms.

"We are discussing the possibility of a lower group insurance rate for accountants," he said.

Although claims against firms in the US and the UK have been astronomical, Hongkong has so far been largely immune to these large claims.

Mr Mar said the present high-risk policy was probably more the legacy of the early 1980s, in particular the Carrian affair,

rather than the territory's firms being susceptible to large legal claims.

Corporatisation would allow firms to protect their partners from personal liability. In the present legal framework, if a practice has to pay out after a claim, a partner's personal assets can be seized if the practice does not have sufficient resources.

Mr Mar said certain people had been pushing for change, but he admitted that the society was uncertain who would choose corporatisation.

"I don't know who will use it. I believe that in the UK (where similar proposals have been adopted)

even the big firms are divided on the issue. Here, I am not sure small firms will go for it because not all of them have professional indemnity insurance," he said.

Observers believe the case for corporatisation was strengthened by the society's decision to adopt the practice review programme - to examine the auditing standards of randomly chosen firms. The programme proved controversial with some of its members.

The Government had been concerned that firms would take the corporatisation route to avoid their responsibilities to clients.