

Salary premiums in small markets with limited workforces may hit up to \$40,539 annually by 2030

Accounting difficulties lie ahead as Hong Kong sinks into recession

The number of fraud and dispute cases grows, leading to a strong demand for advisory services on forensics.

The accounting sector's outlook for the year 2020 is mixed as some services are expected to be highly in-demand, whilst some have been severely impacted by political and economic uncertainties. "Changes in the accounting sector [for 2020] will likely be slower growth to go with the slowdown in the economy and because of squeezes on fees, clients will be looking for efficiencies as well. All in all, it's going to be a difficult year," said **Stephen Weatherseed**, managing partner at Mazars Hong Kong.

Weatherseed expects to see Hong Kong in a recession for 2020, after seeing their clients struggling to keep their businesses afloat. In a past story by Hong Kong Business before the protests began, accounting firms have cited Hong Kong's status as an IPO hub as one of the main drivers for their gains. Now, it seems like the tables have turned as Weatherseed noted that services related to transactions and IPOs are

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one of the most affected as the flow of investments slowed down as the economy has turned down.

In a research report by KPMG, Hong Kong saw 205 IPOs during the full-year 2018, which amounted to around \$266.4b. Compared to its latest data as of end-Q3 2019, there were only 96 IPOs at \$124.8b. These figures did not even reach half of the data shown for 2018. "A fewer big transactions are still taking place. We've seen a noticeable slowdown in the number of IPOs, and the number of businesses wanting to prepare themselves for IPO here in Hong Kong. So, again, that's a reflection of supposed nervousness or hesitancy with regard to the way the markets are going, or where the market might be in a few months time with uncertainty over whether to invest in preparing for an IPO.

In contrast, an outlook report by Xero suggested that it's business-as-usual for some services that are still generating revenue despite the social

unrest.

The 146 firms that were part of their survey posted a revenue growth of 10.3% during the past 12 months. This was led by repeatable advisory services where revenue jumped 14.1%, followed by complex advisory practices at 10.9% and compliance services at 10.8%, during the events of the protests.

Amongst repeatable advisory services, tax advisory services grabbed the largest revenue share in 2019 at 39%, followed by cash flow forecasting, budgeting and planning (31.8%). Startup mentoring (17.7%) and software implementation (11.3%) came third and fourth, respectively. As for complex advisory services, audit services make up over 40% of the revenue, followed by virtual CFO services, then capital raising and other specialised services.

On the client side, startups accounted for 38.8% of the total new clients figure. About 28.8% of new clients are businesses who switched

Salary snapshot for accounting & finance positions

accounting & finance	low	med	high
chief finance officer	\$100,000	\$140,000	\$180,000
finance director	\$80,000	\$100,000	\$120,000
financial controller	\$70,000	\$80,000	\$90,000
regional shared service manager	\$60,000	\$70,000	\$80,000
financial planning & analysis manager	\$70,000	\$85,000	\$100,000
finance manager	\$45,000	\$50,000	\$60,000
assistant finance manager	\$30,000	\$40,000	\$50,000
treasury manager	\$45,000	\$55,000	\$65,000
tax manager	\$45,000	\$55,000	\$75,000

Source: Randstad's "Market Outlook & Salary Snapshot 2020"

accounting firms, and 28.2% are firms who used to do their own accounting. "This reflects the reality that business owners are often surprised by the range of compliance rules and regulations required of them, and come to realise the value in getting experts in compliance to do the work more efficiently and effectively, Xero stated in the report.

Apart from consultancy and advisory services around compliance rules and regulations, the growing number of people looking to leave Hong Kong is driving the demand for another type of service. "I believe the immigration consultancy and overseas education consultancy will be most in demand because of the recent events in Hong Kong. We can only wait and see if the Hong Kong Government can solve the problems soon," said **KT Tam**, practicing director of CK Yau and Partners CPA.

Enterprises that continue to do business in the city are expected to drive demand for consultancy services on corporate restructuring, led by SMEs, which are more prone to the effects of social and economic uncertainties. SMEs may also boost the demand for IFRS 16 advisory services as they have yet to adopt the new International Financial Reporting Standards for the year ended 31 December 2019. Tam added that these firms are expected to face problems when doing the adjusted audits in 2020.

Stability for forensic services

According to Weatherseed, services around forensic and financial

services will be the most in demand for 2020.

In particular, consultancy in regulatory compliance will be highly sought after by banks and insurers. "This will continue to be in high demand and it isn't going to be affected dramatically by a temporary downturn in the economy. All the banks, insurers, and regulated businesses are going to have to continue to comply," he added.

Randstad's Market Outlook & Salary Snapshot 2020 also shared the same sentiment, specifically citing that a sustained demand for junior and mid-level accounting and finance professionals should be expected, especially those in general ledger, accounts receivable and accounts payable functions. These functions are said to be less likely to be affected by external political and economic uncertainties as such functions are essential for day-to-day business operations and regulatory compliance.

Apart from these services, Weatherseed stressed that the demand for forensic services could be the strongest opportunity for the accounting sector, benefitting from the technical recession. "Often, when economies start to move down, then disputes become more regular and frauds more prevalent, so the forensic teams get called into conduct reviews or act as experts in fraud or in dispute cases," he added.

A year of adjustment

The establishment of the Financial Reporting Council (FRC) will also force professionals, especially those



Stephen Weatherseed



KT Tam



Clement Chan

who are dealing with public interest equity (PIE) clients, to anticipate some changes on audits. "[These firms] have to make sure that the new regime is not just about cooperation but also the right level of communication. Feedback will need to be maintained with the FRC to make sure that the inspection process is collaborative, sufficiently formal to be respected and one that is focused on improving the quality of audits, which I'm sure everybody subscribes to," Weatherseed said.

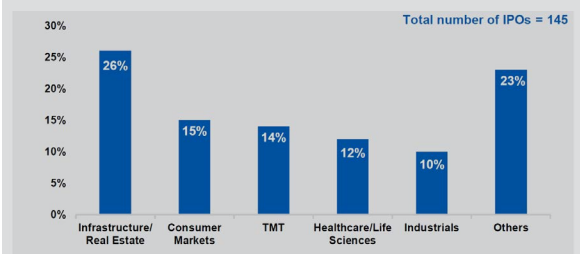
The FRC is now responsible for the inspection of audits and audit quality review for PIE clients.

"If they follow the way in which these independent reviews were introduced in other jurisdictions, starting with the United States and throughout Europe, etc, then there's likely to be a period of adjustment," Weatherseed said.

Practices that are also active in capital market and PIE clients are also expected to invest heavily in risk management and quality control infrastructures, shared BDO's managing director of assurance **Clement Chan**. This is so firms can better address the tightening of regulatory system across the globe.

"Continuing changes in regulatory framework is given as regulatory bodies around the world are collaborating on a basis that had never been closer and more open before. Any weak links or perceived weaknesses happen anywhere in the world would come to the radar of these regulator groups and remedial actions will be taken place in forms of new regulations or rules. Therefore continuing regulatory changes are expected," Chan explained.

Top sectors by number of IPOs in 2019



Source: HKEEx and KPMG