



Financial Reporting Standards Committee
Meeting summary – November 2006

The Institute's Financial Reporting Standards Committee (Committee) met on 8 November 2006.

Members of the Committee present were: Paul F. Winkelmann (Chairman), Raphael Ding (Deputy Chairman), Wilson Fung (Deputy Chairman), Colin Chau, James Fawls, Tommy Fung, Paul Hebditch, Susanna Lau, Fanny Li, Li Kwok Tso, Catherine Morley and Stephen Taylor.

Secretariat staff present were: Patricia McBride, Elaine Chan and Steve Ong.

The Committee discussed the following items:

1. IASB Discussion Paper *Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information*
2. IFRIC Draft Interpretation D20 *Customer Loyalty Programmes*
3. Draft Paper *Oversight of Domestic Financial Reporting Standard Setting*
4. Report from the SME Financial Reporting Framework Sub-Committee
5. IASB Working Group on Lease Accounting
6. IASB/FASB round-table discussions on measurement

1. **IASB Discussion Paper *Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information***

The Committee considered a draft submission prepared based on the comment letters received and agreed to include the following points:

- a. The Institute may provide further comments on the issues discussed in the Discussion Paper as more information resulting from other phases of the project is released at a later stage.
- b. There should be further research on the needs of the intended users of financial reports and whether the financial information currently produced is appropriate for their needs.
- c. There should be more discussions on why the conceptual framework has adopted the entity perspective as the basic perspective underlying financial reporting.
- d. The IASB's current work program should focus on the pressing need to address financial statements issues rather than the broader issues associated with financial reporting such as management commentary.
- e. The conceptual framework should clarify that the application of financial reporting standards developed under the conceptual framework with additional disclosure when necessary is presumed to result in financial statements that achieve a fair presentation.

The Committee agreed that a revised draft should be circulated to members for consideration before its submission to Council for approval.

[Post meeting note: Council approved the submission, which was then sent to the IASB on 29 November 2006 and posted onto the Institute's website.]

2. IFRIC Draft Interpretation D20 Customer Loyalty Programmes

The Committee considered a draft revised submission based on the matters agreed at the last meeting and the comments subsequently received from members. The Committee agreed to further revise the submission by:

- a. asking the IFRIC to establish principles for distinguishing between customer loyalty programmes and marketing expenses and clarify the scope of transactions that D20 is intended to cover in the light of the wide range of "customer loyalty programmes" offered in various industries; and
- b. raising concerns about the appropriateness of the allocation method used in D20, i.e. allocating the fair value of the consideration received or receivable in respect of the initial sale between the components.

The Committee agreed that a revised draft should be circulated to members for consideration before its submission to Council for approval.

[Post meeting note: Council approved the submission, which was then sent to the IASB on 29 November 2006 and posted onto the Institute's website.]

3. Draft Paper Oversight of Domestic Financial Reporting Standard Setting

The Committee noted that the Council has approved the draft paper for release to selected parties for discussion purposes subject to final circulation to the Standard-setting Steering Board, the SME Financial Reporting Framework Sub-Committee and the Committee for further comments. The Committee has no further comments on the draft paper.

4. Report from the SME Financial Reporting Framework Sub-Committee

The Committee considered the draft Invitation to Comment on the IASB's proposed IFRS for SMEs and agreed that:

- a. the Invitation to Comment should, instead of asking whether a two-tier or three-tier system should be adopted, ask whether Hong Kong should adopt the IASB's IFRS for SMEs upon its finalisation to replace the current SME-FRF & SME-FRS; and
- b. a high level comparison between the IASB's proposed IFRS for SMEs and the Institute's SME-FRF & SME-FRS should be published at the time when or shortly after the Invitation to Comment is issued.

The secretariat was requested to revise the proposed draft Invitation to Comment accordingly for further consideration.

5. IASB Working Group on Lease Accounting

The Institute noted that the Institute has nominated Mr. Peter Kilgour of Swire Properties Limited as its representative on the Joint US FASB and IASB Working Group on Leasing.

[Post meeting note: The Institute received the IASB's official notice of appointment of Mr. Kilgour on 15 November 2006.]

6. IASB/FASB round-table discussions on measurement

The Committee noted that the IASB and US FASB will be holding round-table discussion on measurement in Hong Kong from 16 to 17 January 2007. It was also noted that those who are interested in attending the round-table could register directly with the IASB as observers.

Date of Next Meeting

The Committee agreed to hold its next meeting on 13 December 2006.

This meeting summary is provided for the information and convenience of those who wish to follow the Committee's deliberations. Except where indicated otherwise, all conclusions reported are tentative and may be changed at future meetings.

The IASB publishes summaries of its meetings and projects. These can be found on the IASB's website at: <http://www.iasb.org>.

The Committee welcomes comments on its technical agenda. Please e-mail us at: commentletters@hki CPA.org.hk.

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