



Minutes of the 313th meeting of the Auditing and Assurance Standards Committee held on Tuesday, 16 November 2010 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: Mr. Jack Chow (Chairman)
Mr. Derek Broadley
Mr. Stephen Chan
Ms. Mabel Cheung
Mr. Alun Grassick
Ms. Grace Ma
Mr. Charlix Wong

In attendance: Mr. Steve Ong, Director, Standard Setting
Ms. Selene Ho, Associate Director, Standard Setting
Ms. Phoebe To, Manager, Standard Setting
Mr. Ambrose Wong, Manager, Standard Setting
Ms. Winnie Chan, Manager, Standard Setting

Apologies for absence were received from Mr. Keith Pogson, Mr. Colin Chau and Mr. Paul Phenix.

	<u>Action</u>
<p>2411. <u>Minutes of the 312th Meeting</u></p> <p>The minutes of the 312th meeting were approved by the Committee and signed by the Chairman.</p>	
<p>2412. <u>AASC Work Plan 2010 – Status Report</u></p> <p>The Committee considered the status report of the Work Plan for 2010 and noted the progress made on the various projects.</p>	
<p>2413. <u>IAASB Exposure Draft on proposed ISRS 4410 (Revised) <i>Compilation Engagements</i></u></p> <p>The Committee noted that the above Exposure Draft was issued for comments until 28 February 2011 and the Committee was invited to provide comments to the Standard Setting Department (SSD).</p>	
<p>2414. <u>Audit related implication from the proposed Hong Kong Interpretation (HK Int) 5 <i>Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause</i></u></p> <p>The Committee noted that the FRSC had issued an exposure draft on the proposed HK Int 5. The Committee deliberated on the various issues in relation to the proposed HK Int 5.</p> <p>The Committee also considered whether it would be appropriate for companies to request for "comfort letters" from banks. The SSD agreed to follow up this matter with the Hong Kong Association of Banks (HKAB) and issue the necessary guidance where appropriate.</p>	SSD

[Post Meeting Note: HK Int 5 was released on 29 November 2010 under Members' Handbook Update 98 and is available at:
http://app1.hkicpa.org.hk/ebook/HKSA_Members_Handbook_Master/volume/hk-int5.pdf.

The Standard Setting Department has met with the HKAB and the Institute has issued the Financial Reporting and Auditing Alert Issue 11 which mentioned that " The Institute is bringing this matter to the attention of the market to encourage all borrowers to re-examine the terms of their borrowings and to discuss or negotiate with their lenders to ensure that contract terms reflect the commercial reality of the loans and that financial statement disclosures correctly and consistently reflect the classification of borrowers, as required by HKAS 1. In some cases borrowers may be able to obtain "comfort letters" from their lenders indicating that loans will not be called within the next twelve months.

*The Alert can be assessed at
http://www.hkicpa.org.hk/file/media/section6_standards/technical_resources/pdf-file/financialauditing/2010/raa-11.pdf.]*

There being no further business, the meeting closed at 9:20 a.m.

JACK CHOW
CHAIRMAN

14 December 2010