



Minutes of the 213th meeting of the Financial Reporting Standards Committee held on Thursday, 22 May 2014 at 8:30 a.m. in the Board Room of the Hong Kong Institute of Certified Public Accountants, 37/F., Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong.

Present: Mrs. Catherine Morley (Chairman)
Mr. Nelson Lam (Deputy Chairman)
Mr. Gary Biddle
Mr. Vincent Ching
Ms. Kelly Kong
Ms. Susanna Lau
Mr. Ernest Lee
Mr. William Lim
Mr. Eugene Liu
Mr. Raymond Ng
Mr. Steve Ong
Mr. Paul Phenix
Ms. Shelley So
Mr. Gary Stevenson
Ms. Florence Wong

In attendance:

Mr. Simon Riley, Acting Director, Standard Setting
Ms. Winnie Chan, Associate Director, Standard Setting
Mr. Ben Lo, Associate Director, Standard Setting
Mr. Ambrose Wong, Associate Director, Standard Setting

Apologies for absence were received from Mr. John Chong, Mr. James Fawls and Mr. Davis Yu.

1. **Report on IFRS Advisory Council Meeting on 24 and 25 February 2014**

Action

The Committee received a verbal report from Mr. Roger Best, HKICPA representative on the IFRS Advisory Council, of its February meeting. The major items discussed at the meeting included:

- IFRS/US GAAP convergence;
- International Public Sector Accounting Standards Board Governance Review;
- Leases project – the way forward; and
- Future of corporate reporting

The Committee also discussed the role of judgement in financial reporting, which is one of the topics for discussion at the IFRS Advisory Council Meeting in June. The Committee expressed support for principles-based accounting but it also considered that a clear articulation of the principles is important for consistent application.

2. **Minutes of the 212th meeting**

The Committee approved and the Chairman signed the minutes of the 212th meeting.

3. Revised Terms of Reference and work plan status

The Committee noted and approved the revised Terms of Reference with an additional paragraph setting out its role in the identification of topics for CPD, research or other thought leadership projects.

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The Committee noted progress to date in various standard-setting projects.

4. ASAF Meeting June 2014

The Committee considered the agenda papers of the forthcoming Accounting Standards Advisory Forum (ASAF) meeting to be held on 2 – 3 June 2014. The Committee focused its discussion on the scope of the IASB research project for Business Combinations under Common Control (BCUCC) and the Equity Method of Accounting.

The Committee generally supported a comprehensive review of all transactions under common control as part of the BCUCC project rather than develop a standards-level project that is focused on initial public offerings.

In addition, the Committee considered that it is worthwhile for the IASB to re-consider whether there is still a need for the equity method of accounting for associates after the introduction of the concept of de facto control in IFRS 10.

5. Reports from IFRS working groups

The Committee noted that a joint HKICPA/IASB roundtable on the IASB Request for Information on Post-implementation Review of IFRS 3 was held on 12 May 2014. Participants attended from accounting firms, preparers and users. The Committee received a high level summary of the main concerns expressed by participants at the Roundtable and the comments would be reflected in the HKICPA submission when appropriate.

The Committee also noted that the IASB and the HKICPA would host an outreach roundtable on 29 May 2014 on the Discussion Paper of Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro-Hedging. Representatives from the banking and insurance industries had enrolled for the roundtable.

6. Members' handbook update

The Committee approved the issue of the Hong Kong equivalent of the following amendments with the same effective date and without modification:

- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 & IAS 38 – Clarification of acceptable methods of depreciation and amortisation.

7. **Report from the Working Group on Companies Ordinance application issues on financial reporting**

The Chairman (as Chair of the Working Group) reported progress on various projects undertaken by the Working Group:

- Development of FAQs on financial reporting application issues arising from the new Companies Ordinance
- Proposed withdrawal of AB1 *Disclosure of Loans to Officers*
- Update of AB3 *Guidance on Disclosure of Directors' remuneration*
- Update of AB4 *Guidance on the Determination of Realised Profits and Losses in the Context of Distributions Under the Hong Kong Companies Ordinance*
- Issuance of AB5 *Guidance for the Preparation of a Business Review under the Hong Kong Companies Ordinance Cap. 622*
- Development of new AB6 on publication of financial statements and non statutory accounts under section 436 of the new Companies Ordinance

The Committee also discussed the issue of specifying IFRSs as relevant accounting standards in Hong Kong. A discussion paper would be prepared by the working group for consideration by the FRSC in coming meetings.

In addition, the Chairman expressed concerns on the sufficiency of resources of the Standard Setting Department and encouraged members to provide more support.

There being no further business, the meeting closed at 11:00 a.m.

CATHERINE MORLEY
CHAIR

29 May 2014

Working
Group