

# Financial Accounting Standards Committee

## Meeting summary – November 2002

The Society's Financial Accounting Standards Committee (Committee) met on 13 November 2002 and discussed the following items:

- ✓ IASB Exposure Draft ED 2, Share-based Payment
- ✓ Convergence with International Accounting Standards, in particular with IAS 29, Financial Reporting in Hyperinflationary Economies
- ✓ The future look for Hong Kong's accounting standards
- ✓ Proposed meeting dates for 2003

### IASB Exposure Draft, ED 2, Share-based Payment

The Committee noted that the International Accounting Standards Board (IASB) had recently issued an exposure draft, ED 2, Share-based Payment for comment by 7 March 2003. The objective of the IASB's exposure draft is to ensure that an entity recognises all share-based payment transactions in its financial statements, measured at fair value, so as to provide high quality, transparent and comparable information to users of financial statements. The Committee agreed to issue an Invitation to Comment on the IASB's exposure draft with comments requested by 15 February 2003.

The Invitation to Comment and the accompanying IASB's exposure draft will be made available on the HKSA website at [http://www.hksa.org.hk/professionaltechnical/accounting/exposedraft/Invitation\\_ED2.pdf](http://www.hksa.org.hk/professionaltechnical/accounting/exposedraft/Invitation_ED2.pdf)

### Convergence with International Accounting Standards, in particular with IAS 29, Financial Reporting in Hyperinflationary Economies

The Committee discussed in principle the potential amendments necessarily made to existing SSAPs to achieve full convergence with the equivalent IASs, such as:

- ✓ Adopting those IAS provisions that have not yet been adopted in the relevant SSAP, including an option that is currently available under an IAS but not the equivalent SSAP
- ✓ Reversing the changes previously made to a provision in an IAS when adopting it in Hong Kong
- ✓ Removing Hong Kong "home grown" provisions

Given that the final Standard of the IASB improvements exposure draft might have an effect on the changes necessarily made to the existing SSAPs for the purpose of achieving convergence, the Committee agreed to wait for the finalisation of the IASB improvements exposure draft before determining the changes to be proposed under the Hong Kong convergence project. In considering the changes, the Committee however agreed that "home grown" examples should be retained in SSAPs.

The Committee then considered a proposed SSAP based on IAS 29, Financial Reporting in Hyperinflationary Economies, for the purpose of achieving convergence of SSAPs with IAS. The Committee noted that, in particular, IAS 21, The Effects of Changes in Foreign Exchange Rates, includes a number of cross-references to IAS 29.

The Committee agreed to issue an exposure draft of a proposed SSAP based on IAS 29 for a two-month consultation period. This exposure draft takes into account the amendments to IAS 29 proposed on the consequential revision to IAS 21 under the IASB Improvements exposure draft, so that the SSAP, when finalised, will maintain conformity with the IASB's latest standards. The exposure draft will be made available on the HKSA website [http://www.hksa.org.hk/professionaltechnical/accounting/exposedraft/hyperinflation\\_economies.pdf](http://www.hksa.org.hk/professionaltechnical/accounting/exposedraft/hyperinflation_economies.pdf)

### The future look for Hong Kong's accounting standards

In view of the imminent changes to the International Accounting Standards, the Committee tentatively agreed on the following changes concerning the look for Hong Kong's accounting standards in the future:

- ✓ Naming newly promulgated accounting standards, that are based on the equivalent International Financial Reporting Standards (IFRS), "Hong Kong Financial Reporting Standards" (HKFRS)
- ✓ Assigning numbers which correspond with the IFRS numbers to the new HKFRS
- ✓ Publishing future HKFRS with a contents page
- ✓ Including the IFRS references in the HKFRS table of contents
- ✓ Presenting future HKFRS using the font and point size as per IFRS unless HKSA has a policy to standardise font and point size for all its publications
- ✓ Presenting a comparison appendix that identifies all the material textual differences between the HKFRS and the IFRS at the end of each HKFRS as opposed to including a statement of comparison or compliance as a separate paragraph within the standard

- ✓ Presenting the notes on legal requirements as an appendix to each HKFRS
- ✓ Presenting the IASB's Basis of Conclusions of the IFRS as an appendix to each HKFRS
- ✓ Publishing a summary of all differences between HKFRS and IFRS and a summary of Hong Kong legal requirements which affect accounting standards

The Committee also considered that any proposed changes to the Members' Handbook should take into consideration the possible changes resulting from the Society's rebranding.

#### Proposed meeting dates for 2003

The Committee tentatively agreed to hold meetings in 2003 on the following dates:

15 January 2003  
12 February 2003  
12 March 2003  
16 April 2003  
14 May 2003  
11 June 2003  
16 July 2003  
13 August 2003  
10 September 2003  
15 October 2003  
12 November 2003  
10 December 2003

#### Date of Next Meeting

The Committee's next meeting is scheduled to be held on 11 December 2002.

This meeting summary is provided for the information and convenience of those who wish to follow the Committee's deliberations. Except as 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.uk>.

The Committee welcomes comments on its technical agenda. Please e-mail us at [commentletters@hksa.org.hk](mailto:commentletters@hksa.org.hk).